

THE TOWN OF MYERSVILLE, MARYLAND

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2015

THE TOWN OF MYERSVILLE, MARYLAND

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 11
Financial Statements:	
Government - Wide Financial Statements:	
Statement of Net Assets	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet - Governmental Fund	14
Reconciliation of the Balance Sheet of the Governmental Fund to the Statement of Net Assets	15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Fund	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities - Governmental Fund	17
Statement of Net Assets - Proprietary Fund	18
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Fund	19
Statement of Cash Flows - Proprietary Fund	20 - 21
Notes to Financial Statements	22 - 33
Required Supplementary Information	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	34 - 36

Cathy M. Vaughn, CPA, LLC

CERTIFIED PUBLIC ACCOUNTANT

MEMBER

Page 1

American Institute of
Certified Public Accountants

Maryland Association of
Certified Public Accountants

November 24, 2015

INDEPENDENT AUDITORS' REPORT

Mayor and Council
The Town of Myersville
Myersville, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Myersville, Maryland as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town'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 of material misstatement, whether due to fraud or error.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Myersville, Maryland, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 35 through 36 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

The prior year comparative information has been derived from the Town's 2014 financial statements and, in our report dated November 17, 2014 we expressed unqualified opinions on the respective financial statements of the governmental activities and each major fund.

Cathy M. Vaughn, CPA, LLC

Management's Discussion and Analysis
Town of Myersville
June 30, 2015
Unaudited

Within this section of the Town of Myersville's Annual Financial Report, the Town's management provides information about the financial activities of the Town for the fiscal year ending June 30, 2015. The Town's financial performance is discussed within the accompanying financial statements following this section.

Financial Highlights

- The Town's assets exceeded its liabilities by \$7,531,589 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$7,309,279.
- Total net position is comprised of the following:
 - (1) Net invested in capital assets of \$4,402,583 includes property and construction in progress, net of depreciation.
 - (2) Restricted for debt service of \$121,000 represents the Debt Service Reserve Account.
 - (3) Unrestricted of \$3,008,006 represents the portion available to maintain the Town's continuing obligations to citizens and creditors.
- The Town's governmental funds reported total ending unreserved fund balance of \$2,523,171 this year. This compares to the prior year ending fund balance of \$2,208,526, showing an increase of \$314,645 during this current year.
- At the end of the current fiscal year, the unreserved fund for the General Fund was \$2,523,171 or 275% of total General Fund expenditures.
- Total liabilities of the Town increased by \$420,183 to \$6,202,052 during the fiscal year.

Using this Annual Report

This annual report consists of a series of financial statements, notes to those financial statements, supplemental information, and independent auditor's report. The Statement of Net Position and the Statement of Activities provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. The Governmental Funds financial statements show how the Town's activities were financed in the short term as well as what remains for future spending. The Fund financial statements report the Town's activities in more detail by providing information about the Town's most significant funds.

Reporting on the Town as a Whole

The Statement of Net Position and the Statement of Activities

Our analysis of the Town as a whole follows on pages 5 and 6. 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 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 them. 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 also need to consider other nonfinancial factors, however, such as changes in the Town's property tax base and the condition of the Town's roads, to assess the overall health of the Town.

In the Statements of Net Position and the Statement of Activities, we divide the Town's information into two kinds of activities:

- **Governmental activities:** The Town's basic services are reported here, including general administration, public safety, parks and recreation, and public services. Property taxes, income taxes, and state grants finance most of these activities.
- **Business-type activities:** The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's water and sewer system are reported here.

Reporting on the Town's Most Significant Funds

Fund financial statements

The fund financial statements provide detailed information about the most significant funds – not the Town as a whole. Some funds are required to be established by State law and by bond covenants. The Town's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

- **Governmental funds** – all of the Town's services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are 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 governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities and governmental funds in reconciliations on pages 15 and 17 of the financial statements.
- **Proprietary Funds.** The Town has one type of proprietary fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises for which either 1) the intent is that the costs (expenses, including depreciation) be recovered primarily through user charges, or 2) determination of net income is appropriate for management control, accountability or other purposes.

The Town of Myersville's Water and Sewer Fund is considered to be a major fund and is displayed in the proprietary fund statements on pages 18-21.

THE TOWN AS A WHOLE

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the Town as a whole.

The Town's net position at fiscal year-end is \$7,531,589. This is a \$222,310 increase compared to last year's net position of \$7,309,279. The following table provides a summary of the Town's net position at June 30, 2015:

Table 1
Town of Myersville's Net Position
Fiscal Year ended June 30, 2015

	Governmental Activities		Business-type Activities		Totals		Amount Change
	2015	2014	2015	2014	2015	2014	
Assets:							
Current & other assets	\$ 2,962,415	\$ 3,781,595	\$ 724,330	\$ 777,652	\$ 3,686,745	\$ 4,559,247	\$ (872,502)
Capital assets	5,786,529	4,955,556	4,260,367	3,576,345	10,046,896	8,531,901	1,514,995
Total assets	8,748,944	8,737,151	4,984,697	4,353,997	13,733,641	13,091,148	642,493
Liabilities:							
Current & other liabilities	665,971	746,100	753,084	63,795	1,419,055	809,895	609,160
Long-term liabilities	4,022,706	4,073,820	760,291	898,154	4,782,997	4,971,974	(188,977)
Total liabilities	4,688,677	4,819,920	1,513,375	961,949	6,202,052	5,781,869	420,183
Net position:							
Net invested in capital assets	1,537,096	1,708,705	2,865,487	2,646,871	4,402,583	4,355,576	47,007
Restricted	-	-	121,000	121,000	121,000	121,000	-
Unrestricted	2,523,171	2,208,526	484,835	624,177	3,008,006	2,832,703	175,303
Total net position	\$ 4,060,267	\$ 3,917,231	\$ 3,471,322	\$ 3,392,048	\$ 7,531,589	\$ 7,309,279	\$ 222,310

Net Position (assets over liabilities) may serve over time as a useful indicator of a government's financial position. In the case of the Town of Myersville, assets exceeded liabilities by \$7,531,589 at the close of fiscal year 2015 and \$7,309,279 at the close of fiscal 2014. The largest portion of the Town's net position reflects its investments in capital assets (e.g., land, buildings equipment, infrastructure), less accumulated depreciation and less any related outstanding debt used to acquire those assets. The Town uses these assets to provide services to its citizens and consequently, these assets are not available for future spending. The resources needed to repay the debt related to these capital assets must be provided from other sources.

Unrestricted net position (\$3,008,006) may be used to meet the Town's ongoing obligations to citizens and creditors.

Governmental Activities

As shown in Table 2, governmental activities increased the Town's net position by \$143,036. This compares to the previous year when governmental activities decreased the Town's net position by \$22,469.

The Town's revenues from governmental activities totaled \$1,061,971 for the fiscal year ended June 30, 2015. As shown in Table 2, The Town received 85% of its revenue from taxes. The major source of revenue for the Town was property taxes (\$618,436) comprised of real estate and personal property, and income taxes (\$237,799).

The Town's expenses from governmental activities totaled \$918,935 for the fiscal year ended June 30, 2015. As shown in Table 2, general government was the largest expense at \$458,085 or 50% and public services was the second largest expense at \$147,100 or 16%. Table 2 shows the Town's revenue and expenses of the governmental and business-type activities.

Table 2
Changes in the Town of Myersville's Net Position
Fiscal Year ended June 30, 2015

	Governmental Activities		Business-type Activities		Totals		Amount Change	% Change
	2015	2014	2015	2014	2015	2014		
Revenues								
General Revenues								
Property taxes	\$ 618,436	\$ 608,376	\$ -	\$ -	\$ 618,436	\$ 608,376	\$ 10,060	1.7
Income taxes	237,799	242,047	-	-	237,799	242,047	(4,248)	(1.8)
Highway taxes	46,622	44,543	-	-	46,622	44,543	2,079	4.7
Other taxes	139	139	-	-	139	139	-	-
Other income	93,925	94,498	100	-	94,025	94,498	(473)	(0.5)
Investment Income	233	759	847	1,213	1,080	1,972	(892)	(45.2)
Program Revenues								
Charges for services	55,892	34,422	761,573	698,798	817,465	733,220	84,245	11.5
Grants	8,925	20,114	-	-	8,925	20,114	(11,189)	(55.6)
Total revenues	1,061,971	1,044,898	762,520	700,011	1,824,491	1,744,909	79,582	4.6
Expenses								
General government	458,085	607,515	-	-	458,085	607,515	(149,430)	(24.6)
Public safety	113,369	112,811	-	-	113,369	112,811	558	0.5
Parks and recreation	78,560	63,941	-	-	78,560	63,941	14,619	22.9
Public services	147,100	190,101	-	-	147,100	190,101	(43,001)	(22.6)
Water and sewer	-	-	648,455	629,061	648,455	629,061	19,394	3.1
Interest on long-term debt	121,821	92,999	34,791	21,436	156,612	114,435	42,177	36.9
Total expenditures	918,935	1,067,367	683,246	650,497	1,602,181	1,717,864	(115,683)	(6.7)
Increase (decrease) in net position	143,036	(22,469)	79,274	49,514	222,310	27,045	195,265	722.0

Business-type activities

The Town's business-type activities include the water and sewer fund. The net position of these business-type activities increased by \$79,274 (Table 2). The major revenue source for the business-type activities is charges for services, including water and sewer utility, which totaled \$761,573 or 99% of the total revenues. Non-operating revenues include investment income of \$847. Expenses of the business-type activities totaled \$683,246.

General Fund Budgetary Highlights

The Town adopts an annual budget for its governmental funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The General Fund budget for fiscal year 2015 was approximately \$1,719,975.

The General Fund Budget complied with financial policies approved by the Town Council and maintained core Town services.

There were no significant 2015 budget revisions in any of the major categories of general fund revenues or expenditures.

Capital Assets and Debt Administration

Capital assets. The Town of Myersville's investment in capital assets for its governmental and business-type activities as of June 30, 2015, amounts to \$4,402,583 net of related debt. This investment includes land, buildings, improvements, water and sewer distribution systems, roads and sidewalks, and machinery and equipment. More detailed information regarding the Town's capital assets can be found in Note 3 to financial statements.

The Myersville Municipal Center provides for the Town to house all governmental services in one building. This includes the Town Hall which is comprised of general operations such as administration, resident deputy, permits and planning, finance and IT, and public works as well as enterprise operations for water and sewer service and billing and solid waste. This facility operates in partnership with the Myersville Volunteer Fire Company also included within this complex providing efficient use of much needed resources for the community.

Table 3
Town of Myersville's Capital Assets
(net of depreciation)
Fiscal Year ended June 30, 2015

	Governmental Activities		Business-type Activities		Totals		Amount Change	% Change
	2015	2014	2015	2014	2015	2014		
Non-Depreciable Assets:								
Land	\$ 1,491,282	\$ 1,491,282	\$ 27,762	\$ 27,762	\$ 1,519,044	\$ 1,519,044	\$ -	-
Construction In progress	5,500	625,600	551,528	284,156	557,028	909,756	(352,728)	(38.8)
Depreciable Assets:								
Buildings and Improvements	4,267,501	2,806,510	-	1,291	4,267,501	2,807,801	1,459,700	52.0
Machinery and equipment	22,246	32,164	-	-	22,246	32,164	(9,918)	(30.8)
Water and sewer systems	-	-	3,681,077	3,263,136	3,681,077	3,263,136	417,941	12.8
Total	\$ 5,786,529	\$ 4,955,556	\$ 4,260,367	\$ 3,576,345	\$ 10,046,896	\$ 8,531,901	\$ 1,514,995	17.8

As shown in table 3, Construction in Progress totalled \$557,028 This consists of \$5,500 for Trolley Park, \$546,403 for the sewer trunk line relocation, and \$5,125 for the manholes.

Debt

At year-end, the Town had \$5,644,313 in bonds and loans outstanding versus \$4,971,974 last year - an increase of 14% as shown in Table 4. This entire amount is backed by the full faith and credit of the Town.

Table 4
Town of Myersville's Outstanding Debt
Fiscal Year ended June 30, 2015

	Governmental Activities		Business-type Activities		Totals		Amount Change	% Change
	2015	2014	2015	2014	2015	2014		
Taxable Public Improvements								
Refunding bond of 2012	\$ 3,089,900	\$ 3,236,900	\$ -	\$ -	\$ 3,089,900	\$ 3,236,900	\$ (147,000)	(4.5)
Tax-exempt Public Improvements								
Bond of 2012	797,510	836,920	341,790	358,680	1,139,300	1,195,600	(56,300)	(4.71)
Community Development								
Bond of 2013	362,023	-	115,977	-	478,000	-	478,000	100.00
Line of Credit								
			500,000	-	500,000	-	500,000	100.00
Maryland Water								
Quality Loan	-	-	122,799	151,149	122,799	151,149	(28,350)	(18.76)
Maryland Water								
Quality Loan	-	-	314,314	388,325	314,314	388,325	(74,011)	(19.1)
Total	\$ 4,249,433	\$ 4,073,820	\$ 1,394,880	\$ 898,154	\$ 5,644,313	\$ 4,971,974	\$ 672,339	13.5

In 2002, the Town obtained a Local Government Infrastructure Bond loan from the State of Maryland, Department of Housing and Community Development, Community Development Administration. This loan was used to construct the Myersville Municipal Center, which will be used by the Town and the Myersville Volunteer Fire Company. For the fiscal year ended June 30, 2013, the Town refinanced \$2,685,400 of outstanding principal. More detailed information regarding the Town's long-term debt can be found in Note 5 to the financial statements.

In 2015 the Town obtained a \$500,000 line of credit to construct the sewer trunk line relocation. The interest rate is 3.25%

In August 2014, the Town obtained a Local Government Infrastructure Bond loan from the State of Maryland, Department of Housing and Community Development, Community development Administration. This loan was used to finish the street improvement projects. The total amount of the loan was \$514,939 which is be repaid over a period of ten years at an interest rate of 2.28%

Overview

Since experiencing significant growth through the 1990's and into early the 2000's the Town has witnessed very limited development activity over the past decade. While growth during that housing boom went from 500 people in 200 homes to more than 1,600 people in nearly 600 homes, new housing starts since the national decline in the housing market in 2006 have totaled less than 20 in Town. Limited housing supply and steady demand for purchase however served to insulate assessment values, and current trends indicate a desire for return of some housing growth within the Town in several subdivisions stalled in recent years.

While the Town has limited available commercial property commensurate with the housing trend, the Town is also experiencing some interest in both small private home based business and expansion to existing commercial establishments. The most significant impact however, which may be viewed largely as an anomaly for a community of our size is the decision by a large national gas utility company which has recently completed a \$55 million investment with planned expansion of an additional \$45 million in the next few years.

As the Town continues to grow, various local governance measures have been implemented to ensure development pays for necessary expansion related to municipal services and facilities. The most notable of these policies centers on strengthening requirements to provide an adequate supply of water to serve this additional growth. Development is also required to make a contribution to the Town in the form of financial contributions for expansion of public services to meet growth generated demand. This money is used to reduce some of the burden on the citizens of Myersville when new upgrades are required to support new growth.

In addition to development related infrastructure demands, the Town has focused on long range capital needs for both the general fund and enterprise to address aging facilities some of which have extended use beyond expected lifecycles in response to limited fiscal resources due to decline in economic growth and diminished State shared revenues. A primary focus of the general fund is committed to the scheduled maintenance and upgrades to the street system. On the enterprise fund, most efforts have switched from expanding available water sources to upgrading aging sewer transmission lines.

While the Town continues to experience a sound financial condition with increases in it overall assets compared to expenses, this condition has been impacted by the increase in total debt service to cover these necessary major capital improvements. The Town has created a Finance Committee which serves to annually review and make recommendations on implementation of the fiscal budget based on sound fiscal policies and management. This is detailed in our 6-year capital and operations budget projections that are reviewed as part of the annual budget process and adjusted accordingly.

The Town is confident that the debt for the upgrades of the water and sewer plants that serve the Town will be paid off in FY 2019 as scheduled. It is anticipated that retirement of this debt will occur without the necessity to call upon the debt service reserve account. The Town secured new debt for the relocation of the sewer trunk line, which debt service has also been absorbed into the annual budgetary costs with limited impact. While this debt is scheduled to overlap the existing debt for the water and sewer plant upgrades, the Mayor and Council have prepared for consideration of reducing current utility rates once the original debt is retired in 2019.

The Town and Myersville Fire Company were able to reach amicable terms for repayment of the debt service on the Myersville Municipal Center, which extends the repayment period of the Fire Company to the Town, but does not extend the current bond term secured by the Town. The parties have continued to work in good faith to ensure further protection of surety of the payment against the improvements from the Fire Company to the Town which are expected to conclude by the end of calendar year 2015.

OUR FUTURE:

With the expansion of both the General and Enterprise (Proprietary) budgets to include long range financial projections and with the addition of the long range CIP for both, following is a list of a few of the things the Town is seeking to accomplish in the future:

- A. Identifying and prioritizing capital projects through a construction in progress budget to have funds available to make necessary repairs or to add new conveniences in the Town.
- B. Replacement of the Town owned utilities of Main Street to include, sidewalks, curbs, and waterline to the homes as part of the MD SHA MD Rt. 17 street overlay program.
- C. Focus on bringing a library to the Harp Park (old Town Hall) site. This will require transfer of part of the old town hall property to the County in exchange for reimbursement as agreed in the MOU for demolition costs incurred by the Town of approximately \$125,000.
- D. Use the Town designation of the State certified sustainable community program to improve the ability to secure grants or low interest loans to accomplish larger projects at the least cost to the citizens and surrounding community.
- E. Complete the repairs to the main sewer trunk line and manholes which has incurred both disruption from age as well as damage from weather events and environment conditions change.
- F. Record the surety of the Promissory Note and Deed of Trust between the Myersville Fire Company and the Town for outstanding debt payments associated with the consolidated construction bond and loan for the Myersville Municipal Center.
- G. Establish an aggressive long range capital schedule for overlay of the aging sections of the municipal street system consistent with an annual inspection process to determine road maintenance needs.

The process for managing these efforts will be conducted through review and recommendation process of two volunteer citizen committees created by the Mayor and Council. Review and prioritization of capital related needs will be conducted by the Public Facilities Committee. These recommendations will then be included in the review process of the Finance Committee in development of the overall budget.

The decline in State shared funds has stabilized with some rebounding from post-recession revenue growth. The Town continues to stay abreast of the circumstances. We continue to submit requests for help with grant money for projects that we feel are necessary for our citizens and our neighbors. It is through this type of funding that we were able to build Doub's Meadow Park. We have been successful in obtaining more than a million dollars to help with the expansion of the Park. This is grant money and we are reimbursed at a rate of 75% - 100%. These funds assisted in completion of soccer fields, hiker/biker trails, restrooms, concession area and several other park amenities. Remaining funds are being directed to additional safe access and parking areas. Also, we received State and Federal grants totaling more than \$200,000 to improve the stream going through the Park.

The Municipal Center project was a joint effort between the Town and the Myersville Volunteer Fire Company. The formal agreement between the Town and the Fire Company was completed in December 2009. The Town and Fire Company split the cost of the building in a 40%/60% split. All debts will be paid on the same ratios. All expenses will be shared on the same basis, except those that can be identified as Fire Company or Town. Since the Fire Company owns all the land around the buildings, it will remain with the Fire Company. If in the future either entity cannot support their part of the project, then provisions exists within the Agreement to resolve disputes. One example would be the other party will assume the other's responsibilities. It must be noted that this land is prime commercial land. The total land area is in excess of 8 acres. At present day prices the value of the land would be in excess of \$1,500,000.

The good relations between the Fire Company and Town provided the opportunity to have a small park in the middle of Town for use by the residents. The Fire Company made this land available to the Town for this purpose and efforts to remove impediments within that transfer have been addressed with additional State funding secured for development of this area as a memorial park to honor all public safety related services and include reflective themes of local history.

Contacting the Town's Financial Management

This financial report is designed to provide a general overview of the Town of Myersville finances. This allows us to comply with finance related laws and regulations. Lastly, it demonstrates the Town's commitment to public accountability. If you have any questions about this report or would like additional information please call the Town Hall at 301-293-4281. Or visit us on the web at www.myersville.org

THE TOWN OF MYERSVILLE, MARYLAND

STATEMENT OF NET POSITION
JUNE 30, 2015

ASSETS	PRIMARY GOVERNMENT			2014 (MEMORANDUM ONLY)
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
CURRENT ASSETS				
Cash in bank	\$ 143,887	\$ 138,278	\$ 282,165	\$ 1,154,059
Certificates of deposit - DSRA	-	371,738	371,738	371,026
Receivables:				
Taxes	848	-	848	1,806
Customer accounts	-	206,616	206,616	186,905
Interest	1	519	520	358
Other receivables	4,506	7,068	11,574	-
Myersville Volunteer Fire Company	100,000	-	100,000	482,354
Due from other governments	4,084	-	4,084	16,429
Internal balances	(111)	111	-	-
Other assets	14,592	-	14,592	8,982
TOTAL CURRENT ASSETS	267,807	724,330	992,137	2,221,919
NON-CURRENT ASSETS				
Capital assets:				
Land and construction in progress	1,496,782	579,290	2,076,072	2,428,799
Other capital assets, net of accumulated depreciation	4,289,747	3,681,077	7,970,824	6,103,102
TOTAL NON-CURRENT ASSETS	5,786,529	4,260,367	10,046,896	8,531,901
OTHER ASSETS				
Receivable - Myersville Volunteer Fire Company	2,694,608	-	2,694,608	2,337,328
TOTAL ASSETS	\$ 8,748,944	\$ 4,984,697	\$ 13,733,641	\$ 13,091,148
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	\$ 439,122	\$ 112,423	\$ 551,545	\$ 803,011
Deferred revenue	122	630	752	989
Line of credit	-	500,000	500,000	-
Current maturities of long-term debt	226,727	134,589	361,316	305,721
Accrued interest	-	5,442	5,442	5,895
TOTAL CURRENT LIABILITIES	665,971	753,084	1,419,055	1,115,616
NON-CURRENT LIABILITIES				
Bonds and notes payable	4,022,706	760,291	4,782,997	4,666,253
TOTAL LIABILITIES	4,688,677	1,513,375	6,202,052	5,781,869
NET POSITION				
Net Invested in capital assets	1,537,096	2,865,487	4,402,583	4,355,576
Restricted for debt service	-	121,000	121,000	121,000
Unrestricted	2,523,171	484,835	3,008,006	2,832,703
TOTAL NET POSITION	4,060,267	3,471,322	7,531,589	7,309,279
TOTAL LIABILITIES AND NET POSITION	\$ 8,748,944	\$ 4,984,697	\$ 13,733,641	\$ 13,091,148

The Notes to Financial Statements are an integral part of this statement.

THE TOWN OF MYERSVILLE, MARYLAND
 STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2015

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION			2014 (MEMORANDUM ONLY)
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	PRIMARY GOVERNMENT BUSINESS-TYPE ACTIVITIES	TOTAL	
Primary government:								
Governmental activities:								
General government	\$ 458,085	\$ -	\$ -	\$ (402,193)	\$ -	\$ (402,193)	\$ (573,093)	
Public safety	113,369	8,925	-	(104,444)	-	(104,444)	(103,697)	
Parks and recreation	78,560	-	-	(78,560)	-	(78,560)	(52,941)	
Public services	147,100	-	-	(147,100)	-	(147,100)	(190,101)	
Debt issue costs	9,806	-	-	(9,806)	-	(9,806)	-	
Interest on long-term debt	112,015	-	-	(112,015)	-	(112,015)	(92,999)	
Total governmental activities (See Note 3)	918,935	8,925	-	(854,118)	-	(854,118)	(1,012,831)	
Business-type activities:								
Water and sewer utilities	683,246	-	-	-	78,327	78,327	48,301	
Total business-type activities	683,246	-	-	-	78,327	78,327	48,301	
Total primary government	\$1,602,181	\$ 8,925	\$ -	\$ (854,118)	\$ 78,327	\$ (775,791)	\$ (964,530)	
General revenues:								
Taxes								
Property taxes				618,436		618,436	608,376	
Income taxes				237,799		237,799	242,047	
Highway taxes				46,622		46,622	44,543	
Other taxes				139		139	139	
Other income				93,925	100	94,025	94,498	
Investment income				233	847	1,080	1,972	
Total general revenues				997,154	947	998,101	991,575	
Change in net position				143,036	79,274	222,310	27,045	
Net position - beginning of year				3,917,231	3,392,048	7,309,279	7,282,234	
Net position - end of year				\$ 4,060,267	\$ 3,471,322	\$ 7,531,589	\$ 7,309,279	

The Notes to Financial Statements are an integral part of this statement.

THE TOWN OF MYERSVILLE, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2015

<u>ASSETS</u>	GENERAL FUND	
	2015	2014 (MEMORANDUM ONLY)
Cash in bank	\$ 143,887	\$ 980,968
Receivables:		
Taxes	848	1,806
Other	4,506	-
Interest	1	-
Due from other governments	4,084	16,429
Other assets	2,809,200	2,828,664
TOTAL ASSETS	\$ 2,962,526	\$ 3,827,867
 <u>LIABILITIES AND FUND BALANCES</u> 		
<u>LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 439,122	\$ 746,056
Deferred revenue	122	44
Due to other funds	111	46,272
TOTAL LIABILITIES	439,355	792,372
 <u>FUND BALANCES</u>		
Nonspendable	14,592	5,117
Committed to debt service	2,416,328	2,531,283
Unassigned	92,251	499,095
TOTAL FUND BALANCES	2,523,171	3,035,495
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,962,526	\$ 3,827,867

The Notes to Financial Statements are an integral part of this statement.

THE TOWN OF MYERSVILLE, MARYLAND
 RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUND
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2015

	<u>2015</u>	<u>2014 (MEMORANDUM ONLY)</u>
Fund Balances - total governmental funds	\$ 2,523,171	\$ 3,035,495
Amounts reported for governmental activities in 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	6,902,010	5,938,748
Less accumulated depreciation	(1,115,481)	(983,192)
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental fund	<u>(4,249,433)</u>	<u>(4,073,820)</u>
Net Position of Governmental Activities	<u>\$ 4,060,267</u>	<u>\$ 3,917,231</u>

THE TOWN OF MYERSVILLE, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2015

	GENERAL FUND	
	2015	2014 (MEMORANDUM ONLY)
REVENUES		
Local taxes	\$ 618,436	\$ 608,376
State shared taxes	293,346	306,704
County shared taxes	139	139
Licenses and permits	38,585	19,617
Other revenues	111,465	110,062
Total Revenues	1,061,971	1,044,898
EXPENDITURES		
Current:		
General government	365,035	520,193
Public safety	113,369	112,811
Parks and recreation	39,321	25,114
Public services	147,100	190,101
Capital outlay	963,262	540,209
Debt service:		
Principal	214,387	164,680
Bond proceeds allocated to Water and Sewer	-	390,000
Interest	112,015	92,999
Total Expenditures	1,954,489	2,036,107
Excess of expenditures over revenues	(892,518)	(991,209)
OTHER FINANCING SOURCES (USES)		
Long-term debt issued	390,000	-
Debt issue costs	(9,806)	-
Total Other Financing Sources and Uses	380,194	-
Net Change in Fund Balance	(512,324)	(991,209)
Fund balances, beginning of year	3,035,495	4,026,704
Fund balances, end of year	<u>\$ 2,523,171</u>	<u>\$ 3,035,495</u>

The Notes to Financial Statements are an integral part of this statement.

THE TOWN OF MYERSVILLE, MARYLAND
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 GOVERNMENTAL FUND
 JUNE 30, 2015

	2015	2014 (MEMORANDUM ONLY)
Net change in Fund Balances - total governmental funds	\$ (512,324)	\$ (991,209)
Amounts reported for governmental activities in Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:		
Expenditures for capital assets	963,262	540,209
Less current year depreciation	(132,289)	(126,149)
Repayment of note payable principal is an expenditure in the governmental funds, but the repayment reduces current liabilities in the Statement of Net Position	214,387	164,680
Bond payable proceeds provide current financial resources to governmental funds, but increases non-current liabilities in the Statement of Net Assets	(390,000)	390,000
Change in Net Position of Governmental Funds	\$ 143,036	\$ (22,469)

The Notes to Financial Statements are an integral part of this statement.

THE TOWN OF MYERSVILLE, MARYLAND
STATEMENT OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2015

<u>ASSETS</u>	<u>WATER AND SEWER</u>	
	<u>2015</u>	<u>2014 (MEMORANDUM ONLY)</u>
<u>CURRENT ASSETS</u>		
Cash in bank	\$ 138,278	\$ 173,091
Certificates of deposit - DSRA	371,738	371,026
Receivables:		
Customer accounts	206,616	186,905
Interest	519	358
Other	7,068	-
Due from other funds	111	46,272
TOTAL CURRENT ASSETS	724,330	777,652
<u>NON-CURRENT ASSETS</u>		
Land and construction in progress	579,290	311,917
Other capital assets, net of accumulated depreciation	3,681,077	3,264,428
TOTAL NON-CURRENT ASSETS	4,260,367	3,576,345
TOTAL ASSETS	\$ 4,984,697	\$ 4,353,997
<u>LIABILITIES AND NET POSITION</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 112,423	\$ 56,955
Deferred revenue	630	945
Line of credit	500,000	-
Current maturities of long-term debt	134,589	119,311
Accrued interest	5,442	5,895
TOTAL CURRENT LIABILITIES	753,084	183,106
<u>NON-CURRENT LIABILITIES</u>		
Notes payable	760,291	778,843
TOTAL LIABILITIES	1,513,375	961,949
<u>NET POSITION</u>		
Invested in capital assets, net of related debt	2,865,487	2,646,871
Restricted for debt service	121,000	121,000
Unrestricted	484,835	624,177
TOTAL NET POSITION	3,471,322	3,392,048
TOTAL LIABILITIES AND NET POSITION	\$ 4,984,697	\$ 4,353,997

The Notes to Financial Statements are an integral part of this statement.

THE TOWN OF MYERSVILLE, MARYLAND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015

	WATER AND SEWER	
	2015	2014 (MEMORANDUM ONLY)
<u>OPERATING REVENUES</u>		
Charges for services:		
Water fees	\$ 363,078	\$ 344,160
Sewer fees	324,155	320,570
Late payment fees	2,240	3,158
Connection fees	72,100	30,910
TOTAL OPERATING REVENUES	761,573	698,798
<u>OPERATING EXPENSES</u>		
Advertising	1,257	937
Audit and professional fees	6,784	9,316
Depreciation	122,455	122,683
Dues	300	300
Engineering and testing	19,174	2,687
Insurance	6,193	6,627
Salary and maintenance expenses	52,441	49,338
Payroll taxes and employee benefits	6,189	5,290
Office supplies and expense	3,545	1,810
Plant operation contract	245,527	255,456
Plant supplies and expense	9,989	9,645
Repairs and maintenance	88,501	78,093
Utilities	86,100	86,879
TOTAL OPERATING EXPENSES	648,455	629,061
OPERATING INCOME	113,118	69,737
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest income	847	1,213
Interest expense	(18,879)	(21,436)
Loan fees	(15,912)	-
Miscellaneous income	100	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	(33,844)	(20,223)
CHANGE IN NET POSITION	79,274	49,514
TOTAL NET POSITION, BEGINNING OF YEAR	3,392,048	3,342,534
TOTAL NET POSITION, END OF YEAR	\$ 3,471,322	\$ 3,392,048

The Notes to Financial Statements are an integral part of this statement.

THE TOWN OF MYERSVILLE, MARYLAND
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015

	WATER AND SEWER	
	2015	2014 (MEMORANDUM ONLY)
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from customers	\$ 738,758	\$ 699,565
Cash payments to suppliers for good and services	(183,256)	(375,201)
Cash payments to employees and professional contractors for services	(245,555)	(257,712)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>309,947</u>	<u>66,652</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Purchase of capital assets	(807,449)	(265,497)
Principal payments on notes payable	(128,213)	(131,057)
Interest paid on notes payable	(18,260)	(22,497)
Loan fees	(15,912)	-
Proceeds from line of credit	500,000	-
Proceeds from loan payable	124,939	390,000
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(344,895)</u>	<u>(29,051)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of certificates of deposit	(712)	(1,125)
Interest income on investments	847	1,213
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>135</u>	<u>88</u>
INCREASE (DECREASE) IN CASH	(34,813)	37,689
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>173,091</u>	<u>135,402</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 138,278</u>	<u>\$ 173,091</u>

The Notes to Financial Statements are an integral part of this statement.

THE TOWN OF MYERSVILLE, MARYLAND
 STATEMENT OF CASH FLOWS - PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2015

	WATER AND SEWER	
	2015	2014 (MEMORANDUM ONLY)
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating income	\$ 113,118	\$ 69,737
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	122,455	122,683
(Increase) decrease in:		
Receivables	(26,940)	(332)
Due from other funds	46,161	(46,272)
Increase (decrease) in:		
Accounts payable	55,468	(6,039)
Deferred revenue	(315)	(315)
Due to other funds	-	(72,810)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 309,947	\$ 66,652

THE TOWN OF MYERSVILLE, MARYLAND

NOTES TO FINANCIAL STATEMENTS

Note 1 - Significant Accounting PoliciesOrganization

The Town of Myersville operates under a Mayor-Council form of government and provides the following services as authorized by its charter: highways and streets, sanitation, health and social services, and general administrative services.

Government - Wide Financial Statements

The government wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Town as a whole. The material effect of interfund activity has been removed from these statements. The statements distinguish governmental activities, generally supported by taxes and general revenues, from business-type activities generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The proprietary fund applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The government-wide financial statements are reported using the total economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred,

THE TOWN OF MYERSVILLE, MARYLAND

NOTES TO FINANCIAL STATEMENTS

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

regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. For this purpose the Town considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: property taxes, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's proprietary activities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Fund Types

The following fund types are used by the Town:

Governmental Fund

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Proprietary Fund

Enterprise Fund - The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs of providing water and sewer services to the general public on a continuing basis are financed through user charges.

THE TOWN OF MYERSVILLE, MARYLAND

NOTES TO FINANCIAL STATEMENTS

Equity Classifications

In the government-wide financial statements, equity is classified as net position and displayed in three components:

Net invested in capital assets – consists of capital assets net of accumulated depreciation and related debt

Restricted– consists of components of net position with constraints placed on the use by external groups such as creditors, grantors, contributors, or laws or regulations of other governments or by law through constitutional provisions or enabling legislation

Unrestricted – consists of all other components of net position that do not meet the definition of “invested in capital assets” or “restricted net assets”

In the fund financial statements, equity is classified as fund balance. Governmental funds classify fund balance based on the relative strength of the spending constraints placed on the purpose for which resources can be used. The classifications are as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. This classification includes items such as prepaid amounts, inventories, and long term amounts of loans and notes receivable.

Restricted – This classification includes amounts where the constraints placed on the use of resources are either externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provision or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge or mandate payment and includes a legally enforceable requirement on the use of these funds.

Committed – This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision making authority. This formal action is in the form of a resolution which is made by the Mayor and Council. Once an amount is committed, it cannot be used for any other purpose unless changed by the same type of formal action used to initially constrain the funds.

Assigned – This classification includes spendable amounts that are intended to be used for a specific purpose but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance amounts represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Mayor and Council. The assignment of fund balance cannot result in a negative unassigned fund balance.

THE TOWN OF MYERSVILLE, MARYLAND

NOTES TO FINANCIAL STATEMENTS

Equity Classifications (continued)

Unassigned – This classification represents the portion of spendable fund balance that has not been categorized as restricted, committed or assigned. A negative unassigned fund balance may occur when there is an over expenditure of restricted or committed fund balance. In this case, any assigned fund balance would be eliminated prior to reporting a negative unassigned fund balance.

The Town applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available.

Cash Equivalents

For purposes of the statement of cash flows, the Town considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Certificates of Deposit

Certificates of deposit are stated at cost. Interest income is recognized when earned.

Capital Assets

All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable. Donated capital assets are valued at their estimated fair value on the date donated. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of three years. Depreciation of all capital assets is recorded in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of assets is as follows:

Land and Building Improvements	5 to 50 Years
Machinery and Equipment	3 to 10 Years
Water and Sewer Systems	10 to 50 Years

In accordance with the provisions of GASB Statement No. 34, the Town has elected not to report major general infrastructure assets retroactively.

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. The Town maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this commercial coverage in any of the last three fiscal years.

THE TOWN OF MYERSVILLE, MARYLAND

NOTES TO FINANCIAL STATEMENTS

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town does not have any items that qualify for reporting in this category.

Note 2 – Budgetary Information

The Town's Treasurer submits an annual budget to the Mayor and Council in accordance with the Charter of the Town of Myersville. The budget is presented to the Town Council for review at least thirty-two days before the beginning of any fiscal year. The budget is a public record in the office of the Treasurer open to public inspection by anyone during normal business hours.

The budget provides a complete financial plan for the budget year and contains estimates of anticipated revenues and proposed expenditures for the coming year. The total of the anticipated revenues equals or exceeds the total of the proposed expenditures.

For budgetary purposes, the Town budgeted a "Due to General Fund (employees)" of \$43,200 as an expense adjustment. This is not considered an expense for GAAP purposes.

Total budgeted expenses	\$1,701,975
Add: Due to General Fund (employees)	<u>43,200</u>
Total GAAP budgetary expenses	<u>\$1,745,175</u>

Note 3 - AssetsCash and Certificates of Deposit

The Town's investment policy allows investments in obligations of the United States government and federal government agencies and instrumentalities, repurchase agreements collateralized by United States government obligations, bankers' acceptances guaranteed by financial institutions, money market mutual funds, and the Maryland Local Government Investment Pool.

THE TOWN OF MYERSVILLE, MARYLAND

NOTES TO FINANCIAL STATEMENTS

Cash and Certificates of Deposit (continued)

At June 30, 2015, the Town had checking, savings, and certificate of deposit accounts in a financial institution with a carrying amount of \$653,903. The related bank balances totaled \$679,115 of which \$271,378 was covered by insurance maintained by the Federal Deposit Insurance Corporation. The bank in which the excess funds are held has pledged securities with a market value of \$594,561 as security for the deposits, however, the securities are held by the bank in its name.

The Town has designated its certificates of deposit as a Debt Service Reserve Account (DSRA) in accordance with the requirements of the loan agreements related to two Maryland Water Quality Loans. The Town is required to maintain the DSRA at a level of \$121,000 until the Water and Sewer Fund achieves a positive cash flow after meeting all payment obligations under the loans for two consecutive years following completion of the projects. Thereafter, the amount of the DSRA may be adjusted annually by mutual agreement.

Property Taxes Receivable

Property taxes receivable are recorded in the General Fund. At fiscal year-end, the receivables represent delinquent taxes. Property taxes are billed, collected and remitted to the Town by the county government. Taxes are levied annually on July 1 and are due by September 30. Delinquent properties are advertised for public tax sale in May.

Changes in Capital Assets

A summary of changes in capital assets follows:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Governmental Activities				
Capital Assets				
Land and construction in progress	\$ 2,116,881	\$ 5,500	\$ 625,599	\$ 1,496,782
Land improvements	365,454	1,562,671	-	1,928,125
Buildings	2,408,205	-	-	2,408,205
Machinery and equipment	149,885	-	-	149,885
GIS mapping	29,743	-	-	29,743
Parks and recreation	842,969	20,691	-	863,660
Vehicles	25,610	-	-	25,610
	<u>\$ 5,938,747</u>	<u>\$ 1,588,862</u>	<u>\$ -</u>	<u>\$ 6,902,010</u>
Accumulated Depreciation				
Land improvements	\$ 100,693	\$ 22,655	\$ -	\$ 100,693
Buildings	362,114	60,477	-	362,114
Machinery and equipment	117,721	9,918	-	117,721
GIS mapping	29,743	-	-	29,743
Parks and recreation	347,311	39,239	-	347,311
Vehicles	25,610	-	-	25,610
	<u>\$ 983,192</u>	<u>\$ 132,289</u>	<u>\$ -</u>	<u>\$ 1,115,481</u>

THE TOWN OF MYERSVILLE, MARYLAND

NOTES TO FINANCIAL STATEMENTS

Changes in Capital Assets (continued)

Business-type Activities

Capital Assets

Land and construction in progress	\$ 311,918	\$ 267,372	\$ -	\$ 579,290
Driveway and parking lot	885	-	-	885
Water collection and distribution	1,790,530	540,077	-	2,330,607
Sewage treatment	1,376,452	-	-	1,376,452
Water and sewer upgrade	2,827,995	-	-	2,827,995
Furniture and equipment	7,650	-	-	7,650
Other assets	7,575	-	6,000	1,575
	<u>\$ 6,323,005</u>	<u>\$ 807,449</u>	<u>\$ 6,000</u>	<u>\$ 7,124,454</u>

Accumulated Depreciation

Driveway and parking lot	\$ 885	\$ -	\$ -	\$ 885
Water collection and distribution	942,498	39,271	-	981,769
Sewage treatment	997,504	26,592	-	1,024,096
Water and sewer upgrade	791,839	56,560	-	848,399
Furniture and equipment	7,650	-	-	7,650
Other assets	6,283	32	5,027	1,288
	<u>\$ 2,746,659</u>	<u>\$ 122,455</u>	<u>\$ 5,027</u>	<u>\$ 2,864,087</u>

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

Governmental Activities		Business-type Activities	
General government	\$93,050	Water and sewer utilities	\$122,455
Parks and recreation	39,239		

Construction in Process

The Town started engineering for the sewer trunk line relocation, manholes and appraisals for the Trolley Park. As of June 30, 2015, \$546,403 had been incurred in construction in process for the sewer trunk line relocation, \$5,125 for the manholes, and \$5,500 for Trolley Park.

Note 4 - Line of Credit

The Town obtained a \$500,000 line of credit to construct the sewer trunk line relocation. The interest rate is 3.25% payable monthly. Short-term debt activity for the year ended June 30, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Draws</u>	<u>Repayments</u>	<u>Ending Balance</u>
Line of Credit	\$0	\$500,000	\$0	\$500,000

THE TOWN OF MYERSVILLE, MARYLAND

NOTES TO FINANCIAL STATEMENTS

Note 5 - Long-term Debt

In 2002, the Town obtained a Local Government Infrastructure Bond loan from the State of Maryland, Department of Housing and Community Development, Community Development Administration. This loan was used to construct the Myersville Municipal Center, which will be used by the Town and the Myersville Volunteer Fire Company. The total amount of the loan was \$3,382,900, which was to be repaid over a period of thirty years at interest rates ranging from 3% to 5%. Repayment terms between the Town and the Fire Company require the Fire Company to make payments to the Town equal to the amount of the payments due on the Bond.

In August 2012, the Town refinanced its Local Government Infrastructure Bond from 2002 and its loan from First United Bank and Trust by issuing a bond in the amount of \$3,535,000 at an interest rate of 2.96%. At the same time, the Town also issued a tax-exempt public improvements bond, to be used for street improvement projects, in the amount of \$1,300,000 at an interest rate of 1.91%. For both bonds, interest is payable semi-annually, principal is payable annually, and the final maturity date is June 1, 2032. The outstanding loan balances as of June 30, 2015 are \$3,089,900 and \$1,139,300. The Bond of 2013 was allocated between Governmental and Business-type Activities.

In August 2014, the Town obtained a Local Government Infrastructure Bond loan from the State of Maryland, Department of Housing and Community Development, Community development Administration. This loan was used to finish the street improvement projects. The total amount of the loan was \$514,939 which is be repaid over a period of ten years at an interest rate of 2.28%. Payments on interest is payable semi-annually, principal is payable annually, and the final maturity date is May 1, 2024. The outstanding loan balances as of June 30, 2015 is \$478,000. This bond was allocated between Governmental and Business-type Activities.

The above indebtedness is secured by the full faith and credit of the Town of Myersville.

The following is a summary of changes in long-term debt for the year ended June 30, 2015.

Description	Balance July 1, 2014	Issued	Retired	Balance June 30, 2015	Balance Due Within One Year
Governmental Activities					
Refunding bond of 2013	\$3,236,900	\$ ---	\$ 147,000	\$3,089,900	\$ 148,300
Bond of 2013	836,920	---	39,410	797,510	40,180
Bond of 2015	---	<u>390,000</u>	<u>27,977</u>	<u>362,023</u>	<u>38,247</u>
Total Governmental Activities	<u>\$4,073,820</u>	<u>\$ 390,000</u>	<u>\$ 214,387</u>	<u>\$4,249,433</u>	<u>\$ 226,727</u>
Business-type Activities					
Water Quality Loan	\$ 151,149	\$ ---	\$ 28,350	\$ 122,799	\$ 29,322
Water Quality Loan	388,325	---	74,011	314,314	75,792
Bond of 2013	358,680	---	16,890	341,790	17,220
Bond of 2015	---	<u>124,939</u>	<u>8,962</u>	<u>115,977</u>	<u>12,253</u>
Total Business-type Activities	<u>\$ 898,154</u>	<u>\$ 124,939</u>	<u>\$ 128,213</u>	<u>\$ 894,880</u>	<u>\$ 134,587</u>

THE TOWN OF MYERSVILLE, MARYLAND

NOTES TO FINANCIAL STATEMENTS

Note 5 - Long-term Debt (continued)

The annual debt service requirements to maturity, including principal and interest, for the General Fund's bond debts outstanding as of June 30, 2015 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 226,727	\$ 113,620
2017	236,376	108,210
2018	238,146	102,435
2019	243,795	96,462
2020	253,192	90,199
2021-2025	1,326,107	345,343
2026-2030	1,260,830	165,678
2031-2032	<u>464,260</u>	<u>18,983</u>
Total	<u>\$4,249,433</u>	<u>\$1,040,930</u>

Details of the Town's long-term Water and Sewer fund debt as of June 30, 2015 are as follows:

	<u>Interest Rate</u>	<u>Amount</u>
Water and Sewer Fund - Maryland Water Quality Loan	3.21%	\$ 122,799
Water and Sewer Fund - Maryland Water Quality Loan	2.41%	314,314
Bond of 2013	1.91%	341,790
Bond of 2015	2.28%	<u>115,977</u>
		<u>\$ 894,880</u>

The above indebtedness is secured by the full faith and credit of the Town of Myersville.

THE TOWN OF MYERSVILLE, MARYLAND

NOTES TO FINANCIAL STATEMENTS

Note 5 - Long-term Debt (continued)

The annual debt service requirements to maturity, including principal and interest, for the Water and Sewer debt outstanding as of June 30, 2015 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 134,589	\$ 25,902
2017	137,808	22,724
2018	140,980	19,435
2019	144,092	16,013
2020	31,308	6,831
2021-2025	151,993	24,124
2026-2030	107,970	10,670
2031-2032	46,140	1,326
Totals	<u>\$ 894,880</u>	<u>\$ 127,025</u>

The annual debt service requirements to maturity, including principal and interest, for the Fire Company's portion of the debt outstanding as of June 30, 2015 are as follows:

<u>Year Ending June 30</u>	<u>Principal & Interest</u>
2016	\$ 100,000
2017	100,000
2018	100,000
2019	100,000
2020	100,000
2021-2025	500,000
2026-2030	500,000
2031-2035	500,000
2036-2040	500,000
2041-2045	500,000
2046-2050	462,817
Totals	<u>\$3,462,817</u>

In 2015, the Town and the Fire Company agreed to change the Fire Company's payment to \$100,000 per year until their portion of the loan (principal and interest) is paid off.

THE TOWN OF MYERSVILLE, MARYLAND

NOTES TO FINANCIAL STATEMENTS

Note 6 - Operating Lease

In 2002 the Town entered into an operating lease with the Myersville Volunteer Fire Company. The initial lease was for thirty-three years with annual payments of \$10.

The following is a schedule of future minimum rental payments required under the above operating lease as of June 30, 2015:

Year ending June 30,	
2016	\$ 10
2017	10
2018	10
2019	10
2020	10
2021-2025	50
2026-2030	50
2031-2034	<u>40</u>
Total	\$ <u>190</u>

Rental expense amounted to \$10 for the year ended June 30, 2015.

Note 7 - Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints place on fund balances for the governmental funds are as follows:

General Fund Balance

<u>Nonspendable:</u>	
Prepays	\$ 14,592
<u>Committed:</u>	
Debt service	2,416,328
<u>Unassigned:</u>	<u>92,251</u>
Total Fund Balances	\$ <u>2,523,171</u>

Note 8 - Accrued Health Care Benefits

The Town approved an ordinance providing the Treasurer of the Town with lifetime health care coverage. As of June 30, 2015, the accrual was \$345,485 for the cost of these benefits.

THE TOWN OF MYERSVILLE, MARYLAND

NOTES TO FINANCIAL STATEMENTS

Note 9 - Deferred Compensation Plan

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 and administered by a third party. The plan, available to all Town employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The total invested in the plan at June 30, 2015 was \$26,956, which is held in a trust for the employees and therefore is not reflected in the balance sheet.

Note 10 - Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Short-term interfund loans are classified as "due to/from other funds." All short-term interfund receivables and payables at year end are planned to be eliminated in the subsequent year. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Total advances due from the general fund as of June 30, 2015 totaled \$111.

Note 11 - Capitalized Interest

Interest costs are capitalized when incurred on debt when the proceeds are used to finance the construction of assets. Interest earned (if any) on the proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest cost in determining the amount to be capitalized. For the year ended June 30, 2015, the general fund was affected as follows:

<u>Total Interest Costs Incurred</u>	<u>Capitalized Interest</u>
\$17,389	\$17,389

Note 12 - Subsequent Events

The Town has evaluated subsequent events through November 24, 2015, the date which the financial statements were available to be issued.

Required Supplementary Information

THE TOWN OF MYERSVILLE, MARYLAND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2015

	ORIGINAL AND FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) BUDGET	2014 ACTUAL (MEMORANDUM ONLY)
REVENUES				
LOCAL TAXES				
Real estate	\$ 584,465	\$ 584,423	\$ (42)	\$ 584,465
Public utility	18,000	21,672	3,672	13,129
Ordinary business corporation	8,020	9,001	981	7,005
Penalties and interest	500	3,340	2,840	3,777
	<u>610,985</u>	<u>618,436</u>	<u>7,451</u>	<u>608,376</u>
STATE SHARED TAXES				
Highway	47,000	46,622	(378)	44,543
Income	150,000	237,799	87,799	242,047
Police Aid grant	9,000	8,925	(75)	9,114
Project Open Space grants	287,000	-	(287,000)	11,000
	<u>493,000</u>	<u>293,346</u>	<u>(199,654)</u>	<u>306,704</u>
COUNTY SHARED TAXES				
Financial corporation	140	139	(1)	139
	<u>140</u>	<u>139</u>	<u>(1)</u>	<u>139</u>
LICENSES AND PERMITS				
Building permits	1,750	6,601	4,851	5,420
Traders licenses	500	484	197	697
Developers contributions	22,500	31,500	9,000	13,500
	<u>24,750</u>	<u>38,585</u>	<u>14,048</u>	<u>19,617</u>
MISCELLANEOUS				
Donations	-	1,005	1,005	625
Interest income	100	233	133	759
Planning and zoning	4,350	9,250	4,900	7,299
Municipal citations	50	-	(50)	14
Miscellaneous income	2,100	4,667	2,567	2,369
Reimbursement for review fees	1,500	8,057	6,557	7,506
Reimbursement for bond interest	183,000	74,926	(108,074)	78,185
Cable TV income	10,000	13,327	3,327	13,305
	<u>201,100</u>	<u>111,465</u>	<u>(89,635)</u>	<u>110,062</u>
TOTAL REVENUES	\$ 1,329,975	\$ 1,061,971	\$ (267,991)	\$ 1,044,898

The Notes to Financial Statements are an integral part of this statement.

THE TOWN OF MYERSVILLE, MARYLAND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2015

	ORIGINAL AND FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) BUDGET	2014 ACTUAL (MEMORANDUM ONLY)
<u>EXPENDITURES</u>				
<u>GENERAL GOVERNMENT</u>				
Advertising	\$ 2,000	\$ 1,756	\$ (244)	\$ 4,678
Audit and legal fees	12,500	14,943	2,443	18,655
Dues and subscriptions	2,240	2,243	3	2,171
Insurance	9,820	8,818	(1,002)	7,747
GIS mapping	1,500	100	(1,400)	9,565
Newsletter	750	717	(33)	561
Office supplies and expense	19,310	20,191	881	32,419
Other expenses	-	8,248	8,248	4,156
Planning and zoning	38,252	70,388	32,136	58,571
Salaries - mayor and council	11,200	11,505	305	10,005
Municipal league functions	1,750	2,306	556	1,296
Salaries - manager	47,840	57,923	10,083	53,729
Salaries - treasurer	18,200	15,242	(2,958)	14,766
Benefits	35,900	2,304	(33,596)	148,072
Salaries - administrative	36,267	29,554	(6,713)	29,205
Employee training and seminars	1,000	70	(930)	757
Real estate taxes	1,570	766	(804)	766
Telephone	5,500	8,948	3,448	7,350
Donations	8,000	1,500	(6,500)	1,500
Town buildings:				
Electricity and heat	32,175	36,377	4,202	36,605
Repairs and maintenance	26,500	22,544	(3,956)	34,380
Other supplies and expense	3,000	3,590	590	2,054
Salaries - building maintenance	31,928	24,122	(7,806)	23,512
Payroll taxes	45,993	20,880	(25,113)	17,673
	<u>393,195</u>	<u>365,035</u>	<u>(28,160)</u>	<u>520,193</u>
<u>PUBLIC SAFETY</u>				
Deputy program	<u>125,000</u>	<u>113,369</u>	<u>(11,631)</u>	<u>112,811</u>
	<u>125,000</u>	<u>113,369</u>	<u>(11,631)</u>	<u>112,811</u>
<u>PARKS AND RECREATION</u>				
Parks and recreation	<u>17,750</u>	<u>39,321</u>	<u>21,571</u>	<u>25,114</u>
	<u>\$ 17,750</u>	<u>\$ 39,321</u>	<u>\$ 21,571</u>	<u>\$ 25,114</u>

The Notes to Financial Statements are an integral part of this statement.

THE TOWN OF MYERSVILLE, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2015

	ORIGINAL AND FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) BUDGET	2014 ACTUAL (MEMORANDUM ONLY)
<u>PUBLIC SERVICES</u>				
Sanitation and waste removal:				
Collection contract	\$ 95,700	\$ 89,060	\$ (6,640)	\$ 90,819
Streets and alleys:				
Gasoline and oil	3,000	2,115	(885)	1,950
Highway maintenance	10,000	11,073	1,073	36,324
Street lighting	22,500	21,411	(1,089)	27,418
Snow removal	16,000	23,441	7,441	33,590
	<u>147,200</u>	<u>147,100</u>	<u>(100)</u>	<u>190,101</u>
<u>CAPITAL OUTLAY</u>	<u>724,000</u>	<u>963,262</u>	<u>239,262</u>	<u>540,209</u>
<u>DEBT SERVICE</u>				
Principal	183,000	214,387	31,387	164,680
Bond proceeds transferred to Water and Sewer	-	-	-	390,000
Interest	111,830	112,015	185	92,999
	<u>294,830</u>	<u>326,402</u>	<u>31,572</u>	<u>647,679</u>
TOTAL EXPENDITURES	<u>1,701,975</u>	<u>1,954,489</u>	<u>252,514</u>	<u>2,036,107</u>
EXCESS OF EXPENDITURES OVER REVENUES	<u>(372,000)</u>	<u>(892,518)</u>	<u>(520,518)</u>	<u>(991,209)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Long-term debt issued	390,000	390,000	-	-
Debt issue costs	-	(9,806)	(9,806)	-
TOTAL OTHER FINANCING SOURCES AND USES	<u>390,000</u>	<u>380,194</u>	<u>(9,806)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	18,000	(512,324)	(530,324)	(991,209)
FUND BALANCE AT BEGINNING OF YEAR	<u>3,035,495</u>	<u>3,035,495</u>	<u>-</u>	<u>4,026,704</u>
FUND BALANCE AT END OF YEAR	<u>\$ 3,053,495</u>	<u>\$ 2,523,171</u>	<u>\$ (530,324)</u>	<u>\$ 3,035,495</u>

The Notes to Financial Statements are an integral part of this statement.