

**TOWN OF MYERSVILLE**  
AUDITED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020

# TOWN OF MYERSVILLE

## CONTENTS

	<u>Page</u>
Independent Auditors' Report	1 - 2
Management Discussion and Analysis	3 - 12
Statement of Net Position	13
Statement of Activities	14
Balance Sheet – Governmental Funds	15
Reconciliation of Balance Sheet – Governmental Funds to the Statement of Net Position	16
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Net Position – Proprietary Fund	19
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund	20
Statement of Cash Flows – Proprietary Fund	21
Statement of Fiduciary Net Position – Fiduciary Fund	22
Statement of Changes in Fiduciary Net Position – Fiduciary Fund	22
Notes to Financial Statements	23 - 40
Required Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual	41
Schedule of Changes in Total OPEB Liability and Related Ratios	42
Notes to Required Supplementary Information	43

## Independent Auditors' Report

To the Mayor and Town Council  
Town of Myersville  
Myersville, MD

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Myersville as of and for the year ended June 30, 2020, 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 from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Myersville as of June 30, 2020, 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.

## Independent Auditors' Report (continued)

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of changes in total OPEB liability and related ratios on pages 3 through 12 and 41 through 43 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.

### **Emphasis of Matter**

#### *Adjustments Related to Prior Periods*

As discussed in Note 17 to the financial statements, certain amounts were improperly stated in previous periods. Accordingly, adjustments have been made to beginning governmental fund balance, net position of governmental activities, enterprise fund net position and net position of business-type activities for these accounts. Our opinions are not modified with respect to this matter.

*Weyrich, Cronin & Sorra, LLC*

December 9, 2020  
Hunt Valley, MD

# TOWN OF MYERSVILLE

## Management Discussion and Analysis June 30, 2020

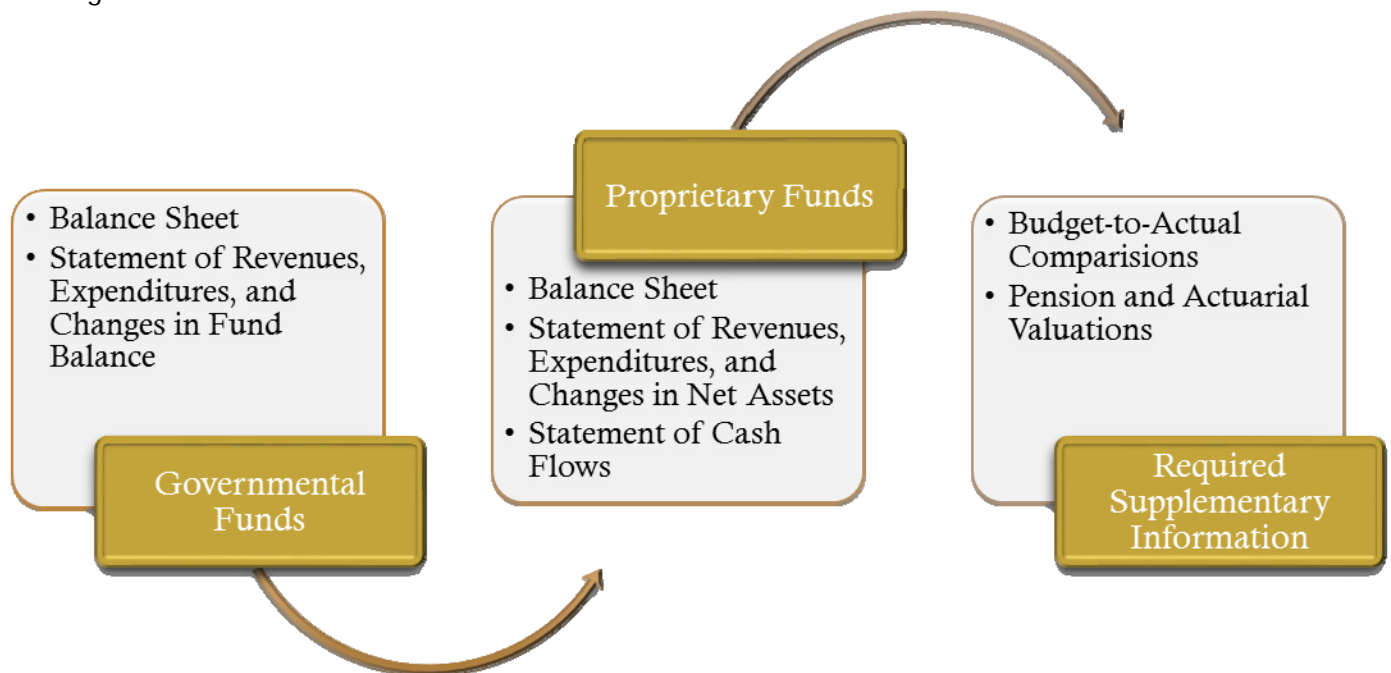
Within this section of the Town of Myersville's Annual Financial Report, the Town's management provides information about the financial activities of the Town for the fiscal year ending June 30, 2020. The Town's financial performance is discussed within the accompanying financial statements following this section.

### Financial Highlights

- The Town's assets exceeded its liabilities by \$12,132,622 (net position) for the fiscal year 2020 reported. This compares to the previous year when assets exceeded liabilities by \$10,698,966.
- Total net position is comprised of the following:
  - (1) Net investment in capital assets of \$7,655,570 includes property and construction in progress, net of depreciation and related debt.
  - (2) Restricted by donor gift for development of a community swimming pool of \$150,000.
  - (3) Unrestricted of \$4,326,052 represents the portion available to maintain the Town's continuing obligations to citizens and creditors.
- At the end of the current fiscal year 2020, the unrestricted net position for the governmental activities was \$4,038,459 or 307% of total governmental activities expenses.
- Total liabilities of the Town decreased by \$439,425 to \$5,904,031 during the fiscal year.
- The Town's governmental general fund reported total ending fund balance of \$3,857,269 this year. This compares to the prior year ending fund balance of \$4,737,322, showing a decrease of \$880,053 during fiscal year 2020 and adjustments related to prior periods of \$152,782.

### Using this Annual Report

This annual financial 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.



## TOWN OF MYERSVILLE

Management Discussion and Analysis  
June 30, 2020

### **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 4 through 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 funds – *governmental, proprietary and fiduciary* – use different accounting approaches.

- **Governmental Funds** - The Town's general 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 16 and 18 of the financial statements.

## TOWN OF MYERSVILLE

### Management Discussion and Analysis June 30, 2020

- *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 19 through 21.
- *Fiduciary Funds* - The Town has one fiduciary fund which is used to account for assets held in trust for the payment of benefits under the Town of Myersville Deferred Compensation Plan on page 22.

### 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.

Net position (assets over liabilities) serves over time as a useful indicator of a government's financial position. In the case of the Town of Myersville, assets exceeded liabilities by \$12,132,622 at the close of fiscal year 2020 and \$10,698,966 at the close of fiscal 2019. 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 \$4,326,052 may be used to meet the Town's ongoing obligations to citizens and creditors. This is not necessarily the cash on hand for the town, but available assets for use after all liabilities are paid.

The Town's net position at fiscal year-end is \$12,132,622. This is a \$1,433,656 increase compared to last year's net position of \$10,698,966. The following table provides a summary of the Town's net position at June 30, 2020.

**Table 1**

	Governmental Activities		Business Activities		Totals		Amount Change
	2020	2019 Restated	2020	2019 Restated	2020	2019 Restated	
Current and Other Assets	\$ 4,352,463	\$ 5,215,180	\$ 353,470	\$ 1,062,684	\$ 4,705,933	\$ 6,277,864	\$ (1,571,931)
Capital Assets	8,014,833	6,337,438	5,315,887	4,427,120	13,330,720	10,764,558	2,566,162
<b>Total Assets</b>	<b>\$ 12,367,296</b>	<b>\$ 11,552,618</b>	<b>\$ 5,669,357</b>	<b>\$ 5,489,804</b>	<b>\$ 18,036,653</b>	<b>\$ 17,042,422</b>	<b>\$ 994,231</b>
Current Liabilities	506,733	510,129	455,549	546,533	962,282	1,056,662	(94,380)
Noncurrent Liabilities	4,047,771	4,338,534	893,978	948,260	4,941,749	5,286,794	(345,045)
<b>Total Liabilities</b>	<b>\$ 4,554,504</b>	<b>\$ 4,848,663</b>	<b>\$ 1,349,527</b>	<b>\$ 1,494,793</b>	<b>\$ 5,904,031</b>	<b>\$ 6,343,456</b>	<b>\$ (439,425)</b>
Net Investment in Capital Assets	\$ 3,624,333	\$ 1,823,408	\$ 4,032,237	\$ 3,119,905	\$ 7,656,570	\$ 4,943,313	\$ 2,713,257
Restricted	150,000	1,197,077	- 0 -	653,015	150,000	1,850,092	(1,700,092)
Unrestricted	4,038,459	3,683,470	287,593	222,091	4,326,052	3,905,561	420,491
<b>Total Net Position</b>	<b>\$ 7,812,792</b>	<b>\$ 6,703,955</b>	<b>\$ 4,319,830</b>	<b>\$ 3,995,011</b>	<b>\$ 12,132,622</b>	<b>\$ 10,698,966</b>	<b>\$ 1,433,656</b>

## TOWN OF MYERSVILLE

### Management Discussion and Analysis June 30, 2020

**Table 2**

	Governmental Activities		Business Activities		Totals		Amount Change
	2020	2019 Restated	2020	2019 Restated	2020	2019 Restated	
Revenue							
Program Revenue							
Charges for Services	\$ 5,470	\$ 360,015	\$ 837,840	\$ 813,940	\$ 843,310	\$ 1,173,955	\$ (330,645)
Operating Grants & Contributions	84,065	71,878	- 0 -	- 0 -	84,065	71,878	12,187
Capital Grants & Contributions	749,533	211,782	278,449	82,268	1,027,982	294,050	733,932
General Revenue							
Taxes	1,155,030	1,235,500	- 0 -	- 0 -	1,155,030	1,235,500	(80,470)
Income and Other Taxes	340,261	353,394	- 0 -	- 0 -	340,261	353,394	(13,133)
Cable Franchise	12,230	12,722	- 0 -	- 0 -	12,230	12,722	(492)
Other Income	78,121	71,274	- 0 -	300	78,121	71,574	6,547
Investment Income	428	576	281	695	709	1,271	(562)
<b>Total Revenue</b>	<b>\$ 2,425,138</b>	<b>\$ 2,317,141</b>	<b>\$ 1,116,570</b>	<b>\$ 897,203</b>	<b>\$ 3,541,708</b>	<b>\$ 3,214,344</b>	<b>\$ 327,364</b>
General Government Expense							
General Government	\$ 557,475	\$ 541,601	\$ - 0 -	\$ - 0 -	\$ 557,475	\$ 541,601	\$ 15,874
Public Safety	136,736	127,397	- 0 -	- 0 -	136,736	127,397	9,339
Public Works	356,932	323,859	- 0 -	- 0 -	356,932	323,859	33,073
Parks & Rec	118,370	140,422	- 0 -	- 0 -	118,370	140,422	(22,052)
Interest	146,788	219,351	- 0 -	- 0 -	146,788	219,351	(72,563)
Business Activity Expenses							
Water and Sewer	- 0 -	- 0 -	791,751	860,681	791,751	860,681	(68,930)
<b>Total Expenses</b>	<b>\$ 1,316,301</b>	<b>\$ 1,352,630</b>	<b>\$ 791,751</b>	<b>\$ 860,681</b>	<b>\$ 2,108,052</b>	<b>\$ 2,213,311</b>	<b>\$ (105,259)</b>
Change in Net Position	\$ 1,108,837	\$ 964,511	\$ 324,819	\$ 36,522	\$ 1,433,656	\$ 1,001,033	\$ 432,623
Beginning Net Position	\$ 6,703,955	\$ 5,739,444	\$ 3,995,011	\$ 3,958,489	\$ 10,698,966	\$ 9,697,933	\$ 1,001,033
Ending Net Position	\$ 7,812,792	\$ 6,703,955	\$ 4,319,830	\$ 3,995,011	\$ 12,132,622	\$ 10,698,966	\$ 1,433,656

### Governmental Activities

As shown in Table 2, governmental activities increased the Town's net position by \$1,108,837. This compares to the previous year when governmental activities increased the Town's net position by \$964,511.

The Town's revenues from governmental activities totaled \$2,425,138 for the fiscal year ended June 30, 2020. As shown in Table 2, the Town received 62% of its revenue from taxes. The major source of revenue for the Town was property taxes (\$1,155,030) comprised of real estate and personal property, and income and other taxes (\$340,261).

The Town's expenses from governmental activities totaled \$1,316,301 for the fiscal year ended June 30, 2020. As shown in Table 2, general government was the largest expense at \$557,475 or 42% and the second largest expense was public works services at \$356,932 or 27%.

### 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 \$324,819. The major revenue source for the business-type activities is charges for services, including water and sewer utility, which totaled \$837,840 or 75% of the total revenue. Capital grants and contributions totaled \$278,449. Non-operating revenue includes investment income of \$281. Expenses of the business-type activities totaled \$791,751.



## TOWN OF MYERSVILLE

### Management Discussion and Analysis June 30, 2020

#### **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 2020 was approximately \$1,891,188. The General Fund Budget complied with financial policies approved by the Town Council and maintained core Town services. There were no significant 2020 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, 2020, amounts to \$7,656,570 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, public safety, 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 through a long-term agreement, which is also included in this complex. This arrangement provides for efficient use of municipal resources for the community.

**Table 3**

	Governmental Activities		Business Activities		Totals		Amount Change
	2020	2019 Restated	2020	2019 Restated	2020	2019 Restated	
<b>Nondepreciable Assets</b>							
Land	\$ 1,791,115	\$ 1,791,115	\$ 27,762	\$ 27,762	\$ 1,818,877	\$ 1,818,877	\$ - 0 -
Construction in Progress	2,023,307	385,618	920,156	91,368	2,943,463	476,986	2,466,477
<b>Depreciable Assets (net of depreciation)</b>							
Buildings and Improvements	4,089,193	4,061,853	- 0 -	- 0 -	4,089,193	4,061,853	27,340
Machinery and Equipment	111,218	98,852	- 0 -	- 0 -	111,218	98,852	12,366
Water and Sewer System	- 0 -	- 0 -	4,367,969	4,307,990	4,367,969	4,307,990	59,979
<b>Total</b>	<b>\$ 8,014,833</b>	<b>\$ 6,337,438</b>	<b>\$ 5,315,887</b>	<b>\$ 4,427,120</b>	<b>\$ 13,330,720</b>	<b>\$ 10,764,558</b>	<b>\$ 2,566,162</b>

As shown in table 3, Construction in Progress totaled \$2,943,463.

## TOWN OF MYERSVILLE

### Management Discussion and Analysis June 30, 2020

#### Debt

At year-end, the Town had \$5,423,273 in bonds and loans outstanding versus \$5,821,245 last year. A decrease of \$397,972 as shown in Table 4. This entire amount is backed by the full faith and credit of the Town.

**Table 4**

	Governmental Activities		Business Activities		Totals		Amount Change
	2020	2019	2020	2019	2020	2019	
General Obligation Bonds							
2013 Refunding Bond	\$ 2,294,600	\$ 2,464,700	\$ - 0 -	\$ - 0 -	\$ 2,294,600	\$ 2,464,700	\$ (170,100)
2013 Public Improvement Bond	588,840	632,170	252,360	270,930	841,200	903,100	(61,900)
2015 Infrastructure Bond	167,757	207,519	53,742	66,480	221,499	273,999	(52,500)
2019 Public Improvement Bond	1,067,647	1,100,000	582,353	600,000	1,650,000	1,700,000	(50,000)
Plus: Bond Premiums	104,159	109,641	56,815	59,805	160,974	169,446	(8,472)
Direct Borrowings							
Line of Credit	- 0 -	- 0 -	255,000	310,000	255,000	310,000	(55,000)
Total	\$ 4,223,003	\$ 4,514,030	\$ 1,200,270	\$ 1,307,215	\$ 5,423,273	\$ 5,821,245	\$ (397,972)

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 is used by the Town and Myersville Volunteer Fire Company. The Town refinanced \$2,685,400 of outstanding principal in 2013. More detailed information regarding the Town's long-term debt can be found in Note 5 to the financial statements.

In May 2019, the Town obtained a Public Improvement bond for \$1,700,000 to finance the construction of Main Street.

In 2015 the Town obtained a \$500,000 line of Credit to construct the sewer trunk line relocation. The interest rate is 3.5%.

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

#### Overview

##### **Growth and Development**

Since the economic burst in the mid 2000's the Town has witnessed some return of development activity. During this interim, the Town has taken the opportunity to prioritize its long-term vision for growth and its fiscal stability and infrastructure conditions to meet the demands of its growing population and expanding regional presence.

The Town is approaching 2,000 residents in more than 600 homes. Quality of life coupled with limited housing supply create steady demand for purchase, which continues to insulate assessment values. This demand is present in the accelerated completion of homes in new subdivisions and steady turnover of established neighborhoods to larger young professional families.

In spite of having limited available commercial property, the Town experiences regular interest in both professional home based business and expansion of existing commercial establishments. The most significant impact however, is the recently completed \$45 million expansion a large national gas company, which was completed in November 2017.

## TOWN OF MYERSVILLE

### Management Discussion and Analysis June 30, 2020

#### **Long Term Vision**

The Myersville Comprehensive Plan is the long-range guide for growth and development. This Plan indicates an additional 150 homes within the current Town boundary and an additional 120 homes in the defined growth area over the next 20 years. While commercial development makes up only 10% of the overall growth area, the Plan indicates several areas of significant additional investment including redevelopment within the central core and new business around the interstate corridor.

To prepare for this growth, the Town has implemented local governance measures to ensure development pays for necessary expansion of municipal services and facilities. These obligations are directed through the Town's Adequate Public Facilities Ordinance. Development is also required to contribute fees to the Town for expansion of facilities to meet growth generated demand. These funds are used to reduce the debt service burden when new upgrades are required to support new growth.

#### **Fiscal Stability**

The general fund experienced a decrease in program revenue (charges for services) for 2020 of more than \$305,000, due in large part to reduction in developer contributions. Operating grants increased slightly by \$12,000. It is important to note that unlike taxes these are onetime sources of revenue typically obligated to specific projects or programs. Expenditures for the general fund decreased in 2020 by more than \$37,000, most notably in parks and rec and public works operations.

The enterprise (Proprietary) fund experienced a decrease in revenue for 2020 of roughly \$53,000 with a concurrent decrease in expenses of \$68,000 for the operation of the water and sewer plants.

In the event of a revenue shortfall or emergency requiring unbudgeted expense, the Town adopted a general fund balance policy to retain a minimum of 30% of annual operating revenues. After adjustments between the funds, for 2020, the general fund was \$511,366 or 21%. While the enterprise fund is not subject to this policy, the fund balance for the enterprise fund was \$287,593 or 25% for 2020.

#### **Capital Debt**

The Town uses general obligation and State and local government bonds to finance the cost of assets that have a life of at least 10 years. The Town also uses a "pay as you go" (paygo) approach for the acquisition of equipment and vehicles with a useful life of generally less than 10 years. Current capital debt for the Town includes 5 (five) obligations between the two funds. The current outstanding amount is approximately \$5.4 million, all of which is scheduled to be retired by 2039.

The largest is the Municipal Center Bond at \$2.6 million. The Myersville Volunteer Fire Company is obligated for 60% of this debt, which the Town recorded additional sureties for in 2017.

A new bond totaling \$1.8 million was secured in 2019 for reconstruction of the 100-300 blocks of Main Street and installation of new sewer main to homes along Canada Hill Road. The Main Street project is being conducted in partnership with the State, with each entity providing roughly \$1.2 million toward the project. The sewer main project, which includes the remaining \$600,000, is being constructed to satisfy a significant portion of the recently enacted State mandated MS-4 obligations.

The third includes two bonds of \$1.3 million and \$500,000 for reconstruction of the 400-600 blocks of Main Street. Reconstruction was warranted to remove significantly degraded pre-WWII infrastructure.

## TOWN OF MYERSVILLE

### Management Discussion and Analysis June 30, 2020

The smallest of these includes a line of credit for \$500,000, which matched a portion of Federal funds for necessary relocation of the Town's main sewer trunk line after exposure and damage from Hurricane Sandy.

The Town has a long-standing Debt Limit Policy for the General fund of 10% of the annual revenue. Based on obligations for 2020, total annual debt payments were 12% of the annual revenue. When subtracting the obligation of the Fire Company, the net total for the Town for 2020 was 10%. The enterprise fund for 2020 was 10% of annual revenue.

#### **Infrastructure Demand**

In addition to infrastructure demands related to new development, the Town has increased its focus on long range capital needs for both the general and enterprise funds. This effort is to address aging facilities some of which have been extended beyond expected lifecycles as a result of historically limited fiscal resources. The Capital Improvement Plan (CIP) adopted as part of the annual budget programs projects through a 6-year outlook based on annual facilities evaluation and expected new development activity.

The general fund includes streets, parks, buildings and equipment. The total capital investment for 2020 was \$1,928,284.

The largest portion of general fund capital investment in 2020 was made for streets. This included a major project of partnership with the State using Town bond financing and State funds to reconstruct several blocks of Main Street/ MD Rt 17.

Parks were the second most including major improvements and expansion of amenity offerings in several parks using primarily State grant funds, which the Town continues to have success in obtaining.

The remainder went to buildings and equipment, largely for IT upgrades at the municipal center and completing the Myersville Trolley restoration. It is important to note that the Town operates with a limited number of direct municipal staff, and thus contracts out much of the constructive and seasonal operations, which limits the necessity for measurable annual capital investment in these areas.

The enterprise fund includes the water and sewer treatments systems, including collection and distribution lines and storm water management associated with inflow and infiltration. Capital funding for projects in these utilities is primarily minor in cost with a more finite lifecycle, but also include expansions to the system typically through developer funding.

The minor projects are identified in cooperation with our contracted utility provider, MES, while the expansions are a direct result of development contributions that serve the expanded growth demand placed on the systems. Upgrades to existing system operations serve the efforts of the Town to annually prioritize and proactively replace equipment before operational failure to reduce the unforeseen expenses, while developer driven and funded expansion ensures that new growth does not deplete existing capital resources.

As part of this 6-year review, a more recent obligation mandated by the State is long term management of storm water infrastructure. The Town expended funding in 2020 on three specific areas including; programmed tree plantings, annual report submittals and engineering plans for proposed projects to meet State requirements by 2025. It is projected that this obligation may add an additional \$500,000 to \$750,000 in capital investment, and \$25,000 to \$40,000 in ongoing new operational costs between the funds.

# TOWN OF MYERSVILLE

## Management Discussion and Analysis June 30, 2020

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

### **Future Objectives**

The general and enterprise funds include both long range financial projections and capital improvements programming. For future budgetary purposes, the goals and expectations for each are separated into operations and capital projects.

### **General Fund**

Following is a list of things the Town is seeking to accomplish through use of general fund revenues:

#### Operations

- A. Separate revenues and expenses associated with capital projects from annual operating functions into a specific fund to set aside designated capital funds in the fiscal year in which they are budgeted to occur to be held separately until completion of the project occurs or reallocation is formally made.
- B. Assess projected escalations in cost for estimated wages and benefits as administrative expenses increase with additional service level needs. This includes changes in current and post employment benefit offerings as manpower and regulatory requirements change.
- C. Identify the annual estimate of pay-go funding for non-capitalized maintenance related obligations.
- D. Partner with the Myersville Volunteer Fire Co to better identify and prioritize necessary improvements to maintain the building integrity of Myersville Municipal Center.

#### Capital Projects

- A. Use the State certified sustainable community program to secure grants or low interest loans to accomplish larger projects at the least local cost to the citizens.
- B. Continue efforts of acquisition and development of properties identified as part of the adopted greenway trail system throughout the Town.
- C. Follow an aggressive capital schedule for overlay of the aging sections of the municipal street system consistent with an annual inspection process to determine road overlay lifecycle.
- D. Establish updated minimum requirements for capitalization of projects.
- E. Leverage municipal funds to match State POS/CPP development grant funds to expand parks and recreation amenities in various town parks.

## TOWN OF MYERSVILLE

Management Discussion and Analysis  
June 30, 2020

### Enterprise Fund

Following is a list of things the Town is seeking to accomplish through use of enterprise fund revenues:

#### Operations

- A. Continue with the multi-year program for change out of all antiquated water meter equipment.
- B. Commence with the multi-year program for upgrades of identified aging sewer manholes.
- C. Separate revenues and expenses associated with capital projects into a specific fund to set aside designated capital funds in the fiscal year in which they are budgeted to occur.
- D. Develop a fund balance policy that includes a calculation for determining an appropriate undesignated reserve fund balance based on budgeted annual operating expense.

#### Capital Projects

- A. Identify and prioritize the minor capital equipment replacements to have funds available to make necessary repairs ahead of estimated lifecycles.
- B. Complete the repairs to the main sewer trunk line on the south side of I-70 which has incurred disruption from age and damage from weather events and environment conditions change.
- C. Facilitate the coordination of efforts for developer driven interest in extension of utilities to the Quail Run and Meadowridge Knoll developments.
- D. Evaluate the current debt limit policy to most accurately reflect the impact of capital obligations associated with expanding volume of aging infrastructure.
- E. Establish updated minimum requirements for capitalization of projects.

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

### **Contacting the Town's Financial Management**

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

TOWN OF MYERSVILLE

Statement of Net Position  
June 30, 2020

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash	\$ 812,749	\$ 168,859	\$ 981,608
Service charges receivable	- 0 -	259,283	259,283
Property taxes receivable	11,272	- 0 -	11,272
Due from other governments	332,550	34,692	367,242
Other receivables	22,065	- 0 -	22,065
Loans receivable - current portion	150,000	- 0 -	150,000
Prepaid expenses	32,334	5,918	38,252
<b>TOTAL CURRENT ASSETS</b>	<b>1,360,970</b>	<b>468,752</b>	<b>1,829,722</b>
<b>CAPITAL ASSETS</b>			
Land - nondepreciable	1,791,115	27,762	1,818,877
Construction in progress - nondepreciable	2,023,307	920,156	2,943,463
Buildings, infrastructure and equipment	6,399,374	7,973,012	14,372,386
Less: accumulated depreciation	(2,198,963)	(3,605,043)	(5,804,006)
<b>TOTAL CAPITAL ASSETS</b>	<b>8,014,833</b>	<b>5,315,887</b>	<b>13,330,720</b>
<b>OTHER ASSETS</b>			
Loans receivable	2,501,543	- 0 -	2,501,543
Certificates of deposit	- 0 -	374,668	374,668
Internal balances	489,950	(489,950)	- 0 -
<b>TOTAL OTHER ASSETS</b>	<b>2,991,493</b>	<b>(115,282)</b>	<b>2,876,211</b>
<b>TOTAL ASSETS</b>	<b>12,367,296</b>	<b>5,669,357</b>	<b>18,036,653</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued liabilities	210,125	149,257	359,382
Line of credit	- 0 -	255,000	255,000
Current portion of long term liabilities	296,608	51,292	347,900
<b>TOTAL CURRENT LIABILITIES</b>	<b>506,733</b>	<b>455,549</b>	<b>962,282</b>
<b>LONG TERM LIABILITIES</b>	<b>4,047,771</b>	<b>893,978</b>	<b>4,941,749</b>
<b>TOTAL LIABILITIES</b>	<b>4,554,504</b>	<b>1,349,527</b>	<b>5,904,031</b>
<b>NET POSITION</b>			
Net investment in capital assets	3,624,333	4,032,237	7,656,570
Restricted	150,000	- 0 -	150,000
Unrestricted	4,038,459	287,593	4,326,052
<b>TOTAL NET POSITION</b>	<b>\$ 7,812,792</b>	<b>\$ 4,319,830</b>	<b>\$ 12,132,622</b>

See accompanying notes to financial statements

**TOWN OF MYERSVILLE**

Statement of Activities  
For the Year Ended June 30, 2020

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			
		Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
<b>FUNCTIONS/PROGRAMS:</b>							
<b>GOVERNMENTAL ACTIVITIES</b>							
General government	\$ 557,475	\$ 5,470	\$ 4,023	\$ 150,000	\$ (397,982)	\$ - 0 -	\$ (397,982)
Public safety	136,736	- 0 -	8,849	- 0 -	(127,887)	- 0 -	(127,887)
Public works	356,932	- 0 -	71,193	599,533	313,794	- 0 -	313,794
Parks and recreation	118,370	- 0 -	- 0 -	- 0 -	(118,370)	- 0 -	(118,370)
Interest	146,788	- 0 -	- 0 -	- 0 -	(146,788)	- 0 -	(146,788)
Total Governmental Activities	<u>1,316,301</u>	<u>5,470</u>	<u>84,065</u>	<u>749,533</u>	<u>(477,233)</u>	<u>- 0 -</u>	<u>(477,233)</u>
<b>BUSINESS-TYPE ACTIVITIES</b>							
Water and sewer system	<u>791,751</u>	<u>837,840</u>	<u>- 0 -</u>	<u>278,449</u>	<u>- 0 -</u>	<u>324,538</u>	<u>324,538</u>
Total Business-Type Activities	<u>791,751</u>	<u>837,840</u>	<u>- 0 -</u>	<u>278,449</u>	<u>- 0 -</u>	<u>324,538</u>	<u>324,538</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 2,108,052</u>	<u>\$ 843,310</u>	<u>\$ 84,065</u>	<u>\$ 1,027,982</u>	<u>(477,233)</u>	<u>324,538</u>	<u>(152,695)</u>
<b>GENERAL REVENUES</b>							
Taxes:							
Property					1,155,030	- 0 -	1,155,030
Income and other					340,261	- 0 -	340,261
Franchise fees					12,230	- 0 -	12,230
Investment income					428	281	709
Interest on loan receivable					57,052	- 0 -	57,052
Other income					21,069	- 0 -	21,069
<b>TOTAL GENERAL REVENUES</b>					<u>1,586,070</u>	<u>281</u>	<u>1,586,351</u>
<b>CHANGE IN NET POSITION</b>					<u>1,108,837</u>	<u>324,819</u>	<u>1,433,656</u>
<b>NET POSITION - BEGINNING</b>							
As previously reported					6,551,173	3,912,743	10,463,916
Adjustments relating to prior periods					152,782	82,268	235,050
<b>NET POSITION - BEGINNING - AS RESTATED</b>					<u>6,703,955</u>	<u>3,995,011</u>	<u>10,698,966</u>
<b>NET POSITION - ENDING</b>					<u>\$ 7,812,792</u>	<u>\$ 4,319,830</u>	<u>\$ 12,132,622</u>

See accompanying notes to financial statements



**TOWN OF MYERSVILLE**

Balance Sheet  
Governmental Funds  
June 30, 2020

		General Fund
<b>ASSETS</b>		
Cash	\$	812,749
Property taxes receivable		11,272
Due from other governments		332,550
Other receivables		22,065
Prepaid expenses		32,334
Note receivable		2,651,543
Advances to other funds		489,950
TOTAL ASSETS		\$ 4,352,463
 <b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$	211,288
Total Liabilities		\$ 211,288
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue - income taxes		121,266
Unavailable revenue - due from other governments		162,640
		283,906
 <b>FUND BALANCES</b>		
Nonspendable		3,173,827
Restricted		150,000
Assigned		22,076
Unassigned		511,366
TOTAL FUND BALANCES		3,857,269
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		\$ 4,352,463

See accompanying notes to financial statements

**TOWN OF MYERSVILLE**

Reconciliation of Balance Sheet - Governmental Funds to the Statement of Net Position  
June 30, 2020

FUND BALANCE - GOVERNMENTAL FUNDS		\$ 3,857,269
<p>Amounts reported for Governmental Activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in Governmental Activities are not financial resources and, therefore, are not reported in the governmental funds.</p>		
Governmental capital assets	\$ 10,213,796	
Less: accumulated depreciation	<u>(2,198,963)</u>	8,014,833
<p>Accrued interest payable on bonds is not liquidated with current financial resources in the governmental funds.</p>		
		(7,815)
<p>Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental fund.</p>		
Bonds payable	(4,118,844)	
Premium to be amortized over the life of bonds payable	<u>(104,159)</u>	(4,223,003)
<p>Other liabilities that are accrued in governmental activities and will not utilize current financial resources, are not reported in the governmental funds.</p>		
Other Post Employment Benefits	(100,383)	
Compensated absences	<u>(12,015)</u>	(112,398)
<p>Receivables that are measurable but not collected within 60 days are not considered available for use in the near term, and therefore, are not reported in the governmental funds.</p>		
Highway user revenue	15,800	
Income taxes	121,266	
Project reimbursements	<u>146,840</u>	<u>283,906</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 7,812,792</u></u>

See accompanying notes to financial statements

**TOWN OF MYERSVILLE**

Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Funds  
For the Year Ended June 30, 2020

		General Fund
<b>REVENUES</b>		
Property taxes	\$ 1,155,030	
Income taxes	310,867	
Licenses and permits	15,400	
Intergovernmental - state	673,740	
Intergovernmental - county	139	
Charges for services	2,300	
Rental income	1,120	
Contributions	150,807	
Other income	76,483	
TOTAL REVENUES		\$ 2,385,886
<b>EXPENDITURES</b>		
Current operating		
General government	474,799	
Public safety	136,736	
Public works	241,081	
Parks and recreation	55,039	
Capital expenditures	1,928,284	
Debt service - principal	291,027	
Debt service - interest	138,973	
TOTAL EXPENDITURES		3,265,939
EXCESS OF EXPENDITURES OVER REVENUES		(880,053)
<b>FUND BALANCES - BEGINNING</b>		
As previously reported	4,890,104	
Adjustments related to prior periods	(152,782)	
FUND BALANCES - BEGINNING - AS RESTATED		4,737,322
FUND BALANCES - ENDING		\$ 3,857,269

See accompanying notes to financial statements

**TOWN OF MYERSVILLE**

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund  
Balances of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2020

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS \$ (880,053)

Amounts reported for Governmental Activities in the 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 and reported as depreciation expense.

Depreciation expense for governmental assets	\$ (250,889)	
Capital outlays	<u>1,928,284</u>	1,677,395

Repayment of the principal of long-term debt consumes current financial resources of governmental funds. However, principal payments reduce long-term debt on the Statement of Net Position. 291,027

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.

Accrued interest	(7,815)	
Compensated absences	(12,015)	
Other post-employment benefits liability	<u>1,046</u>	(18,784)

Governmental funds report income that is both measurable and received within 60 days of year end. Revenues from the following sources were not received within the near term, and therefore are not reported as revenue in the governmental funds.

Highway user revenue	15,800	
Income taxes	29,394	
Project reimbursements	<u>(5,942)</u>	<u>39,252</u>

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 1,108,837

**TOWN OF MYERSVILLE**

Statement of Net Position  
Proprietary Fund  
June 30, 2020

		Major Enterprise Fund Water and Sewer System
<b><u>ASSETS</u></b>		
CURRENT ASSETS		
Cash	\$	168,859
Service charges receivable		259,283
Due from other governments		34,692
Prepaid expenses		5,918
TOTAL CURRENT ASSETS	\$	468,752
CAPITAL ASSETS		
Land - nondepreciable		27,762
Construction in progress - nondepreciable		920,156
Sewer system		3,509,949
Water system		4,430,052
Other assets		33,011
Less: accumulated depreciation		(3,605,043)
TOTAL CAPITAL ASSETS		5,315,887
OTHER ASSETS		
Certificates of deposit		374,668
TOTAL OTHER ASSETS		374,668
TOTAL ASSETS		6,159,307
<b><u>LIABILITIES</u></b>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities		149,257
Line of credit		255,000
Current portion of long-term liabilities		51,292
TOTAL CURRENT LIABILITIES		455,549
NONCURRENT LIABILITIES		
Notes Payable, net of current portion		893,978
Advances from other funds		489,950
TOTAL NONCURRENT LIABILITIES		1,383,928
TOTAL LIABILITIES		1,839,477
<b><u>NET POSITION</u></b>		
Net investment in capital assets		4,032,237
Restricted		- 0 -
Unrestricted		287,593
TOTAL NET POSITION	\$	4,319,830

See accompanying notes to financial statements

**TOWN OF MYERSVILLE**

Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund  
For the Year Ended June 30, 2020

		Major Enterprise Fund Water and Sewer System
<b>OPERATING REVENUES</b>		
Service fees	\$ 837,840	
TOTAL OPERATING REVENUE		837,840
<b>OPERATING EXPENSES</b>		
Depreciation	143,327	
Insurance	4,182	
Miscellaneous	1,545	
Office expenses	9,037	
Operator costs	326,211	
Payroll and payroll taxes	100,324	
Professional fees	19,488	
Repairs and maintenance	37,479	
Supplies and materials	22,389	
Utilities	88,707	
TOTAL OPERATING EXPENSES		752,689
<b>OPERATING INCOME</b>		85,151
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Capital grants	278,449	
Interest income	281	
Interest expense	(39,062)	
TOTAL NONOPERATING REVENUE (EXPENSE)		239,668
<b>CHANGE IN NET POSITION</b>		324,819
<b>TOTAL NET POSITION - BEGINNING</b>		
As previously reported	3,912,743	
Adjustments related to prior periods	82,268	
<b>TOTAL NET POSITION - BEGINNING - AS RESTATED</b>		3,995,011
<b>TOTAL NET POSITION - ENDING</b>		\$ 4,319,830

See accompanying notes to financial statements

**TOWN OF MYERSVILLE**

Statement of Cash Flows - Proprietary Fund  
For the Year Ended June 30, 2020

		Major Enterprise Fund Water and Sewer System
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 823,183	
Cash payments to suppliers	(465,091)	
Cash payments to employees	(100,324)	
NET CASH FLOWS FROM OPERATING ACTIVITIES		\$ 257,768
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Repayments to other funds	(9,204)	
NET CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		(9,204)
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES:		
Capital expenditures	(1,059,864)	
Principal repayments on long-term liabilities	(103,955)	
Interest and administrative fees paid on long-term liabilities	(39,062)	
Capital grant contribution	326,025	
NET CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES		(876,856)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Receipt of interest and other income	281	
NET CASH FLOWS FROM INVESTING ACTIVITIES		281
NET DECREASE IN CASH		(628,011)
CASH AND RESTRICTED CASH - BEGINNING		796,870
CASH AND RESTRICTED CASH - ENDING		\$ 168,859
Reconciliation of operating loss to net cash flows from operating activities:		
Operating income		\$ 85,151
Add depreciation expense	\$ 143,327	
Increase in current assets:		
Service charges receivable	(14,657)	
Decrease in current liabilities:		
Accounts payable and accrued liabilities	43,947	
Total adjustments		172,617
Net cash provided by operating activities		\$ 257,768

See accompanying notes to financial statements

**TOWN OF MYERSVILLE**

Statement of Fiduciary Net Position - Fiduciary Fund  
June 30, 2020

	<u>Employee Benefit Plans</u>
ASSETS	
Investments with fiscal agents	\$ 85,504
NET POSITION	
Held in trust for employee benefit plan	\$ 85,504

Statement of Changes in Fiduciary Net Position - Fiduciary Fund  
For the Year Ended June 30, 2020

CONTRIBUTIONS	
Employer	\$ 12,382
Investment earnings	2,808
Total Contributions	<u>15,190</u>
DISTRIBUTIONS	
Benefits paid	- 0 -
Charges/fees	260
Total Distributions	<u>260</u>
CHANGE IN NET POSITION	14,930
TOTAL NET POSITION - BEGINNING	<u>70,574</u>
TOTAL NET POSITION - ENDING	<u>\$ 85,504</u>



# TOWN OF MYERSVILLE

## Notes to Financial Statements June 30, 2020

### 1. Summary of Significant Accounting Policies

The Town of Myersville, Maryland (the "Town") was incorporated in 1904 and operates under a Mayor-Council form of government. The Town provides such services as are authorized by its charter to advance the welfare, health, comfort, safety, and convenience of the Town and its inhabitants and includes highways and streets, sanitation, public safety, parks and recreation and general administrative services. The Town is located in Frederick County, Maryland. A substantial portion of the Town's revenue is received from the property and income taxes related to the businesses and residents of the Town, and services provided by its Water and Sewer Systems.

In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The basis for determining component units is the governing body's ability to exercise oversight responsibility or the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities. Based on this criteria, the Town has concluded that there are no component unit relationships that are required to be presented in these financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation - The financial statements of the Town are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applicable to local governments. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements.

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The government-wide statements are reported using the "economic resources" measurement focus and the accrual basis of accounting as are the proprietary fund financial statements. 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 which they are levied, while grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Program revenues include: (1) charges for services which report fees and other charges to users of the Town's services and facilities; (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, when applicable. 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.

While government-wide and fund financial statements are presented separately, they are interrelated. The governmental activities column of the government-wide statements incorporates data from governmental funds, while business-type activities incorporate data from the Town's enterprise funds. Separate financial statements are provided for each major governmental, proprietary, and fiduciary fund held by the Town. However, data from the fiduciary fund is not incorporated in the government-wide financial statements.

# TOWN OF MYERSVILLE

## Notes to Financial Statements June 30, 2020

### 1. Summary of Significant Accounting Policies (continued)

Governmental fund financial statements are reported using the "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included in the balance sheets. The Town's deferred outflows or resources and deferred inflows of resources are noncurrent. The statement of revenues, expenditures and changes in fund balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting revenues are recognized as soon as 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 generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Major revenue sources susceptible to year-end accruals include: Income tax receipts, property taxes and capital grants. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). In general, all other revenues are considered to be measurable and available when cash is received.

Since the governmental funds financial statements are presented using a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented on the page following each fund level statement that summarizes the adjustments necessary to convert the fund level statements into the government-wide presentation.

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

Fiduciary funds account for assets held by the Town in a trustee capacity or as an agent on behalf of others. As such, fiduciary funds are not reported in the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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. Long-term interfund loans are classified as "advances to/from other funds." These funds were utilized by the utility fund to fund capital projects related to the water and wastewater system upgrades and operational costs.

# TOWN OF MYERSVILLE

## Notes to Financial Statements June 30, 2020

### 1. Summary of Significant Accounting Policies (continued)

Reimbursements are reported as reductions to expenses. However, internal eliminations do not include water and sewage services provided to the Town Hall. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

#### Fund Types and Major Funds

The accounts of the Town are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

The minimum number of funds are maintained consistent with legal and managerial requirements. There are no non-major funds in either fund category.

The Town reports the following major governmental fund:

*The General Fund* -This is the primary operating fund of the Town. It accounts for all of the financial resources and the legally authorized activities of the Town except for those required to be accounted for in other specialized funds. The general fund accounts for the normal operating activities of the Town. These activities are financed primarily by taxes, grants from other governments and charges for services.

The Town reports the following major proprietary fund:

*The Water and Sewer Fund* – This fund accounts for the operation of the Town's water and sewer utilities. Activities of the fund include administration, operation and maintenance of the water and sewer system and billing and collection activities. All costs are financed through charges made to utility customers with rates reviewed regularly, and adjusted if necessary, to ensure integrity of the Fund.

The Town reports the following fiduciary fund:

*The Fiduciary Fund* is used to account for assets held in trust for the payment of benefits under the Town of Myersville Deferred Compensation Plan. This fund is reported using the "economic resources" measurement focus and the accrual basis of accounting.

Budgetary Data – Formal budgetary accounting is employed as a management control for all funds of the Town, except for the fiduciary fund. Annual operating budgets are adopted, after public hearings, by passing an ordinance prior to the start of each fiscal year. No public money may be expended without having been appropriated by the Council. Transfers between major appropriations require approval of the Council. The budget uses the same basis of accounting as used to reflect actual revenues and expenditures, except that the Town may use prior year surplus to cover budget shortfalls.

Cash– Cash may include demand deposits, money market accounts, and certificates of deposit with an initial maturity date of less than three months.

Certificates of Deposit – Certificates of deposit with an initial maturity date of greater than three months are reported at cost plus accrued interest, which approximates fair value.

# TOWN OF MYERSVILLE

## Notes to Financial Statements

June 30, 2020

### 1. Summary of Significant Accounting Policies (continued)

Accounts Receivable – Receivables not expected to be collected within 60 days of year end will be reported as a deferred inflow of resources in the Balance Sheet – Governmental Funds, as they are not currently available to the Town. All receivables are reported at gross values. Allowances are reported when management has determined that collection of the receivable is not probable. Management has determined that no allowance for uncollectible accounts is deemed necessary as of June 30, 2020.

Property Taxes Receivable – Consists of real and personal property taxes billed and other penalties imposed by the Town. The amount that was not collected within 60 days of year end was immaterial.

Service Charges Receivable – Water and sewer charges are recorded when billed, except that an amount is recorded for services rendered but not yet billed, as of the close of the fiscal year. The accrued amount is based on actual billings made subsequent to year end.

Due from Other Governments - Receivables from other governments primarily consist of amounts arising from transfer payments and amounts due from grantors for specific programs and capital projects and include highway user revenues, police aid, and local income taxes collected on behalf of the Town by the State of Maryland and remitted to the Town. Of this amount, \$283,906 was not collected within 60 days of year end and accordingly, has been deferred in the general fund.

Other Receivables – Includes amounts for cable franchise fees and other reimbursable costs.

Capital Assets and Depreciation - The Town's property, buildings and facilities with an initial, individual cost of more than \$1,000 and an estimated useful life of more than three years are stated at historical cost and comprehensively reported in the government-wide financial statements. All land is capitalized. Proprietary capital assets are also reported in their fund financial statements. The costs of normal maintenance and repairs which do not add to the asset value or materially extend useful lives are not capitalized. Donated capital assets received on or before June 15, 2015 are stated at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

The Town has been exempted from retroactively reporting its infrastructure assets. However, all future construction or major improvements to the roads, bridges, sidewalks, drainage and lighting systems for the Town will be capitalized and depreciated in a manner consistent with current policies for capital assets in the governmental and proprietary funds.

Estimated useful lives for depreciable assets are as follows:

Buildings and Improvements	10 – 40 years
Infrastructure and Land Improvements	10 – 50 years
Machinery, Equipment and Vehicles	3 – 10 years
Water & Sewer Systems	10 – 50 years

Deferred Outflows and Inflows of Resources - A *deferred outflow of resources* represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Likewise, a *deferred inflow of resources* represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

## TOWN OF MYERSVILLE

### Notes to Financial Statements

June 30, 2020

#### 1. Summary of Significant Accounting Policies (continued)

Long-Term Obligations - In the government-wide financial statements, and for proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts adjust the carrying value of the bonds and are amortized over the life of the bonds. Issuance costs are expensed as incurred. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Compensated Absences – Compensated absences are those earned but unused absences for which employees will be paid, such as vacation and sick leave. Employees are granted vacation and sick leave at varying amounts. It is the Town's policy to permit employees to accumulate up to 80 hours of earned but unused vacation, which will be paid at the current rate of salary. Sick leave may be accumulated, but will not be paid upon resignation, termination or retirement. Vacation leave is accumulated as applicable in the government wide and proprietary fund financial statements as part of long-term obligations. A liability is reported in governmental fund financial statements only if it has matured, for example, as a result of employee termination or retirement.

#### Net Position –

In the government-wide and proprietary fund financial statements, net position is classified in the following categories:

#### *Net Investment in Capital Assets*

This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balance of the debt that is attributable to the acquisition, construction or improvement of these assets reduce this category. For governmental activities, total capital assets of \$8,014,833 is reduced by bonds payable of \$4,223,003 and further reduced by \$167,497 for the amount of accounts payable related to capital improvements. For business-type activities and major enterprise funds, total capital assets of \$5,315,887 is reduced by bonds payable of \$945,270, line of credit payable of \$255,000 and further reduced by \$83,380 for the amount of accounts payable related to capital improvements.

#### *Restricted Net Position*

This category represents the net position of the Town which has been restricted for a specific project or purpose by a third party. During the year ended June 30, 2020 the Town was the beneficiary of a restricted estate distribution in the amount of \$150,000. As of June 30, 2020 the Town had \$150,000 restricted for funding of a community swimming pool.

#### *Unrestricted Net Position*

This category represents the net position of the Town, which is not restricted for any project or other purpose by third parties.

#### Fund Balances –

In the governmental fund financial statements, fund balances are classified in the following categories:

#### *Nonspendable*

This category includes amounts that cannot be spent due to form, such as inventory, prepaid amounts, long term receivables or amounts that must be maintained intact legally or contractually. As of June 30, 2020, the Town had nonspendable funds of \$3,173,827.

# TOWN OF MYERSVILLE

## Notes to Financial Statements June 30, 2020

### 1. Summary of Significant Accounting Policies (continued)

#### *Restricted*

This category includes amounts constrained by an external party, constitutional provision or enabling legislation. As of June 30, 2020, the Town had \$150,000 in restricted fund balance for funding of a community swimming pool.

#### *Committed*

This category includes amounts constrained for a specific purpose by the Council using its highest level of decision making authority, prior to year-end. As of June 30, 2020, the Town did not have any assets to be reported in this category.

#### *Assigned*

This category includes amounts constrained by the intent to be used for a specific purpose by a governing board which has the authority to assign funds. As of June 30, 2020, the Town had \$22,076 of assigned funds appropriated for the Town's fiscal year 2021 budget.

#### *Unassigned*

This category includes all funds which are not specifically classified as Nonspendable, Restricted, Committed or Assigned. The Town is not in compliance with their policy to reserve at least 30% of the year's general fund budgeted revenues as unassigned. As of June 30, 2020, unassigned fund balances comprised approximately 26% of fiscal year 2020 budgeted revenues.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

### 2. Cash and Certificates of Deposit

Deposits are carried at cost plus accrued interest. The carrying amount of deposits is separately displayed on the balance sheet as "Cash" and consists of demand deposits and certificates of deposit with an initial maturity date of less than three months.

Credit Risk - The Town has adopted a policy to be followed when investing public funds in accordance with the provisions of Section 17-101 of the Local Government Article of the Annotated Code of Maryland which prescribes the type of investments permissible for Maryland Municipalities. This policy requires that Town funds be invested in obligations for which the United States has pledged its full faith and credit, obligations insured by a federal agency (such as the FDIC), obligations collateralized by federal obligations, and portfolios created under the Maryland Local Government Investment Pool. The Town was in compliance with the provisions of the Annotated Code of Maryland as of June 30, 2020, which was adopted to mitigate credit risk for the Town.

Interest Rate and Credit Risk - The Town manages interest rate and credit risk by investing primarily in short term holdings, including demand deposits, and certificates of deposit.

Custodial Credit Risk - The Town manages custodial credit risk through its use of permissible investments based on its compliance with the Annotated Code of Maryland as previously described. As such, uninsured or uncollateralized funds are not permitted. None of the Town's deposits are exposed to custodial credit risk. The Town's deposits are covered by a combination of insurance from the Federal Deposit Insurance Corporation (FDIC) and securities held by the pledging financial institution's trust department or agent in the Town's name.

**TOWN OF MYERSVILLE**

Notes to Financial Statements  
June 30, 2020

2. Cash and Certificates of Deposit (continued)

Certificates of deposit held by the Town with an initial maturity date of greater than three months are also included in the following analysis of deposits by level of risk, as they are either fully insured by the FDIC or fully collateralized by federal obligations.

Deposits by level of risk are:

	Carrying Amount	Bank Balance
FDIC Insured	\$ 250,000	\$ 250,000
Uninsured, collateral held by pledging bank's Trust Department in Town's name	1,106,276	1,214,364
Total	\$ 1,356,276	\$ 1,464,364

Deposits recorded in the above schedule are reported in the statement of net position as follows:

Cash	\$ 981,608
Certificates of deposit	374,668
Total deposits	\$ 1,356,276

3. Capital Assets

As discussed in Note 17, it was determined that certain construction in progress costs were not properly accrued and capitalized in the prior period. Accordingly, the schedule below has been restated for that correction.

Capital asset activity for the Town of Myersville for the year ended June 30, 2020 was as follows:

	(Restated) Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<b>Nondepreciable</b>				
Land	\$ 1,791,115	\$ - 0 -	\$ - 0 -	\$ 1,791,115
Construction in progress	385,618	1,637,689	- 0 -	2,023,307
Land improvements	1,157,059	84,949	- 0 -	1,242,008
Buildings	2,516,800	139,413	- 0 -	2,656,213
Infrastructure	2,152,755	35,854	- 0 -	2,188,609
Machinery & equipment	255,448	22,879	- 0 -	278,327
Vehicles	26,717	7,500	- 0 -	34,217
Total	8,285,512	\$ 1,928,284	\$ - 0 -	10,213,796
<b>Less: Accumulated depreciation</b>				
Land improvements	605,869	\$ 59,966	\$ - 0 -	665,835
Buildings	690,924	66,787	- 0 -	757,711
Infrastructure	467,968	106,123	- 0 -	574,091
Machinery & equipment	182,181	12,771	- 0 -	194,952
Vehicles	1,132	5,242	- 0 -	6,374
Total accumulated depreciation	1,948,074	\$ 250,889	\$ - 0 -	2,198,963
Governmental activities capital assets, net	\$ 6,337,438			\$ 8,014,833

## TOWN OF MYERSVILLE

### Notes to Financial Statements

June 30, 2020

#### 3. Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

General government	\$	71,707
Public works		115,851
Parks and recreation		<u>63,331</u>
 Total depreciation expense	 \$	 <u>250,889</u>

As discussed in Note 17, it was determined that certain construction in progress costs were not properly accrued and capitalized in the prior period. Accordingly, the schedule below has been restated for that correction.

	(Restated) Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Nondepreciable				
Land	\$ 27,762	\$ - 0 -	\$ - 0 -	\$ 27,762
Construction in progress	91,368	828,788	- 0 -	920,156
Land improvements	2,460	- 0 -	- 0 -	2,460
Furniture & equipment	7,650	22,901	- 0 -	30,551
Sewer system	3,419,747	90,202	- 0 -	3,509,949
Water system	<u>4,339,849</u>	<u>90,203</u>	- 0 -	<u>4,430,052</u>
Total	<u>7,888,836</u>	<u>\$ 1,032,094</u>	<u>\$ - 0 -</u>	<u>8,920,930</u>
Less: accumulated depreciation				
Land improvements	2,300	\$ 32	\$ - 0 -	2,332
Furniture & equipment	7,650	531	- 0 -	8,181
Sewer system	1,721,694	49,880	- 0 -	1,771,574
Water system	<u>1,730,072</u>	<u>92,884</u>	- 0 -	<u>1,822,956</u>
Total accumulated depreciation	<u>3,461,716</u>	<u>\$ 143,327</u>	<u>\$ - 0 -</u>	<u>3,605,043</u>
Business-type Activities				
Capital Assets, Net	<u>\$ 4,427,120</u>			<u>\$ 5,315,887</u>

Depreciation expense was charged to business-type activities as follows:

Water system	\$	93,165
Sewer system		<u>50,162</u>
 Total depreciation expense	 \$	 <u>143,327</u>

#### 4. Line of Credit

In July 2014, the Town obtained a \$500,000 line of credit subject to annual renewal to finance the sewer trunk line relocation. Monthly interest on the line of credit is due at a variable rate based on the Wall Street Journal prime rate with a minimum rate of 3.25%. As of June 30, 2020 the rate was 3.25%. The line of credit contains acceleration provisions that in the event of default the full amount outstanding including accrued interest may become due and payable immediately. Defaults would be triggered by events such as bankruptcy or failure to pay principal and interest when due. Additionally, the lender may increase the rate of interest to the lesser of the maximum allowable by law or 18% should the Town fail to provide requested financial information.



## TOWN OF MYERSVILLE

### Notes to Financial Statements

June 30, 2020

#### 4. Line of Credit (continued)

Short-term debt activity for the year ended June 30, 2020 was as follows:

Amount payable at beginning of year	\$	310,000
Advances		- 0 -
Principal retirements		<u>55,000</u>
Amount payable at end of year	\$	<u>255,000</u>

#### 5. Long Term Obligations

Long term obligations consisted of the following as of June 30, 2020:

##### General Obligation Bonds:

In May 2019, the Town issued \$1,700,000 of Public Improvement Bonds to finance street and water line improvements, and mandated storm sewer system projects. The bonds were issued at a premium of \$169,446. Semi-annual interest at 5% is due June 1 and December 1, beginning December 1, 2019. Annual principal payments are due beginning June 1, 2020 through June 1, 2039. The balance of principal and premium outstanding as of June 30, 2020 is \$1,810,974. \$1,171,806 of the bonds plus premium is attributed to governmental activities and \$639,168 of the bonds plus premium is attributed to business-type activities and the enterprise fund.

In August 2014, the Town issued \$514,939 of Local Government Infrastructure Bonds through the State of Maryland, Department of Housing and Community Development to finance street projects and improvements. Semi-annual interest at 2.28% is due May 1 and November 1, beginning November 1, 2014. Annual principal payments are due beginning May 1, 2015 through May 1, 2024. The balance of principal outstanding as of June 30, 2020 is \$221,499. \$167,757 of the bonds is attributed to governmental activities and \$53,742 of the bonds is attributed to business-type activities and the enterprise fund.

In August 2012, the Town issued \$1,300,000 of Public Improvement Bonds to finance street projects and improvements. Semi-annual interest at 1.91% is due June 1 and December 1, beginning December 1, 2012. Annual principal payments are due beginning June 1, 2013 through June 1, 2032. The balance of principal outstanding as of June 30, 2020 is \$841,200. \$588,840 of the bonds is attributed to governmental activities and \$252,360 of the bonds is attributed to business-type activities and the enterprise fund.

In August 2012, the Town issued \$3,535,000 of Public Improvement Bonds to refund its 2002 Local Government Infrastructure Bonds which were issued to finance the Myersville Municipal Center which is shared with the Myersville Volunteer Fire Company. Semi-annual interest at 2.96% is due June 1 and December 1, beginning December 1, 2012. Annual principal payments are due beginning June 1, 2013 through June 1, 2032. The balance of principal outstanding as of June 30, 2020 is \$2,294,600. In conjunction with this bond, the Town and the Volunteer Fire Company entered into a repayment agreement requiring the Fire Company to make payments to the Town to satisfy the Bond obligations (See Note 7).

**TOWN OF MYERSVILLE**

Notes to Financial Statements  
June 30, 2020

5. Long Term Debt (continued)

These bonds are backed by the full faith and credit of the Town and contain acceleration provisions that in the event of default the full amount outstanding including accrued interest may become due and payable immediately. Additionally, the trustee may intercept revenues due from the State (such as income taxes) to satisfy the debt of the Local Government Infrastructure Bonds. Defaults would be triggered by events such as bankruptcy or failure to pay principal and interest when due.

The following is a summary of long term obligations for governmental activities as of June 30, 2020:

	<u>Balance</u> <u>July 01, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2020</u>
Governmental Activities				
General Obligation Bonds				
2013 Refunding Bond	\$ 2,464,700	\$ - 0 -	\$ 170,100	\$ 2,294,600
2013 Public Improvement Bond	632,170	- 0 -	43,330	588,840
2015 Infrastructure Bond	207,519	- 0 -	39,762	167,757
2019 Public Improvement Bond	1,100,000	- 0 -	32,353	1,067,647
Plus: Bond premiums	<u>109,641</u>	<u>- 0 -</u>	<u>5,482</u>	<u>104,159</u>
Bonds payable, net	4,514,030	- 0 -	291,027	4,223,003
Total OPEB liability	110,049	- 0 -	688	109,361
Compensated absences	<u>10,473</u>	<u>18,476</u>	<u>16,934</u>	<u>12,015</u>
Total Governmental Activities	<u>\$ 4,634,552</u>	<u>\$ 18,476</u>	<u>\$ 308,649</u>	<u>\$ 4,344,379</u>

The Town will liquidate compensated absences through the general fund as they become due.

Total interest expense for the year ended June 30, 2020 was \$146,788 for general fund.

The annual debt service requirement for the above general obligation bonds through maturity is as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 296,608	\$ 131,389	\$ 427,997
2022	306,610	122,630	429,240
2023	309,186	113,419	422,605
2024	324,398	104,043	428,441
2025	289,894	94,095	383,989
2026-2030	1,516,418	330,426	1,846,844
2031-2035	781,318	121,581	902,899
2036-2039	<u>294,412</u>	<u>44,349</u>	<u>338,761</u>
	<u>\$ 4,118,844</u>	<u>\$ 1,061,932</u>	<u>\$ 5,180,776</u>

**TOWN OF MYERSVILLE**

Notes to Financial Statements  
June 30, 2020

5. Long Term Debt (continued)

The following is a summary of the bonds and notes payable in business-type activities as of June 30, 2020:

	<u>Balance</u> <u>July 01, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2020</u>
Business-type Activities				
General Obligation Bonds				
2013 Public Improvement Bond	\$ 270,930	\$ - 0 -	\$ 18,570	\$ 252,360
2015 Infrastructure Bond	66,480	- 0 -	12,738	53,742
2019 Public Improvement Bond	600,000	- 0 -	17,647	582,353
Plus: Bond premiums	<u>59,805</u>	<u>- 0 -</u>	<u>2,990</u>	<u>56,815</u>
Bonds payable, net	<u>997,215</u>	<u>- 0 -</u>	<u>51,945</u>	<u>945,270</u>
Total Business-type Activities	<u>\$ 997,215</u>	<u>\$ - 0 -</u>	<u>\$ 51,945</u>	<u>\$ 945,270</u>

The annual debt service requirement for the above general obligation bonds and notes payable through maturity is as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 51,292	\$ 32,316	\$ 83,608
2022	53,690	30,691	84,381
2023	54,414	28,932	83,346
2024	56,902	27,123	84,025
2025	45,106	25,188	70,294
2026-2030	247,382	100,532	347,914
2031-2035	219,081	57,288	276,369
2036-2039	<u>160,588</u>	<u>24,189</u>	<u>184,777</u>
	<u>\$ 888,455</u>	<u>\$ 326,259</u>	<u>\$ 1,214,714</u>

Total interest expense for the year ended June 30, 2020 was \$39,062 for the proprietary fund.

6. 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 of \$ - 0 - 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. Total advances due to the general fund as of June 30, 2020 totaled \$489,950. Net interfund transfers between the general and water and sewer fund as of June 30, 2020 totaled \$9,204.

## TOWN OF MYERSVILLE

### Notes to Financial Statements

June 30, 2020

#### 7. Note Receivable

During the year ended June 30, 2008, improvements to the Myersville Municipal Center were completed. This facility is shared jointly with the Myersville Volunteer Fire Company (the "Fire Company") and the improvements were funded in part by the issuance of infrastructure bonds by the Town (see Note 5). In December 2009, in connection with the completion of the improvements, the Town and the Fire Company entered into an agreement for repayment of the amounts due under the aforementioned bonds by the Fire Company to the Town.

In October 2015, the Town renegotiated the repayment agreement with the Fire Company and the Fire Company signed a promissory note for the benefit of the Town. Under the terms of this note, the Town is to be repaid the Fire Company's portion of the bond in sixty-nine semi-annual payments of \$50,000 due on June 1 and December 1 in each year and a final payment of \$62,814 due on June 1, 2050. The note is noninterest bearing and interest has been imputed at 2.96%. Under the terms of the note, should the Fire Company default on its obligations to the Town, it shall convey to the Town a deed in lieu of foreclosure for the facility.

The annual repayments from the Fire Company under the terms of the agreement as of June 30, 2020 are as follows:

<u>Year Ending June 30</u>	
2021	\$ 150,000
2022	100,000
2023	100,000
2024	100,000
2025	100,000
Thereafter	<u>2,512,814</u>
	3,062,814
Less: amounts representing interest	<u>(411,271)</u>
Net note receivable	<u>\$ 2,651,543</u>

#### 8. Operating Leases

As noted above, the Town shares facilities with the Myersville Volunteer Fire Company. In 2002, the Town entered into an operating lease with the Myersville Volunteer Fire Company with annual payments of \$10. The lease was extended with the agreement entered into in December 2009 for a term of 99 years. Rent incurred under this lease during the year ended June 30, 2020 was \$10.

In June 2015, the Town entered into a sixty-month postage machine lease. The lease calls for payments of \$56 a month, paid quarterly through June 2020. In March of 2020, the Town renewed their sixty-month postage machine lease. The lease renewal calls for payments of \$60 a month, paid quarterly through March 2025. Total rental expense for these leases were \$691 for the year ended June 30, 2020.

In November 2017, the Town entered into a sixty-three-month copier lease. The lease calls for payments of \$308 a month through September 2023. Total rental expense and fees for additional copies for this lease was \$4,174.

## TOWN OF MYERSVILLE

### Notes to Financial Statements

June 30, 2020

#### 8. Operating Leases (continued)

Future obligations on the above equipment leases as of June 30, 2020 are as follows:

	<u>Year Ending June 30</u>	
	2021	\$ 4,411
	2022	4,411
	2023	3,487
	2024	715
	2025	<u>358</u>
	Total	<u>\$ 12,310</u>

#### 9. Other Post Employment Benefit Obligations

##### Description of Plan

During the year ended June 30, 2011, the Town adopted via an Ordinance of the Mayor and Council, an agreement to provide for health benefits for a long-time former employee and his spouse for the remainder of their lives. The plan is a single-employer defined benefit plan administered by the Town. As of June 30, 2020 no trust that meets the criteria in paragraph 4 of GASB Statement No. 75 has been established and the Town is not accumulating assets to provide these benefits.

##### Benefits Provided

Under the terms of the plan, the Town will provide for health benefits that are equal to the coverage and benefits that the Town was providing the employee at the time of the agreement. Benefits are supplemental to Medicare benefits received by the participants and the participants agree to enroll in both Medicare Part A and Part B and pay all such premiums themselves.

This benefit is unfunded, with the Town making payments directly to the insurance carrier on a pay-as-you-go basis. The Town paid benefits of \$8,344 associated with this provision during the year ended June 30, 2020.

##### Employees Covered by Benefit Terms

The aforementioned agreement was established to provide benefits solely for the retiree and his spouse, and as such, they are the only two inactive employees or beneficiaries receiving benefits. There are no active employees or inactive employees not yet receiving benefits.

##### Total OPEB Liability

The Town's total OPEB liability of \$109,361 was measured as of June 30, 2020, and was determined using the alternative measurement method in lieu of an actuarial valuation as of that date. The amount expected to be liquidated with available financial resources and reported in the governmental funds as of June 30, 2020 is \$8,978.

## TOWN OF MYERSVILLE

### Notes to Financial Statements

June 30, 2020

#### 9. Other Post Employment Benefit Obligations (continued)

##### Alternative Measurement Assumptions and Other Inputs

The Town's total OPEB liability in the June 30, 2020 alternative measurement was determined using the following assumptions and other inputs, applied to all periods included in the measurement:

Inflation	N/A
Salary increases	N/A
Discount rate	2.66%
Healthcare cost trend rate	7.60%
Retirees' share of costs	0%

Since the plan only provides benefits for two inactive participants currently receiving benefits, inflation, salary changes, retirement age and probability of remaining employed were not factored into the alternative measurement. Life expectancy and mortality rates were based on IRS Publication 590-B.

The discount rate was based on the S&P Municipal Bond 20 Year High Grade Rate Index.

The expected rate of increases in healthcare costs is based on the average of projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services in National Health Expenditures Projections; Aggregate and per Capita Amounts, Percent Distribution and Annual Percent Change by Source of Funds: Calendar Years 2012-2028.

##### Changes in Total OPEB Liability

Service costs	\$	- 0 -
Interest		2,927
Changes in assumptions or other inputs		4,729
Benefit payments		<u>(8,344)</u>
Net change in total OPEB liability		(688)
Total OPEB liability - beginning		<u>110,049</u>
Total OPEB liability - ending	\$	<u><u>109,361</u></u>

Changes of assumptions and other inputs reflects a change in the discount rate from 2.79% in 2019 to 2.66% in 2020 and a change in the health care cost trend rate from 7.40% in 2019 to 7.60% in 2020.

**TOWN OF MYERSVILLE**

Notes to Financial Statements

June 30, 2020

9. Other Post Employment Benefit Obligations (continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.66%) or 1-percentage-point higher (3.66%) than the current discount rate.

	1% Decrease (1.66%)	Discount Rate (2.66%)	1% Increase (3.66%)
Total OPEB liability	\$ 115,982	\$ 109,361	\$ 103,262

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a health care cost trend rate that is 1-percentage-point lower (6.60%) or 1-percentage-point higher (8.60%) than the current cost trend rate.

	1% Decrease (6.60%)	Health Care Cost Trend Rate (7.60%)	1% Increase (8.60%)
Total OPEB liability	\$ 103,479	\$ 109,361	\$ 115,606

OPEB Expense

During the year ended June 30, 2020, the Town recognized a negative OPEB expense of (\$688).

10. Deferred Compensation Plan

The Town offers to its employees a deferred compensation plan in accordance with Section 457(b) of the Internal Revenue Code. The plan is available to the Town's full-time employees and allows the participants to defer a portion of their current income until future years to shelter such funds and earnings from state and federal taxation until withdrawal. Participation in the plan is optional. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency. All contributions to the plan are immediately 100% vested. In addition to employee contributions, the Town contributes to the plan on behalf of the participants. Contributions are established by the Mayor and Council and may be amended by such. For the year ended June 30, 2020, four employees participated in the plan and the Town contributed \$11,940.

11. Property Tax

Property taxes on real estate are recorded as receivables and attach as an enforceable lien on property on July 1, the date levied. Semi-annual installment payments are mandatory for qualified properties unless the taxpayer chooses to pay in one installment. Qualified property is defined as "an owner-occupied principal residence". Under the semi-annual plan, one-half of the tax bill is due September 30 with the balance due on December 31. For all other properties, the bill is due in its entirety on September 30. After the due date, interest is charged on the delinquent portion. Frederick County holds an annual property tax lien certificate sale the first Monday of June to collect all unpaid Town and County property taxes as of that date. Taxes not collected and remitted to the Town within sixty days subsequent to June 30, 2020 are immaterial.

## TOWN OF MYERSVILLE

### Notes to Financial Statements June 30, 2020

#### 11. Property Tax (continued)

Personal property taxes are billed annually by the Town, based on an assessment determined by the State of Maryland. All taxes not paid within 90 days of billing are overdue and bear interest at the rate prescribed by state law until paid. Taxes not collected by the Town within sixty days subsequent to June 30, 2020 are immaterial.

The tax rate for the fiscal year ended June 30, 2020 was \$0.361, \$.782 and \$1.173 per \$100 assessed value for real, personal and utility property, respectively. Each pole and one hundred feet of utility within the Town is subject to a pole tax of \$38.88.

#### 12. Utility Service Discounts

The Town has an agreement with the community fire company wherein the Town does not charge the fire company for its utility usage. The Town does not track the usage of the Fire Company's utilities, as such no amount of discounted services is reported as it is not measurable.

#### 13. Risk Management

The Town is exposed to various risks of loss related to torts; damage to and destruction of assets; errors and omissions; employee health and accident; and natural disasters. The Town purchases commercial insurance to protect its interest in its property and equipment, insurance against employee dishonesty and liability protection. Insurance is provided through the Maryland Local Government Insurance Trust and by commercial insurance. The Trust is a total risk and cost sharing plan for all participants. In the event that the Trust's General Fund falls into a deficit that cannot be satisfied by transfer from the Trust's capital and surplus accounts, the Trustees determine a method to fund the deficit. The Trust agreement empowers the Trustees to assess an additional premium to each deficit-year participant. Debt issues could also be used to fund a deficit. During the year ended June 30, 2020 there was no significant reduction in insurance coverage. Settled claims have not exceeded this coverage for the past three fiscal years.

#### 14. Contingencies

Most grants specify the types of expenditures for which the grants may be used. The expenditures made by the Town under some of these grants are subject to audit. To date, the Town has not been notified of any significant unallowable costs relating to its grants. In the opinion of management, adjustments for unallowable costs, if any, resulting from such audits will not have a material effect on the accompanying financial statements.

In March 2020, significant mitigation efforts began taking effect in the United States in an attempt to curtail the spread of the coronavirus (COVID-19) pandemic. Such efforts have included travel restrictions, business closures, and event cancellations. Capital markets have seen significant volatility in the wake of the pandemic and significant economic disruptions are likely to occur. In response, the Town has altered its operations by closing the Town Hall to the public. Management cannot reasonably estimate the related financial impact and duration of the situation at this time. However, the Town believes it has sufficient cash reserves to sustain operations in the event of continued disruption. Management intends to monitor the situation on an ongoing basis and to continue efforts to reduce its impact on the Town's operations and financial resources.



## TOWN OF MYERSVILLE

### Notes to Financial Statements June 30, 2020

#### 15. Commitments

The Town entered into a three year mowing contract with Brian's Lawn Service beginning in March 2019 for \$28,450 per year. Mowing services will be provided for eight months out of each year (Spring – Fall). Total amounts remaining under this agreement are \$42,675.

The Town entered into contract with J&J Trash Service for the period October 1, 2018 – June 30, 2021. The contract calls for monthly payments of \$3,690 with a 3% escalation each year. Total amounts remaining under this agreement are \$46,674.

During the year ended June 30, 2020, the Town had in progress water and sewer and street improvements with an estimated total cost of \$2,382,278. As of June 30, 2020, the Town has included \$238,228 in accounts payable for the retainage outstanding on this project. In connection with this project, the Town has an agreement with the State of Maryland Department of Transportation to fund a portion of the improvements. Included in amounts due from other governments is \$64,428 of reimbursements owed to the Town.

During the year ended June 30, 2020, the Town had in progress improvements to amenities at Harp Park, including a new pavilion with restrooms and concession area with a total estimated cost of \$53,400. As of June 30, 2020, the Town has approximately \$3,000 in retainage for U&O sign off, which will occur after installation of restroom and pavilion fixtures by separate contractors at an estimated cost of \$18,000. This project is 75% funded by Maryland Department of Natural Resources Program Open Space grant funding.

During the year ended June 30, 2020, the Town had in progress installation of a prefabricated pavilion at Grindstone Run Park with a total estimated cost of \$21,640 and approximately \$13,000 for pad and construction. In addition, the Town has contracted to have constructed and installed, a large stationary table at an estimated cost of \$1,300. This project is 75% funded by Maryland Department of Natural Resources Program Open Space grant funding.

During the year ended June 30, 2020, the Town had in progress replacement of existing and installation of new sidewalk along both sides of the entire length of Poplar Street. The total estimated cost for construction of this sidewalk is \$189,000 with an additional \$25,000 for engineering. The project is funded with \$100,000 from State Community Development grant funding and the remainder from the Town.

During the year ended June 30, 2020, the Town had in progress installation of a new sewer main trunk line and lateral connections for existing homes along Canada Hill Road. This project is budgeted for \$600,000 from bond funds and Town enterprise funds. The project would bring 25 existing homes into the corporate boundaries in exchange for Town sewer service generating approximately \$30,000 annually in new general fund tax revenue satisfying the Town's pending State mandated obligation of meeting MS-4 obligations.

#### 16. Environmental Concerns and Asset Retirement Obligations

The Town operates a sewer facility. If contamination from the facility occurred, the Town could become liable for the costs of remediation.

No liability in accordance with GASB Statement No. 83 *Certain Asset Retirement Obligations* is reported in these financial statements for future retirement of the Town's sewer facility, as estimated costs are not currently determinable.

**TOWN OF MYERSVILLE**

Notes to Financial Statements

June 30, 2020

17. Adjustments Related to Prior Periods

During the year ended June 30, 2020, it was determined that certain accounts were improperly stated in prior periods. Specifically, \$235,050 of street and water and sewer improvements was not accrued as accounts payable. Of this amount \$152,782 was attributable to capital expenditures in the general fund and the remaining \$82,268 was attributable to construction in progress in the enterprise fund and business-type activities. Additionally, the Town has an agreement with the State of Maryland Department of Transportation to fund a portion of the improvements. Accordingly, a receivable and revenue in the amount of \$152,782 should have been recorded in governmental activities and a receivable and revenue in the amount of \$82,268 should have been recorded in the enterprise fund and business-type activities. Accordingly, opening balances of general fund balance, governmental activities net position and enterprise fund and business-type activities net position was restated as follows:

	General Fund Fund Balance	Governmental Activities Net Position	Enterprise Fund and Business-Type Activities Net Position
Beginning balance	\$ 4,890,104	\$ 6,551,173	\$ 3,912,743
State reimbursements	- 0 -	152,782	82,268
Capital expenditures	(152,782)	- 0 -	- 0 -
Beginning balance - as restated	\$ 4,737,322	\$ 6,703,955	\$ 3,995,011

18. Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition through December 9, 2020, the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF MYERSVILLE**

Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual - General Fund  
For the Year Ended June 30, 2020

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 1,196,271	\$ 1,196,271	\$ 1,155,030	\$ (41,241)
Income taxes	225,114	225,114	310,867	85,753
Licenses and permits	20,165	20,165	15,400	(4,765)
Intergovernmental - state	341,737	341,737	673,740	332,003
Intergovernmental - county	139	139	139	- 0 -
Charges for services	5,610	5,610	2,300	(3,310)
Rental income	2,000	2,000	1,120	(880)
Contributions	- 0 -	- 0 -	150,807	150,807
Miscellaneous revenues	104,305	104,305	76,483	(27,822)
<b>TOTAL REVENUES</b>	<u>1,895,341</u>	<u>1,895,341</u>	<u>2,385,886</u>	<u>490,545</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers from other funds	61,800	61,800	- 0 -	(61,800)
<b>TOTAL OTHER FINANCING SOURCES</b>	61,800	61,800	- 0 -	(61,800)
<b>BUDGETARY RESERVE</b>	156,034	156,034	- 0 -	(156,034)
<b>TOTAL REVEUNE, OTHER FINANCING SOURCES AND BUDGETARY RESERVE</b>	<u>2,113,175</u>	<u>2,113,175</u>	<u>2,385,886</u>	<u>272,711</u>
<b>EXPENDITURES</b>				
General government	558,028	558,028	474,799	83,229
Public safety	139,538	139,538	136,736	2,802
Public works	202,000	202,000	241,081	(39,081)
Parks, recreation & culture	289,650	289,650	55,039	234,611
Capital expenditures	532,500	532,500	1,928,284	(1,395,784)
Debt service	391,459	391,459	430,000	(38,541)
<b>TOTAL EXPENDITURES</b>	<u>2,113,175</u>	<u>2,113,175</u>	<u>3,265,939</u>	<u>(1,152,764)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ (880,053)</u>	<u>\$ (880,053)</u>

See accompanying notes to required supplementary information

**TOWN OF MYERSVILLE**

Schedule of Changes in Total OPEB Liability and Related Ratios  
Last 10 years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Total OPEB Liability</b>										
Service cost	\$ - 0 -	\$ - 0 -								
Interest	2,927	3,107								
Changes in assumptions or other inputs	4,729	3,611								
Benefit payments	<u>(8,344)</u>	<u>(8,026)</u>	Information for FY 2018 and earlier is not available							
Net change in total OPEB liability	(688)	(1,308)								
Total OPEB liability - beginning	<u>110,049</u>	<u>111,357</u>								
Total OPEB liability - ending	<u><u>\$ 109,361</u></u>	<u><u>\$ 110,049</u></u>								
Coverage-employee payroll	N/A	N/A								
Total OPEB liability as a percentage of covered-employee payroll	N/A	N/A								

See accompanying notes to required supplementary information

## TOWN OF MYERSVILLE

### Notes to Required Supplementary Information June 30, 2019

#### 1. Budgetary Information

Budgetary procedures established for the Town are as follows. The Treasurer on such date as the Council shall determine, but at least 32 days before the beginning of any fiscal year, shall submit a budget to the Council. The budget shall provide a complete financial plan for the budget year and shall contain estimates of anticipated revenues and proposed expenditures for the coming year. The total anticipated revenues shall equal or exceed the total of the proposed expenditures. Before adoption of the budget, the Council shall hold a public hearing thereon. The Council may insert new items or may increase or decrease the items of the budget. The budget shall be prepared and adopted in the form of an ordinance. A favorable vote of at least a majority of the total elected membership of the Council shall be necessary for adoption. The budget may only be amended with the approval of the Council. During the year ended June 30, 2019, the Council adopted and approved Ordinance 2019-03 which established the budget for Fiscal Year 2020.

Any transfer of funds between major appropriations must be approved by the Council. Appropriations which are not expended or encumbered shall lapse at the end of the fiscal year. Unexpended or unencumbered funds shall be considered a surplus at the end of the fiscal year and shall be included among the anticipated revenues for the next succeeding fiscal year.

No official or Town employee shall expend money in excess of amounts appropriated at the general classification of expenditure level. The amount reported for expenditures for public works during the year ended June 30, 2020 exceeded the budgeted amount by \$39,081 due to unanticipated street repairs. The amount reported for expenditures for capital expenditures during the year ended June 30, 2020 exceeded the budgeted amount by \$1,395,784 due to projects that were budgeted for in prior years and delayed, as well as additional projects that are funded through grant reimbursements. The amount reported for expenditures for debt service during the year ended June 30, 2020 exceeded the budgeted amount by \$38,541 due to the timing of increases in principle as the debt is paid.

#### 2. Other Post-Employment Benefits

As of June 30, 2020, no trust that meets the criteria in paragraph 4 of GASB Statement No. 75 has been established and the Town is not accumulating assets to provide these benefits.

There were no changes in benefit terms during the year. Changes of assumptions and other inputs reflects a change in the discount rate from 2.79% in 2019 to 2.66% in 2020 and a change in the health care cost trend rate from 7.40% in 2019 to 7.60% in 2020.

Due to the fact that the plan provides only for the benefits of two inactive participants currently receiving benefits and is closed to new entrants, the Town does not have an amount to report for covered employee payroll.