

**TOWN OF ELKTON, VIRGINIA**  
**FINANCIAL AND COMPLIANCE REPORTS**  
**JUNE 30, 2013**

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Town Council  
Town of Elkton  
Elkton, VA 22827

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

**Young, Nicholas, Branner & Phillips, LLP**  
Certified Public Accountants

Located at 1041 South High Street  
Mailing P.O. Box 2187  
Harrisonburg, VA 22801-2187  
(540) 433-2581 • FAX (540) 433-0147

## 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, 2013, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Elkton's basic financial statements. 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 basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2013, on our consideration of the Town of Elkton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Elkton's internal control over financial reporting and compliance.

*Young, Nicholas, Branner & Phillips, LLP*

## 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, 2013. 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 \$7,924,139 at the close of the most recent fiscal year.
- The Town's net position increased as a result of this year's operations. While net position of the business-type activities increased by \$16,632, net position of the governmental activities increased by \$818,227.
- In the Town's business-type activities, operating revenues increased by \$34,527 from the previous year and operating expenses decreased by \$18,694.
- In the Town's governmental activities, operating revenues increased by \$150,251 from the previous year and operating expenses increased by \$42,361.
- Actual revenues were \$176,464 more than budgeted for the General Fund. General Fund expenditures were \$32,089 less than budgeted.
- Operating revenues were \$51,378 more than budgeted for the Electric Fund. Electric Fund operating expenses, excluding depreciation, were \$58,783 more than budgeted.
- Operating revenues were \$60,908 less than budgeted for the Water Fund. Water Fund operating expenses, excluding depreciation, were \$41,089 less than budgeted.
- Operating revenues were \$6,235 less than budgeted for the Sewer Fund. Sewer Fund operating expenses, excluding depreciation, were \$138,450 more than budgeted.
- The Town spent \$398,530 for capital additions during the current fiscal year.
- The Town's long-term debt decreased by \$707,933 during the current fiscal year.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position 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 Position 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 position* and changes in it. You can think of the Town's net position—the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources—as one way to measure the Town's financial health, or *financial position*. Over time, *increases* or *decreases* in the Town's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, 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 Position 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 balances left at year-end that are nonspendable, restricted, committed, assigned, or unassigned. These classifications of fund balance show the nature and extent of constraints placed on the Town's fund balances by law, creditors, Town Council, and the Town's annually adopted budget. Unassigned fund balance is available for spending for any purpose. 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 Position 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 Position 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 Position and a Statement of Changes in Fiduciary Net Position 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 position changed significantly from a year ago - *increasing* from \$7,089,280 to \$7,924,139. During the year, the net position of the governmental activities increased by 14.45 percent and the business-type activities increased by 0.74 percent. Below is a summary of the net position as of June 30, 2013 and 2012.

### NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 2,093,587	\$ 1,869,577	\$ 462,267	\$ 446,687	\$ 2,555,854	\$ 2,316,264
Capital assets	<u>6,924,832</u>	<u>6,873,426</u>	<u>5,586,294</u>	<u>5,753,013</u>	<u>12,511,126</u>	<u>12,626,439</u>
Total assets	<u>\$ 9,018,419</u>	<u>\$ 8,743,003</u>	<u>\$ 6,048,561</u>	<u>\$ 6,199,700</u>	<u>\$ 15,066,980</u>	<u>\$ 14,942,703</u>
Long-term liabilities	\$ 2,801,517	\$ 3,331,971	\$ 3,448,969	\$ 3,626,448	\$ 6,250,486	\$ 6,958,419
Other liabilities	<u>554,610</u>	<u>566,967</u>	<u>337,745</u>	<u>328,037</u>	<u>892,355</u>	<u>895,004</u>
Total liabilities	<u>\$ 3,356,127</u>	<u>\$ 3,898,938</u>	<u>\$ 3,786,714</u>	<u>\$ 3,954,485</u>	<u>\$ 7,142,841</u>	<u>\$ 7,853,423</u>
Net position:						
Net investment in capital assets	\$ 3,495,606	\$ 3,541,455	\$ 2,174,824	\$ 2,174,431	\$ 5,670,430	\$ 5,715,886
Unrestricted	<u>2,166,686</u>	<u>1,302,610</u>	<u>87,023</u>	<u>70,784</u>	<u>2,253,709</u>	<u>1,373,394</u>
Total net position	<u>\$ 5,662,292</u>	<u>\$ 4,844,065</u>	<u>\$ 2,261,847</u>	<u>\$ 2,245,215</u>	<u>\$ 7,924,139</u>	<u>\$ 7,089,280</u>

The largest portion of the Town's net position (71.56 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 position (\$2,253,709) may be used to meet the government's ongoing obligation to citizens and creditors.

The following is a summary of the changes in net position for the governmental and business-type activities for the years ended June 30, 2013 and 2012.

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
Charges for services	\$ 356,525	\$ 344,478	\$ 3,028,735	\$ 2,994,208	\$ 3,385,260	\$ 3,338,686
General property taxes	226,267	223,615	-	-	226,267	223,615
Other local taxes	1,049,738	992,003	-	-	1,049,738	992,003
Intergovernmental	634,255	562,557	-	-	634,255	562,557
Miscellaneous	<u>21,167</u>	<u>15,048</u>	<u>-</u>	<u>-</u>	<u>21,167</u>	<u>15,048</u>
Total revenues	<u>\$ 2,287,952</u>	<u>\$ 2,137,701</u>	<u>\$ 3,028,735</u>	<u>\$ 2,994,208</u>	<u>\$ 5,316,687</u>	<u>\$ 5,131,909</u>

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Program expenses</b>						
General government	\$ 679,307	\$ 673,425	\$ -	\$ -	\$ 679,307	\$ 673,425
Public safety	501,049	466,590	-	-	501,049	466,590
Public works	435,273	434,729	-	-	435,273	434,729
Cultural and recreation	323,365	320,944	-	-	323,365	320,944
Community development	15,161	16,106	-	-	15,161	16,106
Electric	-	-	1,747,925	1,800,940	1,747,925	1,800,940
Water	-	-	255,581	312,970	255,581	312,970
Sewer	-	-	651,161	559,451	651,161	559,451
Total expenses	<u>\$ 1,954,155</u>	<u>\$ 1,911,794</u>	<u>\$ 2,654,667</u>	<u>\$ 2,673,361</u>	<u>\$ 4,608,822</u>	<u>\$ 4,585,155</u>
Operating income	<u>\$ 333,797</u>	<u>\$ 225,907</u>	<u>\$ 374,068</u>	<u>\$ 320,847</u>	<u>\$ 707,865</u>	<u>\$ 546,754</u>
<b>Nonoperating</b>						
Interest income	\$ 7,125	\$ 11,817	\$ -	\$ -	\$ 7,125	\$ 11,817
Increase (decrease) in investments	(2,212)	(868)	-	-	(2,212)	(868)
Gain (loss) on disposal of assets	(2,744)	(735)	1,862	-	(882)	(735)
Interest expense	(103,502)	(126,959)	(60,830)	(65,386)	(164,332)	(192,345)
Total nonoperating	<u>\$ (101,333)</u>	<u>\$ (116,745)</u>	<u>\$ (58,968)</u>	<u>\$ (65,386)</u>	<u>\$ (160,301)</u>	<u>\$ (182,131)</u>
Income before contributions, extraordinary item, and transfers	<u>\$ 232,464</u>	<u>\$ 109,162</u>	<u>\$ 315,100</u>	<u>\$ 255,461</u>	<u>\$ 547,564</u>	<u>\$ 364,623</u>
<b>Capital contributions, extraordinary item, and transfers</b>						
Extraordinary item: forgiveness of debt	\$ 277,295	\$ -	\$ -	\$ -	\$ 277,295	\$ -
Grants	-	-	10,000	39,357	10,000	39,357
Transfers	308,468	245,479	(308,468)	(245,479)	-	-
Total contributions, extraordinary item, and transfers	<u>\$ 585,763</u>	<u>\$ 245,479</u>	<u>\$ (298,468)</u>	<u>\$ (206,122)</u>	<u>\$ 287,295</u>	<u>\$ 39,357</u>
<b>Change in net position</b>	<u>\$ 818,227</u>	<u>\$ 354,641</u>	<u>\$ 16,632</u>	<u>\$ 49,339</u>	<u>\$ 834,859</u>	<u>\$ 403,980</u>

The Town's total revenues increased by \$184,778 (3.48 percent), while the total cost of all programs and services increased by \$23,667 (0.51 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 increased by \$150,251 (7.04 percent) while operating expenses increased by \$42,361 (2.17 percent). The factors driving these results include:

#### Revenues

- *Other local taxes* overall increased by \$57,735. This increase was due primarily to new restaurants and businesses that opened during the fiscal year, along with an improved economy. Overall restaurant sales contributed to the increase in collections of meals taxes by approximately \$41,000. Cigarette tax revenue increased by \$54,000, because the cigarette tax rate doubled from \$0.10 to \$0.20. Sales tax was down approximately \$14,000, because of a reduced local portion resulting from the Commonwealth's keeping an increased amount. Additionally, bank stock taxes decreased by \$26,087. This is attributable to a significant drop in the deposits held by a local bank.

- *Charges for services* increased by \$12,047. Charges for recreation increased by approximately \$16,000 due to the expanded gymnastics program. Charges for public works decreased by approximately \$5,000, because less revenue was collected for permits, and there was less demand for mowing and brush grinding.
- *Intergovernmental revenue* increased by \$71,698. This increase was due to the additional federal and state grant funds received by the Town in the current year. The Town received two USDA Rural Development grants: one for \$25,000 to purchase a trash truck and one for \$8,350 to purchase a police vehicle. The Town also received an energy efficiency grant in the amount of \$14,110, from the American Reinvestment and Recovery Act which was used to replace lights at the Town Hall. Finally, the Town received both the Fire program grants for fiscal years 2013 and 2012 in the current year, totaling \$16,000.

### Expenses

- *General government administration* increased by \$5,882. Computer support increased by approximately \$10,000 due to the updating and publishing of codifications. This update was necessary because the codifications had not been updated in the books or online for several years.
- *Public safety* increased by \$34,459. Salaries increased by approximately \$12,000 due to the hiring of an additional officer in this fiscal year. Supplies also increased by approximately \$3,000 due to the rising cost of materials and the need for additional materials due to the increased work load. Fire program funds for the Fire Department donation increased by \$16,000, \$8,000 each for the current and prior year. The donation for fiscal year 2012 was not received before the end of the previous fiscal year and had to be disbursed in fiscal year 2013.

Another significant difference for governmental activities from the previous year was the forgiveness of debt on the Kite Charitable Remainder Trust. Ms. Kite passed away on September 19, 2012, releasing the Town from having to repay the balance of the loan, \$277,295.

A final significant difference for governmental activities from the previous year was the reimbursement of debt from the Cemetery Fund for the past two years. The original agreement was that the General Fund would pay for the operating expenses incurred for the cemetery, and the Cemetery Fund would reimburse the general government the following fiscal year for the expenses paid. In fiscal year 2012, there was no reimbursement from the Cemetery Fund for expenses for the 2011 fiscal year. In fiscal year 2013, there was a reimbursement amount of \$61,974 for expenditures incurred in 2011 and 2012.

### **Business-Type Activities**

Operating revenues for the Town's business-type activities increased by \$34,527 (1.15 percent) and operating expenses decreased by \$18,694 (5.83 percent). The factors driving these results include:

### Revenues

- *Electric revenues* increased overall by \$43,341. The most significant increase was in charges for services of approximately \$46,000. The increase was attributable to the increase in electric rates by 8.5 percent. Additionally, the Town approved several electric connections in the prior year which increased the overall consumption in the current year.

- *Water revenues* decreased overall by \$16,361. The Town increased rates by three percent leading to an increase in charges for services of approximately \$10,000. However, connection fees were reduced by \$19,200 due to less demand for new connections. In addition, water hauler revenue decreased by approximately \$6,000 this fiscal year. The Town experienced several periods of increased precipitation that led to a decreased demand for the water hauler service.
- *Sewer revenues* increased overall by \$7,546. The Town increased rates by three percent leading to an increase of approximately \$30,000 in charges for services. However, the connection fee revenue decreased by approximately \$23,000 in response to less demand for new connections.

#### Expenses

- *Electric expenses* decreased overall by \$53,015. The biggest reason behind this change was a decrease in electric power purchased. Due to the mild winter months, particularly between November and February, the cost of power purchased dropped significantly. The decrease of power purchased in those particular months accounted for approximately \$40,000 of the difference in cost between this year and the prior year. The total cost of power purchased decreased approximately \$57,000 from fiscal year 2012 to fiscal year 2013.
- *Water expenses* decreased overall by \$57,389. Salaries decreased by \$35,726 as a result of Inboden Environmental Services, Inc.'s assuming the contract at the wastewater treatment plant in September, 2012. When Inboden Environmental Services, Inc. began operating the wastewater treatment plant, the Town terminated workers whose salary costs were allocated evenly between the Water and Sewer Fund. Since the workers were terminated, the employee benefits were reduced as well. Professional services also decreased by \$17,000, because expenses previously reported in the Water Fund are now included in the contract to operate the wastewater treatment plant.
- *Sewer expenses* increased overall by \$91,710. The primary reason for this increase was due to the hiring of Inboden Environmental Services, Inc. to run the wastewater treatment plant starting in September, 2012. This caused contracted labor to increase by \$202,000. In conjunction with this increase in contracted labor, there was a decrease in salaries in the Sewer Fund of approximately \$83,000, because the Town terminated full-time employees at the wastewater treatment plant. There was also a decrease in professional services of approximately \$19,000, because all of Inboden Environmental Services, Inc.'s charges and fees were reclassified as contracted labor.

#### **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 \$1,587,453, which is an increase of \$238,994 over last year's total of \$1,348,459.

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 \$263,465 on capital additions (see page 57), a decrease of \$42,551 over the prior year.

As the Town completed the year, its proprietary funds (as presented in the statements of net position on page 19) reported net position of \$2,261,847, which is an increase of \$16,632 over last year's total of \$2,245,215. Significant changes in the change in net position 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 result to the Town's final budget are summarized below.

<u>Account</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>	
Personal property taxes and motor vehicle licenses	\$ 15,457
Real estate taxes	12,568
Bank stock	(26,369)
Meals	60,636
Interest on bank deposits	7,125
Permits	(11,450)
Charges for recreation	23,281
Street and highway maintenance	7,739
Fire program grant	16,000
USDA grant - trash truck	25,000
USDA grant - police vehicle	8,350
Energy efficiency grant	14,110
<b>Expenditures</b>	
<i>General Government Administration</i>	
Professional services	\$ 7,495
Capital outlays	(19,328)
<i>Public Safety</i>	
Salaries and wages	(12,439)
Fire program funds	(16,000)
Vehicle maintenance	4,850
<i>Public Works - Maintenance and Streets</i>	
Salaries and wages	(26,695)
Capital outlays	55,690
Vehicle maintenance	11,127
<i>Public Works - Sanitation</i>	
Landfill fees	(12,242)
Trash removal	(54,044)
<i>Cultural &amp; Recreation - Community Center</i>	
Repairs and maintenance	(12,940)
Small equipment	3,789
<i>Cultural &amp; Recreation - Recreation</i>	
Salaries and wages	(10,284)
Capital outlays	43,189
<i>Debt Service</i>	17,858

The total net revenues of personal property taxes and motor vehicle license fees exceeded expectations. Revenue from real estate taxes was slightly better than budgeted. Actual revenue from meals taxes exceeded budget as the Town's eating establishments, both new and old, had increased sales. The Town budgeted bank stock revenue based on revenues received in previous years; however, actual revenues did not meet expectations. This is attributable to a significant decline in the amount of deposits held by a local bank. Interest revenues are budgeted each year at a low amount due to uncertainty in economic environments, banking institutions, and need for cash by the Town. The permit revenue budget included \$10,000 for right of way use fee. The Town did not collect any revenue for the right of way use resulting in total permit revenue's falling below expectation. Charges for recreation were budgeted to increase by 43 percent, and actual revenues exceeded expectations due to the expanded gymnastics program. The budget for street and highway maintenance was based on last year's revenue. The actual revenue received for street and highway maintenance exceeded what was anticipated due to the amount of work that needed to be done. The fire program grant exceeded the budgeted amount by \$16,000 because the Town received two years appropriations in the current year. Grant revenue surpassed the budgeted amount by \$47,460 because the Town received more grant money than expected.

The Town increased the capital outlay budget for general government administration in response to last year's actual capital outlay expenditure; however, the Town still had more capital outlay than originally anticipated. The increase in capital outlay was due to the need for new updated technology. The cost of legal and professional services was less than normal due to the transition to a new Town attorney. In public safety, the budget had a three percent increase in salaries and wages, reflecting the addition of new officers and the previous year's actual expenditure. The actual cost of the salary and wages, as well as employee benefits, increased above budgeted amounts due to the increased workload of the police force. The Town had a fire program fund expenditure of \$16,000 that went toward the Fire Department donation. The Town received two years appropriations in the current year. Public safety also budgeted for a 27 percent increase in vehicle maintenance; however, the expenditures did not meet what was originally anticipated because the police department has newer, more reliable cars that require less maintenance. In maintenance and streets, salaries and wages were more than expected due to the additional labor for the implementation of trash collection as well as for various street paving projects. The Town budget included a 40 percent increase in public works capital outlays; however, the actual costs of the paving projects were more in line with last year's budgeted amount. In sanitation, nothing was budgeted for trash removal, while landfill fees were expected to increase by 67 percent. Expenditures exceeded expectations because more trash and bulk items were being collected by the Town. In cultural and recreation, the Town budgeted repairs and maintenance expenses and small equipment purchases according to budgeted expenditures last fiscal year. Actual expenditures exceeded budget for repairs and maintenance and were less than budget for small equipment purchases. Cultural and recreational salaries also exceeded the budgeted amount due to the expansion of the gymnastic program. Additionally, the Town budgeted amounts for recreation capital outlays that were not expended in the current fiscal year. In debt service, actual expenditures were approximately \$17,900 less than budgeted.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2013, the Town had 12.5 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 \$115,313 or .91 percent, over last year.

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Land	\$ 2,392,366	\$ 2,383,856	\$ 41,056	\$ 41,056	\$ 2,433,422	\$ 2,424,912
Buildings	2,813,726	2,864,419	-	-	2,813,726	2,864,419
Equipment	571,731	629,722	347,730	365,634	919,461	995,356
Infrastructure	1,147,009	995,429	-	-	1,147,009	995,429
Utility system	-	-	5,197,508	5,346,323	5,197,508	5,346,323
Totals	<u>\$ 6,924,832</u>	<u>\$ 6,873,426</u>	<u>\$ 5,586,294</u>	<u>\$ 5,753,013</u>	<u>\$ 12,511,126</u>	<u>\$ 12,626,439</u>

This year's major additions included:

Street paving projects	\$ 181,315
F Street, sewer line rehabilitation	57,935
Trailer jet pipehunter	53,365
	<u>\$ 292,615</u>

### Debt

At year-end, the Town had \$6,250,486 in outstanding loans compared to \$6,958,419 last year. This is a decrease of 10.2 percent as shown in the following tables.

#### Governmental-Type Activities

	Outstanding June 30,	
	2013	2012
General Obligation Bonds, United Bank	\$ 500,000	\$ 550,000
General Obligation Bonds, Farmers and Merchants	500,000	550,000
Kite Charitable Remainder Trust	-	282,824
Farmers and Merchants (Community Center)	1,325,159	1,392,383
Joseph H. Kite, Jr. (Land, Spotswood Trail)	476,358	556,764
	<u>\$ 2,801,517</u>	<u>\$ 3,331,971</u>

#### Business-Type Activities

	Outstanding June 30,	
	2013	2012
Sewer loan payable	\$ 113,754	\$ 125,423
Virginia Resources Authority loan payable	2,151,800	2,271,344
Virginia Municipal League (Pentecostal Hill project)	1,175,000	1,205,000
Belt press loan payable	8,415	24,681
	<u>\$ 3,448,969</u>	<u>\$ 3,626,448</u>

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

In the budget for FY 2013-2014, operating revenues are projected at \$5,203,927, which is an increase of \$2,900 or 0.06 percent over the FY 2012-2013 budget. In the budget for FY 2013-2014, expenditures are projected at \$5,203,927, which is an increase of \$2,900 or 0.06 percent over the FY 2012-2013 budget. The budgeted revenues are to remain fairly steady in the upcoming year and only change slightly in comparison to last year's budget. The slight increase in budgeted revenues for the upcoming year is due primarily to an increase in the taxes collected by the Town. Due in part to the expected economic improvement, meals tax revenue is expected to increase by approximately five percent and personal property tax revenue is expected to increase by approximately 15 percent. As work continues on repairing the Town's streets, the highway maintenance and upkeep funds provided by the Commonwealth of Virginia are expected to increase by approximately two percent. This is an insignificant increase in comparison to last year, because the repairing of the Town's streets is expected to slow down in the upcoming year. Electric, water, and sewer revenues remain fairly consistent with a slight decrease in water revenues of approximately 12 percent.

The budgeted expenses also remain fairly steady in the upcoming year in both the General Fund and the Utility Funds in response to the slight increase in budgeted revenues. In the General Fund, the sanitation department increased its budget by approximately 30 percent in order to pay for the expenses associated with recycling services for the Town's citizens. The Community Center had its budget increased by approximately seven percent due to high demand for services. With the increase in budgeted expenses came a decrease of 21 percent in the Water Fund. The Water Fund's budget was decreased primarily due to the fact that the Fund is expected to spend less on capital projects in the upcoming year.

In the 2014 fiscal year, the Town chose not to budget for transfers between the various funds. In analyzing the budget, transfers are expected. Money will be needed in the General Fund, which will be transferred from the Electric, Water and Sewer Funds. This money will be transferred as needed to pay bills.

The Town has decided to continue the trend of raising water, sewer, and trash collection rates in order to avoid one-time large increases in the future that could devastate many of the fixed-income citizens residing within the Town. These increases help to fund the increased debt service costs from the wastewater treatment plant upgrades, as well as other capital projects initiated by the Town. One such undertaking, the paving project, will continue to help fix many of the areas in the Town's roads and sidewalks that have become in disrepair. The Town also 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 added a separate line item specifically for infiltration and inflow work being done throughout the Town. The infiltration and inflow plan is currently on its third year of the five-year plan enacted by a DEQ consent order.

In addition, some changes are being made in the public works department. All public works employees are now required to have their commercial driver's license (CDL) and are expected to sit for the test within the next six months. In addition, only one public works' employee will be allowed to take the Town truck to the job site unless there is a specific need for more than one person to fill the work order. Timothy Turner, head of the public works department, will now be in charge of all work orders and will ensure that work orders are assigned and properly performed in a timely manner. Since Inboden Environmental Services, Inc. has assumed the contract for the wastewater treatment plant, the overall operating efficiency of the plant has increased. The Town is currently advertising for its vacated Town Manager position.

## **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 POSITION**  
**June 30, 2013**

	----- Primary Government -----		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,599,169	\$ -	\$ 1,599,169
Receivables, net of allowances for uncollectible amounts:			
Property taxes	308,050	-	308,050
Accounts and other	17,752	240,579	258,331
Due from other governmental units and businesses	123,118	-	123,118
Due from fiduciary fund	31,708	-	31,708
Inventories	7,996	169,468	177,464
Prepaid expenses	5,794	6,393	12,187
Unamortized bond discount	-	45,828	45,828
Capital assets:			
Non-depreciable	2,392,366	41,056	2,433,422
Depreciable, net of accumulated depreciation	<u>4,532,466</u>	<u>5,545,237</u>	<u>10,077,703</u>
<b>Total assets</b>	<b>\$ 9,018,419</b>	<b>\$ 6,048,561</b>	<b>\$ 15,066,980</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 126,935	\$ 160,881	\$ 287,816
Accrued liabilities	61,970	10,774	72,744
Accrued compensated absences	105,756	34,626	140,382
Accrued interest payable	23,641	22,726	46,367
Customer deposits	-	100,410	100,410
Deferred revenues	236,308	8,328	244,636
Long term liabilities:			
Due within one year	251,314	172,889	424,203
Due in more than one year	<u>2,550,203</u>	<u>3,276,080</u>	<u>5,826,283</u>
<b>Total liabilities</b>	<b>\$ 3,356,127</b>	<b>\$ 3,786,714</b>	<b>\$ 7,142,841</b>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 3,495,606	\$ 2,174,824	\$ 5,670,430
Unrestricted	<u>2,166,686</u>	<u>87,023</u>	<u>2,253,709</u>
<b>Total net position</b>	<b>\$ 5,662,292</b>	<b>\$ 2,261,847</b>	<b>\$ 7,924,139</b>

See Notes to Financial Statements.

**Net (Expense) Revenue and Changes in Net Position**

----- Primary Government -----		
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (665,197)	\$ -	\$ (665,197)
(413,516)	-	(413,516)
180,377	-	180,377
(76,462)	-	(76,462)
(15,161)	-	(15,161)
<u>(103,502)</u>	<u>-</u>	<u>(103,502)</u>
\$ <u>(1,093,461)</u>	\$ <u>-</u>	\$ <u>(1,093,461)</u>
\$ -	\$ 266,453	\$ 266,453
-	116,973	116,973
<u>-</u>	<u>(60,188)</u>	<u>(60,188)</u>
\$ <u>-</u>	\$ <u>323,238</u>	\$ <u>323,238</u>
\$ <u>(1,093,461)</u>	\$ <u>323,238</u>	\$ <u>(770,223)</u>
\$ 226,267	\$ -	\$ 226,267
1,049,738	-	1,049,738
7,333	-	7,333
31,978	-	31,978
(2,744)	1,862	(882)
13,353	-	13,353
277,295	-	277,295
<u>308,468</u>	<u>(308,468)</u>	<u>-</u>
\$ <u>1,911,688</u>	\$ <u>(306,606)</u>	\$ <u>1,605,082</u>
\$ 818,227	\$ 16,632	\$ 834,859
<u>4,844,065</u>	<u>2,245,215</u>	<u>7,089,280</u>
\$ <u>5,662,292</u>	\$ <u>2,261,847</u>	\$ <u>7,924,139</u>

## **Fund Financial Statements**

## TOWN OF ELKTON, VIRGINIA

## ----GOVERNMENTAL FUND----

## BALANCE SHEET

June 30, 2013

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,599,169
Receivables (net of allowance for uncollectibles):	
Property taxes	308,050
Accounts	16,677
Accrued interest	1,075
Due from other governmental units and businesses	123,118
Due from other funds	31,708
Inventory	7,996
Prepaid expenses	<u>5,794</u>
<b>Total assets</b>	<u>\$ 2,093,587</u>
 <b>LIABILITIES AND FUND BALANCE</b>	
<b>Liabilities</b>	
Accounts payable	\$ 126,935
Accrued liabilities	71,378
Deferred revenue	<u>307,821</u>
<b>Total liabilities</b>	<u>\$ 506,134</u>
 <b>Fund Balance</b>	
Nonspendable:	
Prepaid expenses	\$ 5,794
Inventory	7,996
Park Authority notes receivable	50,425
Assigned to:	
Kings Dominion and Busch Garden tickets	15,064
Recreation donations	13,355
HEC holding	180,870
Community Center	20,268
Unassigned	<u>1,293,681</u>
<b>Total fund balance</b>	<u>\$ 1,587,453</u>
<b>Total liabilities and fund balance</b>	<u>\$ 2,093,587</u>

See Notes to Financial Statements.

**TOWN OF ELKTON, VIRGINIA**  
**---GOVERNMENTAL FUND---**  
**RECONCILIATION OF THE BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2013**

**FUND BALANCE-TOTAL GOVERNMENTAL FUND** \$ 1,587,453

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

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

Governmental capital assets	\$ 8,638,598	
Less accumulated depreciation	<u>(1,713,766)</u>	6,924,832

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

Deferred revenues	\$ <u>71,513</u>	71,513
-------------------	------------------	--------

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	\$ (1,000,000)	
Notes payable	(1,801,517)	
Accrued interest payable	(23,641)	
Compensated absences	<u>(96,348)</u>	<u>(2,921,506)</u>

**NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ 5,662,292**

See Notes to Financial Statements.

**TOWN OF ELKTON, VIRGINIA**  
**---GOVERNMENTAL FUND---**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**Year Ended June 30, 2013**

	<u>General Fund</u>
<b>REVENUES</b>	
General property taxes	\$ 230,211
Other local taxes	1,040,059
Permits, privilege fees, and regulatory licenses	2,050
Fines and forfeitures	13,605
Revenue from the use of money and property	10,194
Charges for services	340,870
Miscellaneous	18,747
Intergovernmental revenues:	
County	66,500
Commonwealth	519,245
Federal	48,510
Total revenues	<u>\$ 2,289,991</u>
<b>EXPENDITURES</b>	
General government administration	\$ 625,827
Public safety	492,515
Public works	575,917
Cultural and recreation	291,262
Community development	15,160
Debt service	358,784
Total expenditures	<u>\$ 2,359,465</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (69,474)</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Transfers in (out):	
Electric fund	\$ 305,800
Water fund	162,393
Sewer fund	<u>(159,725)</u>
Total other financing sources (uses)	<u>\$ 308,468</u>
Net change in fund balance	\$ 238,994
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>1,348,459</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ 1,587,453</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, 2013**

**NET CHANGE IN FUND BALANCE-TOTAL GOVERNMENTAL FUND** \$ 238,994

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	\$ 263,465	
Unrecovered costs of disposed assets	(5,607)	
Less current year depreciation	<u>(206,454)</u>	51,404

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.

Property taxes	\$ (3,944)	
Vehicle license fees	<u>9,679</u>	5,735

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	\$ 2,123	
Change in long-term compensated absences	<u>(10,483)</u>	(8,360)

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

Extraordinary item - forgiveness of debt	\$ 277,295	
Principal repayments	<u>253,159</u>	<u>530,454</u>

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** \$ 818,227

See Notes to Financial Statements.

**TOWN OF ELKTON, VIRGINIA**  
**---- PROPRIETARY FUNDS ----**  
**STATEMENTS OF NET POSITION**  
**June 30, 2013**

	----- Enterprise Funds -----			Total
	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Enterprise</u> <u>Funds</u>
<b>ASSETS</b>				
Current assets:				
Accounts receivable, less allowance for doubtful accounts of \$41,363, \$1,011, and \$7,797, respectively	\$ 164,056	\$ 25,080	\$ 51,443	\$ 240,579
Inventories	151,638	12,937	4,893	169,468
Prepaid expenses	2,610	1,377	2,406	6,393
Total current assets	<u>\$ 318,304</u>	<u>\$ 39,394</u>	<u>\$ 58,742</u>	<u>\$ 416,440</u>
Noncurrent assets:				
Unamortized bond discount	\$ -	\$ 22,914	\$ 22,914	\$ 45,828
Capital assets:				
Land	-	41,056	-	41,056
Utility plants, distribution and collection systems	388,531	2,665,026	5,213,041	8,266,598
Equipment	480,064	104,014	152,464	736,542
Less accumulated depreciation	<u>(536,717)</u>	<u>(1,195,000)</u>	<u>(1,726,186)</u>	<u>(3,457,903)</u>
Total noncurrent assets	<u>\$ 331,878</u>	<u>\$ 1,638,010</u>	<u>\$ 3,662,233</u>	<u>\$ 5,632,121</u>
<b>Total assets</b>	<u>\$ 650,182</u>	<u>\$ 1,677,404</u>	<u>\$ 3,720,975</u>	<u>\$ 6,048,561</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 121,788	\$ 4,890	\$ 34,203	\$ 160,881
Accrued payroll	3,735	3,394	3,645	10,774
Accrued interest payable	-	11,166	11,560	22,726
Compensated absences	14,794	9,916	9,916	34,626
Deposits	100,410	-	-	100,410
Bonds, notes and loans payable	-	15,000	157,889	172,889
Total current liabilities	<u>\$ 240,727</u>	<u>\$ 44,366</u>	<u>\$ 217,213</u>	<u>\$ 502,306</u>
Noncurrent liabilities:				
Unamortized bond premium	\$ -	\$ 4,164	\$ 4,164	\$ 8,328
Bonds, notes and loans payable	-	572,500	2,703,580	3,276,080
Total noncurrent liabilities	<u>\$ -</u>	<u>\$ 576,664</u>	<u>\$ 2,707,744</u>	<u>\$ 3,284,408</u>
<b>Total liabilities</b>	<u>\$ 240,727</u>	<u>\$ 621,030</u>	<u>\$ 2,924,957</u>	<u>\$ 3,786,714</u>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 331,878	\$ 1,046,346	\$ 796,600	\$ 2,174,824
Unrestricted	<u>77,577</u>	<u>10,028</u>	<u>(582)</u>	<u>87,023</u>
<b>Total net position</b>	<u>\$ 409,455</u>	<u>\$ 1,056,374</u>	<u>\$ 796,018</u>	<u>\$ 2,261,847</u>

See Notes to Financial Statements.

## TOWN OF ELKTON, VIRGINIA

---PROPRIETARY FUNDS---  
**STATEMENTS OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION**  
Year Ended June 30, 2013

	----- Enterprise Funds -----			Total Enterprise Funds
	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 1,946,513	\$ 330,277	\$ 588,720	\$ 2,865,510
Connection fees	5,200	24,000	26,045	55,245
Local consumption tax	6,233	-	-	6,233
Reconnect fees	5,723	3,713	-	9,436
Service charges	6,710	1,440	-	8,150
Late charges and interest	43,999	-	-	43,999
Water haulers	-	40,162	-	40,162
Total operating revenues	<u>\$ 2,014,378</u>	<u>\$ 399,592</u>	<u>\$ 614,765</u>	<u>\$ 3,028,735</u>
<b>OPERATING EXPENSES</b>				
Salaries and wages	\$ 80,804	\$ 85,509	\$ 98,252	\$ 264,565
Contract labor	-	625	202,210	202,835
Employee benefits	20,902	17,963	37,782	76,647
Payroll taxes	5,998	5,993	7,445	19,436
Electric power	1,558,941	-	-	1,558,941
Insurance	-	-	2,113	2,113
Landfill	-	-	30,559	30,559
Equipment rental	-	711	-	711
Telephone and internet	959	1,479	2,833	5,271
Supplies	16,311	25,917	61,351	103,579
Repairs and maintenance	1,532	14,408	8,219	24,159
Vehicle maintenance and generator fuel	7,413	3,108	9,722	20,243
Advertising	29	68	165	262
Miss Utility	44	167	72	283
Professional services	5,293	6,236	7,200	18,729
Dues	603	3,917	8,209	12,729
Uniforms	229	313	-	542
Utilities	-	16,541	-	16,541
Postage	-	788	50	838
Bond issuance costs	-	1,018	1,018	2,036
Depreciation	48,867	70,820	173,961	293,648
Total operating expenses	<u>\$ 1,747,925</u>	<u>\$ 255,581</u>	<u>\$ 651,161</u>	<u>\$ 2,654,667</u>
Operating income (loss)	<u>\$ 266,453</u>	<u>\$ 144,011</u>	<u>\$ (36,396)</u>	<u>\$ 374,068</u>
<b>NONOPERATING REVENUE (EXPENSE)</b>				
Gain on disposal of property and equipment	\$ -	\$ -	\$ 1,862	\$ 1,862
Interest expense	-	(27,038)	(33,792)	(60,830)
	<u>\$ -</u>	<u>\$ (27,038)</u>	<u>\$ (31,930)</u>	<u>\$ (58,968)</u>
Income (loss) before contribution and transfers	<u>\$ 266,453</u>	<u>\$ 116,973</u>	<u>\$ (68,326)</u>	<u>\$ 315,100</u>

(Continued)

## TOWN OF ELKTON, VIRGINIA

---PROPRIETARY FUNDS---  
**STATEMENTS OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION**  
Year Ended June 30, 2013

	----- Enterprise Funds -----			<b>Total Enterprise Funds</b>
	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	
<b>CAPITAL CONTRIBUTION AND TRANSFERS</b>				
Capital contribution, wastewater grant	\$ -	\$ -	\$ 10,000	\$ 10,000
Transfers in	-	-	159,725	159,725
Transfers out	<u>(305,800)</u>	<u>(162,393)</u>	<u>-</u>	<u>(468,193)</u>
Total contribution and transfers	<u>\$ (305,800)</u>	<u>\$ (162,393)</u>	<u>\$ 169,725</u>	<u>\$ (298,468)</u>
 Change in net position	 \$ (39,347)	 \$ (45,420)	 \$ 101,399	 \$ 16,632
 <b>NET POSITION AT BEGINNING OF YEAR</b>	 <u>448,802</u>	 <u>1,101,794</u>	 <u>694,619</u>	 <u>2,245,215</u>
 <b>NET POSITION AT END OF YEAR</b>	 <u>\$ 409,455</u>	 <u>\$ 1,056,374</u>	 <u>\$ 796,018</u>	 <u>\$ 2,261,847</u>

See Notes to Financial Statements.

**TOWN OF ELKTON, VIRGINIA**  
**---PROPRIETARY FUNDS---**  
**STATEMENTS OF CASH FLOWS**  
**Year Ended June 30, 2013**

	----- Enterprise Funds -----			<u>Total Enterprise Funds</u>
	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 1,996,872	\$ 399,305	\$ 612,174	\$ 3,008,351
Cash payments to suppliers of goods and services	(1,610,268)	(108,936)	(361,838)	(2,081,042)
Cash payments to employees	<u>(80,804)</u>	<u>(85,509)</u>	<u>(98,252)</u>	<u>(264,565)</u>
Net cash provided by (used in) operating activities	<u>\$ 305,800</u>	<u>\$ 204,860</u>	<u>\$ 152,084</u>	<u>\$ 662,744</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Operating transfers in from other funds	\$ -	\$ -	\$ 159,725	\$ 159,725
Operating transfers out to other funds	<u>(305,800)</u>	<u>(162,393)</u>	<u>-</u>	<u>(468,193)</u>
Net cash provided by (used in) noncapital financing activities	<u>\$ (305,800)</u>	<u>\$ (162,393)</u>	<u>\$ 159,725</u>	<u>\$ (308,468)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from grant	\$ -	\$ -	\$ 10,000	\$ 10,000
Acquisition and construction of capital assets	-	-	(135,064)	(135,064)
Principal paid on bond and loans	-	(15,000)	(162,480)	(177,480)
Interest paid	-	(27,467)	(34,265)	(61,732)
Proceeds from sale of equipment	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>
Net cash provided by (used in) capital and related financing activities	<u>\$ -</u>	<u>\$ (42,467)</u>	<u>\$ (311,809)</u>	<u>\$ (354,276)</u>
Net increase (decrease) in cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
<b>Cash and cash equivalents:</b>				
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, 2013

	----- Enterprise Funds -----			<b>Total Enterprise Funds</b>
	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 266,453	\$ 144,011	\$ (36,396)	\$ 374,068
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Bond issuance costs	-	1,018	1,018	2,036
Depreciation	48,867	70,820	173,961	293,648
Change in assets and liabilities:				
(Increase) decrease in inventories	5,779	(2,024)	75	3,830
(Increase) decrease in accounts receivable	(17,506)	(287)	(2,591)	(20,384)
(Increase) decrease in prepaid expenses	607	(1,377)	(293)	(1,063)
Increase (decrease) in accounts payable and accrued expenses	(5,360)	(7,301)	16,310	3,649
Increase (decrease) in deposits	<u>6,960</u>	<u>-</u>	<u>-</u>	<u>6,960</u>
Net cash provided by (used in) operating activities	<u>\$ 305,800</u>	<u>\$ 204,860</u>	<u>\$ 152,084</u>	<u>\$ 662,744</u>

See Notes to Financial Statements.

TOWN OF ELKTON, VIRGINIA  
 ----FIDUCIARY FUND----  
 STATEMENT OF FIDUCIARY NET POSITION  
 June 30, 2013

	<u>Cemetery Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 136,609
Receivables:	
Accrued interest	52
Land	381,577
Buildings	2,052
Infrastructure	177,720
Equipment	20,569
Less accumulated depreciation	<u>(75,417)</u>
<b>Total assets</b>	<b>\$ <u>643,162</u></b>
<b>LIABILITIES</b>	
Accounts payable	\$ 103
Accrued liabilities	3,968
Due to other funds	<u>31,708</u>
<b>Total liabilities</b>	<b>\$ <u>35,779</u></b>
<b>NET POSITION</b>	<b>\$ <u>607,383</u></b>

See Notes to Financial Statements.

## TOWN OF ELKTON, VIRGINIA

## ----FIDUCIARY FUND----

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
Year Ended June 30, 2013

	<u>Cemetery Fund</u>
<b>ADDITIONS</b>	
Sale of lots	\$ 13,200
Interest income	2,652
Grave digging revenue	16,650
Gain on sale of equipment	650
Total additions	<u>\$ 33,152</u>
<b>DEDUCTIONS</b>	
Salaries and wages	\$ 29,555
Employee benefits	4,265
Supplies	9,776
Depreciation	8,427
Payroll taxes	2,214
Other deductions	2,742
Total deductions	<u>\$ 56,979</u>
Change in net position	\$ (23,827)
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>631,210</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 607,383</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 Position 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 Position 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 Position. The Statement of Activities presents changes in net position. 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.

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 position and changes in net position 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.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, 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 Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. 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.

## NOTES TO FINANCIAL STATEMENTS

**Note 1. Summary of Significant Accounting Policies (Continued)**

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 Equity**Cash 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.

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.

## NOTES TO FINANCIAL STATEMENTS

## Note 1. Summary of Significant Accounting Policies (Continued)

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, 2013, includes amounts not yet billed or received from the January 1, 2013, levy (due December 5, 2013). These items are included in deferred revenue since these taxes are restricted for use until fiscal year 2014.

The Town calculates its allowance for uncollectible delinquent property tax accounts using historical collection data and specific account analysis. The allowance at June 30, 2013, amounted to \$30,312.

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 Position.

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.

## NOTES TO FINANCIAL STATEMENTS

**Note 1. Summary of Significant Accounting Policies (Continued)**

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 Position. 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.

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.

## NOTES TO FINANCIAL STATEMENTS

### Note 1. Summary of Significant Accounting Policies (Continued)

#### Equity Classifications

##### *Government-Wide Statements*

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

- a. Net investment in capital assets-consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- b. Restricted net position-consists of 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. These assets are reduced by liabilities and deferred inflows of resources related to those assets.
- c. Unrestricted-all other net position is reported in this category.

##### *Fund Statements*

In the governmental fund financial statements, fund balances are classified as follows:

- **Nonspendable** - Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- **Restricted** - Amounts that can be spent only for specific purposes because of the Town Charter, the Town Code, state or federal laws, or externally imposed conditions by grantors or creditors.
- **Committed** - Amounts that can be used only for specific purposes determined by a formal action by Town Council ordinance or resolution. This includes the Budget Reserve Account.
- **Assigned** - Amounts that are designated by the Town Council for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by Town Council.
- **Unassigned** - All amounts not included in other spendable classifications.

Proprietary fund equity is classified the same as in the government-wide statements.

### F. Revenues, Expenditures, and Expenses

#### Governmental 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 \$6,738, for the year ended June 30, 2013. Advertising expenses in the Electric, Water and Sewer Funds for the year ended June 30, 2013, were \$29, \$68, and \$165, respectively. Advertising expense in the Cemetery Fund for the year ended June 30, 2013, was \$-.

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.

**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.

## NOTES TO FINANCIAL STATEMENTS

**Note 1. Summary of Significant Accounting Policies (Continued)****H. Use of Restricted Resources**

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Town's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Town's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications - committed and then assigned fund balances before using unassigned fund balances.

**I. Recently Issued and Adopted Accounting Pronouncements**

In December 2010, the GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This statement is effective for periods beginning after December 15, 2011. The adoption of GASB 62 does not have any impact on the Town's financial statements.

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes four components: assets, deferred outflows of resources, liabilities and deferred inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011.

**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 2013.

## NOTES TO FINANCIAL STATEMENTS

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

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 Fund Net Position - Budget and Actual:

	Budget - Original & Final	Actual
<b>ELECTRIC FUND</b>		
Capital outlay	\$ (17,500)	\$ -
<b>WATER FUND</b>		
Capital outlay	(143,749)	-
Principal paid on loan	(15,000)	(15,000)
<b>SEWER FUND</b>		
Capital outlay	(171,249)	(135,065)
Principal paid on loans	(150,000)	(162,480)
	<u>\$ (497,498)</u>	<u>\$ (312,545)</u>

A budget is also adopted for the Fiduciary Fund 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 Position:

	Budget - Original & Final	Actual
<b>CEMETERY FUND</b>		
Grave digging revenue	\$ 15,000	\$ 16,650
Lot sales	28,000	13,200
Interest income	-	2,652
Gain on sale of equipment	-	650
Salaries and wages	(26,100)	(29,555)
Other deductions	(17,500)	(18,997)
Capital outlay	(1,000)	-
	<u>\$ (1,600)</u>	<u>\$ (15,400)</u>

**B. Excess of Expenditures Over Appropriations**

For the year ended June 30, 2013, General Fund expenditures exceeded appropriations in General Government Administration by \$567, Public Safety by \$13,715, and Public Works by \$5,717. These expenditures were funded by greater than anticipated revenues and operating transfers.

## NOTES TO FINANCIAL STATEMENTS

**Note 3. Cash and Cash Equivalents**Deposits

Below is a summary of the Town's accounts/deposits at June 30, 2013:

<u>General</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Checking (Bank of America)	\$ 856,815	\$ 861,880
Investment Account (Infinex Financial Group)	453,060	453,060
Certificate of deposit (Bank of America)	156,567	156,567
Certificate of deposit (Bank of America)	132,457	132,457
Petty cash	270	270
 <u>Cemetery</u>		
Checking (Bank of America)	10,337	10,337
Savings (Bank of America)	31,799	31,799
Certificate of deposit (Bank of America)	<u>94,473</u>	<u>94,088</u>
 Total reporting entity	 <u>\$ 1,735,778</u>	 <u>\$ 1,740,458</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. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50 percent to 130 percent of excess deposits. Accordingly, all deposits are considered fully collateralized.

During the year ended June 30, 2013, 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, 2013, 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	\$ 1,075	\$ -	\$ 52	\$ 1,127
Property taxes	338,362	-	-	338,362
Refuse	21,979	-	-	21,979
Refund	2,943	-	-	2,943
Other taxes:				
Consumption tax	-	414	-	414
Accounts	-	<u>290,336</u>	-	<u>290,336</u>
Gross receivables	\$ 364,359	\$ 290,750	\$ 52	\$ 655,161
Less: allowance for uncollectibles	<u>(38,557)</u>	<u>(50,171)</u>	-	<u>(88,728)</u>
Net total receivables	<u>\$ 325,802</u>	<u>\$ 240,579</u>	<u>\$ 52</u>	<u>\$ 566,433</u>

## NOTES TO FINANCIAL STATEMENTS

**Note 5. Due from Other Governmental Units and Businesses**

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

*General Fund:*

## Federal:

Block grant passed through Department of Criminal  
Justice Services \$ 550

## Commonwealth of Virginia:

Local sales and use taxes 8,244

Fire department grant 800

## County of Rockingham:

Court fines 887

## Local restaurants:

Meals taxes 58,079

## Local utility providers:

Utility taxes 4,133

## Park Authority of the Town of Elkton

Demand note receivable 50,425

\$ 123,118

**Note 6. Capital Assets**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 2,383,856	\$ 8,510	\$ -	\$ 2,392,366
Total capital assets not being depreciated	<u>\$ 2,383,856</u>	<u>\$ 8,510</u>	<u>\$ -</u>	<u>\$ 2,392,366</u>
Capital assets being depreciated				
Buildings	\$ 3,578,616	\$ 30,706	\$ -	\$ 3,609,322
Machinery and equipment	1,306,594	42,934	(25,087)	1,324,441
Infrastructure	<u>1,131,154</u>	<u>181,315</u>	<u>-</u>	<u>1,312,469</u>
Total capital assets being depreciated	<u>\$ 6,016,364</u>	<u>\$ 254,955</u>	<u>\$ (25,087)</u>	<u>\$ 6,246,232</u>
Less accumulated depreciation for				
Buildings	\$ 714,197	\$ 81,399	\$ -	\$ 795,596
Machinery and equipment	676,872	95,320	(19,482)	752,710
Infrastructure	<u>135,725</u>	<u>29,735</u>	<u>-</u>	<u>165,460</u>
Total accumulated depreciation	<u>\$ 1,526,794</u>	<u>\$ 206,454</u>	<u>\$ (19,482)</u>	<u>\$ 1,713,766</u>
Total capital assets being depreciated, net	<u>\$ 4,489,570</u>	<u>\$ 48,501</u>	<u>\$ (5,605)</u>	<u>\$ 4,532,466</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
CAPITAL ASSETS, NET	<u>\$ 6,873,426</u>	<u>\$ 57,011</u>	<u>\$ (5,605)</u>	<u>\$ 6,924,832</u>

## NOTES TO FINANCIAL STATEMENTS

## Note 6. Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
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	\$ 8,184,899	\$ 81,700	\$ -	\$ 8,266,599
Machinery and equipment	718,054	53,365	(34,877)	736,542
Total capital assets being depreciated	<u>\$ 8,902,953</u>	<u>\$ 135,065</u>	<u>\$ (34,877)</u>	<u>\$ 9,003,141</u>
Less accumulated depreciation for				
Utility system	\$ 2,838,576	\$ 230,515	\$ -	\$ 3,069,091
Machinery and equipment	352,420	63,133	(26,741)	388,812
Total accumulated depreciation	<u>\$ 3,190,996</u>	<u>\$ 293,648</u>	<u>\$ (26,741)</u>	<u>\$ 3,457,903</u>
Total capital assets being depreciated, net	<u>\$ 5,711,957</u>	<u>\$ (158,583)</u>	<u>\$ (8,136)</u>	<u>\$ 5,545,238</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
<b>CAPITAL ASSETS, NET</b>	<u>\$ 5,753,013</u>	<u>\$ (158,583)</u>	<u>\$ (8,136)</u>	<u>\$ 5,586,294</u>
<b>FIDUCIARY-TYPE ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 381,578	\$ -	\$ -	\$ 381,578
Total capital assets not being depreciated	<u>\$ 381,578</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 381,578</u>
Capital assets being depreciated				
Buildings	\$ 2,052	\$ -	\$ -	\$ 2,052
Infrastructure	177,719	-	-	177,719
Machinery and equipment	26,319	-	(5,750)	20,569
Total capital assets being depreciated	<u>\$ 206,090</u>	<u>\$ -</u>	<u>\$ (5,750)</u>	<u>\$ 200,340</u>
Less accumulated depreciation for				
Buildings	\$ 1,395	\$ 83	\$ -	\$ 1,478
Infrastructure	51,350	5,690	-	57,040
Machinery and equipment	19,995	2,654	(5,750)	16,899
Total accumulated depreciation	<u>\$ 72,740</u>	<u>\$ 8,427</u>	<u>\$ (5,750)</u>	<u>\$ 75,417</u>
Total capital assets being depreciated, net	<u>\$ 133,350</u>	<u>\$ (8,427)</u>	<u>\$ -</u>	<u>\$ 124,923</u>
<b>FIDUCIARY-TYPE ACTIVITIES</b>				
<b>CAPITAL ASSETS, NET</b>	<u>\$ 514,928</u>	<u>\$ (8,427)</u>	<u>\$ -</u>	<u>\$ 506,501</u>

## NOTES TO FINANCIAL STATEMENTS

## Note 6. Capital Assets (Continued)

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

**GOVERNMENTAL ACTIVITIES**

General government administration	\$ 77,174
Community Center	54,632
Public safety	32,057
Public works	<u>42,591</u>

Total depreciation expense-governmental activities	<u>\$ 206,454</u>
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**BUSINESS-TYPE ACTIVITIES**

Electric	\$ 48,867
Water	70,820
Sewer	<u>173,961</u>

Total depreciation expense-business-type activities	<u>\$ 293,648</u>
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**FIDUCIARY-TYPE ACTIVITIES**

Cemetery	<u>\$ 8,427</u>
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Total depreciation expense-fiduciary-type activities	<u>\$ 8,427</u>
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## Note 7. Deferred &amp; Unearned Revenue

The following is a summary of deferred and unearned revenue by fund/activity at June 30, 2013:

**Fund Statements**

	<u>General Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>
Property taxes billed in fiscal year 2014	\$ 236,308	\$ -	\$ -
Uncollected property tax billing	71,513	-	-
Unamortized bond premium	<u>-</u>	<u>4,164</u>	<u>4,164</u>
	<u>\$ 307,821</u>	<u>\$ 4,164</u>	<u>\$ 4,164</u>

**Government-Wide Statements**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Property taxes billed in fiscal year 2014	\$ 236,308	\$ -
Unamortized bond premium	<u>-</u>	<u>8,328</u>
	<u>\$ 236,308</u>	<u>\$ 8,328</u>

## NOTES TO FINANCIAL STATEMENTS

**Note 8. Long-Term Debt**

A summary of long-term debt activity for the year ended June 30, 2013, is as follows. Additional detailed information is available on the following pages.

	<u>Beginning</u> <u>Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balances</u>	<u>Due within</u> <u>One Year</u>
<b><u>Governmental-type activities</u></b>					
<i>General Fund</i>					
Bonds payable:					
United Bank	\$ 550,000	\$ -	\$ (50,000)	\$ 500,000	\$ 50,000
Farmers and Merchants Bank	550,000	-	(50,000)	500,000	50,000
Notes payable:					
Kite Charitable Remainder Trust	282,824	-	(282,824)	-	-
Farmers and Merchants Bank	1,392,383	-	(67,224)	1,325,159	70,907
Joseph H. Kite, Jr.	<u>556,764</u>	<u>-</u>	<u>(80,406)</u>	<u>476,358</u>	<u>80,407</u>
	<u>\$3,331,971</u>	<u>\$ -</u>	<u>\$ (530,454)</u>	<u>\$ 2,801,517</u>	<u>\$ 251,314</u>
<b><u>Business-type activities</u></b>					
<i>Water Fund</i>					
Bond payable:					
Virginia Municipal League	\$ 602,500	\$ -	\$ (15,000)	\$ 587,500	\$ 15,000
<i>Sewer Fund</i>					
Bond payable:					
Virginia Municipal League	602,500	-	(15,000)	587,500	15,000
Loans payable:					
Virginia Resources Authority	2,271,344	-	(119,544)	2,151,800	122,206
Kansas State Bank	24,681	-	(16,266)	8,415	8,415
Rural Development	<u>125,423</u>	<u>-</u>	<u>(11,669)</u>	<u>113,754</u>	<u>12,268</u>
	<u>\$3,626,448</u>	<u>\$ -</u>	<u>\$ (177,479)</u>	<u>\$ 3,448,969</u>	<u>\$ 172,889</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, 2013, \$500,000 has been applied against the principal portion of the bond. Total interest expense incurred on the loan for year ended June 30, 2013, was \$19,013.

## 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, 2013, \$500,000 has been applied against the principal portion of the bond. Total interest expense incurred on the loan for year ended June 30, 2013, was \$19,064.

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 financing agreement stated that commencing February 1, 1999, and continuing monthly thereafter, the Town was required to make \$4,172 installment payments on the loan. Payments on the loan were to continue until Ms. Mary Elizabeth Kite's death. Ms. Kite passed away on September 19, 2012, releasing the Town from having to pay the remaining balance of the loan. As of that date, the balance on the loan was \$277,295. The Town is reporting the forgiveness of the debt as an extraordinary item on the Statement of Activities.

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, 2013, \$374,841 has been applied against the principal portion of the loan. Total interest expense incurred on the loan for the year ended June 30, 2013, was \$62,611.

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, 2013, \$313,585 has been applied against the principal portion of the loan.

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, 2013, \$175,000 has been applied against the principal portion of the bond. Total interest expense incurred on the bond for the year ended June 30, 2013, was \$54,075.

On June 9, 2010, the Town signed a zero percent interest loan with the Virginia Resources Authority in the amount of \$2,393,552. The loan was to finance a wastewater treatment plant upgrade in order to comply with the requirements ordered by the Department of Environmental Quality. The loan is being repaid in equal, semi-annual installments of \$61,104 until it matures on April 1, 2031, and is secured by the revenues from electric, water, and sewer systems and a pledge of the full faith and credit of the Town. As of June 30, 2013, \$241,752 has been applied against the principal portion of the loan.

## NOTES TO FINANCIAL STATEMENTS

**Note 8. Long-Term Debt (Continued)**

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, 2013, \$67,148 has been applied against the principal portion of the note. Total interest expense incurred on the note for the year ended June 30, 2013 was \$788.

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, 2013, \$186,246 has been applied against the principal portion of the bond. Total interest expense incurred on the loan for year ended June 30, 2013, was \$5,966.

Annual requirements to amortize long-term debt and related interest at June 30, 2013, are as follows:

***Governmental-Type Activities***

## - - - - General Obligation Bonds - - -

	Bonds		Bonds		Joseph H. Kite, Jr.	
	United Bank		Farmers and Merchants			
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 50,000	\$ 18,050	\$ 50,000	\$ 18,050	\$ 80,407	\$ -
2015	50,000	16,150	50,000	16,150	80,407	-
2016	50,000	14,250	50,000	14,250	80,407	-
2017	50,000	12,350	50,000	12,350	80,407	-
2018	50,000	10,450	50,000	10,450	154,730	-
2019 - 2023	250,000	23,750	250,000	23,750	-	-
2024 - 2027	-	-	-	-	-	-
	<u>\$ 500,000</u>	<u>\$ 95,000</u>	<u>\$ 500,000</u>	<u>\$ 95,000</u>	<u>\$ 476,358</u>	<u>\$ -</u>

	Community Center Loan		Totals	
	Farmers and Merchants			
	Principal	Interest	Principal	Interest
2014	\$ 70,907	\$ 59,176	\$ 251,314	\$ 95,276
2015	74,197	55,886	254,604	88,186
2016	77,497	52,586	257,904	81,086
2017	81,238	48,845	261,645	73,545
2018	88,951	41,129	343,681	62,029
2019 - 2023	494,060	139,922	994,060	187,422
2024 - 2027	<u>438,309</u>	<u>68,481</u>	<u>438,309</u>	<u>68,481</u>
	<u>\$ 1,325,159</u>	<u>\$ 466,025</u>	<u>\$ 2,801,517</u>	<u>\$ 656,025</u>

## NOTES TO FINANCIAL STATEMENTS

## Note 8. Long-Term Debt (Continued)

*Business-Type Activities*

	Virginia Municipal League		Belt Press Loan Kansas State Bank		Virginia Resources Authority	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 30,000	\$ 53,739	\$ 8,415	\$ 113	\$ 122,206	\$ -
2015	30,000	52,539	-	-	122,207	-
2016	35,000	51,239	-	-	122,207	-
2017	35,000	49,839	-	-	122,207	-
2018	35,000	48,417	-	-	122,207	-
2019 - 2023	205,000	216,964	-	-	611,035	-
2024 - 2028	255,000	166,972	-	-	611,035	-
2029 - 2033	320,000	100,469	-	-	318,696	-
2034 - 2036	230,000	17,938	-	-	-	-
	<u>\$1,175,000</u>	<u>\$ 758,116</u>	<u>\$ 8,415</u>	<u>\$ 113</u>	<u>\$ 2,151,800</u>	<u>\$ -</u>

  

	Rural Development		Totals	
	Principal	Interest	Principal	Interest
2014	\$ 12,268	\$ 5,408	\$ 172,889	\$ 59,260
2015	12,895	4,781	165,102	57,320
2016	13,555	4,121	170,762	55,360
2017	14,248	3,428	171,455	53,267
2018	14,977	2,699	172,184	51,116
2019 - 2023	45,811	3,350	861,846	220,314
2024 - 2028	-	-	866,035	166,972
2029 - 2033	-	-	638,696	100,469
2034 - 2036	-	-	230,000	17,938
	<u>\$ 113,754</u>	<u>\$ 23,787</u>	<u>\$ 3,448,969</u>	<u>\$ 782,016</u>

## Note 9. Interfund Transfers

Interfund transfers during the year ended June 30, 2013, were as follows:

Fund	Transfers In	Transfers Out
General Fund	\$ 468,193	\$ 159,725
Electric Fund	-	305,800
Water Fund	-	162,393
Sewer Fund	159,725	-
	<u>\$ 627,918</u>	<u>\$ 627,918</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.

## NOTES TO FINANCIAL STATEMENTS

**Note 10. Defined Benefit Pension Plan**Plan 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 are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees – Plan 1 and Plan 2:

- Members hired before July 1, 2010, and who have service credits before July 1, 2010, are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least thirty years of service credit. They may retire with a reduced benefit as early as age 55 with at least five years of service credit or age 50 with at least ten years of service credit.
- Members hired or rehired on or after July 1, 2010, and who have no service credits before July 1, 2010, are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least five years of service credit or age 50 with at least twenty-five years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70 percent. The retirement multiplier for sheriffs and regional jail superintendents is 1.85 percent. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70 percent or 1.85 percent as elected by the employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00 percent; under Plan 2, the COLA cannot exceed 6.00 percent. During years of no inflation or deflation, the COLA is 0.00 percent. 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 the plans administered by VRS. A copy of that report is available at the VRS website ([www.varetire.org](http://www.varetire.org)) or may be obtained by writing to the Systems Chief Financial Officer at P. O. Box 2500, Richmond, VA 23218-2500.

## NOTES TO FINANCIAL STATEMENTS

**Note 10. Defined Benefit Pension Plan (Continued)**Special Elected Benefit

The Town has elected to fund the Law Enforcement Officers (LEOS) retirement benefit. LEOS provides a package of special retirement benefits for law enforcement officers and their survivors. Employees eligible for LEOS are covered by VRS but have enhanced benefit formulas because of the nature of their jobs. The Town's contribution rate was increased to cover the enrollment in this program.

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5 percent of their compensation toward their retirement. The employer has assumed this 5 percent member contribution, for employees hired prior to July 1, 2010. For employees hired after that date, the member contribution is a pre-tax salary reduction. 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 Code of Virginia and approved by the VRS Board of Trustees. The Town of Elkton's contribution rate for the fiscal year ended June 30, 2013, was 9.26 percent (excluding 5 percent member contributions) of the annual covered payroll.

Annual Pension Cost

For 2013, the Town's annual pension cost of \$88,585 for VRS was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 2011, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.00 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, 2011, for the Unfunded Actuarial Accrued Liability (UAAL) 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>
6/30/11	\$116,120	100%	\$ -
6/30/12	117,049	100%	-
6/30/13	88,585	100%	-

Funding Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the plan was 83.77 percent funded. The actuarial accrued liability for benefits was \$3,048,100 and the actuarial value of assets was \$2,553,388 resulting in an unfunded actuarial accrued liability (UAAL) of \$494,712. The covered payroll (annual payroll of active employees covered by the plan) was \$943,705, and the ratio of the UAAL to the covered payroll was 52.42 percent.

## NOTES TO FINANCIAL STATEMENTS

**Note 10. Defined Benefit Pension Plan (Continued)**

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 (AAL) 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 VML Insurance Programs. 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.

**Note 12. Operating Lease Commitments**

The Town leases land to a farm corporation on a year-to-year operating lease. This lease revenue is presented in the General Fund. The term of the lease is for one year beginning on May 10, 2013, and ending on May 9, 2014. The lessor reserves the right to extend the term of this lease for two additional one-year terms. The rent received from this lease during fiscal year ended June 30, 2013, was \$2,420.

**Note 13. Pending Litigation**

On October 15, 2013, a civil complaint was filed in Rockingham County Circuit Court against the Town of Elkton and other defendants. The Town is preparing a response to the allegations of the complaint. The outcome of this matter cannot be ascertained as of the date of this report.

**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, 2013**

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
General property taxes	\$ 239,403	\$ 230,211	\$ (9,192)
Other local taxes	955,900	1,040,059	84,159
Permits, privilege fees and regulatory licenses	13,500	2,050	(11,450)
Fines and forfeitures	20,100	13,605	(6,495)
Use of money and property	-	10,194	10,194
Charges for services	321,500	340,870	19,370
Miscellaneous	1,000	18,747	17,747
Intergovernmental revenues:			
County	66,500	66,500	-
Commonwealth	494,124	519,245	25,121
Federal	1,500	48,510	47,010
Total revenues	<u>\$ 2,113,527</u>	<u>\$ 2,289,991</u>	<u>\$ 176,464</u>
<b>EXPENDITURES</b>			
General government administration	\$ 625,260	\$ 625,827	\$ (567)
Public safety	478,800	492,515	(13,715)
Public works	570,200	575,917	(5,717)
Cultural and recreation	315,652	291,262	24,390
Community development	25,000	15,160	9,840
Debt service	376,642	358,784	17,858
Total expenditures	<u>\$ 2,391,554</u>	<u>\$ 2,359,465</u>	<u>\$ 32,089</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (278,027)</u>	<u>\$ (69,474)</u>	<u>\$ 208,553</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	\$ -	\$ 468,193	\$ 468,193
Transfers out	-	(159,725)	(159,725)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ 308,468</u>	<u>\$ 308,468</u>
Net change in fund balance	\$ (278,027)	\$ 238,994	\$ 517,021
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>1,348,459</u>	<u>1,348,459</u>	<u>-</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ 1,070,432</u>	<u>\$ 1,587,453</u>	<u>\$ 517,021</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>
6/30/10	\$ 2,564,929	\$ 2,896,000	\$ 331,071	88.57%	\$ 878,433	37.69%
6/30/11	2,588,738	3,081,476	492,738	84.01%	988,402	49.85%
6/30/12	2,553,388	3,048,100	494,712	83.77%	943,705	52.42%

## **Other Supplementary Information**

**TOWN OF ELKTON, VIRGINIA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, COMPARED TO BUDGET**  
**Year Ended June 30, 2013**

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>GENERAL PROPERTY TAXES</b>			
Real estate	\$ 161,500	\$ 174,068	\$ 12,568
Personal property	72,903	43,637	(29,266)
Penalties and interest	5,000	12,506	7,506
	<u>\$ 239,403</u>	<u>\$ 230,211</u>	<u>\$ (9,192)</u>
<b>OTHER LOCAL TAXES</b>			
Local sales and use	\$ 100,000	\$ 100,917	\$ 917
Consumer utility	50,000	55,391	5,391
Business licenses	94,900	89,811	(5,089)
Motor vehicle licenses	-	44,723	44,723
Bank stock	100,000	73,631	(26,369)
Cigarette	110,000	114,950	4,950
Meals	500,000	560,636	60,636
Cable pole	1,000	-	(1,000)
	<u>\$ 955,900</u>	<u>\$ 1,040,059</u>	<u>\$ 84,159</u>
<b>PERMITS, PRIVILEGE FEES AND REGULATORY LICENSES</b>			
Permits	\$ 13,500	\$ 2,050	\$ (11,450)
	<u>\$ 13,500</u>	<u>\$ 2,050</u>	<u>\$ (11,450)</u>
<b>FINES AND FORFEITURES</b>			
	<u>\$ 20,100</u>	<u>\$ 13,605</u>	<u>\$ (6,495)</u>
	<u>\$ 20,100</u>	<u>\$ 13,605</u>	<u>\$ (6,495)</u>
<b>REVENUE FROM THE USE OF MONEY AND PROPERTY</b>			
Sale of equipment	\$ -	\$ 2,861	\$ 2,861
Interest on bank deposits	-	7,125	7,125
Net (decrease) in the fair value of investments	-	(2,212)	(2,212)
Land rental	-	2,420	2,420
	<u>\$ -</u>	<u>\$ 10,194</u>	<u>\$ 10,194</u>
<b>CHARGES FOR SERVICES</b>			
Charges for sanitation and waste removal	\$ 163,500	\$ 164,851	\$ 1,351
Community Center revenue	86,000	81,728	(4,272)
Charges for recreation	70,000	93,281	23,281
Mowing and brush grinding	2,000	1,010	(990)
	<u>\$ 321,500</u>	<u>\$ 340,870</u>	<u>\$ 19,370</u>
<b>MISCELLANEOUS</b>			
Contributions - Community Center	\$ -	\$ 5,394	\$ 5,394
Other	1,000	13,353	12,353
	<u>\$ 1,000</u>	<u>\$ 18,747</u>	<u>\$ 17,747</u>

(Continued)

**TOWN OF ELKTON, VIRGINIA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, COMPARED TO BUDGET**  
**Year Ended June 30, 2013**

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>INTERGOVERNMENTAL REVENUES</b>			
<b>County</b>			
Community Center funds	\$ 66,500	\$ 66,500	\$ -
	<u>\$ 66,500</u>	<u>\$ 66,500</u>	<u>\$ -</u>
<b>Commonwealth</b>			
Fire program grant	\$ -	\$ 16,000	\$ 16,000
Rolling stock taxes	2,500	3,881	1,381
Street and highway maintenance	415,000	422,739	7,739
Law enforcement grants, 599 funds	48,527	48,528	1
Personal property tax reimbursement	28,097	28,097	-
	<u>\$ 494,124</u>	<u>\$ 519,245</u>	<u>\$ 25,121</u>
<b>Federal</b>			
USDA Rural Development grant, trash truck	\$ -	\$ 25,000	\$ 25,000
Police block grants, passed through Department of Criminal Justice Services	1,500	1,050	(450)
American Reinvestment and Recovery Act Funds, passed through Central Shenandoah Planning District Commission (energy efficiency)	-	14,110	14,110
USDA Rural Development grant, police vehicle	-	8,350	8,350
	<u>\$ 1,500</u>	<u>\$ 48,510</u>	<u>\$ 47,010</u>
<b>Total revenues</b>	<u>\$ 2,113,527</u>	<u>\$ 2,289,991</u>	<u>\$ 176,464</u>

## TOWN OF ELKTON, VIRGINIA

**GENERAL FUND**  
**STATEMENT OF EXPENDITURES, COMPARED TO BUDGET**  
**Year Ended June 30, 2013**

	<b>Original &amp; Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>GENERAL GOVERNMENT ADMINISTRATION</b>			
<b>General Government</b>			
Salaries and wages	\$ 260,550	\$ 260,194	\$ 356
Computer support	21,500	26,221	(4,721)
Contract labor	1,000	260	740
Conventions and meetings	2,500	1,195	1,305
Contributions	500	500	-
Employee benefits	70,480	65,200	5,280
Insurance and surety bonds	91,000	86,666	4,334
Professional services	73,000	65,505	7,495
Planning Commission	6,500	691	5,809
Payroll taxes	22,530	29,246	(6,716)
Repairs and maintenance	6,000	6,524	(524)
Supplies	12,000	5,742	6,258
Telephone and internet	17,000	18,110	(1,110)
Utilities	-	4,420	(4,420)
Equipment rental	4,000	3,408	592
Return check fees	4,000	5,055	(1,055)
Postage	10,000	12,147	(2,147)
Small equipment	2,500	762	1,738
Dues	3,000	2,161	839
Advertising	3,500	3,138	362
Special events	7,500	5,301	2,199
Vehicle fuel mileage	2,000	1,260	740
Miscellaneous	1,700	293	1,407
	<u>\$ 622,760</u>	<u>\$ 603,999</u>	<u>\$ 18,761</u>
<b>Capital Outlay</b>			
General government	\$ 2,500	\$ 21,828	\$ (19,328)
	<u>\$ 2,500</u>	<u>\$ 21,828</u>	<u>\$ (19,328)</u>
<b>Total general government administration</b>	<u>\$ 625,260</u>	<u>\$ 625,827</u>	<u>\$ (567)</u>
<b>PUBLIC SAFETY</b>			
<b>Police Department</b>			
Salaries and wages	\$ 290,000	\$ 302,439	\$ (12,439)
Computer support	2,000	1,873	127
Conventions and meetings	3,000	734	2,266
Employee benefits	77,000	72,366	4,634
Professional services	3,500	2,249	1,251
Miscellaneous	1,000	300	700
Payroll taxes	22,000	21,907	93
Repairs and maintenance	1,500	317	1,183
Supplies	6,000	9,708	(3,708)

(Continued)

## TOWN OF ELKTON, VIRGINIA

**GENERAL FUND**  
**STATEMENT OF EXPENDITURES, COMPARED TO BUDGET**  
**Year Ended June 30, 2013**

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Telephone and internet	\$ 1,800	\$ 1,730	\$ 70
Uniforms	3,500	3,883	(383)
Vehicle maintenance	26,500	21,650	4,850
Small equipment	3,500	1,220	2,280
Advertising	500	-	500
Dues	6,000	4,340	1,660
Postage	-	94	(94)
	<u>\$ 447,800</u>	<u>\$ 444,810</u>	<u>\$ 2,990</u>
<b>Other</b>			
Fire program funds	\$ -	\$ 16,000	\$ (16,000)
	<u>\$ -</u>	<u>\$ 16,000</u>	<u>\$ (16,000)</u>
<b>Capital Outlay</b>			
Public safety	\$ 31,000	\$ 31,705	\$ (705)
	<u>\$ 31,000</u>	<u>\$ 31,705</u>	<u>\$ (705)</u>
<b>Total public safety</b>	<u>\$ 478,800</u>	<u>\$ 492,515</u>	<u>\$ (13,715)</u>
<b>PUBLIC WORKS</b>			
<b>Maintenance and Streets</b>			
Salaries and wages	\$ 101,000	\$ 127,695	\$ (26,695)
Dues	100	913	(813)
Contract labor	500	-	500
Employee benefits	26,450	29,366	(2,916)
Professional services	1,200	600	600
Advertising	250	989	(739)
Payroll taxes	15,000	8,723	6,277
Repairs and maintenance	9,500	2,343	7,157
Supplies	15,150	10,713	4,437
Telephone and internet	900	1,087	(187)
Vehicle maintenance	20,800	9,673	11,127
Small equipment	500	540	(40)
Uniforms	500	-	500
	<u>\$ 191,850</u>	<u>\$ 192,642</u>	<u>\$ (792)</u>

(Continued)

## TOWN OF ELKTON, VIRGINIA

GENERAL FUND  
STATEMENT OF EXPENDITURES, COMPARED TO BUDGET  
Year Ended June 30, 2013

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Sanitation</b>			
Salaries and wages	\$ 57,600	\$ 58,671	\$ (1,071)
Employee benefits	12,800	10,424	2,376
Payroll taxes	5,000	4,150	850
Landfill fees	50,000	62,242	(12,242)
Trash removal	-	54,044	(54,044)
Telephone and internet	400	599	(199)
Advertising	250	169	81
Miscellaneous	100	-	100
Supplies	2,100	37	2,063
Small equipment	1,000	-	1,000
Vehicle maintenance	7,500	7,279	221
Uniforms	250	-	250
	<u>\$ 137,000</u>	<u>\$ 197,615</u>	<u>\$ (60,615)</u>
<b>Capital Outlay</b>			
Public works	<u>\$ 241,350</u>	<u>\$ 185,660</u>	<u>\$ 55,690</u>
	<u>\$ 241,350</u>	<u>\$ 185,660</u>	<u>\$ 55,690</u>
<b>Total public works</b>	<u>\$ 570,200</u>	<u>\$ 575,917</u>	<u>\$ (5,717)</u>
<b>CULTURAL AND RECREATION</b>			
<b>Community Center</b>			
Salaries and wages	\$ 106,850	\$ 106,014	\$ 836
Conventions and meetings	1,000	-	1,000
Employee benefits	12,747	9,983	2,764
Advertising	2,500	1,845	655
Payroll taxes	8,200	8,097	103
Repairs and maintenance	10,000	22,940	(12,940)
Supplies	7,000	9,635	(2,635)
Small equipment	5,000	1,211	3,789
Dues	500	155	345
Computer support	2,400	2,712	(312)
Telephone and internet	4,885	4,791	94
Professional services	500	2,058	(1,558)
Special events	1,000	866	134
Postage	500	77	423
	<u>\$ 163,082</u>	<u>\$ 170,384</u>	<u>\$ (7,302)</u>

(Continued)

**TOWN OF ELKTON, VIRGINIA**  
**GENERAL FUND**  
**STATEMENT OF EXPENDITURES, COMPARED TO BUDGET**  
**Year Ended June 30, 2013**

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Recreation</b>			
Salaries and wages	\$ 52,500	\$ 62,784	\$ (10,284)
Contract labor	1,500	-	1,500
Conventions and meetings	800	16	784
Employee benefits	10,620	9,629	991
Telephone and internet	400	479	(79)
Advertising	500	597	(97)
Payroll taxes	3,750	4,663	(913)
Repairs and maintenance	3,000	6,086	(3,086)
Supplies	8,200	7,844	356
Special events	400	213	187
Dues	300	370	(70)
Professional services	500	1,324	(824)
Small equipment	500	393	107
Vehicle maintenance	2,500	2,209	291
Postage	100	-	100
	<u>\$ 85,570</u>	<u>\$ 96,607</u>	<u>\$ (11,037)</u>
<b>Capital Outlay</b>			
Community Center	\$ 4,000	\$ 4,460	\$ (460)
Recreation	<u>63,000</u>	<u>19,811</u>	<u>43,189</u>
	<u>\$ 67,000</u>	<u>\$ 24,271</u>	<u>\$ 42,729</u>
<b>Total cultural and recreation</b>	<u>\$ 315,652</u>	<u>\$ 291,262</u>	<u>\$ 24,390</u>
<b>COMMUNITY DEVELOPMENT</b>			
Economic development	<u>\$ 25,000</u>	<u>\$ 15,160</u>	<u>\$ 9,840</u>
<b>Total community development</b>	<u>\$ 25,000</u>	<u>\$ 15,160</u>	<u>\$ 9,840</u>
<b>DEBT SERVICE</b>			
Kite Charitable Remainder Trust principal	\$ 34,053	\$ 5,529	\$ 28,524
Kite Charitable Remainder Trust interest	16,044	2,814	13,230
General obligation bond principal	95,000	100,000	(5,000)
General obligation bond interest	40,000	39,951	49
Community Center loan principal	67,181	67,224	(43)
Community Center loan interest	62,819	62,859	(40)
Hiram Kite property payment	<u>61,545</u>	<u>80,407</u>	<u>(18,862)</u>
<b>Total debt service</b>	<u>\$ 376,642</u>	<u>\$ 358,784</u>	<u>\$ 17,858</u>
<b>Total expenditures</b>	<u>\$ 2,391,554</u>	<u>\$ 2,359,465</u>	<u>\$ 32,089</u>

## TOWN OF ELKTON, VIRGINIA

**ELECTRIC FUND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION-**  
**BUDGET AND ACTUAL**  
**Year Ended June 30, 2013**

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 1,900,000	\$ 1,946,513	\$ 46,513
Late charges and interest	40,000	43,999	3,999
Local consumption tax	6,000	6,233	233
Connection fees	5,000	5,200	200
Reconnect fees	5,000	5,723	723
Service charges	7,000	6,710	(290)
Total operating revenues	<u>\$ 1,963,000</u>	<u>\$ 2,014,378</u>	<u>\$ 51,378</u>
<b>OPERATING EXPENSES</b>			
Salaries and wages	\$ 82,625	\$ 80,804	\$ 1,821
Employee benefits	20,750	20,902	(152)
Dues	200	603	(403)
Conventions and meetings	200	-	200
Electric power	1,500,000	1,558,941	(58,941)
Advertising	500	29	471
Professional services	5,200	5,293	(93)
Repairs and maintenance	2,000	1,532	468
Telephone and internet	750	959	(209)
Supplies	7,700	16,311	(8,611)
Payroll taxes	6,000	5,998	2
Vehicle maintenance	14,000	7,413	6,587
Depreciation	-	48,867	(48,867)
Uniforms	250	229	21
Miss Utility	100	44	56
Total operating expenses	<u>\$ 1,640,275</u>	<u>\$ 1,747,925</u>	<u>\$ (107,650)</u>
Operating income before transfers	\$ 322,725	\$ 266,453	\$ (56,272)
<b>TRANSFERS</b>			
Transfers out	-	(305,800)	(305,800)
Change in net position	\$ 322,725	\$ (39,347)	\$ (362,072)
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>448,802</u>	<u>448,802</u>	<u>-</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 771,527</u>	<u>\$ 409,455</u>	<u>\$ (362,072)</u>

## TOWN OF ELKTON, VIRGINIA

**WATER FUND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -**  
**BUDGET AND ACTUAL**  
**Year Ended June 30, 2013**

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 369,500	\$ 330,277	\$ (39,223)
Connection fees	40,000	24,000	(16,000)
Water haulers	45,000	40,162	(4,838)
Reconnect fees	4,500	3,713	(787)
Service charges	1,500	1,440	(60)
Total operating revenues	<u>\$ 460,500</u>	<u>\$ 399,592</u>	<u>\$ (60,908)</u>
<b>OPERATING EXPENSES</b>			
Salaries and wages	\$ 113,850	\$ 85,509	\$ 28,341
Contract labor	5,000	625	4,375
Employee benefits	25,250	17,963	7,287
Advertising	500	68	432
Professional services	15,000	6,236	8,764
Repairs and maintenance	4,500	14,408	(9,908)
Telephone and internet	1,000	1,479	(479)
Supplies	30,500	25,917	4,583
Small equipment	500	-	500
Payroll taxes	9,000	5,993	3,007
Vehicle maintenance and generator fuel	7,000	3,108	3,892
Depreciation	-	70,820	(70,820)
Bond issuance costs	-	1,018	(1,018)
Miss Utility	300	167	133
Dues	500	3,917	(3,417)
Postage	100	788	(688)
Equipment rental	100	711	(611)
Permit fees	2,500	-	2,500
Uniforms	250	313	(63)
Utilities	10,000	16,541	(6,541)
Total operating expenses	<u>\$ 225,850</u>	<u>\$ 255,581</u>	<u>\$ (29,731)</u>
Operating income	\$ 234,650	\$ 144,011	\$ (90,639)
<b>NONOPERATING REVENUE (EXPENSE)</b>			
Interest expense	(27,500)	(27,038)	462
Income before transfers	\$ 207,150	\$ 116,973	\$ (90,177)
<b>TRANSFERS</b>			
Transfers out	-	(162,393)	(162,393)
Change in net position	\$ 207,150	\$ (45,420)	\$ (252,570)
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>1,101,794</u>	<u>1,101,794</u>	<u>-</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 1,308,944</u>	<u>\$ 1,056,374</u>	<u>\$ (252,570)</u>

## TOWN OF ELKTON, VIRGINIA

**SEWER FUND**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET POSITION-BUDGET AND ACTUAL**  
**Year Ended June 30, 2013**

	<b>Original &amp; Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 581,000	\$ 588,720	\$ 7,720
Connection fees	40,000	26,045	(13,955)
Total operating revenues	\$ 621,000	\$ 614,765	\$ (6,235)
<b>OPERATING EXPENSES</b>			
Salaries and wages	\$ 166,900	\$ 98,252	\$ 68,648
Contract labor	10,000	202,210	(192,210)
Employee benefits	48,950	37,782	11,168
Conventions and meetings	250	-	250
Insurance	2,000	2,113	(113)
Advertising	500	165	335
Landfill	20,000	30,559	(10,559)
Leases	1,500	-	1,500
Professional services	32,500	7,200	25,300
Repairs and maintenance	11,500	8,219	3,281
Telephone and internet	2,000	2,833	(833)
Supplies	20,500	61,351	(40,851)
Postage	250	50	200
Small equipment	1,000	-	1,000
Payroll taxes	15,000	7,445	7,555
Vehicle maintenance	4,500	9,722	(5,222)
Depreciation	-	173,961	(173,961)
Bond issuance costs	-	1,018	(1,018)
Uniforms	300	-	300
Miss Utility	100	72	28
Dues	1,000	8,209	(7,209)
Total operating expenses	\$ 338,750	\$ 651,161	\$ (312,411)
Operating income (loss)	\$ 282,250	\$ (36,396)	\$ (318,646)
<b>NONOPERATING REVENUE (EXPENSE)</b>			
Gain on disposal of property and equipment	\$ -	\$ 1,862	\$ 1,862
Interest expense	(35,000)	(33,792)	1,208
	\$ (35,000)	\$ (31,930)	\$ 3,070
Income (loss) before contribution and transfers	\$ 247,250	\$ (68,326)	\$ (315,576)
<b>CAPITAL CONTRIBUTION AND TRANSFERS</b>			
Capital contribution, wastewater grant	\$ -	\$ 10,000	\$ 10,000
Transfers in	-	159,725	159,725
Total contribution and transfers	\$ -	\$ 169,725	\$ 169,725
Change in net position	\$ 247,250	\$ 101,399	\$ (145,851)
<b>NET POSITION AT BEGINNING OF YEAR</b>	694,619	694,619	-
<b>NET POSITION AT END OF YEAR</b>	\$ 941,869	\$ 796,018	\$ (145,851)

## TOWN OF ELKTON, VIRGINIA

SCHEDULE OF CAPITAL ADDITIONS  
Year Ended June 30, 2013**GENERAL FUND**

Paving projects	\$	181,315
2013 Ford Explorer		31,705
Resurfacing - tennis courts		13,781
Town Hall lights		9,944
Land improvements, Route 623		8,510
Treadmill		4,460
Snow blade assembly		4,345
Resurfacing - basketball courts		3,607
Paving - Cemetery Road		3,375
Batting cage		1,291
Zoeller grinder pump, Park		<u>1,132</u>

**Total general fund** \$ 263,465

**SEWER FUND**

Sewer line rehabilitation, F Street	\$	57,935
Trailer jet pipehunter, model 784		53,365
New roof, sewer plant		11,930
Sewer extension, Newtown Road		<u>11,835</u>

**Total sewer fund** \$ 135,065