THE TOWN OF MYERSVILLE, MARYLAND

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2012

THE TOWN OF MYERSVILLE, MARYLAND

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October 29, 2012

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, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Myersville, Maryland's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative information has been derived from the Town's 2011 basic financial statements and, in our report dated November 9, 2011 we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities and each major fund.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Myersville, Maryland, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 2 through 9 and 30 through 32 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.

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Management's Discussion and Analysis
Town of Myersville
June 30, 2012

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, 2012. 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 $7,239,258 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by $7,318,261.
- Total net assets are comprised of the following:
  (1) Capital assets, net of related debt, of $3,765,573 include property and construction in progress, net of depreciation.
  (2) Restricted assets of $121,000 represents the Debt Service Reserve Account.
  (3) Unrestricted net assets of $667,285 represent the portion available to maintain the Town's continuing obligations to citizens and creditors.
  (4) Reserved for bond repayment of $2,685,400 represents the amount due from the Myersville Volunteer Fire Company to pay for their part of the Myersville Municipal Center.
- The Town's governmental funds reported total ending unreserved fund balance of $226,280 this year. This compares to the prior year ending fund balance of $352,547, showing a decrease of $126,267 during this current year.
- At the end of the current fiscal year, the unreserved fund for the General Fund was $226,280 or 19% of total General Fund expenditures.
- Total liabilities of the Town decreased by $133,150 to $4,396,035 during the fiscal year.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Town's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Town's assets and liabilities. This data, may serve as a useful indicator of the financial position of the Town.

The statement of activities presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government; public safety; public works; health and welfare; and recreation and cultural. The business-type activities of the Town include water and sewer.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Myersville like other local governments uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

- *Governmental funds* – Governmental funds are used to account for essentially the same functions reported as Governmental activities in the government-wide statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on the balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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.

- *Proprietary funds* – When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Town's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Financial Analysis of the Town as a Whole

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

The Town's net assets at fiscal year-end are $7,239,258. This is a $79,003 decrease compared to last year's net assets of $7,318,261. The following table provides a summary of the Town's net assets at June 30, 2012:

Table 1
Town of Myersville's Net Assets
Fiscal Year ended June 30, 2012

	Governmental Activities		Business-type Activities		Totals		Amount Change
	2012	2011	2012	2011	2012	2011	
Assets:							
Current & other assets	$ 3,104,753	$ 3,188,448	$ 613,675	$ 609,715	$ 3,718,428	$ 3,798,163	$ (79,735)
Capital assets	4,524,926	4,537,762	3,391,939	3,511,521	7,916,865	8,049,283	(132,418)
Total assets	7,629,679	7,726,210	4,005,614	4,121,236	11,635,293	11,847,446	(212,153)
Liabilities:							
Current & other liabilities	312,773	179,005	148,909	195,220	461,682	374,225	87,457
Long-term liabilities	3,295,198	3,418,620	639,155	736,340	3,934,353	4,154,960	(220,607)
Total liabilities	3,607,971	3,597,625	788,064	931,560	4,396,035	4,529,185	(133,150)
Net assets:							
Invested in capital assets, net of related debt	1,110,028	1,011,638	2,655,545	2,680,433	3,765,573	3,692,071	73,502
Restricted	-	-	121,000	121,000	121,000	121,000	-
Reserved for bond repayment	2,685,400	2,764,400	-	-	2,685,400	2,764,400	(79,000)
Unrestricted	226,280	352,547	441,005	388,243	667,285	740,790	(73,505)
Total net assets	$ 4,021,708	$ 4,128,585	$ 3,217,550	$ 3,189,676	$ 7,239,258	$ 7,318,261	$ (79,003)

Net Assets (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 $7,239,258 at the close of fiscal year 2012 and $7,318,261 at the close of fiscal 2011. The largest portion of the Town's net assets 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 assets ($667,285) 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 assets by $106,877. This compares to the previous year when governmental activities increased the Town's net assets by $37,618.

The Town's revenues from governmental activities totaled $972,578 for the fiscal year ended June 30, 2012. As shown in Table 2, The Town received 82% of its revenue from taxes. The major source of revenue for the Town was property taxes ($462,796) comprised of real estate and personal property, and income taxes ($208,139).

The Town's expenses from governmental activities totaled $1,079,455 for the fiscal year ended June 30, 2012. As shown in Table 2, general government was the largest expense at $620,165 or 57% and interest on long-term debt was the second largest expense at $163,411 or 15%. 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 Assets
Fiscal Year ended June 30, 2012

	Governmental Activities		Business-type Activities		Totals		Amount Change	% Change
	2012	2011	2012	2011	2012	2011		
Revenues								
General Revenues								
Property taxes	$ 462,796	$ 455,181	$ -	$ -	$ 462,796	$ 455,181	$ 7,615	1.7
Income taxes	208,139	220,630	-	-	208,139	220,630	(12,491)	(5.7)
Highway taxes	19,481	6,891	-	-	19,481	6,891	12,590	182.7
Other taxes	107,946	107,946	-	-	107,946	107,946	-	-
Other income	148,111	150,923	1,200	-	149,311	150,923	(1,612)	(1.1)
Investment income	193	116	2,553	3,272	2,746	3,388	(642)	(18.9)
Program Revenues								
Charges for services	14,210	1,890	619,768	581,699	633,978	583,589	50,389	8.6
Grants	11,702	116,738	2,731	-	14,433	116,738	(102,305)	(87.6)
Total revenues	972,578	1,060,315	626,252	584,971	1,598,830	1,645,286	(46,456)	(2.8)
Expenses								
General government	620,165	512,705	-	-	620,165	512,705	107,460	21.0
Public safety	112,332	104,909	-	-	112,332	104,909	7,423	7.1
Parks and recreation	50,320	55,457	-	-	50,320	55,457	(5,137)	(9.3)
Public services	133,227	173,696	-	-	133,227	173,696	(40,469)	(23.3)
Water and sewer	-	-	571,870	605,730	571,870	605,730	(33,860)	(5.6)
Interest on long-term debt	163,411	175,930	26,508	28,959	189,919	204,889	(14,970)	(7.3)
Total expenditures	1,079,455	1,022,697	598,378	634,689	1,677,833	1,657,386	20,447	1.2
Change in net assets	(106,877)	37,618	27,874	(49,718)	(79,003)	(12,100)	(66,903)	552.9
Beginning net assets	4,128,585	4,090,967	3,189,676	3,239,394	7,318,261	7,330,361	(12,100)	(0.2)
Ending net assets	$ 4,021,708	$ 4,128,585	$ 3,217,550	$ 3,189,676	$ 7,239,258	$ 7,318,261	$ (79,003)	(1.1)

Business-type activities

The Town's business-type activities include the water and sewer fund. The net assets of these business-type activities increased by $27,874 (Table 2). The major revenue source for the business-type activities is charges for services, including water and sewer utility, which totaled $619,768 or 99% of the total revenues. Non-operating revenues include investment income of $2,553. Expenses of the business-type activities totaled $598,378.

Financial Analysis of the Town's Fund

The Town of Myersville uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the fiscal year. For the fiscal year ended June 30, 2012, the Town's governmental fund reported a fund balance of $226,280.

The General Fund is the chief operating fund of the Town. For the fiscal year ended June 30, 2012, the unreserved fund balance of the General Fund was $226,280. This amount represents 19% of total General Fund expenditures, as a measure of the General Funds liquidity. The fund balance of the Town's General Fund decreased by $126,267 during the current fiscal year.

Proprietary Funds. The Town's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the Town's Water and Sewer Fund for the fiscal year ended June 30, 2012, amounted to $441,005.

General Fund Budgetary Highlights

The General Fund budget for fiscal year 2012 was approximately $1,133,530.

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

There were no significant 2012 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, 2012, amounts to $3,765,573 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, 2012

	Governmental Activities		Business-type Activities		Totals		Amount Change	% Change
	2012	2011	2012	2011	2012	2011		
Non-Depreciable Assets:								
Land	$ 1,436,190	$ 1,436,190	$ 27,762	$ 27,762	$ 1,463,952	$ 1,463,952	$ -	-
Construction in progress	142,461	32,750	-	-	142,461	32,750	109,711	335.0
Depreciable Assets:								
Buildings and improvements	2,888,700	2,988,244	1,986	2,333	2,890,686	2,990,577	(99,891)	(3.3)
Machinery and equipment	57,575	80,578	-	131	57,575	80,709	(23,134)	(28.7)
Water and sewer systems	-	-	3,362,191	3,481,295	3,362,191	3,481,295	(119,104)	(3.4)
Total	$ 4,524,926	$ 4,537,762	$ 3,391,939	$ 3,511,521	$ 7,916,865	$ 8,049,283	$ (132,418)	(1.6)

As shown in table 3, Construction in Progress totalled $142,461. This consists of $17,386 for Main Street reconstruction, $122,625 for the Rt. 17 acceleration/deceleration lane, and $2,450 for land appraisals.

Debt

As shown in Table 4, the Town of Myersville had total debt outstanding of $4,151,292. 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, 2012

	Governmental Activities		Business-type Activities		Totals		Amount Change	% Change
	2012	2011	2012	2011	2012	2011		
Infrastructure Bonds	$ 2,685,400	$ 2,764,400	$ -	$ -	$ 2,685,400	$ 2,764,400	$ (79,000)	(2.9)
Note Payable	729,498	761,724	-	-	729,498	761,724	(32,226)	(4.2)
Maryland Water Quality Loan	-	-	205,232	231,018	205,232	231,018	(25,786)	(11.2)
Maryland Water Quality Loan	-	-	531,162	600,070	531,162	600,070	(68,908)	(11.5)
Total	$ 3,414,898	$ 3,526,124	$ 736,394	$ 831,088	$ 4,151,292	$ 4,357,212	$ (205,920)	(4.7)

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, 2012, the Town retired $79,000 of outstanding principal. More detailed information regarding the Town's long-term debt can be found in Note 4 to the financial statements.

Overview

Overall the Town is experiencing a solid financial condition through annual review and implementation of sound fiscal policies and management. We remain committed to prudently funding operations given the continued loss of significant State funds. This is detailed in our 6-year capital and operations budget projections that we reviewed as part of the annual budget process and adjusted accordingly.

The Town during the 1990s was one of the fastest growing communities per capita in Maryland. In this short period of time it grew from a small rural community of approximately 500 people in 200 homes to a larger suburban Town of more than 1,500 people in nearly 600 homes. This included the addition of numerous new businesses and a growing local transportation network.

As the Town has tripled in size with the expansion of municipal boundaries for numerous new housing developments, various local policies have been implemented to ensure development paid for necessary expansion related to municipal services and facilities, including required expansions and upgrades to the Myersville water and wastewater systems. Given the sensitivities of water availability and the diversity of the Town water supply system, the most notable of these policies has centered on strengthening of requirements for new development to provide an adequate supply of water to serve this additional growth. These policies have been supported by engineering analysis, which have at times been challenged by the State.

Separate from Town financial management of its water and sewer enterprise system, it has also experienced the need to provide adequate maintenance of its local transportation network and equally its provision of adequate public recreational facilities. Subject to declining State shared HUR revenues, the Town remains well positioned to fund annual road maintenance projects. As part of an effort to capture interest related savings through refinance and restructure of existing Town debt, the Town is including in this process possible new bond financing to address necessary major upgrades to its Main Street. The Town however, has been fortunate in its efforts to obtain limited State parks funding, investing more than a million dollars in its recreational amenities over the past decade.

The Town is confident that through adoption of its public policies and implementation of its conservative financial principles it will remain fiscally sound as growth occurs, and place necessary costs for improvements fairly upon the greater community as it continues to grow in the future.

The Town requires developers to pay for the infrastructure inside and outside of their development. They also require the developer to make a contribution to the Town in the form of financial contributions based on a per unit cost 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.

Due to the efforts of the leadership the Town is confident that the debt for the upgrades of the water and sewer plants that service all our people, and have been especially beneficial in providing for additional growth, will be paid off without undue stress on the overall existing customer base. After approximately seven years of implementation of rate adjustments averaging 10% per year, the future rate adjustments are projected within the Town's long-term financial models to be less than 5% in any given fiscal year.

OUR FUTURE:

With the expansion of both the General and Proprietary (Enterprise) 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 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. To accomplish this task the Town may need to consider a mix of reduction in expenses, increases in the tax rate, and/or obtaining State and Federal funds.

C. Focus on bringing a library to the Harp Park (old Town Hall) site. This will require transfer of part of the recently demolished 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. At the present time this has been delayed until 2015 by the Board of County Commissioners (BOCC). Citizens will continue to place pressure on the BOCC to proceed.
D. Continue to seek grants or low interest loans to accomplish these larger projects at the least cost to the citizens and surrounding community.
E. Complete the purchase of land in the watershed area to ensure our water supply will not be jeopardized by construction in these sensitive areas. This is the citizen's tax dollars returned and put to work through the State of Maryland Open Space programs.

At this time, as noted previously, funds are not too easy to come by in the State of 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 $500,000 to help with the expansion of Doub's 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 Doub's. This work was completed in late 2009 and is currently being monitored for post construction maintenance and improvements.

The Municipal Center project has been a joint effort between the Town and the Myersville Volunteer Fire Company. In the past we have had very good relations with the Fire Company. This has allowed the Town 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. If the Town decides to abandon the park, then the land reverts back to the Fire Company. The Municipal Center is similar in its shared purpose. They came to the Town with a proposal to build a joint Town Hall and Fire Station on the land owned by the Fire Company. The Town leaders saw the wisdom in such a move and voted to move forward with the Fire Company to bring this project to completion.

The formal agreement between the Town and the Fire Company was completed in December 2009. The Town and Fire Company will 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 such as now exist on the park land. 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.

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.myercity.sailosite.net.

THE TOWN OF MYERSVILLE, MARYLAND

STATEMENT OF NET ASSETS
JUNE 30, 2012

ASSETS	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	PRIMARY GOVERNMENT BUSINESS-TYPE ACTIVITIES	PRIMARY GOVERNMENT TOTAL	2011 (MEMORANDUM ONLY)
CURRENT ASSETS				
Cash in bank	$ 214,962	$ 125,671	$ 340,633	$ 399,024
Certificates of deposit - DSRA	-	368,649	368,649	366,123
Receivables:				
Taxes	2,980	-	2,980	905
Customer accounts	-	197,379	197,379	179,566
Interest	1	1,085	1,086	1,435
Myersville Volunteer Fire Company	188,810	-	188,810	79,000
Due from other governments	13,951	-	13,951	81,170
Internal balances	79,109	(79,109)	-	-
Other assets	5,040	-	5,040	5,540
TOTAL CURRENT ASSETS	504,853	613,675	1,118,528	1,112,763
NON-CURRENT ASSETS				
Capital assets:				
Land and construction in progress	1,400,542	27,762	1,428,304	1,496,702
Other capital assets, net of accumulated depreciation	3,124,384	3,364,177	6,488,561	6,552,581
TOTAL NON-CURRENT ASSETS	4,524,926	3,391,939	7,916,865	8,049,283
OTHER ASSETS				
Receivable - Myersville Volunteer Fire Company	2,599,900	-	2,599,900	2,685,400
TOTAL ASSETS	$ 7,629,679	$ 4,005,614	$ 11,635,293	$ 11,847,446
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	$ 193,065	$ 42,051	$ 235,116	$ 160,903
Deferred revenue	8	1,575	1,583	1,994
Current maturities of long-term debt	119,700	97,239	216,939	202,252
Accrued interest	-	8,044	8,044	9,076
TOTAL CURRENT LIABILITIES	312,773	148,909	461,682	374,225
NON-CURRENT LIABILITIES				
Bonds and notes payable	3,295,198	639,155	3,934,353	4,154,960
TOTAL LIABILITIES	3,607,971	788,064	4,396,035	4,529,185
NET ASSETS				
Invested in capital assets, net of related debt	1,110,028	2,655,545	3,765,573	3,692,071
Restricted for debt service	-	121,000	121,000	121,000
Reserved for bond repayment	2,685,400	-	2,685,400	2,764,400
Unrestricted	226,280	441,005	667,285	740,790
TOTAL NET ASSETS	4,021,708	3,217,550	7,239,258	7,318,261
TOTAL LIABILITIES AND NET ASSETS	$ 7,629,679	$ 4,005,614	$ 11,635,293	$ 11,847,446

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

THE TOWN OF MYERSVILLE, MARYLAND

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS – PRIMARY GOVERNMENT: GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	2011 (MEMORANDUM ONLY)
Primary government:								
Governmental activities:								
General government	$ 620,164	$ 14,210	$ 1,954	$ -	$ (604,000)	$ -	$ (604,000)	$ (510,815)
Public safety	112,332	-	5,433	-	(106,899)	-	(106,899)	(99,476)
Parks and recreation	50,320	-	-	4,315	(46,005)	-	(46,005)	44,618
Public services	133,227	-	-	-	(133,227)	-	(133,227)	(162,466)
Interest on long-term debt	163,411	-	-	-	(163,411)	-	(163,411)	(175,930)
Total governmental activities	1,079,454	14,210	7,387	4,315	(1,053,542)	-	(1,053,542)	(904,069)
Business-type activities:								
Water and sewer utilities	598,378	619,768	-	2,731	-	24,121	24,121	(52,990)
Total business-type activities	598,378	619,768	-	2,731	-	24,121	24,121	(52,990)
Total primary government	$1,677,832	$633,978	$ 7,387	$ 7,046	(1,053,542)	24,121	(1,029,421)	(957,059)
General revenues:								
Taxes								
Property taxes					462,796	-	462,796	455,181
Income taxes					208,139	-	208,139	220,630
Highway taxes					19,481	-	19,481	6,891
Other taxes					107,946	-	107,946	107,946
Other income					148,110	1,200	149,310	150,923
Investment income					193	2,553	2,746	3,388
Total general revenues					946,665	3,753	950,418	944,959
Change in net assets					(106,877)	27,874	(79,003)	(12,100)
Net assets - beginning of year					4,128,585	3,189,676	7,318,261	7,330,361
Net assets - end of year					$ 4,021,708	$ 3,217,550	$7,239,258	$ 7,318,261

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

THE TOWN OF MYERSVILLE, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2012

	GENERAL FUND	
	2012	2011 (MEMORANDUM ONLY)
ASSETS		
Cash in bank	$ 214,962	$ 262,007
Receivables:		
Taxes	2,980	905
Interest	1	536
Due from other governments	13,951	81,170
Due from other funds	79,109	73,890
Other assets	2,793,750	2,769,940
TOTAL ASSETS	$ 3,104,753	$ 3,188,448
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable and accrued expenses	$ 193,065	$ 71,397
Deferred revenue	8	104
TOTAL LIABILITIES	193,073	71,501
FUND BALANCES		
Nonspendable	1,645	2,807
Committed to debt service	2,685,400	2,764,400
Unassigned	224,635	349,740
TOTAL FUND BALANCES	2,911,680	3,116,947
TOTAL LIABILITIES AND FUND BALANCES	$ 3,104,753	$ 3,188,448

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 ASSETS
JUNE 30, 2012

	2012	2011 (MEMORANDUM ONLY)
Fund Balances - total governmental funds	$ 2,911,680	$ 3,116,947
Amounts reported for governmental activities in Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund		
Governmental capital assets	5,251,273	5,131,079
Less accumulated depreciation	(726,347)	(593,317)
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental fund	(3,414,898)	(3,526,124)
Net Assets of Governmental Activities	$ 4,021,708	$ 4,128,585

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 BALANCES
GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2012

	GENERAL FUND	
	2012	2011 (MEMORANDUM ONLY)
REVENUES		
Local taxes	$ 462,796	$ 455,181
State shared taxes	233,053	333,029
County shared taxes	107,946	107,946
Licenses and permits	2,362	1,837
Other revenues	166,421	162,622
Total Revenues	972,578	1,060,615
EXPENDITURES		
Current:		
General government	526,007	415,800
Public safety	112,332	104,909
Parks and recreation	11,447	22,439
Public services	133,227	173,696
Capital outlay	120,195	160,459
Debt service:		
Principal	111,226	106,953
Interest	163,411	175,930
Total Expenditures	1,177,845	1,160,186
Excess of expenditures over revenues	(205,267)	(99,571)
Fund balances, beginning of year	3,116,947	3,216,518
Fund balances, end of year	$ 2,911,680	$ 3,116,947

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, 2012

	2012	2011 (MEMORANDUM ONLY)
Net change in Fund Balances - total governmental funds	$ (205,267)	$ (99,571)
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 depreciated over their estimated useful lives:		
Expenditures for capital assets	120,194	160,459
Less current year depreciation	(133,030)	(128,729)
In the statement of activities, the loss on the disposal of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources		
Costs of assets disposed	-	(3,325)
Related accumulated depreciation	-	1,831
Repayment of note payable principal is an expenditure in the governmental funds, but the repayment reduces current liabilities in the Statement of Net Assets	32,226	27,253
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces current liabilities in the Statement of Net Assets	79,000	79,700
Change in Net Assets of Governmental Funds	$ (106,877)	$ 37,618

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

THE TOWN OF MYERSVILLE, MARYLAND

STATEMENT OF NET ASSETS - PROPRIETARY FUND
JUNE 30, 2012

	WATER AND SEWER	
	2012	2011 (MEMORANDUM ONLY)
CURRENT ASSETS		
Cash in bank	$ 125,671	$ 137,017
Certificates of deposit - DSRA	368,649	366,123
Receivables:		
Customer accounts	197,379	179,566
Interest	1,085	899
TOTAL CURRENT ASSETS	692,784	683,605
NON-CURRENT ASSETS		
Land and construction in progress	27,762	27,762
Other capital assets, net of accumulated depreciation	3,364,177	3,483,759
TOTAL NON-CURRENT ASSETS	3,391,939	3,511,521
TOTAL ASSETS	$ 4,084,723	$ 4,195,126
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 42,051	$ 89,506
Deferred revenue	1,575	1,890
Current maturities of long-term debt	97,239	94,748
Accrued interest	8,044	9,076
Due to other funds	79,109	73,890
TOTAL CURRENT LIABILITIES	228,018	269,110
NON-CURRENT LIABILITIES		
Notes payable	639,155	736,340
TOTAL LIABILITIES	867,173	1,005,450
NET ASSETS		
Invested in capital assets, net of related debt	2,655,545	2,680,433
Restricted for debt service	121,000	121,000
Unrestricted	441,005	388,243
TOTAL NET ASSETS	3,217,550	3,189,676
TOTAL LIABILITIES AND NET ASSETS	$ 4,084,723	$ 4,195,126

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 ASSETS - PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

	WATER AND SEWER	
	2012	2011 (MEMORANDUM ONLY)
OPERATING REVENUES		
Charges for services:		
Water fees	$ 318,075	$ 298,293
Sewer fees	298,640	279,207
Late payment fees	3,053	4,199
TOTAL OPERATING REVENUES	619,768	581,699
OPERATING EXPENSES		
Advertising	1,337	1,053
Audit and legal fees	36,203	5,445
Depreciation	119,582	121,102
Dues	300	300
Engineering and testing	24,681	40,285
Insurance	5,505	5,825
Office supplies and expense	2,126	2,407
Plant operation contract	254,090	273,611
Plant supplies and expense	10,341	13,652
Repairs and maintenance	37,588	53,968
Seminars and training	-	175
Utilities	80,117	87,907
TOTAL OPERATING EXPENSES	571,870	605,730
OPERATING INCOME (LOSS)	47,898	(24,031)
NON-OPERATING REVENUES (EXPENSES)		
Interest income	2,553	3,272
Interest expense	(26,508)	(28,959)
State grant	2,731	-
Sale of asset	1,200	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	(20,024)	(25,687)
CHANGE IN NET ASSETS	27,874	(49,718)
TOTAL NET ASSETS, BEGINNING OF YEAR	3,189,676	3,239,394
TOTAL NET ASSETS, END OF YEAR	$ 3,217,550	$ 3,189,676

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, 2012

	WATER AND SEWER	
	2012	2011 (MEMORANDUM ONLY)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 601,626	$ 586,084
Cash payments to suppliers for good and services	(232,437)	(196,850)
Cash payments to employees and professional contractors for services	(258,328)	(256,601)
NET CASH PROVIDED BY OPERATING ACTIVITIES	110,861	132,633
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments on notes payable	(94,694)	(92,271)
Interest paid on notes payable	(27,540)	(29,964)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(122,234)	(122,235)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificates of deposit	(2,526)	(3,183)
Interest income on investments	2,553	3,272
NET CASH PROVIDED BY INVESTING ACTIVITIES	27	89
INCREASE (DECREASE) IN CASH	(11,346)	10,487
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	137,017	126,530
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 125,671	$ 137,017

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, 2012

	WATER AND SEWER	
	2012	2011 (MEMORANDUM ONLY)
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	$ 47,898	$ (24,031)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	119,582	121,102
(Increase) decrease in:		
Receivables	(17,999)	9,719
Other assets	-	85
Increase (decrease) in:		
Accounts payable	(47,455)	59,388
Deferred revenue	(315)	(315)
Due to other funds	9,150	(33,315)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 110,861	$ 132,633

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

Note 1 - Significant Accounting Policies

Organization

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 assets and the statement of activities. These statements report financial information for the Town as a whole. 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) operating 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

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

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 statements report using the economic resources measurement focus and the accrual basis of accounting. Reimbursements are reported as reductions to expenses. Proprietary fund financial statements also report using this same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for

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

which they are levied while grants are recognized when grantor eligibility requirements are 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. 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.

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.

Equity Classifications

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

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

Restricted net assets – consists of net assets 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

Equity Classifications (continued)

Unrestricted net assets – all other net assets 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.

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.

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.

Certificates of Deposit

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

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.

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.

Note 2 - Stewardship, Compliance, and Accountability

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.

Note 3 - Assets

Cash 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.

At June 30, 2012, the Town had checking, savings, and certificate of deposit accounts in a financial institution with a carrying amount of $709,282. The related bank balances totaled $718,068 of which $270,000 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 $541,216 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, 2011	Additions	Deletions	Balance June 30, 2012
Governmental Activities				
Capital Assets				
Land and construction in progress	$ 1,468,940	$ 109,711	$ -	$ 1,578,651
Land improvements	218,226	-	-	218,226
Buildings	2,403,422	4,783	-	2,408,205
Machinery and equipment	149,885	-	-	149,885
GIS mapping	29,743	-	-	29,743
Parks and recreation	835,253	5,700	-	840,953
Vehicles	25,610	-	-	25,610
	$ 5,131,079	$ 120,194	$ -	$ 5,251,273
Accumulated Depreciation				
Land improvements	$ 57,248	$ 10,757	$ -	$ 68,005
Buildings	180,763	60,397	-	241,160
Machinery and equipment	77,568	14,741	-	92,309
GIS mapping	21,482	8,262	-	29,744
Parks and recreation	230,646	38,873	-	269,519
Vehicles	25,610	-	-	25,610
	$ 593,317	$ 133,030	$ -	$ 726,347
Business-type Activities				
Land	$ 27,762	$ -	$ -	$ 27,762
Driveway and parking lot	885	-	-	885
Water collection and distribution	1,757,251	-	-	1,757,251
Sewage treatment	1,266,424	-	-	1,266,424
Water and sewer upgrade	2,827,995	-	-	2,827,995
Furniture and equipment	7,650	-	-	7,650
Other assets	7,575	-	-	7,575
	$5,895,542	$ -	$ -	$ 5,895,542
Accumulated Depreciation				
Driveway and parking lot	$ 885	$ -	$ -	$ 885
Water collection and distribution	788,460	38,153	-	864,781
Sewage treatment	897,197	24,391	-	945,979
Water and sewer upgrade	565,600	56,560	-	678,719
Furniture and equipment	5,883	131	-	7,650
Other assets	4,894	347	-	5,589
	$ 2,384,021	$ 119,582	$ -	$ 2,503,603

Changes in Capital Assets (continued)

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

Governmental Activities		Business-type Activities	
General government	$94,157	Water and sewer utilities	$119,582
Parks and recreation	38,873		

Construction in Process

The Town started engineering for Main Street reconstruction, an acceleration/deceleration lane for Rt. 17, and is buying more land. As of June 30, 2012, $142,461 had been incurred in construction in process, $17,386 for Main Street reconstruction, $122,625 for the Rt. 17 acceleration/deceleration lane, and $2,450 for land appraisals.

Note 4 - Long-term Debt

Details of the Town's long-term Water and Sewer fund debt as of June 30, 2012 are as follows:

	Interest Rate	Amount
Water and Sewer Fund - Maryland Water Quality Loan	3.21%	$ 205,232
Water and Sewer Fund - Maryland Water Quality Loan	2.41%	531,162
		$ 736,394

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

Note 4 - 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, 2012 are as follows:

Year Ending June 30	Principal	Interest
2013	$ 97,239	$ 25,033
2014	99,795	22,476
2015	102,421	19,851
2016	105,116	17,155
2017	107,884	14,387
2018-2019	223,939	20,171
Totals	$ 736,394	$119,073

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 is $3,382,900, which is 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 outstanding loan balance as of June 30, 2012 is $2,788,710.

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 bond debt outstanding as of June 30, 2012 are as follows:

Year Ending June 30	Principal	Interest
2013	$ 85,500	$ 131,460
2014	86,600	127,912
2015	92,400	124,231
2016	93,300	120,212
2017	101,600	116,060
2018-2022	574,400	506,225
2023-2027	727,900	351,963
2028-2032	923,700	151,292
Totals	$2,685,400	$1,629,355

Note 4 - Long-term Debt (continued)

In October 2008 the Town refinanced their line of credit with a loan from First United Bank and Trust. The total amount of the loan is $831,558 with an initial interest rate of 4.85%. The loan is payable in 35 monthly payments of $5,451 including interest with a final payment of $757,904. The interest rate was adjusted during fiscal year 2012 to 3.25%. The outstanding loan balance as of June 30, 2012 is $729,498.

The following is a summary of changes in long-term debt for the year ended June 30, 2012.

Description	Balance July 1, 2011	Issued	Retired	Balance June 30, 2012	Balance Due Within One Year
Governmental Activities					
Promissory Note	$ 761,724	$ ---	$ 32,226	$ 729,498	$ 32,200
Infrastructure Bonds	2,764,400	---	79,000	2,685,400	85,500
Total Governmental Activities	$3,526,124	$ ---	$111,226	$3,414,898	$119,700
Business-type Activities					
Water Quality Loan	$ 231,018	$ ---	$ 25,786	$ 205,232	$ 26,670
Water Quality Loan	600,070	---	68,908	531,162	70,569
Total Business-type Activities	$ 831,088	$ ---	$ 94,694	$ 736,394	$ 97,239

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, 2012:

Year ending June 30,	
2013	$ 10
2014	10
2015	10
2016	10
2017	10
2018-2022	50
2023-2027	50
2028-2032	50
2033-2034	20
Total	$ 220

Rental expense amounted to $10 for the year ended June 30, 2012.

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:

General Fund Balance	
Nonspendable:	
Prepaids	$ 1,645
Committed:	
Debt service	2,685,400
Unassigned:	224,635
Total Fund Balances	$2,911,680

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, 2012, the Town accrued $131,084 for the cost of these benefits.

Note 8 - Subsequent Events

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.

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, 2012

	BUDGET	ACTUAL	ACTUAL OVER (UNDER) BUDGET	2011 ACTUAL (MEMORANDUM ONLY)
REVENUES				
LOCAL TAXES				
Real estate	$ 434,100	$ 440,695	$ 6,595	$ 434,528
Public utility	12,500	12,184	(316)	12,551
Ordinary business corporation	8,090	7,116	(974)	5,691
Penalties and interest	3,000	2,801	(199)	2,411
	457,690	462,796	5,106	455,181
STATE SHARED TAXES				
Highway	20,500	19,481	(1,019)	6,891
Income	145,000	208,139	63,139	220,630
Police Aid grant	5,000	5,433	433	5,433
Project Open Space grant	145,000	-	(145,000)	100,075
	315,500	233,053	(82,447)	333,029
COUNTY SHARED TAXES				
County-City tax equity program	108,000	107,807	(193)	107,807
Financial corporation	140	139	(1)	139
	108,140	107,946	(194)	107,946
LICENSES AND PERMITS				
Building permits	1,500	1,275	(225)	1,125
Traders licenses	1,000	1,087	675	712
Developers contributions	13,500	-	(13,500)	-
	16,000	2,362	(13,050)	1,837
MISCELLANEOUS				
Donations	750	750	-	1,299
Interest income	200	193	(7)	116
Planning and zoning	1,100	4,138	3,038	53
Municipal citations	50	25	(25)	75
Miscellaneous income	11,500	1,395	(10,105)	1,387
Grants	-	6,269	6,269	11,230
Reimbursement for review fees	500	7,710	7,210	-
Reimbursement for bond interest	212,100	134,620	(77,480)	137,768
Proceeds from sale of assets	-	-	-	300
Cable TV income	10,000	11,321	1,321	10,394
	236,200	166,421	(69,779)	162,622
TOTAL REVENUES	$ 1,133,530	$ 972,578	$ (160,364)	$ 1,060,615

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, 2012

	BUDGET	ACTUAL	ACTUAL OVER (UNDER) BUDGET	2011 ACTUAL (MEMORANDUM ONLY)
EXPENDITURES				
GENERAL GOVERNMENT				
Advertising	$ 2,500	$ 2,987	$ 487	$ 325
Audit and legal fees	12,000	15,574	3,574	19,771
Dues and subscriptions	2,400	2,233	(167)	2,293
Insurance	12,600	12,320	(280)	6,468
GIS mapping	2,000	700	(1,300)	1,313
Newsletter	750	562	(188)	749
Office supplies and expense	15,855	23,381	7,526	16,947
Other expenses	34,910	-	(34,910)	-
Planning and zoning	30,930	46,383	15,453	37,512
Salaries - mayor and council	10,000	12,015	2,015	9,645
Municipal league functions	2,500	1,454	(1,046)	1,531
Salaries - manager	44,350	69,619	25,269	59,068
Salaries - treasurer	15,995	28,396	12,401	28,115
Benefits	19,960	138,735	118,775	47,810
Salaries - administrative	24,480	33,463	8,983	29,913
Employee training and seminars	1,500	-	(1,500)	136
Real estate taxes	775	804	29	774
Telephone	4,500	6,493	1,993	6,178
Donations	7,500	7,000	(500)	7,500
Town buildings:				
Electricity and heat	23,700	39,862	16,162	27,255
Repairs and maintenance	22,500	34,106	11,606	63,705
Other supplies and expense	3,000	3,525	525	1,724
Salaries - building maintenance	23,255	29,330	6,075	32,019
Payroll taxes	59,200	17,066	(42,134)	15,049
	377,160	526,008	148,848	415,800
PUBLIC SAFETY				
Deputy program	117,770	112,332	(5,438)	104,909
	117,770	112,332	(5,438)	104,909
PARKS AND RECREATION				
Parks and recreation	14,500	11,447	(3,053)	22,439
	$ 14,500	$ 11,447	$ (3,053)	$ 22,439

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, 2012

	BUDGET	ACTUAL	ACTUAL OVER (UNDER) BUDGET	2011 ACTUAL (MEMORANDUM ONLY)
PUBLIC SERVICES				
Sanitation and waste removal:				
Collection contract	$ 100,000	$ 91,441	$ (8,559)	$ 95,091
Streets and alleys:				
Gasoline and oil	2,500	1,970	(530)	2,404
Highway maintenance	10,000	12,731	2,731	29,972
Street lighting	32,000	23,438	(8,562)	30,219
Snow removal	15,000	3,647	(11,353)	16,010
	159,500	133,227	(26,273)	173,696
CAPITAL OUTLAY	187,500	120,194	(67,306)	160,459
DEBT SERVICE				
Principal	103,100	111,226	8,126	106,953
Interest	174,000	163,411	(10,589)	175,930
	277,100	274,637	(2,463)	282,883
TOTAL EXPENDITURES	1,133,530	1,177,845	44,315	1,160,186
EXCESS OF EXPENDITURES OVER REVENUES	-	(205,267)	(205,267)	(99,571)
FUND BALANCE AT BEGINNING OF YEAR	3,116,947	3,116,947	-	3,216,518
FUND BALANCE AT END OF YEAR	$ 3,116,947	$ 2,911,680	$ (205,267)	$ 3,116,947

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