

THE TOWN OF MYERSVILLE, MARYLAND

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2013

# Cathy M. Vaughn, CPA, LLC

CERTIFIED PUBLIC ACCOUNTANT

MEMBER Page 1

Maryland Association of  
Certified Public Accountants

December 15, 2013

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

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 34 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 2012 financial statements and, in our report dated October 29, 2012 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, 2013  
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, 2013. 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 \$7,263,575 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$7,239,258.
- Total net position is comprised of the following:
  - (1) Net invested in capital assets of \$3,939,458 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 \$561,727 represent the portion available to maintain the Town's continuing obligations to citizens and creditors.
  - (4) Reserved for bond repayment of \$2,641,390 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 \$134,514 this year. This compares to the prior year ending fund balance of \$226,280, showing a decrease of \$91,766 during this current year.
- At the end of the current fiscal year, the unreserved fund for the General Fund was \$134,514 or 11% of total General Fund expenditures.
- Total liabilities of the Town increased by \$1,289,211 to \$5,685,246 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 \$7,263,575. This is a \$24,317 increase compared to last year's net position of \$7,239,258. The following table provides a summary of the Town's net position at June 30, 2013:

**Table 1**  
**Town of Myersville's Net Position**  
**Fiscal Year ended June 30, 2013**

	Governmental Activities		Business-type Activities		Totals		Amount Change
	2013	2012	2013	2012	2013	2012	
<b>Assets:</b>							
Current & other assets	\$ 4,373,028	\$ 3,104,753	\$ 619,424	\$ 613,675	\$ 4,992,452	\$ 3,718,428	\$ 1,274,024
Capital assets	4,541,496	4,524,926	3,414,873	3,391,939	7,956,369	7,916,865	39,504
<b>Total assets</b>	<b>8,914,524</b>	<b>7,629,679</b>	<b>4,034,297</b>	<b>4,005,614</b>	<b>12,948,821</b>	<b>11,635,293</b>	<b>1,313,528</b>
<b>Liabilities:</b>							
Current & other liabilities	542,324	312,773	171,006	148,909	713,330	461,682	251,648
Long-term liabilities	4,432,500	3,295,198	539,416	639,155	4,971,916	3,934,353	1,037,563
<b>Total liabilities</b>	<b>4,974,824</b>	<b>3,607,971</b>	<b>710,422</b>	<b>788,064</b>	<b>5,685,246</b>	<b>4,396,035</b>	<b>1,289,211</b>
<b>Net position:</b>							
Net invested in capital assets	1,163,796	1,110,028	2,775,662	2,655,545	3,939,458	3,765,573	173,885
Restricted	-	-	121,000	121,000	121,000	121,000	-
Reserved for bond repayment	2,641,390	2,685,400	-	-	2,641,390	2,685,400	(44,010)
Unrestricted	134,514	226,280	427,213	441,005	561,727	667,285	(105,558)
<b>Total net position</b>	<b>\$ 3,939,700</b>	<b>\$ 4,021,708</b>	<b>\$ 3,323,875</b>	<b>\$ 3,217,550</b>	<b>\$ 7,263,575</b>	<b>\$ 7,239,258</b>	<b>\$ 24,317</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 \$7,263,575 at the close of fiscal year 2013 and \$7,239,258 at the close of fiscal 2012. 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 (\$561,727) 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 \$82,008. This compares to the previous year when governmental activities decreased the Town's net position by \$106,877.

The Town's revenues from governmental activities totaled \$1,131,841 for the fiscal year ended June 30, 2013. As shown in Table 2, The Town received 75% of its revenue from taxes. The major source of revenue for the Town was property taxes (\$602,956) comprised of real estate and personal property, and income taxes (\$236,976).

The Town's expenses from governmental activities totaled \$1,213,849 for the fiscal year ended June 30, 2013. As shown in Table 2, general government was the largest expense at \$744,800 or 61% and public services was the second largest expense at \$154,638 or 13%. 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, 2013**

	Governmental Activities		Business-type Activities		Totals		Amount Change	% Change
	2013	2012	2013	2012	2013	2012		
<b>Revenues</b>								
General Revenues								
Property taxes	\$ 602,956	\$ 462,796	\$ -	\$ -	\$ 602,956	\$ 462,796	\$ 140,160	30.3
Income taxes	236,976	208,139	-	-	236,976	208,139	28,837	13.9
Highway taxes	12,879	19,481	-	-	12,879	19,481	(6,602)	(33.9)
Other taxes	139	107,946	-	-	139	107,946	(107,807)	(99.9)
Other income	124,170	148,111	5,007	1,200	129,177	149,311	(20,134)	(13.5)
Investment income	683	193	1,349	2,553	2,032	2,746	(714)	(26.0)
Program Revenues								
Charges for services	17,823	14,210	644,179	619,768	662,002	633,978	28,024	4.4
Grants	136,215	11,702	-	2,731	136,215	14,433	121,782	843.8
<b>Total revenues</b>	<b>1,131,841</b>	<b>972,578</b>	<b>650,535</b>	<b>626,252</b>	<b>1,782,376</b>	<b>1,598,830</b>	<b>183,546</b>	<b>11.5</b>
<b>Expenses</b>								
General government	744,800	620,165	-	-	744,800	620,165	124,635	20.1
Public safety	121,280	112,332	-	-	121,280	112,332	8,948	8.0
Parks and recreation	61,960	50,320	-	-	61,960	50,320	11,640	23.1
Public services	154,638	133,227	-	-	154,638	133,227	21,411	16.1
Water and sewer	-	-	520,245	571,870	520,245	571,870	(51,625)	(9.0)
Interest on long-term det	131,171	163,411	23,965	26,508	155,136	189,919	(34,783)	(18.3)
<b>Total expenditures</b>	<b>1,213,849</b>	<b>1,079,455</b>	<b>544,210</b>	<b>598,378</b>	<b>1,758,059</b>	<b>1,677,833</b>	<b>80,226</b>	<b>4.8</b>
<b>Increase (decrease) in net position</b>	<b>(82,008)</b>	<b>(106,877)</b>	<b>106,325</b>	<b>27,874</b>	<b>24,317</b>	<b>(79,003)</b>	<b>103,320</b>	<b>(130.8)</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 \$106,325 (Table 2). The major revenue source for the business-type activities is charges for services, including water and sewer utility, which totaled \$644,179 or 99% of the total revenues. Non-operating revenues include investment income of \$1,349. Expenses of the business-type activities totaled \$544,210.

**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 2013 was approximately \$2,030,529.

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

There were no significant 2013 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, 2013, amounts to \$3,939,458 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, 2013**

	Governmental Activities		Business-type Activities		Totals		Amount Change	% Change
	2013	2012	2013	2012	2013	2012		
Non-Depreciable Assets:								
Land	\$ 1,491,282	\$ 1,436,190	\$ 27,762	\$ 27,762	\$ 1,519,044	\$ 1,463,952	\$ 55,092	3.8
Construction in progress	85,390	142,461	-	-	85,390	142,461	(57,071)	(40.1)
Depreciable Assets:								
Buildings and improvements	2,921,958	2,888,700	1,639	1,986	2,923,597	2,890,686	32,911	1.1
Machinery and equipment	42,866	57,575	-	-	42,866	57,575	(14,709)	(25.5)
Water and sewer systems	-	-	3,385,472	3,362,191	3,385,472	3,362,191	23,281	0.7
<b>Total</b>	<b>\$ 4,541,496</b>	<b>\$ 4,524,926</b>	<b>\$ 3,414,873</b>	<b>\$ 3,391,939</b>	<b>\$ 7,956,369</b>	<b>\$ 7,916,865</b>	<b>\$ 39,504</b>	<b>0.5</b>

As shown in table 3, Construction in Progress totalled \$85,390 for Main Street reconstruction.

### Debt

At year-end, the Town had \$5,364,894 in bonds and loans outstanding versus \$4,151,292 last year - an increase of 29% 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, 2013**

	Governmental Activities		Business-type Activities		Totals		Amount Change	% Change
	2013	2012	2013	2012	2013	2012		
Infrastructure Bonds	\$ -	\$ 2,685,400	\$ -	\$ -	\$ -	\$ 2,685,400	\$ (2,685,400)	(100.0)
Note Payable	-	729,498	-	-	-	729,498	(729,498)	(100.0)
Taxable Public Improvements								
Refunding bond of 2012	\$ 3,377,700	-	-	-	3,377,700	-	3,377,700	-
Tax-exempt Public Improvements								
Bond of 2012	\$ 1,250,800	-	-	-	1,250,800	-	1,250,800	-
Maryland Water Quality Loan	-	-	205,232	205,232	205,232	205,232	-	-
Maryland Water Quality Loan	-	-	531,162	531,162	531,162	531,162	-	-
<b>Total</b>	<b>\$ 4,628,500</b>	<b>\$ 3,414,898</b>	<b>\$ 736,394</b>	<b>\$ 736,394</b>	<b>\$ 5,364,894</b>	<b>\$ 4,151,292</b>	<b>\$ 1,213,602</b>	<b>29.2</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

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 concluded financing to address necessary major upgrades to its Main Street. The Town has also 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. Development is also required 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 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. 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 repairs to the main sewer trunk line which has incurred both disruption from age as well as damage from recent major storm events. The Town has worked with MEMA/FEMA to secure federal mitigation funds which will aid in relocation and repair of the line.
- F. Establish reasonable expectations for the Myersville Volunteer Fire Co to bring current outstanding arrearage on debt payment incurred for the Myersville Municipal Center.

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](http://www.myercity.sailosite.net).

## THE TOWN OF MYERSVILLE, MARYLAND

STATEMENT OF NET POSITION  
JUNE 30, 2013

ASSETS	PRIMARY GOVERNMENT			2012 (MEMORANDUM ONLY)
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
<b>CURRENT ASSETS</b>				
Cash in bank	\$ 1,449,509	\$ 135,402	\$ 1,584,911	\$ 340,633
Certificates of deposit - DSRA	-	369,901	369,901	368,649
Receivables:				
Taxes	458	-	458	2,980
Customer accounts	-	186,216	186,216	197,379
Interest	-	715	715	1,086
Myersville Volunteer Fire Company	389,214	-	389,214	188,810
Due from other governments	3,687	-	3,687	13,951
Internal balances	72,810	(72,810)	-	-
Other assets	5,067	-	5,067	5,040
<b>TOTAL CURRENT ASSETS</b>	<b>1,920,745</b>	<b>619,424</b>	<b>2,540,169</b>	<b>1,118,528</b>
<b>NON-CURRENT ASSETS</b>				
Capital assets:				
Land and construction in progress	1,576,672	27,762	1,604,434	1,428,304
Other capital assets, net of accumulated depreciation	2,964,824	3,387,111	6,351,935	6,488,561
<b>TOTAL NON-CURRENT ASSETS</b>	<b>4,541,496</b>	<b>3,414,873</b>	<b>7,956,369</b>	<b>7,916,865</b>
<b>OTHER ASSETS</b>				
Receivable - Myersville Volunteer Fire Company	2,452,283	-	2,452,283	2,599,900
<b>TOTAL ASSETS</b>	<b>\$ 8,914,524</b>	<b>\$ 4,034,297</b>	<b>\$ 12,948,821</b>	<b>\$ 11,635,293</b>
<b>LIABILITIES AND NET POSITION</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 346,316	\$ 62,994	\$ 409,310	\$ 235,116
Deferred revenue	8	1,260	1,268	1,583
Current maturities of long-term debt	196,000	99,796	295,796	216,939
Accrued interest	-	6,956	6,956	8,044
<b>TOTAL CURRENT LIABILITIES</b>	<b>542,324</b>	<b>171,006</b>	<b>713,330</b>	<b>461,682</b>
<b>NON-CURRENT LIABILITIES</b>				
Bonds and notes payable	4,432,500	539,416	4,971,916	3,934,353
<b>TOTAL LIABILITIES</b>	<b>4,974,824</b>	<b>710,422</b>	<b>5,685,246</b>	<b>4,396,035</b>
<b>NET POSITION</b>				
Net invested in capital assets	1,163,796	2,775,662	3,939,458	3,765,573
Restricted for debt service	-	121,000	121,000	121,000
Reserved for bond repayment	2,641,390	-	2,641,390	2,685,400
Unrestricted	134,514	427,213	561,727	667,285
<b>TOTAL NET POSITION</b>	<b>3,939,700</b>	<b>3,323,875</b>	<b>7,263,575</b>	<b>7,239,258</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 8,914,524</b>	<b>\$ 4,034,297</b>	<b>\$ 12,948,821</b>	<b>\$ 11,635,293</b>

THE TOWN OF MYERSVILLE, MARYLAND

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION			2012 (MEMORANDUM ONLY)
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
Primary government:								
Governmental activities:								
General government	\$ 744,800	\$ 17,823	\$ -	\$ 56,428	\$ (670,549)	\$ -	\$ (670,549)	\$ (604,000)
Public safety	121,280	-	-	-	(121,280)	-	(121,280)	(106,899)
Parks and recreation	61,960	-	-	79,787	17,827	-	17,827	(46,005)
Public services	154,638	-	-	-	(154,638)	-	(154,638)	(133,227)
Interest on long-term debt	131,171	-	-	-	(131,171)	-	(131,171)	(163,411)
Total governmental activities	1,213,849	17,823	-	136,215	(1,059,811)	-	(1,059,811)	(1,053,542)
Business-type activities:								
Water and sewer utilities	544,210	644,179	-	-	-	99,969	99,969	24,121
Total business-type activities	544,210	644,179	-	-	-	99,969	99,969	24,121
Total primary government	\$1,758,059	\$662,002	\$ -	\$ 136,215	(1,059,811)	99,969	(959,842)	(1,029,421)
General revenues:								
Taxes								
Property taxes					602,956	-	602,956	462,796
Income taxes					236,976	-	236,976	208,139
Highway taxes					12,879	-	12,879	19,481
Other taxes					139	-	139	107,946
Other income					124,170	5,007	129,177	149,310
Investment income					683	1,349	2,032	2,746
Total general revenues					977,803	6,356	984,159	950,418
Change in net position					(82,008)	106,325	24,317	(79,003)
Net position - beginning of year					4,021,708	3,217,550	7,239,258	7,318,261
Net position - end of year					\$ 3,939,700	\$ 3,323,875	\$ 7,263,575	\$ 7,239,258

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

THE TOWN OF MYERSVILLE, MARYLAND  
BALANCE SHEET  
GOVERNMENTAL FUND  
JUNE 30, 2013

	GENERAL FUND	
	2013	2012 (MEMORANDUM ONLY)
<u>ASSETS</u>		
Cash in bank	\$ 1,449,509	\$ 214,962
Receivables:		
Taxes	458	2,980
Interest	-	1
Due from other governments	3,687	13,951
Due from other funds	72,810	79,109
Other assets	2,846,564	2,793,750
<b>TOTAL ASSETS</b>	<b>\$ 4,373,028</b>	<b>\$ 3,104,753</b>
<u>LIABILITIES AND FUND BALANCES</u>		
<u>LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 346,316	\$ 193,065
Deferred revenue	8	8
<b>TOTAL LIABILITIES</b>	<b>346,324</b>	<b>193,073</b>
<u>FUND BALANCES</u>		
Nonspendable	1,763	1,645
Committed to debt service	2,641,390	2,685,400
Unassigned	1,383,551	224,635
<b>TOTAL FUND BALANCES</b>	<b>4,026,704</b>	<b>2,911,680</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,373,028</b>	<b>\$ 3,104,753</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, 2013

	2013	2012 (MEMORANDUM ONLY)
Fund Balances - total governmental funds	\$ 4,026,704	\$ 2,911,680
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	5,398,539	5,251,273
Less accumulated depreciation	(857,043)	(726,347)
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental fund	(4,628,500)	(3,414,898)
Net Position of Governmental Activities	\$ 3,939,700	\$ 4,021,708

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, 2013

	GENERAL FUND	
	2013	2012 (MEMORANDUM ONLY)
<b>REVENUES</b>		
Local taxes	\$ 602,956	\$ 462,796
State shared taxes	391,503	233,053
County shared taxes	139	107,946
Licenses and permits	1,448	2,362
Other revenues	135,795	166,421
Total Revenues	<u>1,131,841</u>	<u>972,578</u>
<b>EXPENDITURES</b>		
Current:		
General government	551,677	526,007
Public safety	121,280	112,332
Parks and recreation	22,995	11,447
Public services	154,638	133,227
Capital outlay	147,266	120,195
Debt service:		
Principal	3,621,398	111,226
Interest	131,171	163,411
Total Expenditures	<u>4,750,425</u>	<u>1,177,845</u>
Excess of expenditures over revenues	<u>(3,618,584)</u>	<u>(205,267)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Proceeds of refunding bonds	3,535,000	-
Long-term debt issued	1,300,000	-
Debt issue costs	<u>(101,392)</u>	<u>-</u>
Total Other Financing Sources and Uses	<u>4,733,608</u>	<u>-</u>
Net Change in Fund Balance	1,115,024	(205,267)
Fund balances, beginning of year	<u>2,911,680</u>	<u>3,116,947</u>
Fund balances, end of year	<u>\$ 4,026,704</u>	<u>\$ 2,911,680</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, 2013

	2013	2012 (MEMORANDUM ONLY)
Net change in Fund Balances - total governmental funds	\$ 1,115,024	\$ (205,267)
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	147,266	120,194
Less current year depreciation	(130,696)	(133,030)
Repayment of note payable principal is an expenditure in the governmental funds, but the repayment reduces current liabilities in the Statement of Net Position	729,498	32,226
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the in the Statement of Net Position. This is the amount by which proceeds exceeded repayments	(1,943,100)	79,000
Change in Net Position of Governmental Funds	\$ (82,008)	\$ (106,877)

THE TOWN OF MYERSVILLE, MARYLAND  
STATEMENT OF NET POSITION - PROPRIETARY FUND  
JUNE 30, 2013

	WATER AND SEWER	
	2013	2012 (MEMORANDUM ONLY)
<u>CURRENT ASSETS</u>		
Cash in bank	\$ 135,402	\$ 125,671
Certificates of deposit - DSRA	369,901	368,649
Receivables:		
Customer accounts	186,216	197,379
Interest	715	1,085
TOTAL CURRENT ASSETS	<u>692,234</u>	<u>692,784</u>
<u>NON-CURRENT ASSETS</u>		
Land and construction in progress	27,762	27,762
Other capital assets, net of accumulated depreciation	3,387,111	3,364,177
TOTAL NON-CURRENT ASSETS	<u>3,414,873</u>	<u>3,391,939</u>
TOTAL ASSETS	<u>\$ 4,107,107</u>	<u>\$ 4,084,723</u>
<u>LIABILITIES AND NET POSITION</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 62,994	\$ 42,051
Deferred revenue	1,260	1,575
Current maturities of long-term debt	99,796	97,239
Accrued interest	6,956	8,044
Due to other funds	72,810	79,109
TOTAL CURRENT LIABILITIES	<u>243,816</u>	<u>228,018</u>
<u>NON-CURRENT LIABILITIES</u>		
Notes payable	<u>539,416</u>	<u>639,155</u>
TOTAL LIABILITIES	<u>783,232</u>	<u>867,173</u>
<u>NET POSITION</u>		
Invested in capital assets, net of related debt	2,775,662	2,655,545
Restricted for debt service	121,000	121,000
Unrestricted	<u>427,213</u>	<u>441,005</u>
TOTAL NET POSITION	<u>3,323,875</u>	<u>3,217,550</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 4,107,107</u>	<u>\$ 4,084,723</u>

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, 2013

	WATER AND SEWER	
	2013	2012 (MEMORANDUM ONLY)
<u>OPERATING REVENUES</u>		
Charges for services:		
Water fees	\$ 338,296	\$ 318,075
Sewer fees	302,660	298,640
Late payment fees	3,223	3,053
 TOTAL OPERATING REVENUES	 644,179	 619,768
<u>OPERATING EXPENSES</u>		
Advertising	262	1,337
Audit and legal fees	5,775	36,203
Depreciation	120,373	119,582
Dues	300	300
Engineering and testing	28,787	24,681
Insurance	5,809	5,505
Office supplies and expense	3,231	2,126
Plant operation contract	228,432	254,090
Plant supplies and expense	8,957	10,341
Repairs and maintenance	36,969	37,588
Seminars and training	-	-
Utilities	81,350	80,117
 TOTAL OPERATING EXPENSES	 520,245	 571,870
 OPERATING INCOME	 123,934	 47,898
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest income	1,349	2,553
Interest expense	(23,965)	(26,508)
Miscellaneous income	5,007	-
State grant	-	2,731
Sale of asset	-	1,200
 TOTAL NON-OPERATING REVENUES (EXPENSES)	 (17,609)	 (20,024)
 CHANGE IN NET POSITION	 106,325	 27,874
TOTAL NET POSITION, BEGINNING OF YEAR	3,217,550	3,189,676
TOTAL NET POSITION, END OF YEAR	\$ 3,323,875	\$ 3,217,550

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, 2013

	WATER AND SEWER	
	2013	2012 (MEMORANDUM ONLY)
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from customers	\$ 662,749	\$ 601,626
Cash payments to suppliers for good and services	(166,359)	(232,437)
Cash payments to employees and professional contractors for services	(226,222)	(258,328)
NET CASH PROVIDED BY OPERATING ACTIVITIES	270,168	110,861
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Purchase of capital assets	(143,307)	-
Principal payments on notes payable	(97,182)	(94,694)
Interest paid on notes payable	(25,052)	(27,540)
Other receipts	5,007	-
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(260,534)	(122,234)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of certificates of deposit	(1,252)	(2,526)
Interest income on investments	1,349	2,553
NET CASH PROVIDED BY INVESTING ACTIVITIES	97	27
INCREASE (DECREASE) IN CASH	9,731	(11,346)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	125,671	137,017
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 135,402	\$ 125,671

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, 2013

	WATER AND SEWER	
	2013	2012 (MEMORANDUM ONLY)
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating income	\$ 123,934	\$ 47,898
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	120,373	119,582
(Increase) decrease in:		
Receivables	11,533	(17,999)
Increase (decrease) in:		
Accounts payable	20,943	(47,455)
Deferred revenue	(315)	(315)
Due to other funds	(6,300)	9,150
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 270,168</u>	 <u>\$ 110,861</u>

## 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

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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

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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

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 \$15,000 as revenue. This is not considered revenue for GAAP purposes.

Total budgeted revenues	\$2,030,529
Less: transfer from enterprise fund	<u>15,000</u>
Total GAAP budgetary revenues	<u>\$2,015,529</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.

At June 30, 2013, the Town had checking, savings, and certificate of deposit accounts in a financial institution with a carrying amount of \$1,954,812. The related bank balances totaled \$1,976,800 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 \$1,991,569 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.

## THE TOWN OF MYERSVILLE, MARYLAND

## NOTES TO FINANCIAL STATEMENTS

Changes in Capital Assets

A summary of changes in capital assets follows:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
<b>Governmental Activities</b>				
<b>Capital Assets</b>				
Land and construction in progress	\$ 1,578,651	\$ 123,096	\$ 125,075	\$ 1,576,672
Land improvements	218,226	147,229	-	365,455
Buildings	2,408,205	4,783	-	2,408,205
Machinery and equipment	149,885	-	-	149,885
GIS mapping	29,743	-	-	29,743
Parks and recreation	840,953	2,016	-	842,969
Vehicles	25,610	-	-	25,610
	<u>\$ 5,251,273</u>	<u>\$ 272,341</u>	<u>\$ -</u>	<u>\$ 5,398,539</u>
<b>Accumulated Depreciation</b>				
Land improvements	\$ 68,005	\$ 16,544	\$ -	\$ 84,549
Buildings	241,160	60,477	-	301,637
Machinery and equipment	92,310	14,710	-	107,020
GIS mapping	29,743	-	-	29,743
Parks and recreation	269,519	38,965	-	308,484
Vehicles	25,610	-	-	25,610
	<u>\$ 726,347</u>	<u>\$ 130,696</u>	<u>\$ -</u>	<u>\$ 857,043</u>
<b>Business-type Activities</b>				
Land	\$ 27,762	\$ -	\$ -	\$ 27,762
Driveway and parking lot	885	-	-	885
Water collection and distribution	1,757,251	33,279	-	1,790,530
Sewage treatment	1,266,424	110,028	-	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>\$5,895,542</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,038,849</u>
<b>Accumulated Depreciation</b>				
Driveway and parking lot	\$ 885	\$ -	\$ -	\$ 885
Water collection and distribution	864,781	38,533	-	903,314
Sewage treatment	945,979	24,933	-	970,912
Water and sewer upgrade	678,719	56,560	-	735,279
Furniture and equipment	7,650	-	-	7,650
Other assets	5,589	347	-	5,936
	<u>\$ 2,503,603</u>	<u>\$ 120,373</u>	<u>\$ -</u>	<u>\$ 2,623,976</u>

## THE TOWN OF MYERSVILLE, MARYLAND

## NOTES TO FINANCIAL STATEMENTS

Changes in Capital Assets (continued)

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

Governmental Activities		Business-type Activities	
General government	\$91,731	Water and sewer utilities	\$120,373
Parks and recreation	38,965		

Construction in Process

The Town started engineering for Main Street reconstruction. As of June 30, 2013, \$85,390 had been incurred in construction in process for Main Street reconstruction.

Note 4 - Long-term Debt

Details of the Town's long-term Water and Sewer fund debt as of June 30, 2013 are as follows:

	<u>Interest Rate</u>	<u>Amount</u>
Water and Sewer Fund - Maryland Water Quality Loan	3.21%	\$ 178,618
Water and Sewer Fund - Maryland Water Quality Loan	2.41%	<u>460,594</u>
		<u>\$ 639,212</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, 2013 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 99,795	\$ 22,476
2015	102,421	19,851
2016	105,116	17,155
2017	107,884	14,387
2018	110,727	11,545
2019	113,269	8,626
Totals	<u>\$ 639,212</u>	<u>\$ 94,040</u>

## THE TOWN OF MYERSVILLE, MARYLAND

## NOTES TO FINANCIAL STATEMENTS

Note 4 - Long-term Debt (continued)

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.

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, 2013 are \$3,377,700 and \$1,250,800.

The \$3,535,000 refunding bonds with an interest rate of 2.96% to refund \$2,685,400 in outstanding Infrastructure bonds and the \$729,498 promissory note resulted in a cash flow differential of \$464,449 and a present value savings of \$380,448.

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, 2013.

<u>Description</u>	<u>Balance July 1, 2012</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2013</u>	<u>Balance Due Within One Year</u>
<b>Governmental Activities</b>					
Promissory Note	\$ 729,498	\$ ---	\$ 729,498	\$ ---	\$ ---
Infrastructure Bonds	2,685,400	---	2,685,400	---	---
Refunding bond of 2012	---	3,535,000	157,300	3,377,700	140,800
Bond of 2012	---	<u>1,300,000</u>	<u>49,200</u>	<u>1,250,800</u>	<u>55,200</u>
Total Governmental Activities	<u>\$3,414,898</u>	<u>\$4,835,000</u>	<u>\$3,621,398</u>	<u>\$4,628,500</u>	<u>\$196,000</u>
<b>Business-type Activities</b>					
Water Quality Loan	\$ 205,232	\$ ---	\$ 26,614	\$ 178,618	\$ 27,526
Water Quality Loan	<u>531,162</u>	---	<u>70,568</u>	<u>460,594</u>	<u>72,269</u>
Total Business-type Activities	<u>\$ 736,394</u>	<u>\$ ---</u>	<u>\$ 97,182</u>	<u>\$ 639,212</u>	<u>\$ 99,795</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 bond debts outstanding as of June 30, 2013 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 196,000	\$ 123,870
2015	203,300	118,648
2016	205,700	113,222
2017	215,300	107,736
2018	217,400	101,977
2019-2023	1,187,800	418,883
2024-2028	1,357,100	250,342
2029-2032	<u>1,045,900</u>	<u>67,997</u>
Totals	<u>\$4,628,500</u>	<u>\$1,302,675</u>

The annual debt service requirements to maturity, including principal and interest, for the Fire Company's portion of the debt outstanding as of June 30, 2013 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 233,117	\$ 155,282
2015	114,955	74,926
2016	115,972	71,523
2017	122,619	68,091
2018	123,401	64,461
2019-2023	685,224	264,835
2024-2028	790,220	157,502
2029-2032	<u>581,892</u>	<u>41,797</u>
Totals	<u>\$2,764,400</u>	<u>\$ 898,417</u>

As of June 30, 2013 the Fire Company arrearage totaled \$279,107.

## THE TOWN OF MYERSVILLE, MARYLAND

## NOTES TO FINANCIAL STATEMENTS

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, 2013:

Year ending June 30,	
2014	\$ 10
2015	10
2016	10
2017	10
2018	10
2019-2023	50
2024-2028	50
2029-2033	50
2034	<u>10</u>
Total	\$ <u>210</u>

Rental expense amounted to \$10 for the year ended June 30, 2013.

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

<u>Nonspendable:</u>	
Prepays	\$ 1,763
<u>Committed:</u>	
Debt service	2,641,390
<u>Unassigned:</u>	<u>1,383,551</u>
Total Fund Balances	\$ <u>4,026,704</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, 2013, the Town accrued \$252,084 for the cost of these benefits.

## THE TOWN OF MYERSVILLE, MARYLAND

NOTES TO FINANCIAL STATEMENTS

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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, 2013 was \$10,496, 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 to the general fund as of June 30, 2013 totaled \$72,810.

Note 10 – Implementation of New Accounting Principles

Government Accounting Standards Board Statement No. 63. In 2013, the Town implemented the provisions of GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, which establishes and defines deferred outflows of resources and deferred inflows of resources as elements of the Statement of Net Position. There is no impact on beginning balances.

Government Accounting Standards Board Statement No. 65. In 2013, the Town implemented the provisions of GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The financial statements incorporate the changes required by GASB Statement 65.

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

## THE TOWN OF MYERSVILLE, MARYLAND

NOTES TO FINANCIAL STATEMENTS

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Note 10 – Implementation of New Accounting Principles (continued)

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 11 - Capitalized Interest

Interest costs are capitalized when incurred on debt when the proceeds are used to finance the construction of assets. Interest earned (if any) on the proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest cost in determining the amount to be capitalized. For the year ended June 30, 2013, the general fund was affected as follows:

<u>Total Interest Costs Incurred</u>	<u>Capitalized Interest</u>
\$12,415	\$12,415

Note 12 - Subsequent Events

The Town has evaluated subsequent events through December 15, 2013, 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, 2013

	ORIGINAL AND FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) BUDGET	2012 ACTUAL (MEMORANDUM ONLY)
<b>REVENUES</b>				
<u>LOCAL TAXES</u>				
Real estate	\$ 578,834	\$ 579,855	\$ 1,021	\$ 440,695
Public utility	12,500	13,521	1,021	12,184
Ordinary business corporation	7,090	5,374	(1,716)	7,116
Penalties and interest	3,000	4,206	1,206	2,801
	<u>601,424</u>	<u>602,956</u>	<u>1,532</u>	<u>462,796</u>
<u>STATE SHARED TAXES</u>				
Highway	12,810	12,879	69	19,481
Income	150,000	236,976	86,976	208,139
Police Aid grant	5,500	5,433	(67)	5,433
Project Open Space grants	110,000	136,215	26,215	-
	<u>278,310</u>	<u>391,503</u>	<u>113,193</u>	<u>233,053</u>
<u>COUNTY SHARED TAXES</u>				
County-City tax equity program	-	-	-	107,807
Financial corporation	140	139	(1)	139
	<u>140</u>	<u>139</u>	<u>(1)</u>	<u>107,946</u>
<u>LICENSES AND PERMITS</u>				
Building permits	1,250	575	(675)	1,275
Traders licenses	500	873	373	1,087
	<u>1,750</u>	<u>1,448</u>	<u>(302)</u>	<u>2,362</u>
<u>MISCELLANEOUS</u>				
Donations	500	600	100	750
Interest income	200	683	483	193
Planning and zoning	3,100	500	(2,600)	4,138
Municipal citations	50	50	-	25
Miscellaneous income	17,000	2,417	(14,583)	1,395
Grants	-	-	-	6,269
Reimbursement for review fees	2,500	15,875	13,375	7,710
Reimbursement for bond interest	215,355	102,787	(112,568)	134,620
Cable TV income	10,200	12,883	2,683	11,321
	<u>248,905</u>	<u>135,795</u>	<u>(113,110)</u>	<u>166,421</u>
<b>TOTAL REVENUES</b>	<b>\$ 1,130,529</b>	<b>\$ 1,131,841</b>	<b>\$ 1,312</b>	<b>\$ 972,578</b>

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, 2013

	ORIGINAL AND FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) BUDGET	2012 ACTUAL (MEMORANDUM ONLY)
<u>EXPENDITURES</u>				
<u>GENERAL GOVERNMENT</u>				
Advertising	\$ 2,000	\$ 2,040	\$ 40	\$ 2,987
Audit and legal fees	12,500	20,073	7,573	15,574
Dues and subscriptions	2,300	2,334	34	2,233
Insurance	14,600	8,229	(6,371)	12,320
GIS mapping	2,000	700	(1,300)	700
Newsletter	750	389	(361)	562
Office supplies and expense	16,900	21,831	4,931	23,381
Other expenses	-	856	856	-
Planning and zoning	33,900	48,504	14,604	46,383
Salaries - mayor and council	11,000	11,130	130	12,015
Municipal league functions	2,000	683	(1,317)	1,454
Salaries - manager	44,900	74,401	29,501	69,619
Salaries - treasurer	18,100	29,444	11,344	28,396
Benefits	25,000	138,638	113,638	138,735
Salaries - administrative	28,500	38,340	9,840	33,463
Employee training and seminars	1,500	94	(1,406)	-
Real estate taxes	800	766	(34)	804
Telephone	6,300	8,177	1,877	6,493
Donations	8,000	2,668	(5,332)	7,000
Town buildings:				
Electricity and heat	29,700	47,938	18,238	39,862
Repairs and maintenance	25,000	37,956	12,956	34,106
Other supplies and expense	3,000	3,529	529	3,525
Salaries - building maintenance	30,700	31,908	1,208	29,330
Payroll taxes	67,900	21,049	(46,851)	17,066
	<u>387,350</u>	<u>551,677</u>	<u>164,327</u>	<u>526,008</u>
<u>PUBLIC SAFETY</u>				
Deputy program	<u>117,770</u>	<u>121,280</u>	<u>3,510</u>	<u>112,332</u>
	<u>117,770</u>	<u>121,280</u>	<u>3,510</u>	<u>112,332</u>
<u>PARKS AND RECREATION</u>				
Parks and recreation	<u>16,950</u>	<u>22,995</u>	<u>6,045</u>	<u>11,447</u>
	<u>\$ 16,950</u>	<u>\$ 22,995</u>	<u>\$ 6,045</u>	<u>\$ 11,447</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, 2013

	ORIGINAL AND FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) BUDGET	2012 ACTUAL (MEMORANDUM ONLY)
<u>PUBLIC SERVICES</u>				
Sanitation and waste removal:				
Collection contract	\$ 96,300	\$ 91,332	\$ (4,968)	\$ 91,441
Streets and alleys:				
Gasoline and oil	3,500	1,558	(1,942)	1,970
Highway maintenance	10,000	33,177	23,177	12,731
Street lighting	30,000	16,520	(13,480)	23,438
Snow removal	15,000	12,051	(2,949)	3,647
	<u>154,800</u>	<u>154,638</u>	<u>(162)</u>	<u>133,227</u>
<u>CAPITAL OUTLAY</u>	<u>1,072,304</u>	<u>147,266</u>	<u>(925,038)</u>	<u>120,194</u>
<u>DEBT SERVICE</u>				
Principal	110,500	3,621,398	3,510,898	111,226
Interest	170,855	131,171	(39,684)	163,411
	<u>281,355</u>	<u>3,752,569</u>	<u>3,471,214</u>	<u>274,637</u>
TOTAL EXPENDITURES	<u>2,030,529</u>	<u>4,750,425</u>	<u>2,719,896</u>	<u>1,177,845</u>
EXCESS OF EXPENDITURES OVER REVENUES	<u>(900,000)</u>	<u>(3,618,584)</u>	<u>(2,718,584)</u>	<u>(205,267)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Proceeds of refunding bonds	-	3,535,000	3,535,000	-
Long-term debt issued	900,000	1,300,000	400,000	-
Debt issue costs	-	(101,392)	(101,392)	-
TOTAL OTHER FINANCING SOURCES AND USES	<u>900,000</u>	<u>4,733,608</u>	<u>3,833,608</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	1,115,024	1,115,024	(205,267)
FUND BALANCE AT BEGINNING OF YEAR	<u>2,911,680</u>	<u>2,911,680</u>	<u>-</u>	<u>3,116,947</u>
FUND BALANCE AT END OF YEAR	<u>\$ 2,911,680</u>	<u>\$ 4,026,704</u>	<u>\$ 1,115,024</u>	<u>\$ 2,911,680</u>

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