

TOWN OF MYERSVILLE, MARYLAND

**Financial Statements Together with
Report of Independent Public Accountants**

For the Year Ended June 30, 2023

TOWN OF MYERSVILLE, MARYLAND

Financial Statements Together with Report of Independent Public Accountants

JUNE 30, 2023

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Mayor and Town Council
Town of Myersville, Maryland

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Myersville, Maryland (the Town), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The Town's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is



not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of revenues and expenditures- budget and actual- general fund as listed in the accompanying table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Owings Mills, Maryland
October 20, 2023

TOWN OF MYERSVILLE, MARYLAND

Management's Discussion and Analysis For the Year Ended June 30, 2023

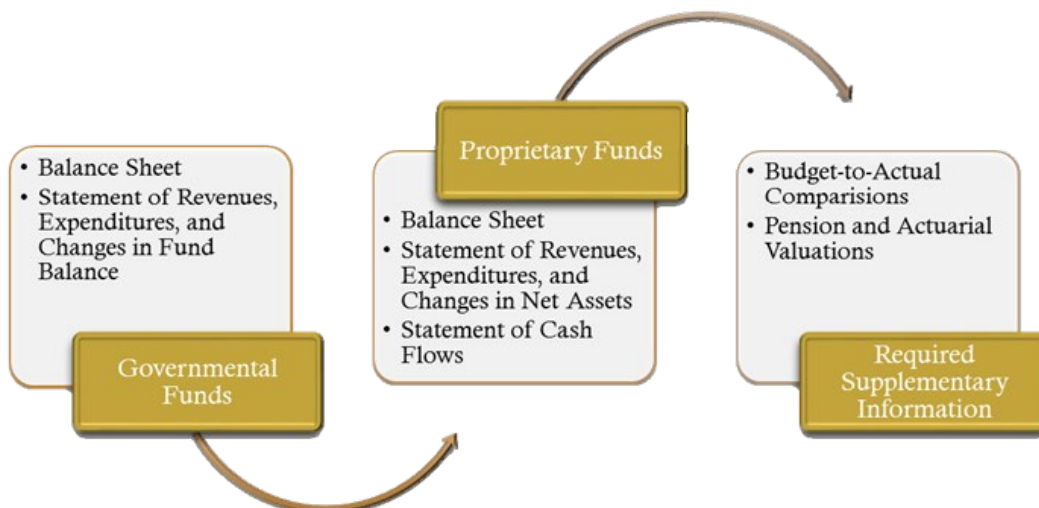
Within this section of the Town of Myersville's Annual Financial Report, the Town's management provides information about the financial activities of the Town for the fiscal year ending June 30, 2023. The Town's financial performance is discussed within the accompanying financial statements following this section.

Financial Highlights

- The Town's assets' exceeded its liabilities by \$12,098,763 (net position) for the fiscal year 2023 reported. This compares to the previous year when assets exceeded liabilities by \$11,595,409.
- Total net position is comprised of the following:
 - (1) Net investment in capital assets of \$8,504,144 includes property and construction in progress, net of depreciation and related debt.
 - (2) Unrestricted of \$3,594,619 represents the portion available to maintain the Town's continuing obligations to citizens and creditors.
- At the end of the current fiscal year 2023 the unrestricted net position for the governmental activities was \$3,617,773 or 114% of total governmental activities expenses.
- Total liabilities of the Town decreased by \$543,774 to \$5,255,289 during the fiscal year.
- General fund prior year end fund balance was \$3,367,675, which shows a increase of \$192,703 during fiscal year 2023.

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, MARYLAND

Management's Discussion and Analysis For the Year Ended June 30, 2023

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

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, MARYLAND

Management's Discussion and Analysis For the Year Ended June 30, 2023

- *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 17 through 19.

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 \$12,098,763 at the close of fiscal year 2023 and \$11,595,409 at the close of fiscal 2022. The largest portion of the Town's net position reflects its investments in capital assets (e.g. land, buildings, equipment, infrastructure), less accumulated depreciation and less any related outstanding debt used to acquire those assets. The Town uses these assets to provide services to its citizens and consequently, these assets are not available for future spending. The resources needed to repay the debt related to these capital assets must be provided from other sources.

Unrestricted net position \$3,594,619 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 \$12,098,763. This is a \$503,354 increase compared to last year's net position of \$11,595,409. The following table provides a summary of the Town's net position as of June 30, 2023 and 2022.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Assets						
Current and other assets	\$ 4,158,778	\$ 4,106,536	\$ 521,535	\$ 66,898	\$ 4,680,313	\$ 4,173,434
Capital assets, net	7,755,851	8,119,318	4,917,888	5,101,720	12,673,739	13,221,038
Total Assets	11,914,629	12,225,854	5,439,423	5,168,618	17,354,052	17,394,472
Liabilities						
Current liabilities	765,387	875,941	598,081	607,386	1,363,468	1,483,327
Long-term liabilities	3,156,870	3,521,185	734,951	794,551	3,891,821	4,315,736
Total Liabilities	3,922,257	4,397,126	1,333,032	1,401,937	5,255,289	5,799,063
Net Position						
Net investment in capital assets	4,374,599	4,400,338	4,129,545	4,255,906	8,504,144	8,656,244
Unrestricted	3,617,773	3,428,390	(23,154)	(489,225)	3,594,619	2,939,165
Total Net Position	\$ 7,992,372	\$ 7,828,728	\$ 4,106,391	\$ 3,766,681	\$ 12,098,763	\$ 11,595,409

TOWN OF MYERSVILLE, MARYLAND

Management's Discussion and Analysis For the Year Ended June 30, 2023

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Revenue						
Program revenue:						
Charges for services	\$ 46,023	\$ 59,141	\$ 866,125	\$ 841,263	\$ 912,148	\$ 900,404
Operating grants and contributions	1,702,562	1,046,950	-	-	1,702,562	1,046,950
Capital grants and contributions	-	-	50,650	84,550	50,650	84,550
General revenue:						
Property taxes	1,180,396	1,177,915	-	-	1,180,396	1,177,915
Other taxes	391,783	308,647	-	-	391,783	308,647
Other	14,634	68,904	301,123	412	315,757	69,316
Total Revenue	3,335,398	2,661,557	1,217,898	926,225	4,553,296	3,587,782
Program Expenses						
General government	1,217,921	1,187,805	-	-	1,217,921	1,187,805
Public safety	103,296	152,998	-	-	103,296	152,998
Public works	1,223,512	1,160,691	-	-	1,223,512	1,160,691
Parks and recreation	529,923	257,701	-	-	529,923	257,701
Interest on long-term debt	97,102	92,758	-	-	97,102	92,758
Enterprise expenses						
Water and sewer	-	-	878,188	1,403,416	878,188	1,403,416
Total Program Expenses	3,171,754	2,851,953	878,188	1,403,416	4,049,942	4,255,369
Transfers	-	-	-	-	-	-
Change in Net Position	163,644	(190,396)	339,710	(477,191)	503,354	(667,587)
Net position, beginning of year	7,828,728	8,019,124	3,766,681	4,243,872	11,595,409	12,262,996
Net Position, End of Year	\$ 7,992,372	\$ 7,828,728	\$ 4,106,391	\$ 3,766,681	\$ 12,098,763	\$ 11,595,409

Governmental Activities

Governmental activities increased the Town's net position by \$163,644. This compares to the previous year when governmental activities decreased the Town's net position by \$190,396.

The Town's revenues from governmental activities totaled \$3,335,398 for the fiscal year ended June 30, 2023. The Town received 47% of its revenue from taxes. The major source of revenue for the Town was property taxes (\$1,180,396) comprised of real estate and personal property, and income and other taxes (\$391,783).

The Town's expenses from governmental activities totaled \$3,171,754 for the fiscal year ended June 30, 2023. General government was the second largest expense at \$1,217,921 or 38% and the largest expense was public works services at \$1,223,512 or 38%.

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 \$339,710. The major revenue source for the business-type activities is charges for services, including water and sewer utility, which totaled \$866,125 (71% of the total revenue). Expenses of the business-type activities totaled \$878,188.

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 2023 was \$3,433,419. The General Fund Budget complied with financial policies approved by the Town Council and maintained core Town services. There were no significant 2023 budget revisions in any of the major categories of general fund revenues or expenditures.

TOWN OF MYERSVILLE, MARYLAND

Management's Discussion and Analysis For the Year Ended June 30, 2023

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, 2023, amounts to \$14,550,567 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.

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 1,876,768	\$ 1,876,768	\$ 27,762	\$ 27,762	\$ 1,904,530	\$ 1,904,530
Land improvements	1,457,655	1,457,655	2,460	2,460	1,460,115	1,460,115
Buildings	2,715,845	2,715,845	-	-	2,715,845	2,715,845
Infrastructure	4,538,944	4,538,944	8,990,418	8,990,418	13,529,362	13,529,362
Machinery & equipment	367,453	367,453	30,551	30,551	398,004	398,004
Vehicles	72,301	72,301	-	-	72,301	72,301
Accumulated depreciation	(3,273,115)	(2,909,648)	(4,133,243)	(3,949,471)	(7,406,358)	(6,859,119)
Total	\$ 7,755,851	\$ 8,119,318	\$ 4,917,948	\$ 5,101,720	\$ 12,673,799	\$13,221,038

Debt

At year-end, the Town had \$4,329,845 in bonds and loans outstanding versus \$5,5054,794 last year, a decrease of \$724,949. This entire amount is backed by the full faith and credit of the Town. The Town and the Volunteer Fire Company entered into a repayment agreement requiring the Fire Company to make payments to the Town to satisfy a portion of the bond obligations (See footnote 7).

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
General obligation bonds	\$ 3,381,252	\$ 3,718,980	\$ 788,343	\$ 845,814	\$ 4,169,595	\$ 4,564,794
Line of credit	-	-	160,250	490,000	160,250	490,000
Total	\$ 3,381,252	\$ 3,718,980	\$ 948,593	\$ 1,335,814	\$ 4,329,845	\$ 5,054,794

TOWN OF MYERSVILLE, MARYLAND

Management's Discussion and Analysis For the Year Ended June 30, 2023

Overview

Growth and Development

Growth and development activity within the Town has traditionally been driven by the availability of municipal services, specifically water and sewer infrastructure. It is the location and capacity of these resources which drive where and how the Town may experience development to expand its tax base. Over the past decade the Town has invested significant funding in improving the efficiency of these facilities.

In addition to water and sewer facilities, the Town has worked with County and State partners to improve the aging transportation network of its main thoroughfares and intersections. This road system plays a significant role in determining the comprehensive growth areas for the Town and how the Town will grow into that area and incorporate it into the fabric of the community over time.

While infrastructure and areas of new growth have remained finite and interest in those area limited for an extended period, the Town is benefiting from recent resurgence in both the residential and commercial markets. The first of this housing now under construction is priced at nearly three times the assessable value of existing housing stock. On the commercial side plans are proceeding for a large undeveloped property that could nearly double the commercial establishments within Town.

The Town has also experienced the benefit of the continued heightened housing market. Quality of life coupled with limited housing supply creates steady demand for purchase, which continues to insulate assessment values. This demand is present in the steady turnover of established neighborhoods to larger young professional families.

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.

TOWN OF MYERSVILLE, MARYLAND

Management's Discussion and Analysis For the Year Ended June 30, 2023

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.
- E. Manage the application of Federal ARPA funds to permitted town expenses through the identified funding period.

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. Leverage municipal funds to match State POS/CPP development grant funds to expand parks and recreation amenities in various town parks.

TOWN OF MYERSVILLE, MARYLAND

Management's Discussion and Analysis For the Year Ended June 30, 2023

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 development.
- D. Manage the application of Federal ARPA funds to eligible capital projects through the identified funding period

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.

TOWN OF MYERSVILLE, MARYLAND

Statement of Net Position As of June 30, 2023

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 869,034	\$ 890,112	\$ 1,759,146
Service charges receivable	-	198,567	198,567
Due from other governments	232,120	-	232,120
Prepaid expenses and other	161,911	5,918	167,829
Internal balances	573,062	(573,062)	-
Total Current Assets	<u>1,836,127</u>	<u>521,535</u>	<u>2,357,662</u>
Noncurrent Assets			
Loans receivable, net of current	2,322,651	-	2,322,651
Land- non depreciable	1,876,768	27,762	1,904,530
Capital assets-depreciable, net	5,879,083	4,890,126	10,769,209
Total Noncurrent Assets	<u>10,078,502</u>	<u>4,917,888</u>	<u>14,996,390</u>
Total Assets	<u>11,914,629</u>	<u>5,439,423</u>	<u>17,354,052</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued expenses	431,280	384,439	815,719
Line of credit	-	160,250	160,250
Current portion of long term debt	334,107	53,392	387,499
Total Current Liabilities	<u>765,387</u>	<u>598,081</u>	<u>1,363,468</u>
Noncurrent liabilities			
Compensated absences, net of current portion	109,725	-	109,725
Long term debt, net of current portion	3,047,145	734,951	3,782,096
Total Noncurrent Liabilities	<u>3,156,870</u>	<u>734,951</u>	<u>3,891,821</u>
Total Liabilities	<u>3,922,257</u>	<u>1,333,032</u>	<u>5,255,289</u>
NET POSITION			
Net investment in capital assets	4,374,599	4,129,545	8,504,144
Unrestricted	3,617,773	(23,154)	3,594,619
TOTAL NET POSITION	<u>\$ 7,992,372</u>	<u>\$ 4,106,391</u>	<u>\$ 12,098,763</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF MYERSVILLE, MARYLAND

**Statement of Activities
For the Year Ended June 30, 2023**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental Activities:							
General government	\$ 1,217,921	\$ 46,023	\$ 1,587,110	\$ -	\$ 415,212	\$ -	\$ 415,212
Public safety	103,296	-	9,535	-	(93,761)	-	(93,761)
Public works	1,223,512	-	105,917	-	(1,117,595)	-	(1,117,595)
Parks and recreation	529,923	-	-	-	(529,923)	-	(529,923)
Interest	97,102	-	-	-	(97,102)	-	(97,102)
Total Governmental Activities	<u>3,171,754</u>	<u>46,023</u>	<u>1,702,562</u>	<u>-</u>	<u>(1,423,169)</u>	<u>-</u>	<u>(1,423,169)</u>
Business-type Activities							
Water and sewer	878,188	866,125	-	50,650	-	38,587	38,587
Total Business-type Activities	<u>878,188</u>	<u>866,125</u>	<u>-</u>	<u>50,650</u>	<u>-</u>	<u>38,587</u>	<u>38,587</u>
Total Primary Government	<u>\$ 4,049,942</u>	<u>\$ 912,148</u>	<u>\$ 1,702,562</u>	<u>\$ 50,650</u>	<u>(1,423,169)</u>	<u>38,587</u>	<u>(1,384,582)</u>
General Revenue:							
Taxes							
Property taxes					1,180,396	-	1,180,396
Income taxes					391,783	-	391,783
Miscellaneous					14,634	301,123	315,757
Total General Revenue					<u>1,586,813</u>	<u>301,123</u>	<u>1,887,936</u>
Change in Net Position					163,644	339,710	503,354
Net position, beginning of year					7,828,728	3,766,681	11,595,409
Net Position, End of Year					<u>\$ 7,992,372</u>	<u>\$ 4,106,391</u>	<u>\$ 12,098,763</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF MYERSVILLE, MARYLAND

**Balance Sheet – Governmental Funds
June 30, 2023**

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 869,034
Property taxes receivable	4,308
Due from other governments	232,120
Prepaid expenses	64,668
Note receivable	2,407,651
Due from other fund	573,062
Other	7,935
TOTAL ASSETS	<u><u>\$ 4,158,778</u></u>
LIABILITIES	
Accounts payable and accrued expenses	<u>\$ 411,280</u>
DEFERRED INFLOWS OF RESOURCES	<u>187,120</u>
FUND BALANCES	
Non-spendable	2,407,651
Unassigned	<u>1,152,727</u>
TOTAL FUND BALANCES	<u>3,560,378</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 4,158,778</u></u>

The accompanying notes are an integral part of this financial statement.

TOWN OF MYERSVILLE, MARYLAND

**Reconciliation of the Governmental Fund Balance to the Statement
of Net Position
As of June 30, 2023**

Total Governmental Fund Balances	\$ 3,560,378
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the fund statement	7,755,851
Receivables pertaining to revenues that are not available in accordance with modified accrual accounting are reported as deferred inflows of resources in the funds.	187,120
Long-term liabilities, including bonds and notes not due and payable in the current period and payable, OPEB, and compensated absences are, therefore, not reported in the funds.	<u>(3,510,977)</u>
Net Position of Governmental Activities	<u><u>\$ 7,992,372</u></u>

The accompanying notes are an integral part of this financial statement.

TOWN OF MYERSVILLE, MARYLAND

**Statement of Revenue, Expenditures, and Change in Fund Balance – Governmental Fund
For the Year Ended June 30, 2023**

	<u>General Fund</u>
REVENUE	
Property taxes	\$ 1,180,396
Local income taxes	392,320
Licenses and permits	17,289
Intergovernmental revenue	1,702,562
Charges for services	28,734
Other income	14,634
Total Revenues	<u>3,335,935</u>
EXPENDITURES	
General government	1,565,097
Public safety	103,296
Public works	261,934
Parks and recreation	449,960
Capital outlays	341,106
Debt service	
Principal	324,737
Interest	97,102
Total Expenditures	<u>3,143,232</u>
Excess of revenues over (under) expenditures and other financing uses	<u>192,703</u>
Fund balance, beginning of year	<u>3,367,675</u>
Fund balance, end of year	<u>\$ 3,560,378</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF MYERSVILLE, MARYLAND

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2023**

Net Change in Fund Balances - Total Governmental Fund	\$ 192,703
Governmental funds report capital outlays as expenditures. However, estimated useful lives as depreciation expense: this is the amount by which depreciation exceeded capital outlays in the current period and loss on disposal of capital assets.	(363,467)
Revenue in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	(537)
Some expenses, representing the change in long-term liabilities or assets reported in the Statement of Activities, including compensated absences do not use current financial resources and are not reported as expenditures in the governmental funds.	10,208
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	<u>324,737</u>
Change in Net Position of Governmental Activities	<u><u>\$ 163,644</u></u>

The accompanying notes are an integral part of this financial statement.

TOWN OF MYERSVILLE, MARYLAND

Statement of Net Position – Proprietary Fund As of June 30, 2023

	<u>Water and Sewer Fund</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 890,112
Accounts receivable	198,567
Prepaid expenses	5,918
Total Current Assets	<u>1,094,597</u>
Non-Current Assets	
Capital assets, net	<u>4,917,888</u>
Total Noncurrent Assets	<u>4,917,888</u>
TOTAL ASSETS	<u>6,012,485</u>
LIABILITIES	
Current Liabilities	
Accounts payable	384,439
Due to other fund	573,062
Line of credit	160,250
Current portion of long-term debt	53,392
Total Current Liabilities	<u>1,171,143</u>
Noncurrent Liabilities	
Long-term debt, net of current liabilities	<u>734,951</u>
Total Noncurrent Liabilities	<u>734,951</u>
TOTAL LIABILITIES	<u>1,906,094</u>
NET POSITION	
Net investment in capital assets	4,129,545
Unrestricted	(23,154)
TOTAL NET POSITION	<u>\$ 4,106,391</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF MYERSVILLE, MARYLAND

**Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund
For the Year Ended June 30, 2023**

	<u>Water and Sewer Fund</u>
Operating Revenue	
Charges for services	\$ 866,125
Total Operating Revenue	<u>866,125</u>
Operating Expenses	
Depreciation	183,772
Insurance	7,818
Miscellaneous	569
Office expenses	9,536
Operator costs	349,604
Professional fees	21,679
Repairs and maintenance	114,853
Supplies and materials	2,811
Utilities	138,866
Total Operating Expenses	<u>829,508</u>
Operating Income	<u>36,617</u>
Non-Operating Revenue (Expenses)	
Interest income	1,373
Interest expense	(48,680)
Grants and other	299,750
Capital contributions	50,650
Net Non-operating Revenue (Expenses)	<u>303,093</u>
Change in net position	339,710
Total net position, beginning of year	<u>3,766,681</u>
Total Net Position, End of Year	<u>\$ 4,106,391</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF MYERSVILLE, MARYLAND

**Statement of Cash Flows – Proprietary Fund
For the Year Ended June 30, 2023**

	Water and Sewer Fund
Cash Flows from Operating Activities	
Cash received from customers	\$ 903,057
Cash paid to suppliers, services etc.	(122,966)
Cash paid to employees	(204,454)
Net Cash from Operating Activities	<u>575,637</u>
 Cash Flows from Capital and Related Financing Activities	
Principal paid on debt	(57,471)
Capital contributions	50,650
Interest paid on capital debt	(48,620)
Net Cash from Capital and Related Financing Activities	<u>(55,441)</u>
 Cash Flows from Noncapital Financing Activities	
Payments on line of credit	(329,750)
Grants and other	299,750
Payments to other funds	(71,229)
Net Cash from Noncapital Financing Activities	<u>(101,229)</u>
 Cash Flows from Investing Activities	
Interest and dividends	<u>1,373</u>
 Net increase in cash and cash equivalents	420,340
Cash and cash equivalents, beginning of year	469,772
Cash and cash equivalents, End of Year	<u>\$ 890,112</u>
 Reconciliation of Operating Income to Net Cash from Operating Activities:	
Operating income	\$ 36,617
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation expense	183,772
Changes in assets and liabilities:	
Change in accounts receivable	36,932
Change in accounts payable and accrued expenses	318,316
Net Cash from Operating Activities	<u>\$ 575,637</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF MYERSVILLE, MARYLAND

Notes to the Financial Statements For the Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

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.

TOWN OF MYERSVILLE, MARYLAND

Notes to the Financial Statements For the Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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.

TOWN OF MYERSVILLE, MARYLAND

Notes to the Financial Statements For the Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 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.

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.

TOWN OF MYERSVILLE, MARYLAND

Notes to the Financial Statements For the Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Types and Major Funds (continued)

An emphasis is placed on major funds. A fund is considered major if it is the primary operating fund of the organization or meets the following criteria:

- A. Total assets and deferred outflows of resources, liabilities, and deferred inflows of resources, revenues, or expenditures of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category and
- B. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures of the individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.

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.

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, MARYLAND

Notes to the Financial Statements For the Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Types and Major Funds (continued)

Accounts Receivable – 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, 2023. 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.

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, \$228,497 was not collected within 60 days of year end and accordingly, has been deferred in the general fund.

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.

TOWN OF MYERSVILLE, MARYLAND

Notes to the Financial Statements For the Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Types and Major Funds (continued)

Construction in progress represents all costs incurred by the Town related to the planning, design and installation of new equipment and other projects. These amounts are capitalized but will not be depreciated until such a time that the project is placed in service.

Estimated useful lives for depreciable assets are as follows:

Infrastructure	10-50 years
Land improvements	10-30 years
Buildings	20-50 years
Building improvements	10-40 years
Machinery and equipment	5-15 years
Water and sewer system	5-50 years
Vehicles	5-10 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.

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. Issuance costs are expensed as incurred. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

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.

TOWN OF MYERSVILLE, MARYLAND

Notes to the Financial Statements For the Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 \$8,119,318 is reduced by bonds payable of \$3,718,980. For business-type activities and major enterprise funds, total capital assets of \$5,101,720 is reduced by bonds payable of \$845,814.

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.

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, 2023, the Town had nonspendable funds of \$2,557,651.

Restricted

This category includes amounts constrained by an external party, constitutional provision or enabling legislation. As of June 30, 2023, the Town the Town did not have any assets to be reported in this category.

TOWN OF MYERSVILLE, MARYLAND

Notes to the Financial Statements For the Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2023, 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, 2023, the Town did not have any assets to be reported in this category.

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 20% of the year's general fund budgeted revenues as unassigned. As of June 30, 2023, unassigned fund balances comprised approximately 18% of fiscal year 2023 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.

New Accounting Standards – The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended June 30, 2023, that have effective dates that may impact future financial presentations. Management will be analyzing the effects of these pronouncements and plans to adopt them as applicable by their effective date.

Statement No. 96, Subscription-Based Information Technology Arrangements

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements. The requirements of this Statement are effective for periods beginning after June 15, 2023 (FY 2023). The Town implemented this Statement during the year ended June 30, 2023 without significant change to the financial statements.

Statement No. 101, *Compensated Absences*

This Statement aligns recognition and measurement guidance for all types of compensated absences under a unified model which will result in governments recognizing a liability that more appropriately reflects when they incur an obligation for compensated absences. The requirements of this Statement are effective for periods beginning after December 15, 2023 (FY 2025). The Town is currently evaluating the effect of implementation of this Statement.

TOWN OF MYERSVILLE, MARYLAND

Notes to the Financial Statements For the Year Ended June 30, 2023

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, 2023, 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. 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.

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.

The book and bank balance of cash and cash equivalents is \$1,015,793 and \$1,035,612, respectively. Of the bank balances, \$250,000 was insured by FDIC. At year-end, the Town’s bank balances were not exposed to any custodial credit risk because all deposits were fully insured or collateralized.

TOWN OF MYERSVILLE, MARYLAND

Notes to the Financial Statements For the Year Ended June 30, 2023

3. CAPITAL ASSETS

Capital asset activity for the Town of Myersville for the year ended June 30, 2023 was as follows:

	Balance June 30, 2022	Increases	Decreases	Balance June 30, 2023
Governmental activities:				
Not being depreciated:				
Land	\$ 1,876,768	\$ -	\$ -	\$ 1,876,768
Depreciable capital assets:				
Land improvements	1,457,655	-	-	1,457,655
Buildings	2,715,845	-	-	2,715,845
Infrastructure	4,538,944	-	-	4,538,944
Machinery & equipment	367,453	-	-	367,453
Vehicles	72,301	-	-	72,301
Subtotal	<u>9,152,198</u>	<u>-</u>	<u>-</u>	<u>9,152,198</u>
Total capital assets	<u>11,028,966</u>	<u>-</u>	<u>-</u>	<u>11,028,966</u>
Accumulated depreciation:				
Land improvements	804,943	69,554	-	874,497
Buildings	892,447	67,368	-	959,815
Infrastructure	965,002	200,496	-	1,165,498
Machinery & equipment	222,632	13,840	-	236,472
Vehicles	24,624	12,209	-	36,833
Subtotal, accumulated depreciation	<u>2,909,648</u>	<u>363,467</u>	<u>-</u>	<u>3,273,115</u>
Total Capital Assets, Net	<u>\$ 8,119,318</u>	<u>\$ (363,467)</u>	<u>\$ -</u>	<u>\$ 7,755,851</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 72,693
Public works	210,811
Parks and recreation	79,963
Total	<u>\$ 363,467</u>

TOWN OF MYERSVILLE, MARYLAND

Notes to the Financial Statements For the Year Ended June 30, 2023

3. CAPITAL ASSETS (continued)

	Balance June 30, 2022	Increases	Decreases	Balance June 30, 2023
Business-type activities:				
Not being depreciated:				
Land	\$ 27,762	\$ -	\$ -	\$ 27,762
Depreciable capital assets:				
Land improvements	2,460	-	-	2,460
Furniture & equipment	30,551	-	-	30,551
Sewer system	3,967,042	-	-	3,967,042
Water system	5,023,376	-	-	5,023,376
Subtotal	9,023,429	-	-	9,023,429
Total capital assets	9,051,191	-	-	9,051,191
Accumulated depreciation:				
Land improvements	2,394	31	-	2,425
Furniture & equipment	9,563	691	-	10,254
Sewer system	1,906,734	69,980	-	1,976,714
Water system	2,030,780	113,070	-	2,143,850
Subtotal, accumulated depreciation	3,949,471	183,772	-	4,133,243
Total Capital Assets, Net	\$ 5,101,720	\$ (183,772)	\$ -	\$ 4,917,948

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

Water system	\$ 113,415
Sewer system	70,357
Total	<u>\$ 183,772</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, 2023 the rate was 8.25%. 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, MARYLAND

Notes to the Financial Statements For the Year Ended June 30, 2023

5. LONG TERM OBLIGATIONS

Long term obligations consisted of the following as of June 30, 2023:

General Obligation Bonds:

In June 2021, the Town issued \$695,000 of Tax-Exempt Refunding Bonds to refund and prepay the remaining principal on the \$1,300,000 Public Improvement Bonds issued in 2012. The difference in payments to service the old debt and the new debt is \$12,288 and the Town was able to obtain an economic gain of \$11,531. The bonds were issued at a premium of \$117,997. Semi-annual interest at 4% is due June 1 and December 1, beginning December 1, 2021. Annual principal payments are due beginning June 1, 2022 through June 1, 2032.

In June 2021, the Town issued \$2,230,000 of Taxable Refunding Bonds to refund and prepay the remaining principal on the \$3,535,000 Public Improvement Bonds issued in 2012. The difference in payments to service the old debt and the new debt is \$44,006 and the Town was able to obtain an economic gain of \$45,134. Semi-annual interest at varying rates is due June 1 and December 1, beginning December 1, 2021. Annual principal payments are due beginning June 1, 2022 through June 1, 2032.

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.

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.

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).

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.

TOWN OF MYERSVILLE, MARYLAND

Notes to the Financial Statements For the Year Ended June 30, 2023

5. LONG TERM OBLIGATIONS (continued)

The following is a summary of long term obligations for governmental activities as of June 30, 2023:

	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023	Payable Within One Year
Governmental Activities					
General Obligation Bonds					
2015 Infrastructure Bond	\$ 85,961	\$ -	\$ 42,413	\$ 43,548	\$ 43,548
2019 Public Improvement Bond	993,235	-	38,824	954,411	42,059
2021 Refunding Bond	451,500	-	38,500	413,000	38,500
2021 Refunding Bond	2,020,000	-	205,000	1,815,000	210,000
Bond premiums	168,284	-	12,991	155,293	-
Bonds payable	3,718,980	-	337,728	3,381,252	334,107
Compensated absences	126,942	22,108	19,325	129,725	20,000
Total Governmental Activities	<u>\$ 3,845,922</u>	<u>\$ 22,108</u>	<u>\$ 357,053</u>	<u>\$ 3,510,977</u>	<u>\$ 354,107</u>

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

For the Years Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2024	\$ 334,107	\$ 82,936	\$ 417,043
2025	302,294	76,449	378,743
2026	297,294	70,355	367,649
2027	314,029	63,890	377,919
2028	312,265	56,453	368,718
2029-2033	1,238,912	157,916	1,396,828
2034-2038	349,411	43,774	393,185
2039	77,647	2,329	79,976
Total	<u>\$ 3,225,959</u>	<u>\$ 554,102</u>	<u>\$ 3,780,061</u>

TOWN OF MYERSVILLE, MARYLAND

Notes to the Financial Statements For the Year Ended June 30, 2023

5. LONG TERM OBLIGATIONS (continued)

The following is a summary of the bonds and notes payable in business-type activities as of June 30, 2023:

	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023	Payable Within One Year
Business-type Activities					
General Obligation Bonds					
2015 Infrastructure Bond	\$ 27,538	\$ -	\$ 13,587	\$ 13,951	\$ 13,951
2019 Public Improvement Bond	541,765	-	21,176	520,589	22,941
2021 Refunding Bond	193,500	-	16,500	177,000	16,500
Bond premiums	83,011	-	6,208	76,803	-
	<u>\$ 845,814</u>	<u>\$ -</u>	<u>\$ 57,471</u>	<u>\$ 788,343</u>	<u>\$ 53,392</u>
Bonds payable					

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

For the Years Ending June 30,	Business Activities		
	Principal	Interest	Total
2024	\$ 53,392	\$ 27,498	\$ 80,890
2025	42,706	25,285	67,991
2026	42,706	23,329	66,035
2027	45,971	21,374	67,345
2028	47,735	19,271	67,006
2029-2033	246,088	62,672	308,760
2034-2038	190,589	23,876	214,465
2039	42,353	1,271	43,624
Total	<u>\$ 711,540</u>	<u>\$ 204,576</u>	<u>\$ 916,116</u>

6. INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. 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 from the water and sewer fund as of June 30, 2023 totaled \$573,062. There were no interfund transfers between the general and water and sewer fund during the year ended June 30, 2023.

TOWN OF MYERSVILLE, MARYLAND

Notes to the Financial Statements For the Year Ended June 30, 2023

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, 2023 are as follows:

<u>For the Years Ending June 30,</u>	
2024	\$ 100,000
2025	100,000
2026	100,000
2027	100,000
2028	100,000
Thereafter	<u>2,137,814</u>
	2,637,814
Less: amounts representing interest	<u>(230,163)</u>
Note receivable, June 30, 2023	<u>\$ 2,407,651</u>

8. 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, contributions are established by the Mayor and Council and may be amended by such.

TOWN OF MYERSVILLE, MARYLAND

Notes to the Financial Statements For the Year Ended June 30, 2023

9. 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, 2023 are immaterial.

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, 2023 are immaterial.

The tax rate for the fiscal year ended June 30, 2023, was \$0.346, \$0.782 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.

10. 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.

11. 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, 2023 there was no significant reduction in insurance coverage. Settled claims have not exceeded this coverage for the past three fiscal years.

TOWN OF MYERSVILLE, MARYLAND

Notes to the Financial Statements For the Year Ended June 30, 2023

12. 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 have occurred across the country. In response, the Town altered its operations for a time 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.

13. 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 \$14,225.

During the year ended June 30, 2021, the Town awarded a construction contract for the installation of a new sewer main trunk line and lateral connections for existing homes along Canada Hill Road. The current estimated cost is \$1,059,635 of which approximately \$923,103 remains outstanding. 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.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF MYERSVILLE, MARYLAND

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual- General Fund
For the Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUE				
Property taxes	\$ 1,247,078	\$ 1,247,078	\$ 1,180,396	\$ (66,682)
Local income taxes	299,900	299,900	392,320	92,420
Licenses and permits	17,850	17,850	17,289	(561)
Intergovernmental revenue- Federal	1,976,282	1,976,282	1,702,562	(273,720)
Charges for services	6,000	6,000	28,734	22,734
Other income	109,350	109,350	14,634	(94,716)
Total Revenues	<u>3,656,460</u>	<u>3,656,460</u>	<u>3,335,935</u>	<u>(320,525)</u>
EXPENDITURES				
General government	1,603,818	1,603,818	1,565,097	38,721
Public safety	118,000	118,000	103,296	14,704
Public works	203,700	203,700	261,934	(58,234)
Parks and recreation	516,451	516,451	449,960	66,491
Capital outlays	528,000	528,000	341,106	186,894
Debt service				
Principal	392,585	392,585	324,737	67,848
Interest	70,865	70,865	97,102	(26,237)
Total Expenditures	<u>3,433,419</u>	<u>3,433,419</u>	<u>3,143,232</u>	<u>290,187</u>
TOTAL REVENUE, OTHER FINANCING SOURCES, AND BUDGETARY RESERVE	<u>\$ 223,041</u>	<u>\$ 223,041</u>	<u>\$ 192,703</u>	<u>\$ (30,338)</u>