

THE TOWN OF MYERSVILLE, MARYLAND

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2014

THE TOWN OF MYERSVILLE, MARYLAND

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# Cathy M. Vaughn, CPA, LLC

CERTIFIED PUBLIC ACCOUNTANT

MEMBER Page 1

Maryland Association of  
Certified Public Accountants

November 17, 2014

## 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, and each major fund of the Town of Myersville, Maryland as of and for the year ended June 30, 2014, 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, and each major fund of the Town of Myersville, Maryland, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 2013 financial statements and, in our report dated December 15, 2013 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, 2014  
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, 2014. 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 \$7,309,279 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$7,282,234.
- Total net position is comprised of the following:
  - (1) Net invested in capital assets of \$4,355,576 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 \$2,832,703 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 \$2,208,526 this year. This compares to the prior year ending fund balance of \$2,775,904, showing a decrease of \$567,378 during this current year.
- At the end of the current fiscal year, the unreserved fund for the General Fund was \$2,208,526 or 207% of total General Fund expenditures.
- Total liabilities of the Town increased by \$96,623 to \$5,781,869 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 \$7,309,279. This is a \$27,045 increase compared to last year's net position of \$7,282,234. The following table provides a summary of the Town's net position at June 30, 2014:

**Table 1**  
**Town of Myersville's Net Position**  
**Fiscal Year ended June 30, 2014**

	Governmental Activities		Business-type Activities		Totals		Amount Change
	2014	2013	2014	2013	2014	2013	
<b>Assets:</b>							
Current & other assets	\$ 3,781,595	\$ 4,373,028	\$ 777,652	\$ 619,424	\$ 4,559,247	\$ 4,992,452	\$ (433,205)
Capital assets	4,955,556	4,541,496	3,576,345	3,433,532	8,531,901	7,975,028	556,873
<b>Total assets</b>	<b>8,737,151</b>	<b>8,914,524</b>	<b>4,353,997</b>	<b>4,052,956</b>	<b>13,091,148</b>	<b>12,967,480</b>	<b>123,668</b>
<b>Liabilities:</b>							
Current & other liabilities	746,100	542,324	63,795	171,006	809,895	713,330	96,565
Long-term liabilities	4,073,820	4,432,500	898,154	539,416	4,971,974	4,971,916	58
<b>Total liabilities</b>	<b>4,819,920</b>	<b>4,974,824</b>	<b>961,949</b>	<b>710,422</b>	<b>5,781,869</b>	<b>5,685,246</b>	<b>96,623</b>
<b>Net position:</b>							
Net invested in capital assets	1,708,705	1,163,796	2,646,871	2,794,321	4,355,576	3,958,117	397,459
Restricted	-	-	121,000	121,000	121,000	121,000	-
Unrestricted	2,208,526	2,775,904	624,177	427,213	2,832,703	3,203,117	(370,414)
<b>Total net position</b>	<b>\$ 3,917,231</b>	<b>\$ 3,939,700</b>	<b>\$ 3,392,048</b>	<b>\$ 3,342,534</b>	<b>\$ 7,309,279</b>	<b>\$ 7,282,234</b>	<b>\$ 27,045</b>

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 \$7,309,279 at the close of fiscal year 2014 and \$7,282,234 at the close of fiscal 2013. 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 (\$2,832,703) may be used to meet the Town's ongoing obligations to citizens and creditors.

### Governmental Activities

As shown in Table 2, governmental activities decreased the Town's net position by \$22,469. This compares to the previous year when governmental activities decreased the Town's net position by \$82,008.

The Town's revenues from governmental activities totaled \$1,044,898 for the fiscal year ended June 30, 2014. As shown in Table 2, The Town received 86% of its revenue from taxes. The major source of revenue for the Town was property taxes (\$608,376) comprised of real estate and personal property, and income taxes (\$242,047).

The Town's expenses from governmental activities totaled \$1,067,367 for the fiscal year ended June 30, 2014. As shown in Table 2, general government was the largest expense at \$607,515 or 57% and public services was the second largest expense at \$190,101 or 18%. 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, 2014**

	Governmental Activities		Business-type Activities		Totals		Amount Change	% Change
	2014	2013	2014	2013	2014	2013		
<b>Revenues</b>								
General Revenues								
Property taxes	\$ 608,376	\$ 602,956	\$ -	\$ -	\$ 608,376	\$ 602,956	\$ 5,420	0.9
Income taxes	242,047	236,976	-	-	242,047	236,976	5,071	2.1
Highway taxes	44,543	12,879	-	-	44,543	12,879	31,664	245.9
Other taxes	139	139	-	-	139	139	-	-
Other income	94,498	124,170	-	5,007	94,498	129,177	(34,679)	(26.8)
Investment income	759	683	1,213	1,349	1,972	2,032	(60)	(3.0)
Program Revenues								
Charges for services	34,422	17,823	698,798	644,179	733,220	662,002	71,218	10.8
Grants	20,114	136,215	-	-	20,114	136,215	(116,101)	(85.2)
<b>Total revenues</b>	<b>1,044,898</b>	<b>1,131,841</b>	<b>700,011</b>	<b>650,535</b>	<b>1,744,909</b>	<b>1,782,376</b>	<b>(37,467)</b>	<b>(2.1)</b>
<b>Expenses</b>								
General government	607,515	744,800	-	-	607,515	744,800	(137,285)	(18.4)
Public safety	112,811	121,280	-	-	112,811	121,280	(8,469)	(7.0)
Parks and recreation	63,941	61,960	-	-	63,941	61,960	1,981	3.2
Public services	190,101	154,638	-	-	190,101	154,638	35,463	22.9
Water and sewer	-	-	629,061	520,245	629,061	520,245	108,816	20.9
Interest on long-term det	92,999	131,171	21,436	23,965	114,435	155,136	(40,701)	(26.2)
<b>Total expenditures</b>	<b>1,067,367</b>	<b>1,213,849</b>	<b>650,497</b>	<b>544,210</b>	<b>1,717,864</b>	<b>1,758,059</b>	<b>(40,195)</b>	<b>(2.3)</b>
<b>Increase (decrease) in net position</b>	<b>(22,469)</b>	<b>(82,008)</b>	<b>49,514</b>	<b>106,325</b>	<b>27,045</b>	<b>24,317</b>	<b>2,728</b>	<b>11.2</b>

### 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 \$49,514 (Table 2). The major revenue source for the business-type activities is charges for services, including water and sewer utility, which totaled \$698,798 or 99% of the total revenues. Non-operating revenues include investment income of \$1,213. Expenses of the business-type activities totaled \$650,497.

### **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 2014 was approximately \$1,190,356.

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

There were no significant 2014 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, 2014, amounts to \$4,355,576 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, 2014**

	Governmental Activities		Business-type Activities		Totals		Amount Change	% Change
	2014	2013	2014	2013	2014	2013		
Non-Depreciable Assets:								
Land	\$ 1,491,282	\$ 1,491,282	\$ 27,762	\$ 27,762	\$ 1,519,044	\$ 1,519,044	\$ -	-
Construction in progress	625,600	85,390	284,156	18,659	909,756	104,049	805,707	774.4
Depreciable Assets:								
Buildings and Improvements	2,806,510	2,921,958	1,291	1,639	2,807,801	2,923,597	(115,796)	(4.0)
Machinery and equipment	32,164	42,866	-	-	32,164	42,866	(10,702)	(25.0)
Water and sewer systems	-	-	3,263,136	3,385,472	3,263,136	3,385,472	(122,336)	(3.6)
<b>Total</b>	<b>\$ 4,955,556</b>	<b>\$ 4,541,496</b>	<b>\$ 3,576,345</b>	<b>\$ 3,433,532</b>	<b>\$ 8,531,901</b>	<b>\$ 7,975,028</b>	<b>\$ 556,873</b>	<b>7.0</b>

As shown in table 3, Construction in Progress totalled \$909,756. for Main Street reconstruction. This consists of \$611,093 for Main Street reconstruction, \$254,505 for the Main Street water line, \$29,651 for the sewer trunk line relocation, and \$14,507 for the park overlook.

#### Debt

At year-end, the Town had \$4,971,974 in bonds and loans outstanding versus \$5,267,712 last year - a decrease of 6% 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, 2014**

	Governmental Activities		Business-type Activities		Totals		Amount Change	% Change
	2014	2013	2014	2013	2014	2013		
Taxable Public Improvements								
Refunding bond of 2012	\$ 3,236,900	\$ 3,377,700	\$ -	\$ -	\$ 3,236,900	\$ 3,377,700	\$ (140,800)	(4.2)
Tax-exempt Public Improvements								
Bond of 2012	\$ 836,920	1,250,800	358,680	-	1,195,600	1,250,800	(55,200)	(4.4)
Maryland Water Quality Loan	-	-	151,149	178,618	151,149	178,618	(27,469)	(15.4)
Maryland Water Quality Loan	-	-	388,325	460,594	388,325	460,594	(72,269)	(15.7)
<b>Total</b>	<b>\$ 4,073,820</b>	<b>\$ 4,628,500</b>	<b>\$ 898,154</b>	<b>\$ 639,212</b>	<b>\$ 4,971,974</b>	<b>\$ 5,267,712</b>	<b>\$ (295,738)</b>	<b>(5.6)</b>

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 4 to the financial statements.

New debt resulted from issuing revenue bonds for a new project - Main Street for \$1,300,000. In addition, to improve cash flow and to take advantage of lower interest rates, the Town's management decided to refinance \$3,414,898 by issuing refunding bonds. By refinancing the debt, the Town will save \$464,449 in interest over the next 20 years.

## 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. We are also actively working with the Myersville Volunteer Fire Company to establish an amicable payment schedule to address timely payment of the debt on the municipal center, which does not place unreasonable additional burden on the debt service abilities of the long term demands of the Town CIP. These actions will assure that new projects within these two funds like the sewer trunk line relocation and Main Street reconstruction can be addressed as they are programmed.

## 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. Reconstruction of the Town owned section of Main Street to include, sidewalks and curb, waterline and entrances to the homes and other appurtenances.
- 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. Become a State certified sustainable community to improve the ability to secure grants or low interest loans to accomplish these larger projects at the least cost to the citizens and surrounding community.
- E. Complete the repairs to the main sewer trunk line which has incurred both disruption from age as well as damage from weather events and environment conditions change. The Town has worked with MEMA/FEMA to secure federal mitigation funds which will aid in relocation of part of this project scope.
- F. Establish reasonable expectations for the Myersville Volunteer Fire Co to bring current outstanding arrearage on debt payment incurred for the Myersville Municipal Center.

The process for managing these efforts will be conducted through review and recommendation process of two volunteer citizen committees recently 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. Discussions will also include the maintenance and operational details as part of the overall review process.

State shared funds have continued to decline from the Maryland. However, 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. *add state sidewalk next year*

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. The Fire Company has agreed to reimburse the Town for the payments required on the 2002 Bond. 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 will be made as to how this will be handled. 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 are being addressed with additional State funding secured for development of this area as a memorial park to honor all public safety related services.

#### 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](http://www.myersville.org)

## THE TOWN OF MYERSVILLE, MARYLAND

STATEMENT OF NET POSITION  
JUNE 30, 2014

ASSETS	PRIMARY GOVERNMENT			2013 (MEMORANDUM ONLY)
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
<b>CURRENT ASSETS</b>				
Cash in bank	\$ 980,968	\$ 173,091	\$ 1,154,059	\$ 1,584,911
Certificates of deposit - DSRA	-	371,026	371,026	369,901
Receivables:				
Taxes	1,806	-	1,806	458
Customer accounts	-	186,905	186,905	186,216
Interest	-	358	358	715
Myersville Volunteer Fire Company	482,354	-	482,354	389,214
Due from other governments	16,429	-	16,429	3,687
Internal balances	(46,272)	46,272	-	-
Other assets	8,982	-	8,982	5,067
<b>TOTAL CURRENT ASSETS</b>	<b>1,444,267</b>	<b>777,652</b>	<b>2,221,919</b>	<b>2,640,169</b>
<b>NON-CURRENT ASSETS</b>				
Capital assets:				
Land and construction in progress	2,116,882	311,917	2,428,799	1,604,434
Other capital assets, net of accumulated depreciation	2,838,674	3,264,428	6,103,102	6,351,935
<b>TOTAL NON-CURRENT ASSETS</b>	<b>4,955,556</b>	<b>3,576,345</b>	<b>8,531,901</b>	<b>7,956,369</b>
<b>OTHER ASSETS</b>				
Receivable - Myersville Volunteer Fire Company	2,337,328	-	2,337,328	2,452,283
<b>TOTAL ASSETS</b>	<b>\$ 8,737,151</b>	<b>\$ 4,353,997</b>	<b>\$ 13,091,148</b>	<b>\$ 12,948,821</b>
<b>LIABILITIES AND NET POSITION</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 746,056	\$ 56,955	\$ 803,011	\$ 409,310
Deferred revenue	44	945	989	1,268
Current maturities of long-term debt	186,410	119,311	305,721	295,796
Accrued interest	-	5,895	5,895	6,956
<b>TOTAL CURRENT LIABILITIES</b>	<b>932,510</b>	<b>183,106</b>	<b>1,115,616</b>	<b>713,330</b>
<b>NON-CURRENT LIABILITIES</b>				
Bonds and notes payable	3,887,410	778,843	4,666,253	4,971,916
<b>TOTAL LIABILITIES</b>	<b>4,819,920</b>	<b>961,949</b>	<b>5,781,869</b>	<b>5,685,246</b>
<b>NET POSITION</b>				
Net invested in capital assets	1,708,705	2,646,871	4,355,576	3,939,458
Restricted for debt service	-	121,000	121,000	121,000
Unrestricted	2,208,526	624,177	2,832,703	3,203,117
<b>TOTAL NET POSITION</b>	<b>3,917,231</b>	<b>3,392,048</b>	<b>7,309,279</b>	<b>7,263,575</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 8,737,151</b>	<b>\$ 4,353,997</b>	<b>\$ 13,091,148</b>	<b>\$ 12,948,821</b>

THE TOWN OF MYERSVILLE, MARYLAND

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION			2013 (MEMORANDUM ONLY)	
	EXPENSES	OPERATING GRANTS AND CONTRIBUTIONS		CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	PRIMARY GOVERNMENT BUSINESS-TYPE ACTIVITIES			TOTAL
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS			GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES		
Primary government:									
Governmental activities:									
General government	\$ 607,515	\$ 34,422	\$ -	\$ -	\$ (573,093)	\$ -	\$ (573,093)	\$ (670,549)	
Public safety	112,811	-	9,114	-	(103,697)	-	(103,697)	(121,280)	
Parks and recreation	63,941	-	-	11,000	(52,941)	-	(52,941)	17,827	
Public services	190,101	-	-	-	(190,101)	-	(190,101)	(154,638)	
Interest on long-term debt	92,999	-	-	-	(92,999)	-	(92,999)	(131,171)	
Total governmental activities	<u>1,067,367</u>	<u>34,422</u>	<u>9,114</u>	<u>11,000</u>	<u>(1,012,831)</u>	<u>-</u>	<u>(1,012,831)</u>	<u>(1,059,811)</u>	
Business-type activities:									
Water and sewer utilities	650,497	698,798	-	-	-	48,301	48,301	99,969	
Total business-type activities	<u>650,497</u>	<u>698,798</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,301</u>	<u>48,301</u>	<u>99,969</u>	
Total primary government	<u>\$1,717,864</u>	<u>\$733,220</u>	<u>\$ 9,114</u>	<u>\$ 11,000</u>	<u>(1,012,831)</u>	<u>48,301</u>	<u>(964,530)</u>	<u>(959,842)</u>	
General revenues:									
Taxes									
Property taxes					608,376	-	608,376	602,956	
Income taxes					242,047	-	242,047	236,976	
Highway taxes					44,543	-	44,543	12,879	
Other taxes					139	-	139	139	
Other income					94,498	-	94,498	129,177	
Investment income					759	1,213	1,972	2,032	
Total general revenues					<u>990,362</u>	<u>1,213</u>	<u>991,575</u>	<u>984,159</u>	
Change in net position					<u>(22,469)</u>	<u>49,514</u>	<u>27,045</u>	<u>24,317</u>	
Net assets - beginning of year (Note 11)					<u>3,939,700</u>	<u>3,342,534</u>	<u>7,282,234</u>	<u>7,239,258</u>	
Net position - end of year					<u>\$ 3,917,231</u>	<u>\$ 3,392,048</u>	<u>\$7,309,279</u>	<u>\$ 7,263,575</u>	

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

THE TOWN OF MYERSVILLE, MARYLAND  
BALANCE SHEET  
GOVERNMENTAL FUND  
JUNE 30, 2014

	GENERAL FUND	
	2014	2013 (MEMORANDUM ONLY)
<u>ASSETS</u>		
Cash in bank	\$ 980,968	\$ 1,449,509
Receivables:		
Taxes	1,806	458
Due from other governments	16,429	3,687
Due from other funds	-	72,810
Other assets	2,828,664	2,846,564
<b>TOTAL ASSETS</b>	<b>\$ 3,827,867</b>	<b>\$ 4,373,028</b>
<u>LIABILITIES AND FUND BALANCES</u>		
<u>LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 746,056	\$ 346,316
Deferred revenue	44	8
Due to other funds	46,272	-
<b>TOTAL LIABILITIES</b>	<b>792,372</b>	<b>346,324</b>
<u>FUND BALANCES</u>		
Nonspendable	5,117	1,763
Committed to debt service	2,531,283	2,641,390
Unassigned	499,095	1,383,551
<b>TOTAL FUND BALANCES</b>	<b>3,035,495</b>	<b>4,026,704</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,827,867</b>	<b>\$ 4,373,028</b>

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, 2014

	2014	2013 (MEMORANDUM ONLY)
Fund Balances - total governmental funds	\$ 3,035,495	\$ 4,026,704
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	5,938,748	5,398,539
Less accumulated depreciation	(983,192)	(857,043)
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental fund	(4,073,820)	(4,628,500)
Net Position of Governmental Activities	\$ 3,917,231	\$ 3,939,700

THE TOWN OF MYERSVILLE, MARYLAND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUND  
YEAR ENDED JUNE 30, 2014

	GENERAL FUND	
	2014	2013 (MEMORANDUM ONLY)
<b>REVENUES</b>		
Local taxes	\$ 608,376	\$ 602,956
State shared taxes	306,704	391,503
County shared taxes	139	139
Licenses and permits	19,617	1,448
Other revenues	110,062	135,795
Total Revenues	<u>1,044,898</u>	<u>1,131,841</u>
<b>EXPENDITURES</b>		
Current:		
General government	520,193	551,677
Public safety	112,811	121,280
Parks and recreation	25,114	22,995
Public services	190,101	154,638
Capital outlay	540,209	147,266
Debt service:		
Principal	164,680	3,621,398
Bond proceeds allocated to Water and Sewer	390,000	-
Interest	92,999	131,171
Total Expenditures	<u>2,036,107</u>	<u>4,750,425</u>
Excess of expenditures over revenues	<u>(991,209)</u>	<u>(3,618,584)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Proceeds of refunding bonds	-	3,535,000
Long-term debt issued	-	1,300,000
Debt issue costs	-	(101,392)
Total Other Financing Sources and Uses	<u>-</u>	<u>4,733,608</u>
Net Change in Fund Balance	(991,209)	1,115,024
Fund balances, beginning of year	<u>4,026,704</u>	<u>2,911,680</u>
Fund balances, end of year	<u>\$ 3,035,495</u>	<u>\$ 4,026,704</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, 2014

	2014	2013 (MEMORANDUM ONLY)
Net change in Fund Balances - total governmental funds	\$ (991,209)	\$ 1,115,024
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	540,209	147,266
Less current year depreciation	(126,149)	(130,696)
Repayment of note payable principal is an expenditure in the governmental funds, but the repayment reduces current liabilities in the Statement of Net Position	164,680	729,498
The transfer of bond principal is an expenditure in the governmental funds, but the transfer reduces long-term debt in the in the Statement of Net Position This is the amount which was transferred to Water and Sewer	390,000	(1,943,100)
Change in Net Position of Governmental Funds	\$ (22,469)	\$ (82,008)

THE TOWN OF MYERSVILLE, MARYLAND  
STATEMENT OF NET POSITION - PROPRIETARY FUND  
JUNE 30, 2014

	WATER AND SEWER	
	2014	2013 (MEMORANDUM ONLY)
<b><u>CURRENT ASSETS</u></b>		
Cash in bank	\$ 173,091	\$ 135,402
Certificates of deposit - DSRA	371,026	369,901
Receivables:		
Customer accounts	186,905	186,216
Interest	358	715
Due from other funds	46,272	-
<b>TOTAL CURRENT ASSETS</b>	<b>777,652</b>	<b>692,234</b>
<b><u>NON-CURRENT ASSETS</u></b>		
Land and construction in progress	311,917	27,762
Other capital assets, net of accumulated depreciation	3,264,428	3,387,111
<b>TOTAL NON-CURRENT ASSETS</b>	<b>3,576,345</b>	<b>3,414,873</b>
<b>TOTAL ASSETS</b>	<b>\$ 4,353,997</b>	<b>\$ 4,107,107</b>
<b><u>LIABILITIES AND NET POSITION</u></b>		
<b><u>CURRENT LIABILITIES</u></b>		
Accounts payable	\$ 56,955	\$ 62,994
Deferred revenue	945	1,260
Current maturities of long-term debt	119,311	99,796
Accrued interest	5,895	6,956
Due to other funds	-	72,810
<b>TOTAL CURRENT LIABILITIES</b>	<b>183,106</b>	<b>243,816</b>
<b><u>NON-CURRENT LIABILITIES</u></b>		
Notes payable	778,843	539,416
<b>TOTAL LIABILITIES</b>	<b>961,949</b>	<b>783,232</b>
<b><u>NET POSITION</u></b>		
Invested in capital assets, net of related debt	2,646,871	2,775,662
Restricted for debt service	121,000	121,000
Unrestricted	624,177	427,213
<b>TOTAL NET POSITION</b>	<b>3,392,048</b>	<b>3,323,875</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 4,353,997</b>	<b>\$ 4,107,107</b>

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, 2014

	WATER AND SEWER	
	2014	2013 (MEMORANDUM ONLY)
<u>OPERATING REVENUES</u>		
Charges for services:		
Water fees	\$ 344,160	\$ 338,296
Sewer fees	320,570	302,660
Late payment fees	3,158	3,223
Connection fees	30,910	-
 TOTAL OPERATING REVENUES	 <u>698,798</u>	 <u>644,179</u>
<u>OPERATING EXPENSES</u>		
Advertising	937	262
Audit and professional fees	9,316	5,775
Depreciation	122,683	120,373
Dues	300	300
Engineering and testing	2,687	28,787
Insurance	6,627	5,809
Salary and maintenance expenses	49,338	-
Payroll taxes and employee benefits	5,290	-
Office supplies and expense	1,810	3,231
Plant operation contract	255,456	228,432
Plant supplies and expense	9,645	8,957
Repairs and maintenance	78,093	36,969
Utilities	86,879	81,350
 TOTAL OPERATING EXPENSES	 <u>629,061</u>	 <u>520,245</u>
 OPERATING INCOME	 <u>69,737</u>	 <u>123,934</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest income	1,213	1,349
Interest expense	(21,436)	(23,965)
Miscellaneous income	-	5,007
 TOTAL NON-OPERATING REVENUES (EXPENSES)	 <u>(20,223)</u>	 <u>(17,609)</u>
 CHANGE IN NET POSITION	 49,514	 106,325
TOTAL NET ASSETS, BEGINNING OF YEAR (Note 11)	<u>3,342,534</u>	<u>3,217,550</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 3,392,048</u>	<u>\$ 3,323,875</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, 2014

	WATER AND SEWER	
	2014	2013 (MEMORANDUM ONLY)
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from customers	\$ 699,565	\$ 662,749
Cash payments to suppliers for good and services	(375,201)	(166,359)
Cash payments to employees and professional contractors for services	(257,712)	(226,222)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>66,652</u>	<u>270,168</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Purchase of capital assets	(265,497)	(143,307)
Principal payments on notes payable	(131,057)	(97,182)
Interest paid on notes payable	(22,497)	(25,052)
Proceeds from loan payable	390,000	-
Other receipts	-	5,007
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(29,051)</u>	<u>(260,534)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of certificates of deposit	(1,125)	(1,252)
Interest income on investments	1,213	1,349
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>88</u>	<u>97</u>
INCREASE IN CASH	37,689	9,731
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>135,402</u>	<u>125,671</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 173,091</u>	<u>\$ 135,402</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, 2014

	WATER AND SEWER	
	2014	2013 (MEMORANDUM ONLY)
<b><u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u></b>		
Operating income	\$ 69,737	\$ 123,934
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	122,683	120,373
(Increase) decrease in:		
Receivables	(332)	11,533
Due from other funds	(46,272)	-
Increase (decrease) in:		
Accounts payable	(6,039)	20,943
Deferred revenue	(315)	(315)
Due to other funds	(72,810)	(6,300)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>\$ 66,652</u></b>	<b><u>\$ 270,168</u></b>

## THE TOWN OF MYERSVILLE, MARYLAND

NOTES TO FINANCIAL STATEMENTS

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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 "Transfer from Enterprise fund" of \$38,200 as revenue. This is not considered revenue for GAAP purposes.

Total budgeted revenues	\$1,190,356
Less: transfer from enterprise fund	<u>38,200</u>
Total GAAP budgetary revenues	<u>\$1,152,156</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, 2014, the Town had checking, savings, and certificate of deposit accounts in a financial institution with a carrying amount of \$1,525,085. The related bank balances totaled \$1,543,613 of which \$280,000 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 \$1,381,606 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, 2013	Additions	Deletions	Balance June 30, 2014
<b>Governmental Activities</b>				
<b>Capital Assets</b>				
Land and construction in progress	\$ 1,576,672	\$ 540,209	\$ -	\$ 2,116,881
Land improvements	365,455	-	-	365,455
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	-	-	842,969
Vehicles	25,610	-	-	25,610
	<u>\$ 5,398,539</u>	<u>\$ 540,209</u>	<u>\$ -</u>	<u>\$ 5,938,748</u>
<b>Accumulated Depreciation</b>				
Land improvements	\$ 84,549	\$ 16,144	\$ -	\$ 100,693
Buildings	301,637	60,477	-	362,114
Machinery and equipment	107,020	10,701	-	117,721
GIS mapping	29,743	-	-	29,743
Parks and recreation	308,484	38,827	-	347,311
Vehicles	25,610	-	-	25,610
	<u>\$ 857,043</u>	<u>\$ 126,149</u>	<u>\$ -</u>	<u>\$ 983,192</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	\$ 46,421	\$ 265,497	\$ -	\$ 311,918
Driveway and parking lot	885	-	-	885
Water collection and distribution	1,790,530	-	-	1,790,530
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	-	-	7,575
	<u>\$ 6,057,508</u>	<u>\$ 265,497</u>	<u>\$ -</u>	<u>\$ 6,323,005</u>

## Accumulated Depreciation

Driveway and parking lot	\$ 885	\$ -	\$ -	\$ 885
Water collection and distribution	903,314	39,184	-	942,498
Sewage treatment	970,912	26,592	-	997,504
Water and sewer upgrade	735,279	56,560	-	791,839
Furniture and equipment	7,650	-	-	7,650
Other assets	5,936	347	-	6,283
	<u>\$ 2,623,976</u>	<u>\$ 122,683</u>	<u>\$ -</u>	<u>\$ 2,746,659</u>

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

Governmental Activities		Business-type Activities	
General government	\$87,322	Water and sewer utilities	\$122,683
Parks and recreation	38,827		

Construction in Process

The Town started engineering for Main Street reconstruction, Main Street water line, sewer trunk line relocation and a park overlook. As of June 30, 2014, \$611,093 had been incurred in construction in process for Main Street reconstruction, \$254,505 for the Main Street water line, \$29,651 for the sewer trunk line relocation and \$14,507 for the park overlook.

Note 4 - 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.

## THE TOWN OF MYERSVILLE, MARYLAND

## NOTES TO FINANCIAL STATEMENTS

Note 4 - Long-term Debt (continued)

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, 2014 are \$3,236,900 and \$1,195,600. The Bond of 2013 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, 2014.

Description	Balance July 1, 2013	Reallocated	Retired	Balance June 30, 2014	Balance Due Within One Year
<b>Governmental Activities</b>					
Refunding bond of 2013	\$3,377,700	\$ ---	\$ 140,800	\$3,236,900	\$ 147,000
Bond of 2013	<u>1,250,800</u>	<u>(390,000)</u>	<u>23,880</u>	<u>836,920</u>	<u>39,410</u>
Total Governmental Activities	<u>\$4,628,500</u>	<u>\$ (390,000)</u>	<u>\$ 164,680</u>	<u>\$4,073,820</u>	<u>\$ 186,410</u>
<b>Business-type Activities</b>					
Water Quality Loan	\$ 178,618	\$ ---	\$ 27,469	\$ 151,149	\$ 28,410
Water Quality Loan	460,594	---	72,269	388,325	74,011
Bond of 2013	---	<u>390,000</u>	<u>31,320</u>	<u>358,680</u>	<u>16,890</u>
Total Business-type Activities	<u>\$ 639,212</u>	<u>\$ 390,000</u>	<u>\$ 131,058</u>	<u>\$ 898,154</u>	<u>\$ 119,311</u>

The annual debt service requirements to maturity, including principal and interest, for the General Fund's bond debts outstanding as of June 30, 2014 are as follows:

Year Ending June 30	Principal	Interest
2015	\$ 186,410	\$ 111,797
2016	188,480	106,694
2017	197,750	101,536
2018	199,520	96,113
2019	204,790	90,645
2020-2024	1,127,180	364,776
2025-2029	1,284,940	201,117
2030-2032	<u>684,750</u>	<u>37,572</u>
Total	<u>\$4,073,820</u>	<u>\$1,110,250</u>

## THE TOWN OF MYERSVILLE, MARYLAND

## NOTES TO FINANCIAL STATEMENTS

Note 4 - Long-term Debt (continued)

Details of the Town's long-term Water and Sewer fund debt as of June 30, 2014 are as follows:

	<u>Interest Rate</u>	<u>Amount</u>
Water and Sewer Fund - Maryland Water Quality Loan	3.21%	\$ 151,149
Water and Sewer Fund – Maryland Water Quality Loan	2.41%	388,325
Bond of 2013	1.91%	<u>358,680</u>
		<u>\$ 898,154</u>

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

The annual debt service requirements to maturity, including principal and interest, for the Water and Sewer debt outstanding as of June 30, 2014 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 119,311	\$ 26,702
2016	122,336	23,683
2017	125,434	20,587
2018	128,606	17,409
2019	131,537	14,149
2020-2024	96,420	22,260
2025-2029	105,960	12,694
2030-2032	<u>68,550</u>	<u>2,635</u>
Totals	<u>\$ 898,154</u>	<u>\$ 140,119</u>

## THE TOWN OF MYERSVILLE, MARYLAND

## NOTES TO FINANCIAL STATEMENTS

Note 4 - Long-term Debt (continued)

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, 2014 are as follows:

Year Ending June 30	Principal	Interest
2015	\$ 348,072	\$ 130,208
2016	115,972	71,523
2017	122,619	68,091
2018	123,401	64,461
2019	126,920	60,808
2020-2024	705,528	244,641
2025-2029	811,490	134,112
2030-2032	410,398	24,573
Totals	<u>\$2,764,400</u>	<u>\$ 798,417</u>

As of June 30, 2014 the Fire Company arrearage totaled \$367,399.

Note 5 - 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, 2014:

Year ending June 30,	
2015	\$ 10
2016	10
2017	10
2018	10
2019	10
2020-2024	50
2025-2029	50
2030-2034	<u>50</u>
Total	\$ <u>200</u>

Rental expense amounted to \$10 for the year ended June 30, 2014.

## THE TOWN OF MYERSVILLE, MARYLAND

## NOTES TO FINANCIAL STATEMENTS

Note 6 - 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:

<u>General Fund Balance</u>	
<u>Nonspendable:</u>	
Prepays	\$ 5,117
<u>Committed:</u>	
Debt service	2,531,283
<u>Unassigned:</u>	<u>495,095</u>
Total Fund Balances	\$ <u>3,035,495</u>

Note 7 - Accrued Health Care Benefits

The Town approved an ordinance providing the Treasurer of the Town with lifetime health care coverage. As of June 30, 2014, the Town accrued \$373,084 for the cost of these benefits.

Note 8 - 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, 2014 was \$17,689, which is held in a trust for the employees and therefore is not reflected in the balance sheet.

Note 9 - 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, 2014 totaled \$46,272.

NOTES TO FINANCIAL STATEMENTS

Note 10 - 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, 2014, the general fund was affected as follows:

<u>Total Interest Costs Incurred</u>	<u>Capitalized Interest</u>
\$23,890	\$23,890

Note 11 - Prior Period Adjustment

A prior period adjustment was made to adjust the net assets of the water and sewer fund for construction in progress not recorded at June 30, 2014 because of engineering costs being expensed. The adjustment was made as follows:

Net assets, beginning of year, as previously reported	\$3,323,875
Prior period adjustment	<u>18,659</u>
Net assets, beginning of year, as restated	<u>\$3,342,534</u>

Note 12 - Subsequent Events

The Town has evaluated subsequent events through November 17, 2014, 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, 2014

	ORIGINAL AND FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) BUDGET	2013 ACTUAL (MEMORANDUM ONLY)
<u>REVENUES</u>				
<u>LOCAL TAXES</u>				
Real estate	\$ 580,780	\$ 584,465	\$ 3,685	\$ 579,855
Public utility	14,000	13,129	(871)	13,521
Ordinary business corporation	6,690	7,005	315	5,374
Penalties and interest	1,500	3,777	2,277	4,206
	<u>602,970</u>	<u>608,376</u>	<u>5,406</u>	<u>602,956</u>
<u>STATE SHARED TAXES</u>				
Highway	40,940	44,543	3,603	12,879
Income	150,000	242,047	92,047	236,976
Police Aid grant	9,000	9,114	114	5,433
Project Open Space grants	94,000	11,000	(83,000)	136,215
	<u>293,940</u>	<u>306,704</u>	<u>12,764</u>	<u>391,503</u>
<u>COUNTY SHARED TAXES</u>				
Financial corporation	140	139	(1)	139
	<u>140</u>	<u>139</u>	<u>(1)</u>	<u>139</u>
<u>LICENSES AND PERMITS</u>				
Building permits	1,000	5,420	4,420	575
Traders licenses	500	697	197	873
Developers contributions	22,500	13,500	(9,000)	-
	<u>24,000</u>	<u>19,617</u>	<u>(4,383)</u>	<u>1,448</u>
<u>MISCELLANEOUS</u>				
Donations	-	625	625	600
Interest income	100	759	659	683
Planning and zoning	3,100	7,299	4,199	500
Municipal citations	50	14	(36)	50
Miscellaneous income	40,450	2,369	(38,081)	2,417
Reimbursement for review fees	2,500	7,506	5,006	15,875
Reimbursement for bond interest	212,906	78,185	(134,721)	102,787
Cable TV income	10,200	13,305	3,105	12,883
	<u>269,306</u>	<u>110,062</u>	<u>(159,244)</u>	<u>135,795</u>
TOTAL REVENUES	\$ 1,190,356	\$ 1,044,898	\$ (145,458)	\$ 1,131,841

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, 2014

	ORIGINAL AND FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) BUDGET	2013 ACTUAL (MEMORANDUM ONLY)
<b>EXPENDITURES</b>				
<b>GENERAL GOVERNMENT</b>				
Advertising	\$ 2,000	\$ 4,678	\$ 2,678	\$ 2,040
Audit and legal fees	12,500	18,655	6,155	20,073
Dues and subscriptions	2,240	2,171	(69)	2,334
Insurance	13,320	7,747	(5,573)	8,229
GIS mapping	1,500	9,565	8,065	700
Newsletter	750	561	(189)	389
Office supplies and expense	16,560	32,419	15,859	21,831
Other expenses	-	4,156	4,156	856
Planning and zoning	35,550	58,571	23,021	48,504
Salaries - mayor and council	11,000	10,005	(995)	11,130
Municipal league functions	1,750	1,296	(454)	683
Salaries - manager	46,000	53,729	7,729	74,401
Salaries - treasurer	17,500	14,766	(2,734)	29,444
Benefits	25,370	148,072	122,702	138,638
Salaries - administrative	34,930	29,205	(5,725)	38,340
Employee training and seminars	1,000	757	(243)	94
Real estate taxes	1,570	766	(804)	766
Telephone	5,500	7,350	1,850	8,177
Donations	8,000	1,500	(6,500)	2,668
Town buildings:				
Electricity and heat	29,700	36,605	6,905	47,938
Repairs and maintenance	24,000	34,380	10,380	37,956
Other supplies and expense	3,000	2,054	(946)	3,529
Salaries - building maintenance	30,700	23,512	(7,188)	31,908
Payroll taxes	85,800	17,673	(68,127)	21,049
	<u>410,240</u>	<u>520,193</u>	<u>109,953</u>	<u>551,677</u>
<b>PUBLIC SAFETY</b>				
Deputy program	125,000	112,811	(12,189)	121,280
	<u>125,000</u>	<u>112,811</u>	<u>(12,189)</u>	<u>121,280</u>
<b>PARKS AND RECREATION</b>				
Parks and recreation	16,010	25,114	9,104	22,995
	<u>\$ 16,010</u>	<u>\$ 25,114</u>	<u>\$ 9,104</u>	<u>\$ 22,995</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, 2014

	ORIGINAL AND FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) BUDGET	2013 ACTUAL (MEMORANDUM ONLY)
<b><u>PUBLIC SERVICES</u></b>				
Sanitation and waste removal:				
Collection contract	\$ 93,200	\$ 90,819	\$ (2,381)	\$ 91,332
Streets and alleys:				
Gasoline and oil	3,000	1,950	(1,050)	1,558
Highway maintenance	10,000	36,324	26,324	33,177
Street lighting	25,000	27,418	2,418	16,520
Snow removal	15,000	33,590	18,590	12,051
	<u>146,200</u>	<u>190,101</u>	<u>43,901</u>	<u>154,638</u>
<b><u>CAPITAL OUTLAY</u></b>	<u>94,000</u>	<u>540,209</u>	<u>446,209</u>	<u>147,266</u>
<b><u>DEBT SERVICE</u></b>				
Principal	168,600	164,680	(3,920)	3,621,398
Bond proceeds transferred to Water and Sewer	-	390,000	390,000	-
Interest	230,306	92,999	(137,307)	131,171
	<u>398,906</u>	<u>647,679</u>	<u>248,773</u>	<u>3,752,569</u>
<b>TOTAL EXPENDITURES</b>	<u>1,190,356</u>	<u>2,036,107</u>	<u>845,751</u>	<u>4,750,425</u>
<b>EXCESS OF EXPENDITURES OVER REVENUES</b>	<u>-</u>	<u>(991,209)</u>	<u>(991,209)</u>	<u>(3,618,584)</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Proceeds of refunding bonds	-	-	-	3,535,000
Long-term debt issued	-	-	-	1,300,000
Debt issue costs	-	-	-	(101,392)
<b>TOTAL OTHER FINANCING SOURCES AND USES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,733,608</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>-</u>	<u>(991,209)</u>	<u>(991,209)</u>	<u>1,115,024</u>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>3,636,704</u>	<u>4,026,704</u>	<u>-</u>	<u>2,911,680</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ 3,636,704</u>	<u>\$ 3,035,495</u>	<u>\$ (991,209)</u>	<u>\$ 4,026,704</u>

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