

BOONSBORO MAYOR AND COUNCIL



FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2019

BOONSBORO MAYOR AND COUNCIL

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INDEPENDENT AUDITORS' REPORT

Boonsboro Mayor and Council
Boonsboro, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the **Boonsboro Mayor and Council (“the Town”)** as of and for the year ended June 30, 2019, 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

The Town's 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town as of June 30, 2019, 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.

Emphasis of a Matter

As discussed in Note 1 to the financial statements, for the year ended June 30, 2019, the Town adopted new accounting guidance issued by *Governmental Accounting Standards Board (GASB)*. The Town has adopted GASB No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* and GASB. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the included supplementary information, such as management's discussion and analysis and budgetary comparison information on pages 4-9 and 41-44 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 evidence sufficient to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The budgetary comparison information for the water and sewer funds on pages 45-46 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The water and sewer funds budgetary comparison information is the responsibility of management. The information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2019 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Albright Crumbacker Moul & Itell, LLC

Hagerstown, Maryland
October 30, 2019

Mayor and Council of Boonsboro
Management's Discussion and Analysis
June 30, 2019

The following discussion and analysis of the Mayor and Council of Boonsboro's (the Town) financial performance provides an overview of the Town's financial condition and activities for the fiscal year ended June 30, 2019. Please read the analysis in conjunction with the Town's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2019

The assets of the town exceeded its liabilities at the close of the fiscal year by \$12,311,839 (net position). Of this amount, \$3,318,499 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.

The total net position increased by \$382,597. Of this amount, an increase of \$491,259 and a decrease of \$108,662 were associated with governmental and business-type activities, respectively.

As of the close of the current fiscal year, the Town's general fund reported a fund balance of \$4,008,864, which is an increase of \$494,155 in comparison to the prior year.

The net position for business-type activities (Water and Sewer) decreased by \$108,662.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

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

The *statement of net position* presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The design of this statement is to show the financial reliance of the Town's distinct activities or functions on revenues provided by the Town's taxpayers.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, sanitation, highways and streets, parks and recreation, and other charges. The major business-type activities of the Town include the operation and maintenance of the water and sanitary sewer systems. The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. In contrast to the basic financial statements, fund financial statements focus on the Town's most significant funds rather than the Town as a whole. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

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

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

The Town adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund.

Proprietary funds. Services for which the Town charges a fee are generally reported in the proprietary fund. The Town's enterprise funds are the same as its *business-type activities* in the government-wide financial statements, only in more detail. The Town uses enterprise funds to account for the Water Fund and Sewer Fund.

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

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information. Budgetary comparison schedules for the General Fund, Water Fund, and Sewer Fund are presented immediately after the basic financial statements.

Financial Analysis of the Town as a Whole

Over time, net position may serve as a useful indicator of a government's financial position. The Town's combined assets exceeded liabilities by \$12,311,839 at the close of the most recent fiscal year. The following table provides a summary of the Town's net assets at June 30, 2019 and 2018:

Table 1
Town of Boonsboro
Fiscal Years Ended June 30,

	Governmental		Business-Type		Totals		Change
	2019	2018	2019	2018	2019	2018	
Assets:							
Current Assets	\$ 3,008,995	\$ 2,433,287	\$ 1,772,627	\$ 1,736,475	\$ 4,781,622	\$ 4,169,762	\$ 611,860
Capital Assets	3,721,540	3,895,962	11,034,209	11,620,239	14,755,749	15,516,201	(760,452)
Other Assets	1,219,330	1,286,860	(1,219,330)	(1,286,860)	-	-	-
Total Assets	7,949,865	7,616,109	11,587,506	12,069,854	19,537,371	19,685,963	(148,592)
Liabilities:							
Current and Other Liabilities	395,496	376,964	908,914	1,062,797	1,304,410	1,439,761	(135,351)
Long-Term Liabilities	308,693	484,728	5,612,429	5,832,232	5,921,122	6,316,960	(395,838)
Total Liabilities	704,189	861,692	6,521,343	6,895,029	7,225,532	7,756,721	(531,189)
Net Position:							
Invested in capital assets, net of related debt	3,236,812	3,239,708	5,204,894	5,574,067	8,441,706	8,813,775	(372,069)
Restricted	213,618	122,418	338,016	461,514	551,634	583,932	(32,298)
Unrestricted	3,795,246	3,392,291	(476,747)	(860,756)	3,318,499	2,531,535	786,964
Total Net Position	\$ 7,245,676	\$ 6,754,417	\$ 5,066,163	\$ 5,174,825	\$ 12,311,839	\$ 11,929,242	\$ 382,597

Of the Town's net position, 67 percent reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the

resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Four percent of the Town's assets are legally restricted for various purposes. Additional information on the Town's restricted assets can be found on the government-wide statement of net position, on page 10 of this report.

The remaining balance of unrestricted net position may be used to meet the Town's ongoing obligations to citizens and creditors.

Table 2
Changes in the Town of Boonsboro's Net Position
Fiscal Years Ended June 30,

	Governmental Activities		Business-Type Activities		Totals		Change
	2019	2018	2019	2018	2019	2018	
Revenues							
General Revenues							
Property Taxes	\$ 1,174,698	\$ 1,150,528	\$ -	\$ -	\$ 1,174,698	\$ 1,150,528	\$ 24,170
Income Taxes	435,905	352,974	-	-	435,905	352,974	82,931
Highway Taxes	126,369	121,758	-	-	126,369	121,758	4,611
County Taxes	84,652	54,226	-	-	84,652	54,226	30,426
Other Income	47,751	43,961	400,542	2,525,041	448,293	2,569,002	(2,120,709)
Interest Income	38,300	19,484	10,599	6,826	48,899	26,310	22,589
Program Revenues							
Public Safety	26,572	31,276	-	-	26,572	31,276	(4,704)
Parks and Recreation	80,382	19,124	-	-	80,382	19,124	61,258
Sanitation	106,380	105,581	-	-	106,380	105,581	799
Water and Sewer	-	-	1,850,305	1,683,409	1,850,305	1,683,409	166,896
Other Income	30,734	35,027	135,980	30,000	166,714	65,027	101,687
Total Revenues	2,151,743	1,933,939	2,397,426	4,245,276	4,549,169	6,179,215	(1,630,046)
Expenditures							
General Government	409,596	331,167	-	-	409,596	331,167	78,429
Public Safety	411,834	408,775	-	-	411,834	408,775	3,059
Sanitation	180,011	183,115	-	-	180,011	183,115	(3,104)
Highways and streets	276,139	255,266	-	-	276,139	255,266	20,873
Parks and Recreation	203,895	202,657	-	-	203,895	202,657	1,238
Non-departmental	167,418	185,192	-	-	167,418	185,192	(17,774)
Interest Expense	11,591	14,464	194,500	254,886	206,091	269,350	(63,259)
Bond issuance costs	-	-	-	101,683	-	101,683	(101,683)
Water/Sewer Utilities	-	-	2,311,588	2,317,179	2,311,588	2,317,179	(5,591)
Total Expenditures	1,660,484	1,580,636	2,506,088	2,673,748	4,166,572	4,254,384	(87,812)
Change in Net Position	491,259	353,303	(108,662)	1,571,528	382,597	1,924,831	(1,542,234)
Beginning Net Position	6,754,417	6,401,114	5,174,825	3,603,297	11,929,242	10,004,411	1,924,831
Total Net Position	\$ 7,245,676	\$ 6,754,417	\$5,066,163	\$ 5,174,825	\$12,311,839	\$ 11,929,242	\$ 382,597

Governmental activities. Governmental activities net position was \$7,245,676 at the end of the fiscal year, an increase of \$491,259 from beginning net position. This increase accounts for 128% of the total growth in the Town's net position. This compares to the previous year when governmental activities increased the Town's net position by \$353,303. The Town's revenues from governmental activities totaled \$2,151,743 for the fiscal year. Revenue from taxes represented 85% of total revenue. The major sources of revenue for the Town were real estate and personal property taxes of \$1,174,698 and state income and highway user taxes of \$562,274.

The Town's expenditures from governmental activities totaled \$1,660,484 for the fiscal year. Expenditures of public safety comprised the largest portion of total expenditures from governmental activities and totaled \$411,834 or 24.8%; general government expenses were the second largest portion of total expenditures at \$409,596 or 24.7%.

Business-type activities. Business-type activities net position was \$5,066,163 at the end of the fiscal year, a decrease of \$108,662 over beginning net position. Operating expenditures exceeded operating revenue by \$266,623 during the year.

Financial Analysis of the Town's Fund

Governmental fund. The focus of the Town's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, the spendable (both restricted and unrestricted) fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the fiscal year.

The Town's general fund is the only governmental fund. At the end of the fiscal year, the fund balance of the general fund was \$4,008,864, of which \$2,699,085 was unassigned, \$1,096,161 was nonspendable and \$213,618 was restricted for various purposes (see page 12 of this report for further detail on restricted balances). As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents approximately 163% of total general fund expenditures.

Proprietary fund. The Town's proprietary fund provides the same type of information found in the business-type activities of the government-wide financial statements, but in greater detail.

The Water Fund and Sewer Fund are the Town's proprietary funds. Unrestricted net position (deficit) of the Water Fund and Sewer Fund at the end of the fiscal year was \$951,670 and \$(1,428,417), respectively.

General Fund Budgetary Highlights

The Charter of the Town of Boonsboro requires that the budget be formally adopted by the Mayor and Council of Boonsboro. The budget was approved by the Mayor and Council. There were no amendments to the original budget during the fiscal year.

Actual revenues on the budgetary basis were \$2,151,743, which exceeded expenditures by \$494,155. Property tax revenue exceeded the budgeted estimate by approximately \$43,000 while expenditures were approximately \$294,000 less than budgeted due primarily to lower capital outlays, compensation and benefit costs, and maintenance expenses.

Capital Assets and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2019 was \$14,755,749 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, vehicles, infrastructure, utility plants, and construction in progress. The Town's net investment in capital assets for the current fiscal year decreased by 4.5 percent for governmental and 5.0 percent for business-type activities as a result of current year depreciation, disposals, and net of any current year additions. More detailed information regarding the Town's capital assets can be found in Notes 1 and 7 to the financial statements.

Table 3
Town of Boonsboro's Capital Assets (net of accumulated depreciation)
Fiscal Years Ended June 30,

	Governmental Activities		Business-Type Activities		Totals		Amount Change
	2019	2018	2019	2018	2019	2018	
Non-Depreciable Assets:							
Land	\$ 1,209,646	\$ 1,209,646	\$ 158,317	\$ 158,317	\$ 1,367,963	\$ 1,367,963	\$ -
Construction In Progress	-	27,796	174,330	-	174,330	27,796	146,534
Depreciable Assets:							
Buildings	243,809	271,687	2,768	2,858	246,577	274,545	(27,968)
Machinery & Equipment	190,269	168,988	367,200	364,963	557,469	533,951	23,518
Parks & Recreation	1,255,318	1,343,253	-	-	1,255,318	1,343,253	(87,935)
Vehicles	144,368	157,540	80,964	77,519	225,332	235,059	(9,727)
Infrastructure	678,130	717,052	3,416,960	3,546,887	4,095,090	4,263,939	(168,849)
Utility Plants	-	-	6,833,670	7,469,695	6,833,670	7,469,695	(636,025)
Total	\$ 3,721,540	\$ 3,895,962	\$ 11,034,209	\$ 11,620,239	\$ 14,755,749	\$ 15,516,201	\$ (760,452)

Long-Term Debt. At June 30, 2019, the Town had total debt outstanding of \$6,314,043. The Town's long-term debt decreased 8 percent during the fiscal year due to scheduled payments, the refinancing of a bond, and the repayment of a bond with the proceeds of a grant. Additional information on long-term debt can be found in Note 11 to the basic financial statements.

Table 4
Town of Boonsboro's Long-term Debt
Fiscal Years Ended June 30,

	Governmental		Business-Type		Totals		Change
	2019	2018	2019	2018	2019	2018	
Note Payable - MWQFA	\$ 77,500	\$ 93,000	\$ -	\$ -	\$ 77,500	\$ 93,000	\$ (15,500)
Note Payable - Park Development	407,228	563,254	-	-	407,228	563,254	(156,026)
Notes Payable - MDE	-	-	278,661	311,165	278,661	311,165	(32,504)
Infrastructure Bond - WWTP	-	-	5,311,000	5,434,500	5,311,000	5,434,500	(123,500)
Note Payable - Columbia Bank	-	-	42,605	71,008	42,605	71,008	(28,403)
Note Payable - BB&T	-	-	115,327	144,160	115,327	144,160	(28,833)
Net unamortized bond premium	-	-	81,722	84,641	81,722	84,641	(2,919)
Total	\$ 484,728	\$ 656,254	\$ 5,829,315	\$ 6,045,474	\$ 6,314,043	\$ 6,701,728	\$ (387,685)

Economic Factors

The Town continually seeks grants to support revenue, in addition to State and Federal financial support to sustain essential services and programs. Tax revenues from real and personal property as well as state and county shared taxes will continue to remain as the primary source of revenue for the Town's general fund.

The associated expense of operating and maintaining the Town's Advanced Wastewater Treatment Facility constructed in 2009 has dramatically altered the procedures and methods in operating and maintaining the Town's sewer system. In addition, the need for water/sewer system wide improvements due to aging infrastructure has necessitated the need to review water and sewer rates on an annual basis and, as necessary, consider adjustments to quarterly water and sewer rates.

The Mayor and Council will continue to work in cooperation with staff and the citizens to make the best financial decisions possible for the betterment of the Town and the citizens of Boonsboro.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Town Manager, Town of Boonsboro, 21 N. Main Street, Boonsboro, MD 21713.

BOONSBORO MAYOR AND COUNCIL

STATEMENT OF NET POSITION

June 30,

2019

PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	\$ 1,460,273	\$ 742,019	\$ 2,202,292
Restricted cash and cash equivalents	76,673	-	76,673
Certificates of deposit	1,339,827	212,218	1,552,045
Restricted certificates of deposit	47,140	347,000	394,140
Receivables:			
Customers accounts	26,496	471,390	497,886
Taxes	6,194	-	6,194
Other governmental agencies	23,420	-	23,420
Developer, net of allowance for doubtful accounts of \$594,723	-	-	-
Prepaid expenses	28,972	-	28,972
Intercompany balances	152,141	(152,141)	-
Loans receivable (payable) - other funds	1,067,189	(1,067,189)	-
Capital assets:			
Land	1,209,646	158,317	1,367,963
Other capital assets, net of accumulated depreciation	2,511,894	10,701,562	13,213,456
Construction in progress	-	174,330	174,330
TOTAL ASSETS	7,949,865	11,587,506	19,537,371
LIABILITIES			
Accounts payable	146,893	102,023	248,916
Accrued expenses	69,368	106,560	175,928
Other accrued liabilities	3,200	-	3,200
Unearned revenue	-	483,445	483,445
Current maturities of long-term debt	176,035	216,886	392,921
Long-term debt	308,693	5,612,429	5,921,122
TOTAL LIABILITIES	704,189	6,521,343	7,225,532
NET POSITION			
Invested in capital assets, net of related debt	3,236,812	5,204,894	8,441,706
Restricted for:			
Debt service	-	338,016	338,016
Excise tax	76,673	-	76,673
Friends of Shafer Park	47,140	-	47,140
Hotel/motel tax	9,960	-	9,960
Highway user taxes	79,845	-	79,845
Unrestricted (deficit)	3,795,246	(476,747)	3,318,499
TOTAL NET POSITION	\$ 7,245,676	\$ 5,066,163	\$ 12,311,839

The accompanying notes are an integral part of these financial statements.

BOONSBORO MAYOR AND COUNCIL

STATEMENT OF ACTIVITIES

Year ended June 30,

2019

FUNCTIONS/PROGRAMS	EXPENDITURES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	PRIMARY GOVERNMENT BUSINESS-TYPE ACTIVITIES	TOTAL
Primary government:							
Governmental activities:							
General government	\$ 409,596	\$ 30,734	\$ -	\$ -	\$ (378,862)	\$ -	\$ (378,862)
Public safety	411,834	-	26,572	-	(385,262)	-	(385,262)
Sanitation	180,011	106,380	-	-	(73,631)	-	(73,631)
Highways and streets	276,139	-	-	-	(276,139)	-	(276,139)
Parks and recreation	203,895	13,195	67,187	-	(123,513)	-	(123,513)
Non-departmental	167,418	-	-	-	(167,418)	-	(167,418)
Interest	11,591	-	-	-	(11,591)	-	(11,591)
TOTAL GOVERNMENTAL ACTIVITIES	1,660,484	150,309	93,759	-	(1,416,416)	-	(1,416,416)
Business-type activities:							
Water	826,924	772,903	-	-	-	(54,021)	(54,021)
Sewer	1,679,164	1,077,402	135,980	-	-	(465,782)	(465,782)
TOTAL BUSINESS-TYPE ACTIVITIES	2,506,088	1,850,305	135,980	-	-	(519,803)	(519,803)
TOTAL PRIMARY GOVERNMENT	\$ 4,166,572	\$ 2,000,614	\$ 229,739	\$ -	(1,416,416)	(519,803)	(1,936,219)
GENERAL REVENUES							
Taxes							
Property					1,174,698	-	1,174,698
Income					435,905	-	435,905
Highway					126,369	-	126,369
County shared					84,652	-	84,652
Other					33,297	-	33,297
Other income					12,504	400,542	413,046
Gain on capital asset disposal					1,950	-	1,950
Interest income					38,300	10,599	48,899
TOTAL GENERAL REVENUES					1,907,675	411,141	2,318,816
Change in net position					491,259	(108,662)	382,597
NET POSITION - BEGINNING OF YEAR					6,754,417	5,174,825	11,929,242
NET POSITION - END OF YEAR					\$ 7,245,676	\$ 5,066,163	\$ 12,311,839

The accompanying notes are an integral part of these financial statements.

BOONSBORO MAYOR AND COUNCIL

BALANCE SHEET – GOVERNMENTAL FUND

June 30,

2019

ASSETS

Cash and cash equivalents	\$	1,460,273
Restricted cash and cash equivalents		76,673
Certificates of deposit		1,339,827
Restricted certificates of deposit		47,140
Receivables		56,110
Prepaid expenses		28,972
Due from proprietary fund		152,141
Loan receivable from proprietary fund		1,067,189

TOTAL ASSETS	\$	4,228,325
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LIABILITIES

Accounts payable		146,893
Accrued expenses		69,368
Other accrued liabilities		3,200

TOTAL LIABILITIES		219,461
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FUND BALANCE

Non-spendable:		
Prepaid expenses		28,972
Long-term loans receivable		1,067,189
Restricted for:		
Excise tax		76,673
Friends of Shafer Park		47,140
Hotel/motel tax		9,960
Highway user taxes		79,845
Unassigned		2,699,085

TOTAL FUND BALANCE		4,008,864
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TOTAL LIABILITIES AND FUND BALANCE	\$	4,228,325
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BOONSBORO MAYOR AND COUNCIL

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION

June 30,

2019

Fund Balance - total governmental funds	\$	4,008,864
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund balance sheet		
Governmental capital assets, net of accumulated depreciation		3,721,540
Long-term liabilities are not due and payable in the upcoming year and therefore are not reported in the governmental fund		(484,728)
<hr/>		
Net Position of Governmental Activities	\$	7,245,676

BOONSBORO MAYOR AND COUNCIL

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUND

Year ended June 30,

2019

REVENUES

Taxes:

Local	\$	1,174,698
State shared		562,274
County shared		84,652
Other		33,297
Operating grants		93,759
Licenses and permits		30,734
Service charges		119,575
Interest income		38,300
Other revenues		14,454

TOTAL REVENUES

2,151,743

EXPENDITURES

General government		354,788
Public safety		382,770
Sanitation		180,013
Highways and streets		221,940
Parks and recreation		87,747
Non-departmental		167,418
Capital outlay		79,796
Debt service:		
Principal		171,527
Interest		11,591

TOTAL EXPENDITURES

1,657,590

Net change in fund balance 494,153

FUND BALANCE - beginning of year 3,514,711

FUND BALANCE - end of year \$ 4,008,864

BOONSBORO MAYOR AND COUNCIL

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES

Year ended June 30,

2019

Net change in Fund Balance - total governmental funds	\$ 494,153
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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 are capitalized and depreciated over their estimated useful lives. The amount by which current year depreciation expense exceeds capital outlays exceed is a required adjustment. (174,421)

The issuance of long-term debt (e.g. bonds, leases, and notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. However, neither transaction has an effect on net assets. This amount represents current year principal payments on long-term debt obligations and loan proceeds from newly issued debt. 171,527

Change in Net Position of Governmental Funds	\$ 491,259
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BOONSBORO MAYOR AND COUNCIL

STATEMENT OF NET POSITION – PROPRIETARY FUNDS

June 30,

2019

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	Water	Sewer	Total
ASSETS			
Cash and cash equivalents	\$ 508,459	\$ 233,560	\$ 742,019
Certificates of deposit	209,284	2,934	212,218
Restricted certificate of deposits	-	347,000	347,000
Receivables:			
Customers accounts	179,781	291,609	471,390
Developer, net of allowance for doubtful accounts of \$594,723	-	-	-
Intercompany balances	73,441	(73,441)	-
Due from other funds	25,721	-	25,721
Capital assets:			
Land	125,142	33,175	158,317
Other capital assets, net of accumulated depreciation	3,795,558	6,906,004	10,701,562
Construction in progress	-	174,330	174,330
TOTAL ASSETS	4,917,386	7,915,171	12,832,557
LIABILITIES			
Accounts payable	12,426	89,597	102,023
Accrued expenses	30,590	75,970	106,560
Unearned revenue	2,000	481,445	483,445
Current maturities of long-term debt	83,317	133,569	216,886
Due to other funds	-	177,862	177,862
Loan payable - general fund	-	1,067,189	1,067,189
Long-term debt	317,215	5,295,214	5,612,429
TOTAL LIABILITIES	445,548	7,320,846	7,766,394
NET POSITION			
Invested in capital assets, net of related debt	3,520,168	1,684,726	5,204,894
Restricted for debt service	-	338,016	338,016
Unrestricted (deficit)	951,670	(1,428,417)	(476,747)
TOTAL NET POSITION	\$ 4,471,838	\$ 594,325	\$ 5,066,163

The accompanying notes are an integral part of these financial statements.

BOONSBORO MAYOR AND COUNCIL

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS

Year ended June 30, 2019

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			
	Water	Sewer	Total
OPERATING REVENUES			
Charges for:			
Services	\$ 704,855	\$ 1,077,402	\$ 1,782,257
Administration	68,048	-	68,048
Grants	-	135,980	135,980
TOTAL OPERATING REVENUES	772,903	1,213,382	1,986,285
OPERATING EXPENSES			
Advertising	1,075	1,070	2,145
Benefits	93,063	56,416	149,479
Biosolids removal	-	167,963	167,963
Chemicals	20,042	70,278	90,320
Depreciation	170,816	669,233	840,049
Equipment expense	8,668	8,696	17,364
Insurance	12,826	31,585	44,411
Maintenance and repairs	78,697	80,771	159,468
Meeting expense	1,155	1,190	2,345
Miscellaneous	1,130	13,245	14,375
Payroll taxes	19,908	16,318	36,226
Postage	2,367	1,770	4,137
Professional fees	3,955	3,907	7,862
Professional memberships and certifications	2,829	2,962	5,791
Salaries	250,907	202,687	453,594
Supplies	17,547	12,841	30,388
Testing	821	30,828	31,649
Uniforms	3,193	1,843	5,036
Utilities	57,014	113,503	170,517
Vehicle expense	10,709	9,080	19,789
TOTAL OPERATING EXPENSES	756,722	1,496,186	2,252,908
OPERATING INCOME (LOSS)	16,181	(282,804)	(266,623)
NON-OPERATING REVENUES (EXPENSES)			
Debt service fees	23,867	-	23,867
Connection fees	154,000	220,000	374,000
Interest income	5,600	4,999	10,599
Interest expense	(11,522)	(182,978)	(194,500)
Water system study	(58,680)	-	(58,680)
Other non-operating revenues	317	2,358	2,675
TOTAL NON-OPERATING REVENUES (EXPENSES)	113,582	44,379	157,961
CHANGE IN NET POSITION	129,763	(238,425)	(108,662)
TOTAL NET POSITION - beginning of year	4,342,075	832,750	5,174,825
TOTAL NET POSITION - end of year	\$ 4,471,838	\$ 594,325	\$ 5,066,163

The accompanying notes are an integral part of these financial statements.

BOONSBORO MAYOR AND COUNCIL

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

Year ended June 30,

2019

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			
	Water	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 808,908	\$ 1,229,335	\$ 2,038,243
Cash paid to suppliers for goods and services	(213,227)	(509,298)	(722,525)
Cash payments to employees for services	(361,428)	(273,801)	(635,229)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	234,253	446,236	680,489
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash received from (paid to) proprietary fund	36,259	(36,259)	-
Cash paid to other government agency	(3,627)	-	(3,627)
Cash received from the general fund	(38,807)	(28,723)	(67,530)
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	(6,175)	(64,982)	(71,157)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(55,681)	(198,338)	(254,019)
Principal payments on notes payable	(82,741)	(130,498)	(213,239)
Interest paid on notes payable	(11,522)	(185,897)	(197,419)
Connection fees	154,000	11,000	165,000
Debt service fees	23,867	-	23,867
Other	316	2,358	2,674
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	28,239	(501,375)	(473,136)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	5,600	4,999	10,599
Purchases of certificates of deposit	(62,076)	(287,910)	(349,986)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(56,476)	(282,911)	(339,387)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	199,841	(403,032)	(203,191)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	308,618	636,592	945,210
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 508,459	\$ 233,560	\$ 742,019

The accompanying notes are an integral part of these financial statements.

BOONSBORO MAYOR AND COUNCIL

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

Year ended June 30,

2019

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	Water	Sewer	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 16,181	\$ (282,804)	\$ (266,623)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	170,816	669,233	840,049
(Increase) decrease in:			
Customer accounts receivable	36,005	15,953	51,958
Increase (decrease) in:			
Accounts payable	8,801	43,231	52,032
Accrued expenses	2,450	1,621	4,071
Other accrued liabilities	-	(998)	(998)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 234,253	\$ 446,236	\$ 680,489

The accompanying notes are an integral part of these financial statements.

BOONSBORO MAYOR AND COUNCIL

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

The primary government is the Mayor and Council of Boonsboro, referred to herein as the Town or the Mayor and Council.

Reporting Entity

The Town is located in Washington County and was incorporated under the provisions of Maryland law. The Town operates under a Council form government and provides its citizens with services in areas of general government, public safety, highways and streets, sanitation and waste removal, and parks and recreation.

In accordance with the Codification of Governmental Accounting and Financial Reporting Standards, the basic financial statements include all funds, organizations, agencies, boards, commissions, and authorities for which the Town is financially accountable. The Town has also considered all other potential organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the Town's financial statements to be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a majority of an organization's governing body, and 1) the ability of the Town to impose its will on that organization, or 2) the potential for that organization to provide specific benefits to or impose specific financial burdens on the Town. Based on these criteria, there are no other organizations or agencies which should be included in these basic financial statements.

Government - Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Town as a whole. The statements distinguish governmental activities, generally supported by taxes and general revenues, from business-type activities generally financed in whole or in part with fees charged to external customers.

The statement of net position is designed to display the financial position of the Town as of year-end. Governmental activities are reported on a consolidated basis and are reported on a full accrual, economic resources basis, which recognizes all long-term assets, including infrastructure, as well as long-term debt obligations. The Town's net position is reported in three categories – (1) net invested in capital assets; (2) restricted; and (3) unrestricted.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities; and (3) operating grants and contributions which fund the acquisition, construction or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

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

BOONSBORO MAYOR AND COUNCIL

NOTES TO FINANCIAL STATEMENTS

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the Town have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing U.S. governmental accounting and financial reporting principles. The proprietary fund applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting. Reimbursements are reported as reductions to expenses. Proprietary fund financial statements also report using this same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized based upon the expenditures recorded and the availability criteria. In the other, monies are virtually unrestricted as to purpose of expenditure, and are usually only for failure to comply with prescribed requirements. These resources are reflected as revenues at the time of receipt, or earlier if the susceptible to accrual criteria are met.

Licenses and permits, fines and forfeitures, charges for sales and services, and miscellaneous revenues are generally recorded as revenue when received in cash, because they are generally not measurable until actually received. In the category of use of money and property, property rentals are recorded as revenue when received in cash, but investment earnings are recorded as earned, since they are measurable and available.

Property taxes are recognized as receivable at the time they are levied and attached as an enforceable lien on underlying property. Real estate and personal property taxes are levied July 1 of each year and are due and payable no later than September 30 with accrued interest beginning October 1. If tax bills are not paid within eighteen months, legal process is initiated in order to place a lien on the delinquent taxpayer's property. The Town's tax rates for the collection year ended June 30, 2019 were:

Real estate tax	\$.3591 per \$100 of assessable base
Personal property tax	\$.8700 per \$100 of assessable base

Amounts reported as program revenues include: 1) charges to customer or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or

BOONSBORO MAYOR AND COUNCIL

NOTES TO FINANCIAL STATEMENTS

services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Fund Accounting

The accounts of the Town are organized on the basis of funds, each of which is considered to be a separate entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/net position, revenues, and expenditures or expenses, as appropriate. The Town has the following funds:

Governmental Fund Types: Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used; current liabilities are assigned to the fund from which they are paid; and the difference between governmental fund assets and liabilities, the fund equity, is referred to as "fund balance." The measurement focus is upon determination of changes in financial position, rather than upon net income determination.

The Town has one major governmental fund. The General Fund is the general operating fund of the Town. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some separate fund are accounted for in this fund.

Proprietary Fund Types: Proprietary fund types are used to account for a government's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position, and cash flows.

An enterprise fund is used to finance and account for the acquisition, operation, and maintenance of the Town's facilities and services which are supported primarily by user charges. The Water Utility Fund accounts for the activity of the Town's water distribution system and the Sewer Utility Fund accounts for the activity of the Town's sewage treatment plant, sewage pumping stations and collection systems.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Town's water and sewer functions and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Except for certain limited reimbursements of administrative expenses and employee benefits made from other funds, the General Fund is not reimbursed by the other funds for general staff services.

Encumbrances

The Town does not use encumbrances accounting

Cash Equivalents

For purposes of the statement of cash flows, the Town considers all highly liquid investments, including money market funds, with a maturity of three months or less when purchased to be cash equivalents.

BOONSBORO MAYOR AND COUNCIL

NOTES TO FINANCIAL STATEMENTS

Investments

The Town may invest in U.S. Treasury obligations, U.S. Government Agency Securities, repurchase agreements secured by U.S. Treasury obligations or U.S. Government Agency Securities, the MLGIP, interest-bearing accounts in any bank as provided by Article 95, Section 22 of the Annotated Code of Maryland or shares in an investment company or investment trust as provided by Article 95, Section 22N of the Annotated Code of Maryland.

Fair value measurements

The Town complies with GASB Statement No. 72 which provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of fair value hierarchy are described as follows:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;

Level 2: Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3: Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The Town uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. A financial instrument's level within the fair value hierarchy is based upon the lowest level of any input that is significant to the fair value measurement. When available, the Town measures fair value using Level 1 or Level 2 inputs because they generally provide the most reliable evidence of fair value. There are no measurements that require Level 3 inputs for the year ended June 30, 2019.

Receivables

The Town's receivables consist of amounts due for property taxes, water and sewer service, and for taxes collected by Washington County and the State of Maryland. The Town has the legal right to place a lien on properties for unpaid taxes or water and sewer service fees.

The Town provides credit in the normal course of business to its customers and performs ongoing credit evaluations of those customers. Consumer accounts receivable are carried at original invoice amounts. Receivables are generally due thirty days after billing. The Town considers allowances for doubtful accounts based on factors surrounding the credit risk of specific customers, historical trends, projection of trends, and other information. Management of the Town periodically reviews the collectability of accounts receivable, and those accounts which are considered not collectable are written off as bad debts. Delinquent accounts receivable for water, sewer, and sanitation services and property taxes are considered to be fully collectible and, therefore, no allowance for doubtful accounts has been recorded. Based on management's review, an allowance for doubtful accounts related to amounts due from developers has been recorded (Note 17).

Inventory

Inventory is considered immaterial and is charged to expenditure or expense when purchased.

BOONSBORO MAYOR AND COUNCIL

NOTES TO FINANCIAL STATEMENTS

Prepaid Expenditures

Payments made to vendors for services that will benefit the Town in periods beyond the end of the fiscal year are reported as prepaid expenditures using the consumption method by recording a current asset for the prepaid amount at the time of the purchase and reflecting the expenditure in the year in which services are consumed.

Capital Assets

Capital assets, including land, buildings, improvements, equipment, and infrastructure (roads, bridges, curbs, gutters, streets, sidewalks, drainage systems, and lighting systems) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Town defines capital assets as assets with an initial, individual cost of more than \$1,000 for land, buildings, improvements, and equipment, and \$5,000 for infrastructure and an initial useful life of one year or greater. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are valued at their estimated fair value on the date donated.

GASB Statement No. 34 requires the Town to report all governmental activities' infrastructure assets acquired after June 30, 2003, and encourages, but does not require, the Town to retroactively report infrastructure assets acquired after June 30, 1980. The Town has elected not to retroactively report infrastructure assets and the accompanying basic financial statements only include infrastructure assets acquired after June 30, 2003.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was no interest capitalized for the year ended June 30, 2019.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	5 to 50 Years
Machinery and equipment	3 to 40 Years
Parks and recreation	5 to 50 Years
Water and sewer systems	5 to 50 Years
Infrastructure	10 to 50 Years
Vehicles	5 to 15 Years

Inter-fund Transactions

Activity between funds that are representative of lending / borrowing arrangements at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "Intercompany balances". Any residual balances outstanding between the two proprietary funds are reported in the proprietary fund statement of net position as "Intercompany balances".

Compensated Absences

The Town's personnel policies allow employees to accumulate a limited amount of earned but unused leave, which can be used in a subsequent period or will be paid to employees upon separation from the Town. In the government-wide financial statements and proprietary fund financial statements, all annual, holiday, and compensatory leave are reported as an accrued liability when earned. General Fund amounts are considered a fund liability since they are normally expected to be liquidated with expendable available financial resources.

BOONSBORO MAYOR AND COUNCIL

NOTES TO FINANCIAL STATEMENTS

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The Town does not have any items that qualify for reporting in this category as of June 30, 2019.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Town does not have any items that qualify for reporting in this category as of June 30, 2019.

Equity Classifications

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

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

Restricted net position – consists of funds whose use by the Town has been limited by creditors to a specific time period or purpose.

Unrestricted net position – all other net position that do not meet the definition of “invested in capital assets” or “restricted net position”.

The Town’s policy regarding an expense for which both restricted and unrestricted net position is available is to first apply the restricted resources. Unrestricted resources are used only to the extent that restricted resources do not cover the incurred expenditure.

In the governmental fund financial statements, equity is to be classified as net position and displayed in each of the applicable five components as prescribed by GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions:

Non-spendable – reflects amounts that are not in spendable form (e.g. inventory, prepaid items, etc.).

Restricted – reflects amounts that are restricted to specific purposes, pursuant to restrictions imposed externally by creditors, grantors, contributors, or laws or regulations of other governments.

Committed – reflects amounts subject to internal constraints self-imposed by formal action of the Boonsboro Mayor and Council (i.e. awarded contracts, passed ordinances, etc.).

Assigned – reflects amounts that the Town intends to use for specific purposes. The assignment of fund balance cannot result in a negative unassigned fund balance. The Mayor and Council of Boonsboro delegates to the Town Manager the authority to assign fund balance.

Unassigned – reflects the residual balance that has not been assigned to other funds and is not restricted, committed, or assigned for specific purposes. A negative unassigned fund balance may occur in any fund when there is an over expenditure of Restricted or Committed fund balance. In this case, any assigned fund balance (and unassigned fund balance in the general fund) would be eliminated prior to reporting a negative unassigned fund balance.

BOONSBORO MAYOR AND COUNCIL

NOTES TO FINANCIAL STATEMENTS

When fund balance resources are available for a specific purpose in multiple classifications, the Town's policy is to use restricted resources first and then apply unrestricted resources in the following order: Committed, Assigned, and Unassigned. Committed or Assigned resources would only be used upon specific authorization by the Mayor and Council (and their designee), respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Tax Status

The Town is a tax-exempt governmental entity and, accordingly, is exempt from filing Federal and State income tax returns. Therefore, no provision for income taxes has been made in these financial statements.

Recently Adopted Authoritative Guidance

In March 2018, GASB approved Statement No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The application of GASB 88 as it pertains to the Town's financial statements enhances disclosures related to the Town's debt by requiring additional information as well as the separation of disclosures pertaining to direct borrowings and direct placements of debt from other debt. GASB 88 is effective for fiscal year-ends beginning after June 15, 2018. The Town has adopted this new guidance for the fiscal year ended June 30, 2019 and the updated disclosures are included in the accompanying notes to the financial statements (Notes 11).

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

General Town revenues and expenditures accounted for in the General Fund are controlled by a formal budgetary accounting system in accordance with legal requirements that govern the Town's operations. Except that a transfer from unappropriated surplus is sometimes budgeted as a revenue item, annual budgets are adopted on a basis consistent with generally accepted accounting principles. The Town budgets capital projects in the General Fund.

The proprietary funds budgets are prepared using a budgetary basis that approximates the cash basis of accounting. Budgetary basis reflects loan proceeds as other revenues, principal payments on debt and capital equipment purchases as expenses and does not reflect depreciation and amortization expense.

The Town's budget is comprised of the current operating budget. The current operating budget is based upon estimated revenues and expenditures of operation for the ensuing fiscal year. All annual appropriations lapse at the fiscal year end.

3. RISKS AND UNCERTAINTIES

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town is a member of the Local Government Insurance Trust (LGIT), sponsored by the Maryland Municipal League (MML), and the Maryland Association of Counties. The LGIT is a self-insured public entity risk pool offering general liability, excess liability, business auto liability, police legal liability, public official liability, environmental liability, and property coverage.

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LGIT is capitalized at an actuarially determined level to provide financial stability for its local government members to reduce the possibility of assessments. The trust is owned by the participating counties and cities and managed by a Board of Trustees elected by the members. Annual premiums are assessed for the various policy coverages. During fiscal year 2019, the Town paid premiums approximating \$54,000 to the trust. The trust is self-sustaining through member premiums and purchases reinsurance to reduce its exposure to certain large losses. Over the last three years incurred and paid claims have not exceed insurance coverage.

The Town continues to carry commercial insurance for all other risks of loss, including workers' compensation and fidelity bond insurance. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

The Town maintains its cash and certificate of deposit balances in several financial institutions. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a formal deposit policy for custodial credit risk; however, State law requires that deposits be insured or collateralized. The Town limits its exposure to custodial credit risk by managing its accounts using insured cash sweep and brokered certificate of deposit accounts so that the Town's deposits are fully insured.

The Town does not have a formal investment policy that specifically addresses credit risk.

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates or that addresses concentration of credit risk.

4. CASH AND CASH EQUIVALENTS

Unrestricted and restricted (Note 6) cash and cash equivalents consist of the following at June 30, 2019:

	Governmental Activities	Business-type Activities	Water Fund	Sewer Fund
Cash	\$ 1,460,273	\$ 282,445	\$ 194,280	\$ 88,165
Money market accounts	76,673	459,574	314,179	145,395
Total cash and cash equivalents	\$ 1,536,946	\$ 742,019	\$ 508,459	\$ 233,560

BOONSBORO MAYOR AND COUNCIL

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5. CERTIFICATES OF DEPOSIT

Investments in negotiable certificates of deposit are recorded at fair value. Certain certificates of deposits are restricted for use as noted in Note 6 below.

Certificates of deposit, including fair value level when applicable, consisted of the following at June 30, 2019:

	Governmental Activities	Business-type Activities	Water Fund	Sewer Fund
Negotiable	\$ 1,038,503	\$ 349,934	\$ -	\$ 349,934
Non-negotiable	348,464	209,284	209,284	-
Total certificates of deposit	\$ 1,386,967	\$ 559,218	\$ 209,284	\$ 349,934

	Total	Level 1	Level 2	Level 3
Governmental Activities	\$ 1,038,503	\$ -	\$ 1,038,503	\$ -
Business-type Activities	349,934	-	349,934	-
Total negotiable certificates of deposit	\$ 1,388,437	\$ -	\$ 1,388,437	\$ -

As of June 30, 2019, the Town's certificates of deposit mature as follows:

	Carrying Value	Maturities (in years)	
		Less than 1	1 - 5
Governmental Activities	\$ 1,386,967	\$ 1,214,827	\$ 172,140
Business-type Activities	559,218	117,934	441,284
	\$ 1,946,185	\$ 1,332,761	\$ 613,424

6. RESTRICTED CASH AND CERTIFICATES OF DEPOSITS

Due to limited funding resources that are available to the Town, the Friends of Shafer Park (a separate entity) was established by citizens to support the financial efforts required to achieve the financial obligation associated with the expansion of Shafer Park. In June 2012, the Town established a segregated bank account from an initial contribution of \$40,000. During fiscal year 2014, the balance was rolled over into a certificate of deposit.

The Town also has a liquid certificate of deposit restricted for excise taxes. The restricted amount represents excise taxes collected by the Town but not yet spent in accordance with the Excise Tax Ordinance.

During fiscal year 2018 the Town received a \$2 million Bay Restoration Fund grant whose use was restricted for the repayment of wastewater treatment plant debt. A portion of the grant funds were used for debt repayments during the fiscal year. The remaining funds will be applied to the principal payments of the Infrastructure Bond (Note 11) through April 2022. The balance of the certificate exceeds the restricted portion at June 30, 2019.

BOONSBORO MAYOR AND COUNCIL

NOTES TO FINANCIAL STATEMENTS

A summary of restricted cash and certificates of deposit as of June 30, 2019 is as follows:

	Governmental Activities	Business-type Activities	Water Fund	Sewer Fund
Certificates of deposit:				
Friends of Shafer Park	\$ 47,140	\$ -	\$ -	\$ -
WWTP debt service (certificate of deposit)	-	347,000	-	347,000
Total restricted certificates of deposit	47,140	347,000	-	347,000
Restricted cash				
Excise taxes	76,673	-	-	-
Total restricted cash	76,673	-	-	-
Total restricted cash and certificates of deposit	\$ 123,813	\$ 347,000	\$ -	\$ 347,000

7. CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2019 is as follows:

	2018	Additions	Reductions	2019
<u>Governmental Activities</u>				
Non-depreciable assets:				
Land	\$ 1,209,646	\$ -	\$ -	\$ 1,209,646
Construction in progress	27,796	-	27,796	-
Depreciable:				
Buildings and improvements	1,320,624	-	-	1,320,624
Machinery and equipment	376,198	55,297	-	431,495
Parks and recreation	2,249,857	23,466	-	2,273,323
Vehicles	426,427	14,327	42,813	397,941
Infrastructure	1,588,282	14,501	-	1,602,783
Total	7,198,830	\$ 107,591	\$ 70,609	7,235,812
Less accumulated depreciation				
Buildings and improvements	1,048,937	\$ 27,878	\$ -	1,076,815
Machinery and equipment	207,210	34,016	-	241,226
Parks and recreation	906,604	111,401	-	1,018,005
Vehicles	268,887	27,499	42,813	253,573
Infrastructure	871,230	53,423	-	924,653
Total	3,302,868	\$ 254,217	\$ 42,813	3,514,272
Net book value	\$ 3,895,962			\$ 3,721,540

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NOTES TO FINANCIAL STATEMENTS

	2018	Additions	Reductions	2019
<u>Business-type Activities</u>				
Non-depreciable assets:				
Land	\$ 158,317	\$ -	\$ -	\$ 158,317
Construction in progress	-	174,330	-	174,330
Depreciable:				
Buildings and improvements	144,500	-	-	144,500
Machinery and equipment	1,607,479	51,627	-	1,659,106
Vehicles	190,424	28,062	-	218,486
Infrastructure	6,947,137	-	-	6,947,137
Utility plants	13,211,950	-	-	13,211,950
Total	22,259,807	\$ 254,019	\$ -	22,513,826
Less accumulated depreciation				
Buildings and improvements	141,642	\$ 90	\$ -	141,732
Machinery and equipment	1,242,516	49,390	-	1,291,906
Vehicles	112,905	24,617	-	137,522
Infrastructure	3,400,250	129,927	-	3,530,177
Utility plants	5,742,255	636,025	-	6,378,280
Total	10,639,568	\$ 840,049	\$ -	11,479,617
Net book value	\$ 11,620,239			\$ 11,034,209

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

Governmental Activities	
General government	\$ 54,806
Public safety	29,064
Parks and recreation	54,200
Highways and streets	116,147
	\$ 254,217
Business-type Activities	
Water	\$ 170,816
Sewer	669,233
	\$ 840,049

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8. ACCRUED EXPENSES AND LIABILITIES

The composition of accrued expenses and liabilities as of June 30, 2019 is as follows:

	Governmental Activities	Business-type Activities	Water Fund	Sewer Fund
Accrued salaries	\$ 20,252	\$ -	\$ -	\$ -
Accrued compensated absences	20,141	30,045	15,438	14,607
Accrued pension	28,975	30,305	15,152	15,153
Accrued interest	-	46,210	-	46,210
Total accrued expenses	\$ 69,368	\$ 106,560	\$ 30,590	\$ 75,970
Deposits	\$ 3,200	\$ -	\$ -	\$ -
Total other accrued liabilities	\$ 3,200	\$ -	\$ -	\$ -

Deposits in the general fund represent payments by developers for inspections not yet completed or for driveway bonds. The Town collects a deposit from developers prior to the start of construction. As inspection charges are billed to the Town, the payments are made from the money received from the developers. Upon completion of a project, or as driveways are completed, any undisbursed funds are refunded to the developers.

9. INTER-FUND RECEIVABLES AND PAYABLES

The composition of inter-fund balances as of June 30, 2019 is as follows:

Receivable Fund	Payable Fund	Amount
Water	General	\$ 25,721
General	Sewer	(177,862)
		\$ (152,141)
Water	Sewer	\$ 73,441

Balances due between the funds are the result of activities between funds outstanding at the end of the fiscal year and can be primarily attributed to the time lag between the dates that reimbursable expenditures occur and payments between funds are made. It is not anticipated that this balance will be repaid within the subsequent fiscal year.

10. INTER-FUND LOANS

The Sewer Fund obtained a \$58,880 loan from the General Fund for the purpose of financing repairs to the lagoon. Terms of the loan provide for semi-annual payments totaling \$5,888 commencing December 2001 through June 2012, at 0% interest. The loan is pre-payable without penalty and is unsecured. The commencement of payments was postponed and no payments have been made as of June 30, 2019. Since it is unlikely that any payments will occur within one year, no current maturities are recorded for this loan.

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The Sewer Fund obtained loans totaling \$1,008,309 in previous years to cover loan payments for the wastewater treatment plant upgrades. The loan will be repaid to the General Fund when the outstanding amounts due from developers (Note 17) are paid in full. Since it is unlikely that these payments will occur within one year, no current maturities are recorded for this loan.

The following is a summary of changes in long-term inter-fund loans for the year ended June 30, 2019:

Receivable Fund	Payable Fund	Balance July 1, 2018	Issued	Retired	Balance June 30, 2019	Balance Due Within One Year
General Fund	Sewer Fund	\$ 58,880	\$ -	\$ -	\$ 58,880	\$ -
General Fund	Sewer Fund	1,008,309	-	-	1,008,309	-
		\$1,067,189	\$ -	\$ -	\$ 1,067,189	\$ -

11. LONG-TERM DEBT

The Town's long-term debt as of June 30, 2019 consisted of the following:

Governmental Activities

In March 2004 the Town obtained a \$310,000 note payable from the MWQFA for the purchase of real estate. The note is non-interest bearing. Terms of the note provide for yearly principal payments of \$15,500 commencing on February 2005 through February 2024. There is no prepayment penalty. The note is secured by future water user charges and all fees for the use of the public water system or connections to it. \$ 77,500

In January 2005 the Town entered into a loan agreement with BB&T in which \$2,000,000 was available to fund Shafer Park improvements. A total of \$1,500,000 was drawn on the loan. In January 2005 the loan balance of \$1,233,142 was refinanced. Under the terms of the refinanced loan, monthly interest only payments at a fixed rate of 2.38% and annual principal payments in varying amounts are due through December 2021. The note can be prepaid without penalty and is collateralized by park real estate. 407,228

Total Governmental Activities \$ 484,728

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Business-type Activities

Water Fund

In October 2016 the Town refinanced its Infrastructure Bond 1990 Series I with a note payable from Columbia Bank. The total refinanced amount was \$113,612. The loan is secured by a certificate of deposit held at the bank and interest is payable at a fixed rate of 2.15%. Terms of the loan require monthly interest only payments and quarterly principal payments over 48 months, maturing October 2020.

\$ 42,605

In June 1998 the Town received a loan from MDE to assist in the funding of the Water Filtration Project. Under the agreement with MDE, beginning June 1999 the Town pays annual interest at a fixed rate of 4.9%. Payments of \$11,158, including interest, are made annually beginning June 2001 and ending June 2028. In the event of a default, salvage rights shall be provided to the State of Maryland. The loan is prepayable without penalty. Interest will be recomputed if the prepayment of principal is more than six months in advance.

79,652

In March 2008 the Town received a loan in the amount of \$78,000 from MDE to assist in the funding of the Alternate Route 40 Water Main Extension Project. The loan is for the engineering phase of the project. Draws of \$73,980 were made during the duration of the project. The loan is being amortized over 19 annual payments which began in February 2010. Interest at a fixed rate of 2.20% is being paid semi-annually in August and February. The loan is a general obligation of the Town, with the full faith and credit and taxing power of the Town pledged.

36,422

In July 2009 the Town received an additional loan in the amount of \$281,000 from MDE to assist in the funding of the Alternate Route 40 Water Main Extension Project. This loan is for the construction phase of the project. Total drawn during the duration of the project was \$253,574. The loan is being amortized over 19 annual payments which began in February 2011. Interest at a fixed rate of 1% is being paid semi-annually in August and February. The loan is a general obligation of the Town, with the full faith and credit and taxing power of the Town pledged.

126,526

In November 2009 the Town entered into a loan agreement with BB&T in the amount of \$339,834. The remaining balance of \$201,834 was refinanced in April 2016. Under the terms of the refinanced agreement, monthly interest only payments and annual principal payments of \$14,417 beginning September 2016 and ending March 2023 are required. Interest is charged at a fixed rate of 2.1%. The note is prepayable without penalty and is unsecured.

115,327

Total Water Fund \$ 400,532

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Sewer Fund

In August 2005 the Town obtained a \$127,984 loan from the Maryland Department of the Environment (MDE) for the replacement of the Park View Interceptor. Terms of the note provide for annual payments of \$7,430, including interest at a fixed rate of 1% commencing February 2006 through February 2024. The loan is unsecured and prepayable without penalty. Interest will be recomputed if the prepayment of principal is more than six months in advance.

\$ 36,061

In August 2017 the Town obtained a Local Government Infrastructure Bond 2017 Series A in the amount of \$5,537,670 through the Community Development Administration. The terms of the bond require semi-annual interest payments at a fixed rate of 3.61% plus annual principal payments of varying amounts. The bond matures in April 2047 and is collateralized by all local government payments, including money, securities, bank deposits, and any other investments. The bond is prepayable without penalty but may not be prepaid prior to June 2026.

5,311,000

Total Sewer Fund Debt Principal

5,347,061

Net unamortized bond premium

81,722

Total Sewer Fund

5,428,783

Total Business-type Activities

5,829,315

Total Long-term Debt

\$ 6,314,043

The following is a summary of activity charged to interest expense for the year ended June 30, 2019:

	Governmental Activities	Business-type Activities	Water Fund	Sewer Fund
Interest expense	\$ 11,591	\$ 197,419	\$ 11,522	\$ 185,897
Amortization of bond premium	-	(2,919)	-	(2,919)
Total interest expense	\$ 11,591	\$ 194,500	\$ 11,522	\$ 182,978

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The following is a summary of changes in long-term debt for the year ended June 30, 2019:

	Balance July 1, 2018	Issued	Retired	Balance June 30, 2019	Balance Due Within One Year
Governmental Activities					
Note Payable - MWQFA	\$ 93,000	\$ -	\$ 15,500	\$ 77,500	\$ 15,500
Loan Payable - BB&T	563,255	-	156,027	407,228	160,535
Total Governmental Activities*	656,255	-	171,527	484,728	176,035
Business-type Activities					
Water Fund					
Columbia Bank Loan	71,008	-	28,403	42,605	28,403
Note Payable - MDE	86,565	-	6,913	79,652	7,253
Note Payable - MDE	44,390	-	7,968	36,422	4,113
Note Payable - MDE	137,151	-	10,625	126,526	14,715
Note Payable - BB&T	144,161	-	28,834	115,327	28,833
Total Water Fund	483,275	-	82,743	400,532	83,317
Sewer Fund					
Note Payable - MDE	43,059	-	6,998	36,061	7,069
Bond Payable - CDA	5,434,500	-	123,500	5,311,000	126,500
Total Sewer Fund	5,477,559	-	130,498	5,347,061	133,569
Total Business-type Activities*	5,960,834	-	213,241	5,747,593	216,886
Total Long-term Debt Principal*	\$ 6,617,089	\$ -	\$ 384,768	\$ 6,232,321	\$ 392,921

* Does not include net unamortized bond premium. For the year ended June 30, 2019, unamortized bond premiums totaled \$0 for governmental activities and \$81,722 for business-type activities.

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The aggregate annual payments on the foregoing long-term debt for the years ending June 30 are as follows:

	Governmental Activities		Business-type Activities		Water Fund		Sewer Fund	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 176,035	\$ 7,782	\$ 216,886	\$ 190,376	\$ 83,317	\$ 8,567	\$ 133,569	\$ 181,809
2021	180,675	3,906	206,348	185,981	69,708	6,836	136,640	179,145
2022	97,018	970	195,332	181,968	56,121	5,550	139,211	176,418
2023	15,500	-	198,534	177,947	56,751	4,307	141,783	173,640
2024	15,500	-	173,440	174,154	28,582	3,344	144,858	170,810
2025-2029	-	-	843,053	809,153	106,053	6,379	737,000	802,774
2030-2034	-	-	851,000	684,923	-	-	851,000	684,923
2035-2039	-	-	1,003,000	533,421	-	-	1,003,000	533,421
2040-2044	-	-	1,211,500	322,826	-	-	1,211,500	322,826
2045-2047	-	-	848,500	69,620	-	-	848,500	69,620
	\$ 484,728	\$ 12,658	\$ 5,747,593	\$ 3,330,369	\$ 400,532	\$ 34,983	\$ 5,347,061	\$ 3,295,386

Note: Principal amounts do not include net unamortized bond premium.

12. RETIREMENT PLAN

The Mayor and Council of Boonsboro Employee Pension Plan, administered by the Town, provides pension benefits for all of the Town's full-time employees through a defined contribution plan. Plan provisions and contribution requirements are established and may be amended by the Town. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after completing six months of employment. The Town's contributions for each employee (and income allocated to the employee's account) are fully vested after seven years' continuous service. Partial vesting begins after three years of service. The Town is obligated to contribute 7% of the employees' wages and the employee has the option to contribute to the plan. Contributions and earnings forfeited by employees who leave employment before seven years of service are used to reduce the Town's current-period contribution requirement. As of June 30, 2019, the Town has 22 full-time and part-time employees with 19 employees participating in the plan. The employees of the Town made no contributions. The Town's contribution for fiscal year 2019 was \$60,475.

13. DEFERRED COMPENSATION PLAN

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Town employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

14. BOONSBORO / KEEDYSVILLE WATER FILTRATION PROJECT

The Town of Boonsboro (Boonsboro) and the Town of Keedysville (Keedysville) own various water systems that jointly serve customers of both Boonsboro and Keedysville (Towns). The State of Maryland required that the water systems be upgraded, thus during the 1999 fiscal year the Towns undertook a major water system upgrade project that included three phases:

- Two filtration plants, one in Boonsboro and one in Keedysville,
- Replacement of an eight inch water main between the Towns,
- Installation of new water meters in Keedysville along with a retrofit of existing meters in Boonsboro

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The project was completed in 2002 with funding coming in the form of the following grants and loans with the State of Maryland, along with self-funding:

- \$ 168,000 Loan
- \$1,335,085 Loan
- \$1,442,000 Grant

The Towns entered into an agreement that permits Boonsboro to be the named borrower and grantee on all of the above funding sources; but Keedysville will own the plant, meters and line which is in their corporate limits. In addition to the above, the Towns agreed that during the period until the project loans are paid in full, Boonsboro is to be the Project Administrator, Water System Operator and will be performing all meter-reading, billing and collection service to all of the water users. During this period the Towns also desired to have a uniform water service user rate for all customers, and agreed to establish a uniform rate for debt repayment based on estimated usage. Under the agreement, Boonsboro shall have a security interest in and right of offset against Keedysville's accounts receivable for water service and loan repayment, for the purpose of repayment of the Project loans.

Under the billing arrangement, Boonsboro reflects the following transactions on their books, as billed on a quarterly basis:

- Boonsboro residents' water charges
- Boonsboro residents' debt service charges
- Keedysville residents' debt service charges
- Keedysville administrative charges

15. CONTINGENCIES

In the normal course of operation, the Town receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the grant of funds. Any liability for reimbursement that may arise as the result of these audits is not believed to be material.

16. COMMITMENTS

The wastewater treatment plant (WWTP) was completed with the help of USDA and MDE to comply with Maryland requirements. The project had a total cost of \$12,047,600 with \$7,991,000 of costs of the project funded through bonds (Note 11) and \$3,610,600 of costs funded through grants. The USDA funding also required obtaining signed developer agreements, secured by letters of credit that would cover the first 5 years of debt service and provide for guaranteed minimum annual hookup fees, irrespective of the economic cycle (Note 17).

17. AGREEMENTS WITH DEVELOPERS

The Town of Boonsboro has entered into agreements with several developers, under which the Town has agreed to pay for some costs (annexation expenses, legal fees, engineering fees) with the understanding that the costs will be reimbursed by the developers. Billings to the developers are generally done on a semi-annual basis. The Town expenses the costs in the year in which they were paid and recognizes revenue when cash is received, or when the amounts are considered fully collectible.

During the year ended June 30, 2009, the Town entered into agreements with several developers, under which the Town has agreed to provide an allocated amount of sewer taps which have been guaranteed by the developers and will pay for the first 5 years of debt service related to the construction of the WWTP (Note 16). These agreements provide for a specific

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number of taps to be earned by paying the debt service payments timely over the next five years and then an additional predetermined number of taps will be available to the developer. As described in Note 18, an allowance for doubtful accounts has been established as of June 30, 2019.

Included in the Statement of Net Position is unearned revenue related to these tap fees totaling \$481,445 for the year ended June 30, 2019. This will be recognized as revenue when the developers begin to utilize the taps. During the year ended June 30, 2019, the Town recognized \$209,000 of tap fee revenue that had previously been unearned.

18. RISKS AND VULNERABILITY

As disclosed in Notes 16 and 17, the Town obtained signed developer agreements covering the debt service of a new wastewater treatment plant for the first 5 years beginning in 2009. These agreements provide a specific number of taps in exchange for the developers paying the debt service payments timely, and an additional predetermined number of taps will be available for purchase by the developer. The construction loans that were obtained by the Town of Boonsboro are for 40 and 20 year terms and thus debt service payments will be required for a longer period than the five years agreed to in the agreements. If the developers purchase all taps available, the debt will be entirely funded by these agreements. In the current economic climate, it is at least reasonably possible that the developers may not purchase the additional taps.

As of June 30, 2019, the Town has \$594,723 of other receivables recorded related to payments owed by the developers. At this point in time, it appears unlikely that the Town will be able to collect amounts owed by the developers based on the history of payments to date. Because of these reasons, the Town has established an allowance for doubtful accounts of \$594,723 offsetting the amounts owed by the developers. This has minimal effect on the statement of activities as amounts receivable for tap fees are recorded as unearned revenue on the statement of net position.

19. CONDUIT DEBT OBLIGATION

During the year ended June 30, 2016, the Town issued Economic Development Revenue Bonds in the amount of \$1,436,177 to provide assistance to the Humane Society of Washington County (Organization) for the acquisition and improvement of its operating facilities. The bonds are secured by the property financed and are payable solely from payments received on the underlying financing agreement. Upon repayment of the bonds, ownership of the acquired facilities transfers to the Organization served by the bond issuance. Neither the Mayor and Council of Boonsboro, MD, nor any public body thereof is obligated in any manner for repayment of the bonds. In accordance with the Governmental Accounting Standards Board, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2019, the Economic Development Revenue Bonds outstanding had an aggregate principal amount payable of \$1,241,997.

20. RECENT GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) PRONOUNCEMENTS

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments and requires that activities meeting the criteria be reported in a fiduciary fund in the basic financial statements. This Statement is effective for reporting periods beginning after December 15, 2018.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liabilities and an intangible right-to-use lease asset, and a lessor is required to recognize

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NOTES TO FINANCIAL STATEMENTS

a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting period beginning after December 15, 2019.

In June 2018, GASB approved Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objective of this Statement is to change the treatment of interest costs incurred before the end of a construction period for financial statements prepared using the economic resources measurement focus. These interest costs will now be expensed in the period incurred; whereas previously these interest costs were included in the capitalized value of the assets constructed. This Statement is effective for fiscal year-ends beginning after December 15, 2019.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interest – An Amendment of GASB Statements No. 14 and No. 61*. The objective of this Statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization by clarifying when that interest should be reported as an investment or as a component unit. This Statement is effective for reporting periods beginning after December 15, 2018.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice by clarifying the existing definition of a conduit debt obligation, establishing that a conduit debt obligation is not a liability of the issuer, establishing standards for accounting and financial reporting of additional and voluntary commitments and arrangements, and improving required note disclosures. This Statement is effective for reporting periods beginning after December 15, 2020.

The Town has not yet completed the process of evaluating the impact of these GASB Statements on its financial statements.

21. SUBSEQUENT EVENTS

The Town has evaluated events and transactions subsequent to June 30, 2019 through October 30, 2019, the date these financial statements were available to be issued. Based on the definitions and requirements of accounting principles generally accepted in the United States of America, management has not identified any events that have occurred subsequent to June 30, 2019 through October 30, 2019, that require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

BOONSBORO MAYOR AND COUNCIL

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL - GENERAL FUND

Year ended June 30,

2019

	BUDGET	ACTUAL	ACTUAL OVER (UNDER) BUDGET
REVENUES			
LOCAL TAXES			
Real property	\$ 1,058,203	\$ 1,080,529	\$ 22,326
Personal property - incorporated	80,000	103,618	23,618
Personal property - unincorporated	4,500	3,173	(1,327)
Penalties and interest	2,500	2,136	(364)
Less: discounts and abatements	(13,500)	(14,758)	(1,258)
	1,131,703	1,174,698	42,995
LICENSES AND PERMITS			
Trader's	3,500	3,586	86
Alcohol and beverage	500	-	(500)
Planning and zoning	30,300	26,189	(4,111)
	34,300	29,775	(4,525)
GRANTS AND SHARED TAXES			
State of Maryland			
Income tax	325,000	435,905	110,905
Admissions and amusement	10,000	12,363	2,363
Highway tax	123,712	126,369	2,657
Grant for police protection	30,373	26,536	(3,837)
Other grants and shared taxes	110,000	115,295	5,295
Washington County			
Grant in lieu of tax on financial corporations	950	-	(950)
Grant in lieu of tax on elderly housing	4,000	2,040	(1,960)
Hotel/motel tax	28,000	33,080	5,080
Parking fines	300	-	(300)
	632,335	751,588	119,253
SANITATION CHARGES			
Charges for service	106,000	106,380	380
MISCELLANEOUS			
Interest income	15,000	38,300	23,300
Rental income	9,500	12,665	3,165
Cable TV franchise fees	22,000	21,037	(963)
Miscellaneous income	500	17,300	16,800
	47,000	89,302	42,302
TOTAL REVENUES	\$ 1,951,338	\$ 2,151,743	\$ 200,405

**There were no significant budget amendments made during the fiscal year; therefore, the budget column shown is the original and final budget.*

BOONSBORO MAYOR AND COUNCIL

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL - GENERAL FUND

Year ended June 30,

2019

	BUDGET	ACTUAL	ACTUAL OVER (UNDER) BUDGET
EXPENDITURES			
GENERAL GOVERNMENT			
MAYOR AND COUNCIL			
Mayor salary	\$ 3,600	\$ 4,102	\$ 502
Council salary	7,200	8,042	842
MML dues	3,500	3,606	106
Education stipend	7,000	2,580	(4,420)
Contributions and donations	1,000	6,000	5,000
	22,300	24,330	2,030
ADMINISTRATION			
Administration salaries	133,000	132,589	(411)
Treasurer salary	1,000	1,133	133
Training	500	2,554	2,054
Advertising	1,500	3,687	2,187
Postage	3,500	1,939	(1,561)
Office expenses	10,650	21,442	10,792
Telephone	4,500	5,674	1,174
	154,650	169,018	14,368
PROFESSIONAL SERVICES			
Attorney fees	10,000	29,860	19,860
Audit service	4,500	6,750	2,250
Retirement administration	750	692	(58)
	15,250	37,302	22,052
MUNICIPAL BUILDING AND GROUNDS			
Maintenance	50,000	58,953	8,953
Heating and electric	21,000	32,371	11,371
	71,000	91,324	20,324
OPERATIONS			
Planning, zoning and engineering	23,800	21,306	(2,494)
Economic development commission	17,430	6,520	(10,910)
Environmental commission	8,900	4,988	(3,912)
	\$ 50,130	\$ 32,814	\$ (17,316)

**There were no significant budget amendments made during the fiscal year; therefore, the budget column shown is the original and final budget.*

BOONSBORO MAYOR AND COUNCIL

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL - GENERAL FUND

Year ended June 30,

2019

	BUDGET	ACTUAL	ACTUAL OVER (UNDER) BUDGET
PUBLIC SAFETY			
POLICE DEPARTMENT			
Salaries	\$ 318,794	\$ 249,656	\$ (69,138)
Equipment	26,580	14,836	(11,744)
Uniforms	3,000	3,043	43
Supplies	3,000	7,791	4,791
Telephone	6,600	6,132	(468)
Building maintenance and utilities	15,000	9,327	(5,673)
Training	3,000	1,806	(1,194)
Vehicle maintenance	8,000	16,399	8,399
Vehicle gas	15,000	13,643	(1,357)
	398,974	322,633	(76,341)
PUBLIC OUTREACH			
Police and public safety committee meetings	960	590	(370)
Night Out program	1,250	(22)	(1,272)
PSC special projects	2,500	-	(2,500)
	4,710	568	(4,142)
VOLUNTEER COMPANY CONTRIBUTIONS			
Fire department	24,000	24,000	-
Fire hydrants	7,000	11,569	4,569
Ambulance service	24,000	24,000	-
	55,000	59,569	4,569
HIGHWAYS AND STREETS			
Salaries	69,000	82,139	13,139
Uniforms	2,000	1,090	(910)
Telephone	2,500	1,797	(703)
Street lighting	55,000	61,639	6,639
Supplies and small equipment	10,500	8,841	(1,659)
Cleaning and debris	12,400	11,112	(1,288)
Snow removal	11,500	23,873	12,373
Street maintenance	12,500	10,090	(2,410)
Vehicle and equipment maintenance	17,000	9,558	(7,442)
Vehicle gas	11,000	11,801	801
	203,400	221,940	18,540
SANITATION			
Sanitation and recycling	\$ 170,000	\$ 180,011	\$ 10,011

**There were no significant budget amendments made during the fiscal year; therefore, the budget column shown is the original and final budget.*

BOONSBORO MAYOR AND COUNCIL

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL - GENERAL FUND

Year ended June 30,

2019

	BUDGET	ACTUAL	ACTUAL OVER (UNDER) BUDGET
PARKS, RECREATION AND EVENTS			
Salaries	\$ 960	\$ 770	\$ (190)
Park equipment	1,000	989	(11)
Facilities maintenance	15,000	23,365	8,365
Grounds maintenance	20,000	38,881	18,881
Events	15,050	23,742	8,692
	52,010	87,747	35,737
NON-DEPARTMENTAL EXPENDITURES			
Insurance	15,000	18,098	3,098
Health insurance	100,000	61,483	(38,517)
Retirement	40,000	25,608	(14,392)
Workers compensation	13,500	11,972	(1,528)
Payroll taxes	40,000	41,717	1,717
Contingency fund	19,202	-	(19,202)
Miscellaneous	4,500	8,540	4,040
	232,202	167,418	(64,784)
CAPITAL OUTLAY			
Street, drainage and overlay	123,712	14,501	(109,211)
National Road Heritage Museum	15,000	-	(15,000)
Shafer Park	125,000	23,466	(101,534)
Vehicles and equipment	77,500	41,829	(35,671)
	341,212	79,796	(261,416)
DEBT RETIREMENT			
Interest expense	-	11,591	11,591
Park expansion principal	165,000	156,027	(8,973)
Mortgage principal	15,500	15,500	-
	180,500	183,118	2,618
TOTAL EXPENDITURES	1,951,338	1,657,588	(293,750)
EXCESS OF REVENUE OVER EXPENDITURES	\$ -	\$ 494,155	\$ 494,155

**There were no significant budget amendments made during the fiscal year; therefore, the budget column shown is the original and final budget.*

OTHER SUPPLEMENTARY INFORMATION

BOONSBORO MAYOR AND COUNCIL

STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL – WATER UTILITY FUND (BUDGETARY BASIS)

Year ended June 30,

2019

	BUDGET	ACTUAL	ACTUAL OVER (UNDER) BUDGET
OPERATING REVENUES			
Charges for services	\$ 707,353	\$ 704,855	\$ (2,498)
Charges for administration	57,855	68,048	10,193
TOTAL OPERATING REVENUES	765,208	772,903	7,695
OPERATING EXPENSES			
Advertising	650	1,075	425
Capital outlay	125,000	55,681	(69,319)
Chemicals	15,000	20,042	5,042
Communications	6,500	-	(6,500)
Contingency fund	29,847	-	(29,847)
Health insurance	55,000	75,630	20,630
Meetings	1,200	1,155	(45)
Miscellaneous	100	1,130	1,030
Payroll taxes	19,000	19,908	908
Postage	3,000	2,367	(633)
Professional services	22,000	3,955	(18,045)
Property insurance	7,000	6,156	(844)
Repairs and maintenance	70,000	78,697	8,697
Retirement	15,000	17,433	2,433
Salaries	247,354	250,907	3,553
Supplies	12,500	17,547	5,047
Telephone	-	5,113	5,113
Testing	1,000	821	(179)
Tools and equipment	5,000	8,668	3,668
Training and certification	2,500	2,829	329
Uniforms	3,000	3,193	193
Utilities	58,150	51,901	(6,249)
Vehicles	8,500	10,709	2,209
Worker's compensation	11,000	6,670	(4,330)
TOTAL OPERATING EXPENSES	718,301	641,587	(76,714)
OPERATING INCOME (LOSS)	46,907	131,316	84,409
OTHER INCOME (EXPENSE)			
Debt service fees	20,000	23,867	3,867
Connection fees	-	154,000	154,000
Other income	11,700	317	(11,383)
Interest income	-	5,600	5,600
Interest expense	(19,307)	(11,522)	7,785
Water study	-	(58,680)	(58,680)
Debt service (principal payments)	(59,300)	(82,743)	(23,443)
TOTAL OTHER INCOME (EXPENSE)	(46,907)	30,839	77,746
NET INCOME	\$ -	\$ 162,155	\$ 162,155

**There were no significant budget amendments made during the fiscal year; therefore, the budget column shown is the original and final budget.*

BOONSBORO MAYOR AND COUNCIL

STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL - SEWER UTILITY FUND (BUDGETARY BASIS)

Year ended June 30,

2019

	BUDGET	ACTUAL	ACTUAL OVER (UNDER) BUDGET
OPERATING REVENUES			
Charges for services	\$ 1,129,260	\$ 1,077,402	\$ (51,858)
Grants	123,500	135,980	12,480
TOTAL OPERATING REVENUES	1,252,760	1,213,382	(39,378)
OPERATING EXPENSES			
Advertising	700	1,070	370
Biosolids removal	155,000	167,963	12,963
Capital outlay	85,000	198,338	113,338
Chemicals	55,000	70,278	15,278
Communications	4,500	-	(4,500)
Contingency fund	49,410	-	(49,410)
Health insurance	47,000	38,983	(8,017)
Meetings	1,200	1,190	(10)
Miscellaneous	500	13,245	12,745
Payroll taxes	15,000	16,318	1,318
Postage	2,000	1,770	(230)
Professional services	32,000	3,907	(28,093)
Property insurance	30,000	24,915	(5,085)
Repairs and maintenance	130,000	80,771	(49,229)
Retirement	15,000	17,433	2,433
Salaries	180,354	202,687	22,333
Supplies	11,000	12,841	1,841
Telephone	-	3,806	3,806
Testing	27,000	30,828	3,828
Tools and equipment	4,000	8,696	4,696
Training and certification	1,000	2,962	1,962
Uniforms	2,500	1,843	(657)
Utilities	72,000	109,697	37,697
Vehicles	5,000	9,080	4,080
Worker's compensation	11,000	6,670	(4,330)
TOTAL OPERATING EXPENSES	936,164	1,025,291	89,127
OPERATING INCOME (LOSS)	316,596	188,091	(128,505)
OTHER INCOME (EXPENSE)			
Connection fees	-	220,000	220,000
Other income	500	2,358	1,858
Interest income	300	4,999	4,699
Interest expense	(1,000)	(185,897)	(184,897)
Debt service (principal payments)	(316,396)	(130,498)	185,898
TOTAL OTHER INCOME (EXPENSE)	(316,596)	(89,038)	227,558
NET INCOME	\$ -	\$ 99,053	\$ 99,053

**There were no significant budget amendments made during the fiscal year; therefore, the budget column shown is the original and final budget.*

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Boonsboro Mayor and Council

Boonsboro, Maryland

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the **Boonsboro Mayor and Council ("the Town")** as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 30, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, as described in the accompanying schedule of findings and responses, as items 2019-01 and 2019-02 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Town's Response to Findings

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town's responses were not subject to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Albright Crumbacker Moul & Itell LLC

Hagerstown, Maryland
October 30, 2019

BOONSBORO MAYOR AND COUNCIL

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2019-01

Material Weakness in Internal Control Over Financial Reporting—Reconciliations and Subledgers

Criteria: During our audit we noted the general fund accounts payable subledger was not reconciled to the general ledger.

Condition: During our audit we noted that the fiscal year end subledger for the general fund did not agree to the balance per trial balance / general ledger.

Effect or Potential Effect: The financial statements could have been misstated or incomplete. The Town's internal control system alone may not have identified this. Additionally, any reports provided to the Mayor and Council or outside parties may be unreliable.

Cause: There Town did not conduct proper or timely reconciliations of the subledger account to the general ledger.

Recommendation: The Town should ensure that, as a part of the closing process, all subledgers are reconciled monthly and appropriate adjustments are recorded, if necessary. In addition, the Town should ensure that a proper review is conducted of all reconciliations including, but not limited to, multi-person reviews and sign-offs of reconciliations and month/year-end financials.

Responsible Official's Response: The Mayor and Council will continue to review the accounting processes and recommend written procedures to be adopted by the Town, as needed. Mayor and Council will also continue to provide the necessary training and direction to Town management and staff to assure understanding and compliance. In addition, the Town has contracted with an outside accountant to assist with the matters addressed in this finding.

This material weakness was also identified in the prior year financial statements and listed as finding 2018-04.

Finding 2019-02

Material Weakness in Internal Control Over Financial Reporting—Closing Process

Criteria: During our audit we noted the closing process for the year to be incomplete or inaccurate. It is essential that the Town's closing process be complete and accurate to facilitate accurate financial statements. Audit adjustments were necessary for balances to be properly reflected in the financial statements.

BOONSBORO MAYOR AND COUNCIL

SCHEDULE OF FINDINGS AND RESPONSES

Condition: During our audit we noted several areas where information was recorded incorrectly or not at all, or transactions were conducted outside of generally accepted accounting principles:

- Loan principal payments expensed (in loan principal expense accounts for water / sewer funds) versus being posted to the respective loan accounts per generally accepted accounting principles;
- Incorrect number of prepaid / deferred tap fees (sewer fund) recognized as revenue when used due to cumbersome tracking and monitoring process;
- Fixed asset acquisitions expensed rather than capitalized per generally accepted accounting principles; and
- Disposal of fixed assets not recorded.

Effect or Potential Effect: The financial statements could have been misstated or incomplete. The Town's internal control system alone may not have identified this. Additionally, any reports provided to the Mayor and Council or outside parties may be unreliable.

- Increase to total assets of approximately \$390,000
- Decrease to total liabilities of approximately \$11,500
- Decrease in total revenues of approximately \$33,000
- Decrease to total expenses approximately of \$434,500
- Increase to total net position of approximately of \$401,500

Cause: The Town did not record entries, recorded entries incorrectly, or the process of monitoring and tracking is overly cumbersome.

Recommendation: The Town should ensure that the closing process is conducted in a complete and accurate manner. Including, but not limited to, multi-person reviews and sign-offs of reconciliations and month/year-end financials.

Responsible Official's Response: The Mayor and Council will continue to review the accounting processes and recommend written procedures to be adopted by the Town, as needed. Mayor and Council will also continue to provide the necessary training and direction to Town management and staff to assure understanding and compliance. In addition, the Town has contracted with an outside accountant to assist with the matters addressed in this finding.

This material weakness was also listed in the prior financial statements and listed as finding 2018-03.

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