

Audited  
Financial  
Statements

June 30,  
2017

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# Mayor and Council of Boonsboro



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Smith Elliott Kearns & Company, LLC  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT

Mayor and Council of Boonsboro  
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 Mayor and Council of Boonsboro (Town) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *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 Mayor and Council of Boonsboro as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 10 and 43 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mayor and Council of Boonsboro's basic financial statements. The budgetary comparison information for the water and sewer funds on pages 46 and 47 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 25, 2017 on our consideration of the Mayor and Council of Boonsboro'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 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 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 Mayor and Council of Boonsboro's internal control over financial reporting and compliance.

*Smith Elliott Heavens & Company, LLC*

Hagerstown, Maryland  
October 25, 2017

**MAYOR AND COUNCIL OF BOONSBORO**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2017 (Unaudited)**

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The management of the Town of Boonsboro provides the following information as an introduction, overview, and analysis of the Town's financial statements for the year ended June 30, 2016. Readers should also review the basic financial statements on pages 11-41 to further enhance their understanding of the Town's financial performance.

**FINANCIAL HIGHLIGHTS – GOVERNMENT- WIDE FINANCIAL STATEMENTS**

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The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$10,004,412. The net position of the governmental activities was \$6,401,114 and the combined net position of business-type activities was \$3,603,298. Of the combined net position of the governmental and business-type activities, \$1,800,319 may be used to meet the Town's ongoing obligations to citizens and creditors.

**USING THIS ANNUAL FINANCIAL REPORT**

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This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can first understand the Town of Boonsboro as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial conditions.

The Statement of Net Position and Statement of Activities (referred to collectively as the government-wide statements) provide information about the activities as an entire operating entity, presenting both an aggregate view of the Town's finances and a longer-term view of those assets and liabilities. Major fund statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The proprietary funds' statements are prepared on the same basis as the government-wide statements.

**REPORTING ON THE TOWN OF BOONSBORO AS A WHOLE**

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***Statement of Net Position and Statement of Activities***

The government-wide statements answer the question "How did the Town as a whole perform financially during FY 2017". They are prepared on the accrual basis of accounting, much the same way as for a private enterprise. This basis of accounting includes all assets and liabilities and takes into account all of the reporting year's revenues and expenses regardless of when the cash was received or paid.

- ***The Statement of Net Position.*** This statement (page 11) reports all assets and liabilities of the Town as of June 30, 2017. The difference between total assets and total liabilities is reported as "net position". Increases in net position generally indicate an improvement in financial position while decreases may indicate a deterioration of financial position.

**MAYOR AND COUNCIL OF BOONSBORO**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2017 (Unaudited)**

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- **The Statement of Activities.** This statement (page 12) serves the purpose of the traditional income statement. It provides consolidated reporting of the results of all activities of the Town for the year ended June 30, 2017. Changes in net position are recorded in the period in which the underlying event takes place, which may differ from the period in which cash is received or disbursed. The Statement of Activities displays the expense of the Town's various programs net of related revenues, as well as a separate presentation of revenues available for general purposes.

A more detailed explanation of these statements is found in Note 1 on pages 21-27 in the Notes to the Financial Statements.

**REPORTING ON THE TOWN OF BOONSBORO'S MOST SIGNIFICANT FUNDS**

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***Fund Financial Statements***

These statements provide financial position and results of the Town's major funds. A fund is an accounting entity created to account for a specific activity or purpose. Major funds of the Town of Boonsboro are the General Fund, Water Fund, and Sewer Fund. The creation of some funds is mandated by law and others are created by management to demonstrate financial compliance with budgetary or legal requirements. Funds are classified into three broad categories: governmental funds, proprietary funds, and fiduciary funds.

- **Government Funds.** Governmental funds are used to account for "governmental-type" activities. Unlike the government-wide financial statements, governmental fund statements use a "flow of financial resources" measurement focus. That is to say, the operating statement of a governmental fund attempts to answer the question "Are there more or less resources that can be spent in the near future as a result of events and transactions of the reporting period?" Increases in spendable resources are reported in the operating statement as "revenues" or "other financing sources." Decreases in spendable resources are reported as "expenditures" or "other financing uses." We describe the differences between governmental funds and governmental activities (reported in the Statement of Net Position and the Statement of Activities) in reconciliations presented beside the governmental fund financial statements on pages 14 and 16.

The Town of Boonsboro maintains one governmental fund. The governmental fund financial statements on pages 13 and 15 display the general fund, which is the only governmental fund of the Town. The general fund is also considered to be a major fund.

- **Proprietary Funds.** The Town has one type of proprietary funds: enterprise funds.

***Enterprise Funds***

These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises for which either 1) the intent is that the costs (expenses, including depreciation) be recovered primarily through user charges, or 2) determination of net income is appropriate for management control, accountability or other purposes.

**MAYOR AND COUNCIL OF BOONSBORO**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2017 (Unaudited)**

The Town of Boonsboro's Water and Sewer Funds are each considered to be major funds and are displayed separately in the proprietary fund statements on pages 17-20.

- **Fiduciary Funds.** The Town does not maintain any fiduciary funds.

**OTHER INFORMATION**

**Notes to the Basic Financial Statements**

The notes provide additional and explanatory data. They are an integral part of the basic financial statements. The Notes to Financial Statements can be found on pages 21-42 of this report.

**Required Supplementary Information**

In addition to the basic financial statements and notes, this report also contains required supplementary information (RSI). RSI includes budgetary schedules for the general fund. This data is on pages 43-45 of this report.

**Other Supplementary Information**

Budgetary schedules for the major enterprise funds are also presented on pages 46-47.

**THE TOWN OF BOONSBORO AS A WHOLE**

The following table presents condensed information on net position as of June 30, 2017 and 2016.

|                                     | Governmental Activities |                     | Business-Type Activities |                     | Total                |                      |
|-------------------------------------|-------------------------|---------------------|--------------------------|---------------------|----------------------|----------------------|
|                                     | 2017                    | 2016                | 2017                     | 2016                | 2017                 | 2016                 |
| <b>ASSETS</b>                       |                         |                     |                          |                     |                      |                      |
| Current and other assets            | \$ 3,442,879            | \$ 3,270,909        | \$ 118,482               | \$ 562,544          | \$ 3,561,361         | \$ 3,833,453         |
| Capital assets, net                 | 4,091,480               | 3,925,283           | 12,423,132               | 12,963,816          | 16,514,612           | 16,889,099           |
| Total Assets                        | 7,534,359               | 7,196,192           | 12,541,614               | 13,526,360          | 20,075,973           | 20,722,552           |
| <b>LIABILITIES</b>                  |                         |                     |                          |                     |                      |                      |
| Other liabilities                   | 309,846                 | 225,636             | 1,204,812                | 1,304,042           | 1,514,658            | 1,529,678            |
| Long-term liabilities               | 823,399                 | 1,124,676           | 7,733,504                | 7,913,958           | 8,556,903            | 9,038,634            |
| Total Liabilities                   | 1,133,245               | 1,350,312           | 8,938,316                | 9,218,000           | 10,071,561           | 10,568,312           |
| <b>NET POSITION</b>                 |                         |                     |                          |                     |                      |                      |
| Net investment in capital assets    | 3,268,081               | 2,800,607           | 4,688,931                | 5,049,161           | 7,957,012            | 7,849,768            |
| Restricted - Excise tax             | 62,546                  | 50,639              | -                        | -                   | 62,546               | 50,639               |
| Restricted - WWTP                   | 100,323                 | 100,223             | 302                      | 1,007               | 100,625              | 101,230              |
| Restricted - Hotel/Motel tax        | 42,996                  | 59,250              | -                        | -                   | 42,996               | 59,250               |
| Restricted - Friends of Shafer Park | 40,914                  | 40,409              | -                        | -                   | 40,914               | 40,409               |
| Restricted - ACA rebate             | -                       | 4,720               | -                        | -                   | -                    | 4,720                |
| Unrestricted (Deficit)              | 2,886,254               | 2,790,032           | (1,085,935)              | (741,808)           | 1,800,319            | 2,048,224            |
| <b>TOTAL NET POSITION</b>           | <b>\$ 6,401,114</b>     | <b>\$ 5,845,880</b> | <b>\$ 3,603,298</b>      | <b>\$ 4,308,360</b> | <b>\$ 10,004,412</b> | <b>\$ 10,154,240</b> |

For governmental activities, the net position reflects the retroactive reporting of reportable capital assets acquired after June 30, 2003. For business-type activities, the depreciable assets have always been reported.

**MAYOR AND COUNCIL OF BOONSBORO**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2017 (Unaudited)**

The Town's net position from governmental activities increased 9.5% from \$5,845,880 to \$6,401,114. Net investment in capital assets increased \$467,474 due to payments of debt, as well as depreciation of the existing assets and new acquisitions and disposals. Unrestricted net position increased \$96,222. The Town's assets increased 4.7% from \$7,196,192 to \$7,534,359 due to an increase in loans receivable from the sewer fund and an increase in other receivables and capital assets, offset by decreases in investments. Liabilities have decreased \$217,067 as a result of the general fund repaying principal balances on existing loans, offset by increases in account payable and other accrued expenses.

The Town's net position from business-type activities decreased 16.4% from \$4,308,360 to \$3,603,298. Net investment in capital assets decreased \$360,230 mainly due to an increase in depreciation expense offset by payments on debt. Unrestricted net (deficit) increased \$344,127. The Town's assets decreased 7.3% from \$13,526,360 to \$12,541,614 as a result of the increase in net payable due to the general fund for the wastewater treatment plant debt and depreciation, as well as a decrease in amounts due to/from other funds. Liabilities have decreased \$279,684 as a result of the water and sewer funds repaying principal balances on existing loans, offset by the issuance of additional funds from the general fund to the sewer fund to make payments on the wastewater treatment plant debt.

The following table presents condensed information on the changes in net position for the years ended June 30, 2017 and 2016.

|   | <b>Governmental Activities</b> |                   | <b>Business-Type Activities</b> |                     | <b>Total</b>        |                     |
|---|--------------------------------|-------------------|---------------------------------|---------------------|---------------------|---------------------|
|   | <b>2017</b>                    | <b>2016</b>       | <b>2017</b>                     | <b>2016</b>         | <b>2017</b>         | <b>2016</b>         |
| <b>REVENUES</b>                           |                                |                   |                                 |                     |                     |                     |
| <b>Program Revenues</b>                   |                                |                   |                                 |                     |                     |                     |
| Charges for services                      | \$ 156,330                     | \$ 222,694        | \$ 1,770,142                    | \$ 2,013,035        | \$ 1,926,472        | \$ 2,235,729        |
| Operating grants and contributions        | 272,239                        | 62,100            | 30,000                          | 150,000             | 302,239             | 212,100             |
| Capital grants and contributions          | -                              | -                 | -                               | -                   | -                   | -                   |
| <b>General Revenues</b>                   |                                |                   |                                 |                     |                     |                     |
| Income taxes                              | 351,942                        | 360,617           | -                               | -                   | 351,942             | 360,617             |
| Property taxes                            | 1,087,030                      | 1,015,708         | -                               | -                   | 1,087,030           | 1,015,708           |
| Other shared and local taxes and grants   | 175,170                        | 202,294           | -                               | -                   | 175,170             | 202,294             |
| Investment earnings                       | 20,043                         | 21,033            | 5,962                           | 3,096               | 26,005              | 24,129              |
| Miscellaneous income/(expenses)           | 40,543                         | 30,454            | -                               | 3,520               | 40,543              | 33,974              |
| Gain (loss) on disposal of capital assets | -                              | 12,500            | (11,805)                        | -                   | (11,805)            | 12,500              |
| <b>Total Revenues</b>                     | <b>2,103,297</b>               | <b>1,927,400</b>  | <b>1,794,299</b>                | <b>2,169,651</b>    | <b>3,897,596</b>    | <b>4,097,051</b>    |
| <b>EXPENSES</b>                           |                                |                   |                                 |                     |                     |                     |
| General government/non-departmental       | 496,940                        | 630,074           | -                               | -                   | 496,940             | 630,074             |
| Public safety                             | 479,655                        | 456,090           | -                               | -                   | 479,655             | 456,090             |
| Highways and streets                      | 244,746                        | 313,435           | -                               | -                   | 244,746             | 313,435             |
| Sanitation                                | 173,766                        | 166,225           | -                               | -                   | 173,766             | 166,225             |
| Recreation and parks                      | 152,956                        | 155,403           | -                               | -                   | 152,956             | 155,403             |
| Water                                     | -                              | -                 | 748,934                         | 754,880             | 748,934             | 754,880             |
| Sewer                                     | -                              | -                 | 1,750,427                       | 1,740,379           | 1,750,427           | 1,740,379           |
| <b>Total Expenses</b>                     | <b>1,548,063</b>               | <b>1,721,227</b>  | <b>2,499,361</b>                | <b>2,495,259</b>    | <b>4,047,424</b>    | <b>4,216,486</b>    |
| <b>CHANGE IN NET POSITION</b>             | <b>\$ 555,234</b>              | <b>\$ 206,173</b> | <b>\$ (705,062)</b>             | <b>\$ (325,608)</b> | <b>\$ (149,828)</b> | <b>\$ (119,435)</b> |

**MAYOR AND COUNCIL OF BOONSBORO**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2017 (Unaudited)**

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**GOVERNMENTAL ACTIVITIES – CHANGE IN NET POSITION**

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Governmental activities increased the Town's net position by \$555,234. Key elements of this increase are as follows:

- Real property taxes exceeded budget by \$48,000. This is the result of an increase in assessments, as well as a one cent increase in the tax rate.
- State shared income taxes exceeded budget by \$36,942. This is the result of an increase in MD taxes generated from income tax returns in the local area.
- Other grants and shared taxes exceeded budget by \$44,197. This is the result of an increase in Program Open Space grant funding and county permit excise taxes.
- Total highway and streets expenditures came in \$21,683 under budget. This is mostly the result of significantly lower maintenance costs due to having a mild winter.
- Total non-departmental expenditures came in \$31,584 under budget. This is mostly the result of payroll-related expenses and health insurance getting re-allocated among the Town's three funds, whereby the proprietary funds are absorbing more of the costs than previously.
- Total capital outlay came in \$53,020 under budget. This is the result of the Town not spending as much on building improvements and road improvements as originally anticipated.
- The increase was partially offset by debt service coming in higher than budget due to the Town making an additional principal payment in FY 2017.

**BUSINESS-TYPE ACTIVITIES – CHANGE IN NET POSITION**

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Business-type activities decreased the Town's net position by \$705,062. Key elements of this decrease are as follows:

- The Town completed construction of a new wastewater treatment plant and extended water lines on Alternate Route 40 in FY 2010 which added significant capital assets that would be depreciated over future years. Depreciation expense for the Water and Sewer Funds is \$812,193 in FY 2017.
- Interest expense for the sewer fund was much higher than budget due to the fact that the sewer budget was missing debt service for the portion of the wastewater treatment plant debt that is being paid by the general fund.
- Sewer charges were \$133,910 less than budget as a result of decreased consumption due to the Town changing its rate structure. This decrease in revenue was offset by \$132,000 in connection and user fees, of which nothing was budgeted. This revenue was previously deferred, as the sewer taps were paid by developers in prior years, but just placed in service during FY 2017.
- Water connection and user fees were \$60,000 less than budget due to less new construction being completed during the year than anticipated.

**MAYOR AND COUNCIL OF BOONSBORO**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2017 (Unaudited)**

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**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND FINANCIAL STATEMENTS**

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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, fund balance is generally a good indicator of net resources available for spending at the end of the fiscal year, subject to any stated restrictions on its use.

As of the end of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$3,133,033, an increase of \$87,760 from the prior year. Approximately 56% of this total amount (\$1,758,320) constitutes the unassigned fund balance, which is available for spending at the government's discretion.

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The fund balances of the proprietary funds are the same on the fund basis as they are in the government-wide financial statements.

**BUDGETARY HIGHLIGHTS**

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Tax revenue remains the primary financial resource to meet the monetary operating obligations with real property tax revenues increasing only at the proposed Constant Yield Tax Rate. Current year increases in other grants and shared taxes provide additional financial resources to meet monetary operating obligations; however, due to fluctuations in state funding, they cannot be relied upon as a consistent source of revenue in future years.

Increased expenses related to the wastewater treatment plant debt and operations resulted in a decrease in both the Town's net position and the Town's assets in FY 2017.

**CAPITAL ASSET AND DEBT ADMINISTRATION – GOVERNMENT-WIDE STATEMENT**

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***Capital Asset Activity***

The Town's investment in capital assets for its governmental and business type activities as of June 30, 2017 amounted to \$16,514,612 (net of accumulated depreciation). This investment in capital assets includes land, buildings, water and sewer improvements, equipment, park facilities, and projects under construction. The total additions to the Town's investment in capital assets for the current fiscal year were \$409,442 for the governmental funds and \$283,314 for the business-type activities. The total disposals to the Town's investment in capital assets for the current fiscal year were \$0 for the governmental funds and \$18,115 for the business-type activities.

Additional information on the Town's capital assets can be found in the notes, on pages 30 and 31 of this report.

**MAYOR AND COUNCIL OF BOONSBORO**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2017 (Unaudited)**

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***Debt Administration***

The following table presents the Town of Boonsboro's outstanding debt owed to third parties, at June 30, 2017 and 2016.

|                          | <u>Governmental Activities</u> |                     | <u>Business-Type Activities</u> |                     | <u>Total Outstanding Debt</u> |                     |
|--------------------------|--------------------------------|---------------------|---------------------------------|---------------------|-------------------------------|---------------------|
|                          | <u>2017</u>                    | <u>2016</u>         | <u>2017</u>                     | <u>2016</u>         | <u>2017</u>                   | <u>2016</u>         |
| Loans outstanding        | \$ 823,399                     | \$ 1,124,676        | \$ 7,733,504                    | \$ 7,803,420        | \$ 8,556,903                  | \$ 8,928,096        |
| General obligation bonds | -                              | -                   | -                               | 110,538             | -                             | 110,538             |
| Total Debt               | <u>\$ 823,399</u>              | <u>\$ 1,124,676</u> | <u>\$ 7,733,504</u>             | <u>\$ 7,913,958</u> | <u>\$ 8,556,903</u>           | <u>\$ 9,038,634</u> |

Additional information on the long-term debt of the Town can be found in the notes on pages 31-36 of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

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The Town continually seeks grants to support revenue, in addition to State and Federal financial support to sustain essential services and programs. Property tax revenue for the Town will continue to remain as the primary source of revenue for the Town's general fund, due to decreasing financial support from state and federal programs.

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, adjustments to quarterly water and sewer rates will be considered.

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**

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This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with an overview of the Town's finances. If you have any questions or need additional financial information, please contact the Town Manager, Town of Boonsboro, 21 N. Main Street, Boonsboro, MD 21713.

**MAYOR AND COUNCIL OF BOONSBORO**  
**Statement of Net Position**  
**June 30, 2017**

|  | Governmental<br>Activities | Business-type<br>Activities | Total                |
|--|----------------------------|-----------------------------|----------------------|
| <b>ASSETS</b>  |                            |                             |                      |
| <b>Current</b>   |                            |                             |                      |
| Cash   | \$ 94,195                  | \$ 359,381                  | \$ 453,576           |
| Cash - restricted - WWTP                                     | 100,323                    | -                           | 100,323              |
| Cash - restricted - excise taxes                             | 62,546                     | -                           | 62,546               |
| Certificates of deposit, including accrued interest          | 923,991                    | 486,875                     | 1,410,866            |
| Certificate of deposit - restricted - Friends of Shafer Park | 40,914                     | -                           | 40,914               |
| Investments - repurchase agreements                          | 910,784                    | 40,411                      | 951,195              |
| Receivables  |                            |                             |                      |
| Sanitation service   | 21,524                     | -                           | 21,524               |
| Taxes, net of allowance for uncollectible taxes of \$264     | 130                        | -                           | 130                  |
| Sewer service  | -                          | 235,019                     | 235,019              |
| Water service  | -                          | 163,191                     | 163,191              |
| Due from other governmental agencies                         | 115,942                    | -                           | 115,942              |
| Due from third-party payment processor                       | 364                        | -                           | 364                  |
| Other, net of allowance for doubtful accounts of \$594,723   | -                          | -                           | -                    |
| Prepaid expenses   | 5,771                      | -                           | 5,771                |
| Total Current Assets   | <u>2,276,484</u>           | <u>1,284,877</u>            | <u>3,561,361</u>     |
| <b>Noncurrent</b>  |                            |                             |                      |
| Loans receivable/payable - other funds                       | 1,067,189                  | (1,067,189)                 | -                    |
| Due to/from other funds                                      | 99,206                     | (99,206)                    | -                    |
| Capital assets, net of accumulated depreciation              | <u>4,091,480</u>           | <u>12,423,132</u>           | <u>16,514,612</u>    |
| Total Noncurrent Assets                                      | <u>5,257,875</u>           | <u>11,256,737</u>           | <u>16,514,612</u>    |
| Total Assets   | <u>\$ 7,534,359</u>        | <u>\$ 12,541,614</u>        | <u>\$ 20,075,973</u> |
| <b>LIABILITIES</b>   |                            |                             |                      |
| <b>Current</b>   |                            |                             |                      |
| Current maturities of long-term obligations                  | 167,144                    | 283,089                     | 450,233              |
| Matured bonds payable  | -                          | 697                         | 697                  |
| Accounts payable   | 238,122                    | 110,762                     | 348,884              |
| Due to other government agency                               | -                          | 29,791                      | 29,791               |
| Unearned revenue - tap fees                                  | -                          | 971,433                     | 971,433              |
| Accrued interest   | 912                        | 32,719                      | 33,631               |
| Other accrued expenses                                       | 67,612                     | 59,110                      | 126,722              |
| Deposits   | 3,200                      | 300                         | 3,500                |
| Total Current Liabilities                                    | <u>476,990</u>             | <u>1,487,901</u>            | <u>1,964,891</u>     |
| <b>Noncurrent</b>  |                            |                             |                      |
| Note payable - MDE   | -                          | 86,564                      | 86,564               |
| Note payable - MWQFA   | 93,000                     | -                           | 93,000               |
| Note payable - BB&T - Park improvements                      | 563,255                    | -                           | 563,255              |
| Note payable - MDE - Park View sewer rehabilitation          | -                          | 43,059                      | 43,059               |
| Note payable - MDE - Alt. 40 Extension                       | -                          | 40,446                      | 40,446               |
| Note payable - MDE - Alt. 40 Extension #2                    | -                          | 141,095                     | 141,095              |
| Bond payable - WWTP upgrade - USDA                           | -                          | 5,398,610                   | 5,398,610            |
| Bond payable - WWTP upgrade - MDE                            | -                          | 1,429,509                   | 1,429,509            |
| Note payable - BB&T - SHA Main St. Waterline                 | -                          | 144,161                     | 144,161              |
| Note payable - BB&T - Maple Ave. Waterline                   | -                          | 95,963                      | 95,963               |
| Note payable - Columbia Bank - CDA                           | -                          | 71,008                      | 71,008               |
| Total Noncurrent Liabilities                                 | <u>656,255</u>             | <u>7,450,415</u>            | <u>8,106,670</u>     |
| Total Liabilities  | <u>1,133,245</u>           | <u>8,938,316</u>            | <u>10,071,561</u>    |
| <b>NET POSITION</b>  |                            |                             |                      |
| Net investment in capital assets                             | 3,268,081                  | 4,688,931                   | 7,957,012            |
| Restricted - Excise tax                                      | 62,546                     | -                           | 62,546               |
| Restricted - Hotel/Motel tax                                 | 42,996                     | -                           | 42,996               |
| Restricted - WWTP  | 100,323                    | 302                         | 100,625              |
| Restricted - Friends of Shafer Park                          | 40,914                     | -                           | 40,914               |
| Unrestricted (Deficit)                                       | <u>2,886,254</u>           | <u>(1,085,935)</u>          | <u>1,800,319</u>     |
| <b>TOTAL NET POSITION</b>                                    | <u>\$ 6,401,114</u>        | <u>\$ 3,603,298</u>         | <u>\$ 10,004,412</u> |

**MAYOR AND COUNCIL OF BOONSBORO**  
**Statement of Activities**  
**Year Ended June 30, 2017**

| Functions/Programs                          | Expenses            | Program Revenues     |                                    |                                  | Net Revenue (Expense) and Changes in Net Position |                          |                      |
|---|---------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------------|
|   |                     | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities                           | Business-type Activities | Total                |
| <b>PRIMARY GOVERNMENT</b>                   |                     |                      |                                    |                                  |   |                          |                      |
| <b>Governmental Activities</b>              |                     |                      |                                    |                                  |   |                          |                      |
| General government                          | \$ 284,719          | \$ 42,303            | \$ -                               | \$ -                             | \$ (242,416)                                      | \$ -                     | \$ (242,416)         |
| Public safety                               | 479,655             | 210                  | 34,018                             | -                                | (445,427)   | -                        | (445,427)            |
| Sanitation                                  | 173,766             | 103,417              | -                                  | -                                | (70,349)  | -                        | (70,349)             |
| Highways and streets                        | 244,746             | -                    | -                                  | -                                | (244,746)   | -                        | (244,746)            |
| Recreation and parks                        | 152,956             | 10,400               | 238,221                            | -                                | 95,665  | -                        | 95,665               |
| Non-departmental                            | 212,221             | -                    | -                                  | -                                | (212,221)   | -                        | (212,221)            |
| Total Governmental Activities               | <u>1,548,063</u>    | <u>156,330</u>       | <u>272,239</u>                     | <u>-</u>                         | <u>(1,119,494)</u>                                | <u>-</u>                 | <u>(1,119,494)</u>   |
| <b>Business-Type Activities</b>             |                     |                      |                                    |                                  |   |                          |                      |
| Water                                       | 748,934             | 759,360              | -                                  | -                                | -   | 10,426                   | 10,426               |
| Sewer                                       | 1,750,427           | 1,010,782            | 30,000                             | -                                | -   | (709,645)                | (709,645)            |
| Total Business-Type Activities              | <u>2,499,361</u>    | <u>1,770,142</u>     | <u>30,000</u>                      | <u>-</u>                         | <u>-</u>  | <u>(699,219)</u>         | <u>(699,219)</u>     |
| <b>TOTAL PRIMARY GOVERNMENT</b>             | <u>\$ 4,047,424</u> | <u>\$ 1,926,472</u>  | <u>\$ 302,239</u>                  | <u>\$ -</u>                      | <u>(1,119,494)</u>                                | <u>(699,219)</u>         | <u>(1,818,713)</u>   |
| <b>GENERAL REVENUES</b>                     |                     |                      |                                    |                                  |   |                          |                      |
| Taxes                                       |                     |                      |                                    |                                  |   |                          |                      |
| Income taxes                                |                     |                      |                                    |                                  |   |                          |                      |
|   |                     |                      |                                    |                                  | 351,942   | -                        | 351,942              |
| Property taxes, levied for general purposes |                     |                      |                                    |                                  |   |                          |                      |
|   |                     |                      |                                    |                                  | 1,087,030   | -                        | 1,087,030            |
| Other shared and local taxes and grants     |                     |                      |                                    |                                  |   |                          |                      |
|   |                     |                      |                                    |                                  | 175,170   | -                        | 175,170              |
| Miscellaneous revenues                      |                     |                      |                                    |                                  |   |                          |                      |
|   |                     |                      |                                    |                                  | 40,543  | -                        | 40,543               |
| Interest and investment earnings            |                     |                      |                                    |                                  |   |                          |                      |
|   |                     |                      |                                    |                                  | 20,043  | 5,962                    | 26,005               |
| (Loss) on capital asset disposal            |                     |                      |                                    |                                  |   |                          |                      |
|   |                     |                      |                                    |                                  | -   | (11,805)                 | (11,805)             |
| Total General Revenues                      |                     |                      |                                    |                                  |   |                          |                      |
|   |                     |                      |                                    |                                  | <u>1,674,728</u>                                  | <u>(5,843)</u>           | <u>1,668,885</u>     |
| Change in net position                      |                     |                      |                                    |                                  |   |                          |                      |
|   |                     |                      |                                    |                                  | 555,234   | (705,062)                | (149,828)            |
| <b>NET POSITION - BEGINNING OF YEAR</b>     |                     |                      |                                    |                                  |   |                          |                      |
|   |                     |                      |                                    |                                  | <u>5,845,880</u>                                  | <u>4,308,360</u>         | <u>10,154,240</u>    |
| <b>NET POSITION - END OF YEAR</b>           |                     |                      |                                    |                                  |   |                          |                      |
|   |                     |                      |                                    |                                  | <u>\$ 6,401,114</u>                               | <u>\$ 3,603,298</u>      | <u>\$ 10,004,412</u> |

**MAYOR AND COUNCIL OF BOONSBORO**  
**Balance Sheet – Governmental Fund**  
**June 30, 2017**

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|   | <b>General Fund</b>        |
|---|----------------------------|
| <b>ASSETS</b>   |                            |
| Cash  | \$ 94,195                  |
| Cash - restricted - WWTP  | 100,323                    |
| Cash - restricted - excise taxes  | 62,546                     |
| Certificates of deposit, including accrued interest                             | 923,991                    |
| Certificates of deposit - restricted - Friends of Shafer Park                   | 40,914                     |
| Investments - repurchase agreements   | 910,784                    |
| Accounts receivable   | 137,466                    |
| Property taxes receivable, net of allowance for uncollectible taxes<br>of \$264 | 130                        |
| Loans receivable from sewer fund  | 1,067,189                  |
| Due from other funds  | 301,313                    |
| Due from third-party payment processor  | 364                        |
| Prepaid expenses  | <u>5,771</u>               |
| <b>TOTAL ASSETS</b>   | <b><u>\$ 3,644,986</u></b> |
| <b>LIABILITIES</b>  |                            |
| Accounts payable  | \$ 238,122                 |
| Accrued expenses  | 68,524                     |
| Deposits  | 3,200                      |
| Due to other funds  | <u>202,107</u>             |
| Total Liabilities   | <u>511,953</u>             |
| <b>FUND BALANCE</b>   |                            |
| Nonspendable  | 1,072,960                  |
| Restricted  | 246,779                    |
| Committed   | 54,974                     |
| Unassigned  | <u>1,758,320</u>           |
| Total Fund Balance  | <u>3,133,033</u>           |
| <b>TOTAL LIABILITIES AND FUND BALANCE</b>                                       | <b><u>\$ 3,644,986</u></b> |

**MAYOR AND COUNCIL OF BOONSBORO**  
**Reconciliation of Fund Balance to Net Position of Governmental Activities**  
**June 30, 2017**

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**TOTAL FUND BALANCE - GOVERNMENTAL FUNDS** \$ 3,133,033

Amounts reported for governmental activities in the statement  
of net position are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported as assets in the governmental funds.

Capital assets consist of:

Property, plant, equipment and infrastructure assets, net 4,091,480

Long-term liabilities, including notes payable, are not due and payable in  
the current period, and therefore, are not reported in the funds:

Notes payable (823,399)

**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES** \$ 6,401,114

**MAYOR AND COUNCIL OF BOONSBORO**  
**Statement of Revenues, Expenditures and Changes In Fund Balance**  
**Governmental Fund**  
**Year Ended June 30, 2017**

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|   | <b>General Fund</b>        |
|---|----------------------------|
| <b>REVENUES</b>                         |                            |
| Local property taxes, net of discounts  | \$ 1,087,030               |
| Licenses and permits                    | 40,734                     |
| Grants and shared taxes                 | 799,561                    |
| Charges for services                    | 103,417                    |
| Other revenue                           | <u>72,555</u>              |
| Total Revenues                          | <u>2,103,297</u>           |
| <b>EXPENDITURES</b>                     |                            |
| General government                      | 253,909                    |
| Public safety                           | 423,357                    |
| Highways and streets                    | 195,317                    |
| Sanitation                              | 173,766                    |
| Recreation and parks                    | 46,248                     |
| Non-departmental expenditures           | 191,643                    |
| Capital outlay                          | 409,442                    |
| Debt retirement - interest              | 20,578                     |
| Debt retirement - principal             | <u>301,277</u>             |
| Total Expenditures                      | <u>2,015,537</u>           |
| Excess of Revenues Over Expenditures    | 87,760                     |
| <b>FUND BALANCE - BEGINNING OF YEAR</b> | <u>3,045,273</u>           |
| <b>FUND BALANCE - END OF YEAR</b>       | <u><u>\$ 3,133,033</u></u> |

**MAYOR AND COUNCIL OF BOONSBORO**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance**  
**of Governmental Funds to the Statement of Activities**  
**Year Ended June 30, 2017**

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**NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS** \$ 87,760

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. 409,442

Depreciation expense on capital assets is reported in the government-wide statement of activities, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds. (243,245)

The issuance of long-term debt 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. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items. 301,277

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ 555,234

**MAYOR AND COUNCIL OF BOONSBORO**  
**Statement of Net Position – Proprietary Funds**  
**June 30, 2017**

|  | <b>Business-Type Activities - Enterprise Funds</b> |                     |                      |
|--|--|---------------------|----------------------|
|  | <b>Water</b>                                       | <b>Sewer</b>        | <b>Total</b>         |
| <b>ASSETS</b>  |  |                     |                      |
| <b>Current Assets</b>                                      |  |                     |                      |
| Cash   | \$ 293,672   | \$ 65,709           | \$ 359,381           |
| Certificates of deposit, including accrued interest        | 324,030  | 162,845             | 486,875              |
| Investments - repurchase agreements                        | -  | 40,411              | 40,411               |
| Receivables:   |  |                     |                      |
| Sewer service  | -  | 235,019             | 235,019              |
| Water service  | 163,191  | -                   | 163,191              |
| Other, net of allowance for doubtful accounts of \$594,723 | -  | -                   | -                    |
| Due from other funds                                       | 114,296  | 113,394             | 227,690              |
| <b>Total Current Assets</b>                                | <b>895,189</b>                                     | <b>617,378</b>      | <b>1,512,567</b>     |
| <b>Capital Assets</b>                                      |  |                     |                      |
| Property, plant and equipment                              | 7,570,197  | 14,657,292          | 22,227,489           |
| Less accumulated depreciation                              | (3,383,538)  | (6,420,819)         | (9,804,357)          |
| <b>Total Noncurrent Assets</b>                             | <b>4,186,659</b>                                   | <b>8,236,473</b>    | <b>12,423,132</b>    |
| <b>TOTAL ASSETS</b>  | <b>\$ 5,081,848</b>                                | <b>\$ 8,853,851</b> | <b>\$ 13,935,699</b> |
| <b>LIABILITIES AND NET POSITION</b>                        |  |                     |                      |
| <b>Current Liabilities</b>                                 |  |                     |                      |
| Current maturities of long-term obligations                | \$ 98,196  | \$ 184,893          | \$ 283,089           |
| Matured bonds payable                                      | -  | 697                 | 697                  |
| Accounts payable   | 76,528   | 34,234              | 110,762              |
| Unearned revenue - tap fees                                | 2,000  | 969,433             | 971,433              |
| Deposits   | -  | 300                 | 300                  |
| Due to other funds   | 87,723   | 239,173             | 326,896              |
| Due to other government agency                             | 5,263  | 24,528              | 29,791               |
| Accrued interest   | 1,394  | 31,325              | 32,719               |
| Accrued compensated absences                               | 12,136   | 12,136              | 24,272               |
| Accrued pension expense                                    | 17,419   | 17,419              | 34,838               |
| <b>Total Current Liabilities</b>                           | <b>300,659</b>                                     | <b>1,514,138</b>    | <b>1,814,797</b>     |
| <b>Noncurrent Liabilities</b>                              |  |                     |                      |
| Note payable - Park View sewer rehabilitation              | -  | 43,059              | 43,059               |
| Loan payable - General Fund                                | -  | 58,880              | 58,880               |
| Loan payable - General Fund #2                             | -  | 1,008,309           | 1,008,309            |
| Bond payable - WWTP upgrade - USDA                         | -  | 5,398,610           | 5,398,610            |
| Bond payable - WWTP upgrade - MDE                          | -  | 1,429,509           | 1,429,509            |
| Note payable - MDE   | 86,564   | -                   | 86,564               |
| Note payable - MDE - Alt. 40 Extension                     | 40,446   | -                   | 40,446               |
| Note payable - MDE - Alt. 40 Extension #2                  | 141,095  | -                   | 141,095              |
| Note payable - Columbia Bank - CDA                         | 71,008   | -                   | 71,008               |
| Note payable - BB&T - SHA Main St. Waterline               | 144,161  | -                   | 144,161              |
| Note payable - BB&T - Maple Ave. Waterline                 | 95,963   | -                   | 95,963               |
| <b>Total Noncurrent Liabilities</b>                        | <b>579,237</b>                                     | <b>7,938,367</b>    | <b>8,517,604</b>     |
| <b>Total Liabilities</b>                                   | <b>879,896</b>                                     | <b>9,452,505</b>    | <b>10,332,401</b>    |
| <b>NET POSITION</b>  |  |                     |                      |
| Net investment in capital assets                           | 3,509,226  | 1,179,705           | 4,688,931            |
| Restricted - WWTP  | -  | 302                 | 302                  |
| Unrestricted (Deficit)                                     | 692,726  | (1,778,661)         | (1,085,935)          |
| <b>Total Net Position</b>                                  | <b>4,201,952</b>                                   | <b>(598,654)</b>    | <b>3,603,298</b>     |
| <b>TOTAL LIABILITIES AND NET POSITION</b>                  | <b>\$ 5,081,848</b>                                | <b>\$ 8,853,851</b> | <b>\$ 13,935,699</b> |

**MAYOR AND COUNCIL OF BOONSBORO**  
**Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds**  
**Year Ended June 30, 2017**

|   | <b>Business-Type Activities - Enterprise Funds</b> |                     |                     |
|---|--|---------------------|---------------------|
|   | <b>Water</b>                                       | <b>Sewer</b>        | <b>Total</b>        |
| <b>OPERATING REVENUES</b>                   |  |                     |                     |
| Charges for services                        | \$ 577,701   | \$ 876,170          | \$ 1,453,871        |
| Charges for debt service                    | 23,029   | -                   | 23,029              |
| Charges for administration                  | 67,444   | -                   | 67,444              |
| Grants                                      | -  | 30,000              | 30,000              |
| Connection fees and user fees               | 90,000   | 132,000             | 222,000             |
| Other income                                | 1,186  | 2,612               | 3,798               |
|   | <u>759,360</u>                                     | <u>1,040,782</u>    | <u>1,800,142</u>    |
| <b>OPERATING EXPENSES</b>                   |  |                     |                     |
| Depreciation                                | 155,269  | 656,924             | 812,193             |
| Advertising                                 | 548  | 946                 | 1,494               |
| Maintenance and repairs                     | 97,613   | 80,489              | 178,102             |
| Chemicals                                   | 11,190   | 51,991              | 63,181              |
| Biosolids removal                           | -  | 158,834             | 158,834             |
| Electricity                                 | 52,081   | 95,092              | 147,173             |
| Heating                                     | 1,715  | 1,715               | 3,430               |
| Telephone                                   | 6,388  | 5,094               | 11,482              |
| Salaries                                    | 243,769  | 248,665             | 492,434             |
| Insurance                                   | 16,892   | 35,079              | 51,971              |
| Health/life insurance expense               | 60,221   | 61,441              | 121,662             |
| Audit                                       | 7,500  | 7,500               | 15,000              |
| Legal fees                                  | 4,611  | 1,276               | 5,887               |
| Supplies                                    | 14,299   | 13,476              | 27,775              |
| Miscellaneous                               | 342  | 2,145               | 2,487               |
| Uniforms                                    | 2,769  | 2,769               | 5,538               |
| Professional memberships and certifications | 1,463  | 1,394               | 2,857               |
| Meeting expense                             | 960  | 1,090               | 2,050               |
| Payroll taxes                               | 20,999   | 21,288              | 42,287              |
| Pension expense                             | 17,419   | 17,419              | 34,838              |
| Postage                                     | 2,008  | 2,008               | 4,016               |
| Testing                                     | 748  | 26,830              | 27,578              |
| Truck expense                               | 5,134  | 5,006               | 10,140              |
| Connections - water meters                  | 3,250  | -                   | 3,250               |
| Equipment expense                           | 1,549  | 2,210               | 3,759               |
|   | <u>728,737</u>                                     | <u>1,500,681</u>    | <u>2,229,418</u>    |
| Operating Income (Loss)                     | <u>30,623</u>                                      | <u>(459,899)</u>    | <u>(429,276)</u>    |
| <b>OTHER REVENUES AND (EXPENSES)</b>        |  |                     |                     |
| Interest expense                            | (20,197)   | (249,746)           | (269,943)           |
| Interest income                             | 3,854  | 2,108               | 5,962               |
| (Loss) on capital asset disposal            | (11,384)   | (421)               | (11,805)            |
|   | <u>(27,727)</u>                                    | <u>(248,059)</u>    | <u>(275,786)</u>    |
| Total Other Revenues and (Expenses)         | <u>(27,727)</u>                                    | <u>(248,059)</u>    | <u>(275,786)</u>    |
| Change in Net Position                      | 2,896  | (707,958)           | (705,062)           |
| <b>NET POSITION - BEGINNING OF YEAR</b>     | <u>4,199,056</u>                                   | <u>109,304</u>      | <u>4,308,360</u>    |
| <b>NET POSITION - END OF YEAR</b>           | <u>\$ 4,201,952</u>                                | <u>\$ (598,654)</u> | <u>\$ 3,603,298</u> |

**MAYOR AND COUNCIL OF BOONSBORO**  
**Statement of Cash Flows – Proprietary Funds**  
**Year Ended June 30, 2017**

|   | <b>Business-Type Activities - Enterprise Funds</b> |              |              |
|---|--|--------------|--------------|
|   | <b>Water</b>                                       | <b>Sewer</b> | <b>Total</b> |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                     |  |              |              |
| Cash received from customers                                    | \$ 759,615   | \$ 999,840   | \$ 1,759,455 |
| Cash payments to suppliers for goods and services               | (256,121)  | (599,732)    | (855,853)    |
| Cash payments to employees for services                         | (257,427)  | (262,323)    | (519,750)    |
| Net Cash Provided by Operating Activities                       | 246,067  | 137,785      | 383,852      |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>          |  |              |              |
| Decrease in due from other funds                                | 32,174   | 24,416       | 56,590       |
| Increase in due to other funds                                  | 66,541   | 178,891      | 245,432      |
| Increase (decrease) in due to other government agency           | (12,328)   | 540          | (11,788)     |
| Proceeds on notes payable                                       | -  | 159,002      | 159,002      |
| Net Cash Provided by Noncapital Financing Activities            | 86,387   | 362,849      | 449,236      |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b> |  |              |              |
| Proceeds from long-term debt                                    | 113,612  | -            | 113,612      |
| Acquisition and construction of capital assets                  | (174,194)  | (109,120)    | (283,314)    |
| Interest paid on bonds and notes payable                        | (19,706)   | (249,746)    | (269,452)    |
| Principal payments on notes and bonds payable                   | (209,996)  | (84,079)     | (294,075)    |
| Net Cash (Used In) Capital and Related Financing Activities     | (290,284)  | (442,945)    | (733,229)    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                     |  |              |              |
| Interest on cash and investments                                | 3,854  | 2,108        | 5,962        |
| Purchases of certificates of deposit                            | (200,000)  | (2,069)      | (202,069)    |
| Redemption of certificates of deposit                           | 201,861  | -            | 201,861      |
| Net Cash Provided By Investing Activities                       | 5,715  | 39           | 5,754        |
| Net Increase in Cash and Cash Equivalents                       | 47,885   | 57,728       | 105,613      |
| <b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>            | 245,787  | 48,392       | 294,179      |
| <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>                  | \$ 293,672   | \$ 106,120   | \$ 399,792   |

**MAYOR AND COUNCIL OF BOONSBORO**  
**Statement of Cash Flows – Proprietary Funds**  
**Year Ended June 30, 2017**

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(Continued)

**RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS  
TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

|  |                   |                   |                   |
|--|-------------------|-------------------|-------------------|
| Operating income (loss)  | \$ 26,738         | \$ (463,784)      | \$ (437,046)      |
| Adjustments to reconcile income (loss) from operations to net cash provided by operating activities: |                   |                   |                   |
| Depreciation   | 155,269           | 656,924           | 812,193           |
| Decrease in receivables  | 255               | 91,058            | 91,313            |
| Increase (decrease) in accounts payable  | 66,315            | (11,903)          | 54,412            |
| (Decrease) in unearned revenue - tap fees  | -                 | (132,000)         | (132,000)         |
| (Decrease) in accrued expenses   | (2,510)           | (2,510)           | (5,020)           |
|  | <u>\$ 246,067</u> | <u>\$ 137,785</u> | <u>\$ 383,852</u> |

**RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS  
PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF  
NET POSITION**

|                                     |                   |                   |                   |
|-------------------------------------|-------------------|-------------------|-------------------|
| Cash                                | \$ 293,672        | \$ 65,709         | \$ 359,381        |
| Investments - repurchase agreements | -                 | 40,411            | 40,411            |
|                                     | <u>\$ 293,672</u> | <u>\$ 106,120</u> | <u>\$ 399,792</u> |

**MAYOR AND COUNCIL OF BOONSBORO**  
**Notes to Financial Statements**  
**June 30, 2017**

---

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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***The Financial Reporting Entity***

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

The accompanying financial statements are presented as of June 30, 2017 and for the year then ended and have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the *GASB's Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification).

***Reporting Entity***

The accompanying financial statements comply with the provisions of the GASB, in that the financial statements include all organizations, activities, functions and component units for which the Town (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the Town's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the Town.

Based on the foregoing, the Town's financial reporting entity includes all funds, and boards and commissions that are part of the primary government. There are no component units.

***Government-Wide and Fund Financial Statements***

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The statements distinguish between those activities of the Town that are governmental and those that are considered business-type activities. The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Governmental fund financial statements include a reconciliation with explanations to identify the relationship between the government-wide statements and statements for governmental funds.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Separate financial statements are provided for the governmental fund and proprietary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Governmental Fund Balances***

Governmental funds classify fund balance based on the relative strength of the spending constraints placed on the purpose for which resources can be used. The classifications are as follows:

***Nonspendable***

This classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. This classification includes items such as prepaid amounts, inventories, and loans and notes receivable.

***Restricted***

This classification includes amounts where the constraints placed on the use of resources are externally imposed by creditors, grantors, contributors or imposed by law through constitutional provisions or enabling legislation.

***Committed***

This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Mayor and Council of Boonsboro. Once an amount is committed, it cannot be used for any other purpose unless changed by the same type of formal action used to initially constrain the funds.

***Assigned***

For the General Fund, this classification includes amounts intended to be used for specific purposes that do not meet the criteria to be classified as Restricted or Committed. 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***

This classification represents the portion of spendable fund balance that has not been categorized as Restricted, Committed or Assigned. A negative Unassigned fund balance may occur 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.

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.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Taxpayer-assessed income is considered “measurable” when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

The Town reports the following major governmental fund:

The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

The Town reports the following major proprietary funds:

The Water Utility Fund accounts for the activity of the Town’s water distribution system.

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.

**MAYOR AND COUNCIL OF BOONSBORO**  
**Notes to Financial Statements**  
**June 30, 2017**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. The proprietary funds also recognize as operating revenue the portion of connection fees intended to recover the cost of connecting new customers to the system. These fees are recorded as deferred revenue until utilized by the developers (See Note 18). Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, and then unrestricted resources as they are needed.

***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$1,000 and infrastructure items over \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. GASB Statement No. 34 required the Town to report and depreciate new infrastructure assets effective with its implementation. Therefore, infrastructure assets acquired prior to July 1, 2003 are not included in capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives 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, 2017.

**MAYOR AND COUNCIL OF BOONSBORO**  
**Notes to Financial Statements**  
**June 30, 2017**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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Property, plant, equipment, and infrastructure assets are depreciated using the straight line method over the following estimated useful lives:

|                                      | <b>Years</b> |
|--------------------------------------|--------------|
| Buildings                            | 5-30         |
| Machinery and equipment              | 5-40         |
| Non-building improvements            | 10-40        |
| Water filtration system              | 5-50         |
| Water systems                        | 10-50        |
| Water treatment plant                | 5-50         |
| Storm drainage and road improvements | 10-50        |

***Long-Term Obligations***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities fund type statement of net position.

***Use of Estimates in the Preparation of Financial Statements***

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

***Real Estate and Property Taxes***

The Town's tax levy date for Real Estate and Personal Property taxes is July 1 of each year. These taxes are due and payable no later than September 30 of the tax year 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.

***Statement of Cash Flows***

For the purposes of the statement of cash flows, the Water and Sewer Utility Funds have defined cash equivalents as all highly liquid deposits and other investment instruments (such as repurchase agreements) that have an original maturity of three months or less. Certificates of deposit are not considered cash equivalents, unless they are considered liquid certificates of deposit with no set maturity date.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Concentrations of Credit Risk***

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.

***Accounts Receivable***

The Town provides credit in the normal course of business to its customers and performs ongoing credit evaluations of those customers. Receivables are generally due thirty (30) days after billed. 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. Based on management's review, an allowance for doubtful accounts related to amounts due from developers has been recorded (See Note 19).

***Investments***

Investments are stated at fair value based on quoted market values. Under the terms of repurchase agreements, the excess cash from checking accounts is invested in short-term investments. Short-term investments in U.S. Treasury and agency obligations that have a remaining maturity at the time of purchase of one year or less, provided that the fair value of those investments is not significantly affected by impairment, are reported at amortized cost, which approximates market value.

***Taxes and Town Services***

The Town and its separate funds do not pay Federal, State, or local taxes except social security taxes. 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.

***Rate of Town Taxes***

|                       |                                     |
|-----------------------|-------------------------------------|
| Real estate tax       | \$ .36 per \$100 of assessable base |
| Personal property tax | \$ .87 per \$100 of assessable base |

**MAYOR AND COUNCIL OF BOONSBORO**  
**Notes to Financial Statements**  
**June 30, 2017**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***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.

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.

***Net Position***

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

***Net Investment in Capital Assets***

Consists of capital assets grouped into one component of net position. Accumulated depreciation and the outstanding balances of debt, accounts payable, and retainage payable that are attributable to the acquisition, construction or improvement of these assets reduce the category. Net investment in capital assets as of June 30, 2017 consists of the following:

|                                  | <u>Government Wide Activities</u> |                                 |                     |                     |
|----------------------------------|-----------------------------------|---------------------------------|---------------------|---------------------|
|                                  | <u>Governmental Activities</u>    | <u>Business Type Activities</u> | <u>Water Fund</u>   | <u>Sewer Fund</u>   |
| Capital assets                   | \$ 7,166,348                      | \$ 22,227,489                   | \$ 7,570,197        | \$ 14,657,292       |
| Accumulated depreciation         | (3,074,868)                       | (9,804,357)                     | (3,383,538)         | (6,420,819)         |
| Debt                             | (823,399)                         | (7,734,201)                     | (677,433)           | (7,056,768)         |
| Net investment in capital assets | <u>\$ 3,268,081</u>               | <u>\$ 4,688,931</u>             | <u>\$ 3,509,226</u> | <u>\$ 1,179,705</u> |

***Restricted***

Consists of components of net position with constraints placed on use by external groups such as creditors, grantors, contributors, regulations of other governments, law through constitutional provisions or enabling legislation. As of June 30, 2017 the Town had restrictions of net position in the governmental activities of \$246,779 (See Note 9) and restrictions of net position in the business-type activities of \$302.

***Unrestricted***

Consists of all other components of net position that do not meet the definition of “net investment in capital assets” or “restricted”.

**MAYOR AND COUNCIL OF BOONSBORO**  
**Notes to Financial Statements**  
**June 30, 2017**

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**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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***Budgetary Information***

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. All annual appropriations lapse at the fiscal year end. 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. The Mayor and Council review the operating budget in regular public meetings and in a public hearing.

The Town Manager reviews the budget on a monthly basis. All expenditures are approved by the Mayor and Council. If the Mayor and Council approve expenditures not previously budgeted, the Town Manager amends the budget to better reflect comparison to actual results.

**NOTE 3 CASH AND CERTIFICATES OF DEPOSIT**

---

At June 30, 2017, the carrying amount of the Town's deposits, including interest receivable, was \$2,068,225. The related bank balances totaled \$2,076,276, including accrued interest.

Following is a schedule of the Town's deposits by financial institution at June 30, 2017:

|                        |                     |
|------------------------|---------------------|
| BB&T                   | \$ 1,462,500        |
| The Columbia Bank      | 334,771             |
| Middletown Valley Bank | <u>279,005</u>      |
|                        | <u>\$ 2,076,276</u> |

**MAYOR AND COUNCIL OF BOONSBORO**  
**Notes to Financial Statements**  
**June 30, 2017**

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**NOTE 3 CASH AND CERTIFICATES OF DEPOSIT (CONTINUED)**

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***Custodial Credit Risk***

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. As of June 30, 2017, \$1,366,686 of the Town's deposits were exposed to custodial credit risk as follows:

|  |                     |
|--|---------------------|
| Uninsured and collateral held by pledging bank<br>not in the Town's name | <u>\$ 1,316,157</u> |
| Uninsured and not collateralized   | <u>\$ 50,529</u>    |

**NOTE 4 INVESTMENTS**

---

As of June 30, 2017, the Town had the following investments and maturities:

| <u>Investment Type</u>          | <u>Maturities</u> | <u>Fair Value</u> |
|---------------------------------|-------------------|-------------------|
| Repurchase agreements -<br>BB&T | Daily             | <u>\$ 951,195</u> |

The Town has no formal investment policy. It is the Town's policy to follow the rules as set forth by State statute.

The Town has entered into an overnight repurchase agreement with a commercial bank. The repurchase agreement specifies that only U.S. Treasury securities will be sold by the bank. Therefore, the repurchase agreement is not subject to credit risk. Under the State Finance and Procurement Article of the Annotated Code of Maryland, Title 6, Subtitle 2, the Town may invest in the following:

- Any obligation for which the United States has pledged its faith and credit for the payment of principal and interest.
- Any obligation that a federal agency issues in accordance with an act of Congress.
- Repurchase agreements that any of these obligations secure.

***Custodial Credit Risk - Repurchase Agreement***

The Bank has placed securities in safekeeping designated for repurchase agreements the Bank has entered into with the Town and other customers. The securities are held in the Bank's name. The Town is not party to the safekeeping contract. Therefore, the repurchase agreement is subject to custodial credit risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

**MAYOR AND COUNCIL OF BOONSBORO**  
**Notes to Financial Statements**  
**June 30, 2017**

**NOTE 5 CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017 was as follows:

|  | Balance<br>July 1, 2016 | Additions           | Deletions           | Balance<br>June 30, 2017 |
|--|-------------------------|---------------------|---------------------|--------------------------|
| <b>GOVERNMENTAL ACTIVITIES</b>               |                         |                     |                     |                          |
| <b>Capital Assets, Not Being Depreciated</b> |                         |                     |                     |                          |
| Land and land improvements                   | \$ 1,070,146            | \$ -                | \$ -                | \$ 1,070,146             |
| Construction in progress                     | 27,797                  | -                   | -                   | 27,797                   |
| Subtotal                                     | <u>1,097,943</u>        | <u>-</u>            | <u>-</u>            | <u>1,097,943</u>         |
| <b>Capital Assets, Being Depreciated</b>     |                         |                     |                     |                          |
| Buildings                                    | 1,478,673               | 12,750              | -                   | 1,491,423                |
| Machinery and equipment                      | 865,360                 | 77,886              | -                   | 943,246                  |
| Storm drainage                               | 522,548                 | -                   | -                   | 522,548                  |
| Road improvements                            | 879,100                 | 79,884              | -                   | 958,984                  |
| Park and playground equipment                | 1,913,285               | 238,922             | -                   | 2,152,207                |
| Subtotal                                     | <u>5,658,966</u>        | <u>409,442</u>      | <u>-</u>            | <u>6,068,408</u>         |
| <b>Accumulated Depreciation</b>              |                         |                     |                     |                          |
| Buildings                                    | (993,790)               | (30,810)            | -                   | (1,024,600)              |
| Machinery and equipment                      | (526,543)               | (56,298)            | -                   | (582,841)                |
| Storm drainage                               | (412,416)               | (3,660)             | -                   | (416,076)                |
| Road improvements                            | (249,211)               | (45,769)            | -                   | (294,980)                |
| Park and playground equipment                | (649,666)               | (106,708)           | -                   | (756,374)                |
| Subtotal                                     | <u>(2,831,626)</u>      | <u>(243,245)</u>    | <u>-</u>            | <u>(3,074,871)</u>       |
| <b>NET CAPITAL ASSETS</b>                    | <u>\$ 3,925,283</u>     | <u>\$ 166,197</u>   | <u>\$ -</u>         | <u>\$ 4,091,480</u>      |
| <b>BUSINESS-TYPE ACTIVITIES</b>              |                         |                     |                     |                          |
| <b>Capital Assets, Not Being Depreciated</b> |                         |                     |                     |                          |
| Land and land improvements                   | \$ 103,845              | \$ -                | \$ -                | \$ 103,845               |
| Construction in progress                     | 178,413                 | -                   | (178,413)           | -                        |
| Subtotal                                     | <u>282,258</u>          | <u>-</u>            | <u>(178,413)</u>    | <u>103,845</u>           |
| <b>Capital Assets, Being Depreciated</b>     |                         |                     |                     |                          |
| Land improvements                            | 5,000                   | -                   | -                   | 5,000                    |
| Buildings                                    | 140,532                 | -                   | -                   | 140,532                  |
| Machinery and equipment                      | 4,999,830               | 446,761             | (5,225)             | 5,441,366                |
| Utility plants                               | 16,534,668              | 14,965              | (12,889)            | 16,536,744               |
| Subtotal                                     | <u>21,680,030</u>       | <u>461,726</u>      | <u>(18,114)</u>     | <u>22,123,642</u>        |
| <b>Accumulated Depreciation</b>              |                         |                     |                     |                          |
| Land improvements                            | (5,000)                 | -                   | -                   | (5,000)                  |
| Buildings                                    | (140,532)               | -                   | -                   | (140,532)                |
| Machinery and equipment                      | (2,651,547)             | (123,440)           | 4,484               | (2,770,503)              |
| Utility plants                               | (6,201,393)             | (688,753)           | 1,826               | (6,888,320)              |
| Subtotal                                     | <u>(8,998,472)</u>      | <u>(812,193)</u>    | <u>6,310</u>        | <u>(9,804,355)</u>       |
| <b>NET CAPITAL ASSETS</b>                    | <u>\$ 12,963,816</u>    | <u>\$ (350,467)</u> | <u>\$ (190,217)</u> | <u>\$ 12,423,132</u>     |

**MAYOR AND COUNCIL OF BOONSBORO**  
**Notes to Financial Statements**  
**June 30, 2017**

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**NOTE 5 CAPITAL ASSETS (CONTINUED)**

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**DEPRECIATION WAS CHARGED TO FUNCTIONS AS FOLLOWS:**

|   |                            |
|---|----------------------------|
| Governmental activities                                 |                            |
| General government                                      | \$ 50,158                  |
| Public safety   | 25,167                     |
| Highways & streets                                      | 46,801                     |
| Recreation and parks                                    | 121,119                    |
| Total Governmental-Type Activities Depreciation Expense | <u>243,245</u>             |
| Business-Type Activities                                |                            |
| Water   | 155,269                    |
| Sewer   | 656,924                    |
| Total Business-Type Activities Depreciation Expense     | <u>812,193</u>             |
| <b>TOTAL DEPRECIATION EXPENSE</b>                       | <b><u>\$ 1,055,438</u></b> |

**NOTE 6 OTHER ACCRUED EXPENSES**

---

Other accrued expenses include accrued compensated absences in the amounts of \$29,895 and \$24,272 for the General and Proprietary Funds, respectively. General Fund amounts are considered a Fund liability since they are normally expected to be liquidated with expendable available financial resources. The policy with regard to accrued compensated absences is that personal leave (which encompasses vacation and sick leave) may be accumulated up to a maximum of 45 days (360 hours), and any employee who terminates employment of the Town receives pay for all remaining earned but unused time. Employees also have the option to cash out up to one week of unused accrued personal leave within any given 12-month period. Any unused vacation in excess of the carryover amount is forfeited at the end of the fiscal year, unless otherwise approved by the Mayor and Council.

**NOTE 7 LONG-TERM DEBT - PROPRIETARY FUND TYPES**

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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 prepayable without penalty and is unsecured. The commencement of payments was postponed and no payments have been made as of June 30, 2017. Since it is unlikely that any payments will occur within one year, no current maturities are booked for this loan.

|                             | Beginning<br>Balance | Additions | Reductions | Ending<br>Balance | Current<br>Maturities |
|-----------------------------|----------------------|-----------|------------|-------------------|-----------------------|
| <b>Sewer Fund</b>           |                      |           |            |                   |                       |
| Note payable - General Fund | \$ 58,880            | \$ -      | \$ -       | \$ 58,880         | \$ -                  |

On August 31, 2005 the Town obtained a \$127,984 loan from the Maryland Department of the Environment (MDE) for the replacement of the Park View Sewer 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.

**MAYOR AND COUNCIL OF BOONSBORO**  
**Notes to Financial Statements**  
**June 30, 2017**

**NOTE 7 LONG-TERM DEBT - PROPRIETARY FUND TYPES (CONTINUED)**

The loan is prepayable without penalty. Interest will be recomputed if the prepayment of principal is more than six months in advance.

|                    | Beginning<br>Balance | Additions | Reductions | Ending<br>Balance | Current<br>Maturities |
|--------------------|----------------------|-----------|------------|-------------------|-----------------------|
| <b>Sewer Fund</b>  |                      |           |            |                   |                       |
| Note payable - MDE | \$ 56,850            | \$ -      | \$ (6,861) | \$ 49,989         | \$ 6,930              |

On August 26, 2009, the Town borrowed \$5,991,000 from USDA, via the issuance of the Wastewater System Improvements Bond of 2009. The purpose was to finance the Town's wastewater treatment plan (WWTP) upgrade project. Terms of the USDA bond call for quarterly payments of \$79,501, including interest at a rate of 4.375%, for a period of 40 years, except that if the useful life of the plant is less than 40 years, the payments would be accelerated. Repayment began November 26, 2009. The bonds are secured by the full faith and credit and unlimited taxing power of the Town. The bond is prepayable without penalty.

In August 2017, the Town refinanced this bond with a Local Government Infrastructure Bond, 2017 Series A, in the amount of \$5,537,670 through the Community Development Administration (see Note 22). The repayment schedule as of June 30, 2017 does not reflect the terms of the new bond.

|                     | Beginning<br>Balance | Additions | Reductions  | Ending<br>Balance | Current<br>Maturities |
|---------------------|----------------------|-----------|-------------|-------------------|-----------------------|
| <b>Sewer Fund</b>   |                      |           |             |                   |                       |
| Bond payable - USDA | \$ 5,554,433         | \$ -      | \$ (76,218) | \$ 5,478,215      | \$ 79,607             |

The Town also borrowed \$2,000,000 from MDE by the issuance of the Water Quality Bond, Series 2009 on July 31, 2009. The purpose was to finance the Town's WWTP upgrade project. The bond with MDE bears interest at 1% and requires payments of fixed principal and interest annually on February 1 for a 20 year period, ending February 2029. The bonds are secured by the full faith and credit and unlimited taxing power of the Town. In December 2014, the Town refinanced this bond. Under the modified agreement, the Town paid a fixed principal payment of \$1,000 annually for three years plus interest in accordance with the original agreement on a semi-annual basis. After the three year deferment period, the refinanced bond requires variable annual payments until the bond is paid in full in 2029.

|                    | Beginning<br>Balance | Additions | Reductions | Ending<br>Balance | Current<br>Maturities |
|--------------------|----------------------|-----------|------------|-------------------|-----------------------|
| <b>Sewer Fund</b>  |                      |           |            |                   |                       |
| Bond payable - MDE | \$ 1,528,866         | \$ -      | \$ (1,000) | \$ 1,527,866      | \$ 98,356             |

In order to cover loan payments for the wastewater treatment plant upgrades due to certain developers not paying, the General Fund made two loans to the Sewer Fund during the year ended June 30, 2017. These loans were made in addition to loans made in the prior year. As of June 30, 2017, the General Fund had loaned a total of \$1,008,309 to the Sewer Fund to cover these loan payments. The loan will be repaid to the General Fund when the outstanding amounts due from the developers are paid in full. Since it is unlikely that these payments will occur within one year, no current maturities are booked for this loan.

**MAYOR AND COUNCIL OF BOONSBORO**  
**Notes to Financial Statements**  
**June 30, 2017**

**NOTE 7 LONG-TERM DEBT - PROPRIETARY FUND TYPES (CONTINUED)**

|                             | Beginning<br>Balance | Additions  | Reductions | Ending<br>Balance | Current<br>Maturities |
|-----------------------------|----------------------|------------|------------|-------------------|-----------------------|
| <b>Sewer Fund</b>           |                      |            |            |                   |                       |
| Note payable - General Fund | \$ 849,307           | \$ 159,002 | \$ -       | \$ 1,008,309      | \$ -                  |

On October 1, 1990, the Town borrowed \$325,100 at 7.5% by the issuance of the Infrastructure Bonds, 1990 Series I. The purpose was to finance the Town's Water System Improvements Project. The bonds are secured by the full faith and credit and taxing power of the Town.

On July 2, 1998, the Maryland Department of Housing and Community Development issued its 1998 Series C Bonds to refund six series of Infrastructure Financing Bonds for 1988 through 1992. The effect of this refunding was to reduce the original average interest cost from 7.5% to 4.69%.

During fiscal year 2017, the Town refinanced this bond with The 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.

|                                  | Beginning<br>Balance | Additions  | Reductions   | Ending<br>Balance | Current<br>Maturities |
|----------------------------------|----------------------|------------|--------------|-------------------|-----------------------|
| <b>Water Fund</b>                |                      |            |              |                   |                       |
| General obligation bonds payable | \$ 110,538           | \$ -       | \$ (110,538) | \$ -              | \$ -                  |
|                                  |                      |            |              |                   |                       |
| <b>Water Fund</b>                |                      |            |              |                   |                       |
| Note payable - The Columbia Bank | \$ -                 | \$ 113,612 | \$ (14,202)  | \$ 99,410         | \$ 28,403             |

During fiscal year 1999, the Town received a loan from MDE to assist in the funding of the Water Filtration Project. Under the agreement with MDE, the Town pays annual interest at 4.9% fixed beginning June 1999. 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.

|                    | Beginning<br>Balance | Additions | Reductions | Ending<br>Balance | Current<br>Maturities |
|--------------------|----------------------|-----------|------------|-------------------|-----------------------|
| <b>Water Fund</b>  |                      |           |            |                   |                       |
| Note payable - MDE | \$ 99,437            | \$ -      | \$ (6,282) | \$ 93,155         | \$ 6,591              |

During fiscal year 2009, 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 starting 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.

**MAYOR AND COUNCIL OF BOONSBORO**  
**Notes to Financial Statements**  
**June 30, 2017**

**NOTE 7 LONG-TERM DEBT - PROPRIETARY FUND TYPES (CONTINUED)**

|                    | Beginning<br>Balance | Additions | Reductions | Ending<br>Balance | Current<br>Maturities |
|--------------------|----------------------|-----------|------------|-------------------|-----------------------|
| <b>Water Fund</b>  |                      |           |            |                   |                       |
| Note payable - MDE | \$ 48,236            | \$ -      | \$ (3,846) | \$ 44,390         | \$ 3,944              |

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 starting 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.

|                    | Beginning<br>Balance | Additions | Reductions  | Ending<br>Balance | Current<br>Maturities |
|--------------------|----------------------|-----------|-------------|-------------------|-----------------------|
| <b>Water Fund</b>  |                      |           |             |                   |                       |
| Note payable - MDE | \$ 169,802           | \$ -      | \$ (14,282) | \$ 155,520        | \$ 14,425             |

On November 29, 2009, the Town entered into a loan agreement with BB&T in the amount of \$339,834. Terms of the note call for 180 monthly interest only payments. In addition to the regularly scheduled interest payments, the Town is required to make semi-annual principal payments of \$11,500 each April and October beginning April 29, 2010 with the final payment of all unpaid principal and accrued interest to be due and payable October 29, 2024. The interest rate is fixed at 5.38% for the first 120 months of the term of the loan; thereafter, the interest rate is variable based on the previous week's average of the Federal Home Loan Bank of Pittsburgh's corresponding five year amortizing fixed rate in effect at that time, plus one hundred sixty one basis points (1.61%). This note is prepayable without penalty and is unsecured.

This loan was refinanced on April 6, 2016. Under the terms of the refinanced agreement, the Town is required to continue making monthly interest only payments at a reduced fixed rate of 2.1%. In addition to the 84 regularly scheduled interest payments, the Town is required to make annual principal payments of \$14,417 beginning September 29, 2016 with the final payment of all unpaid principal and accrued interest to be due and payable March 29, 2023. All other terms of the original agreement remain in effect.

|                     | Beginning<br>Balance | Additions | Reductions  | Ending<br>Balance | Current<br>Maturities |
|---------------------|----------------------|-----------|-------------|-------------------|-----------------------|
| <b>Water Fund</b>   |                      |           |             |                   |                       |
| Note payable - BB&T | \$ 201,834           | \$ -      | \$ (28,839) | \$ 172,995        | \$ 28,833             |

On June 19, 2014, the Town entered into a loan agreement with BB&T in the amount of \$160,000. Terms of the note call for 120 monthly interest only payments. In addition to the regularly scheduled interest payments, the Town is required to make annual principal payments of \$16,000 each June beginning June 19, 2015 with the final payment of all unpaid principal and accrued interest to be due and payable June 19, 2024. The interest rate is fixed at 2.99%. The note is prepayable without penalty, is unsecured, and contains right of setoff provisions.

**MAYOR AND COUNCIL OF BOONSBORO**  
**Notes to Financial Statements**  
**June 30, 2017**

**NOTE 7 LONG-TERM DEBT - PROPRIETARY FUND TYPES (CONTINUED)**

|                     | Beginning<br>Balance | Additions | Reductions  | Ending<br>Balance | Current<br>Maturities |
|---------------------|----------------------|-----------|-------------|-------------------|-----------------------|
| <b>Water Fund</b>   |                      |           |             |                   |                       |
| Note payable - BB&T | \$ 143,963           | \$ -      | \$ (32,000) | \$ 111,963        | \$ 16,000             |

Required payments on debt of the Water and Sewer Fund in future years are as follows:

| Year Ending June 30, | Principal           | Interest            |
|----------------------|---------------------|---------------------|
| 2018                 | \$ 283,089          | \$ 267,096          |
| 2019                 | 288,230             | 260,224             |
| 2020                 | 293,565             | 253,183             |
| 2021                 | 284,892             | 246,005             |
| 2022                 | 276,422             | 239,104             |
| 2023-2027            | 1,384,430           | 1,140,526           |
| 20278-2032           | 1,092,707           | 920,682             |
| 2033-2037            | 835,596             | 754,427             |
| 2038-2042            | 1,038,681           | 551,339             |
| 2043-2047            | 1,291,126           | 298,894             |
| 2048-2050            | 664,766             | 36,306              |
|                      | <u>\$ 7,733,504</u> | <u>\$ 4,967,786</u> |

The two notes payable from the sewer fund to the general fund are displayed in the noncurrent asset section of the Statement of Net Position. Since no set repayment schedule has been established on either loan, the balances have been excluded from the above repayment schedule.

**NOTE 8 LONG-TERM DEBT - GOVERNMENTAL FUND**

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. The balance of the note at June 30, 2017 is \$108,500.

On January 26, 2005, the Town entered into a loan agreement with BB&T in which \$2,000,000 was available to fund Shafer Park improvements. The loan is collateralized by park real estate. At June 30, 2017, \$1,500,000 was drawn on the loan. The loan called for monthly interest only payments at a fixed rate of 3.95% for 60 months followed by a balloon payment on January 26, 2010. The Town has extended the note through July 26, 2021 with all other conditions staying the same, except that the interest rate was reduced to 2.38% fixed. The note can be prepaid without penalty. The balance of the note at June 30, 2017 is \$714,899.

On September 11, 2014, the Town obtained a \$150,000 note payable from BB&T to finance various capital improvements projects in the governmental (General) fund. Terms of the note provide for two annual principal payments of \$50,000, commencing May 2015, and one final principal and interest payment of \$50,090 in May 2017. The note also requires monthly interest only payments at a rate of 2.16%. The note is prepayable without penalty, is unsecured, and contains right of setoff provisions. The note was paid in full during fiscal year 2017.

**MAYOR AND COUNCIL OF BOONSBORO**  
**Notes to Financial Statements**  
**June 30, 2017**

**NOTE 8 LONG-TERM DEBT - GOVERNMENTAL FUND (CONTINUED)**

|                      | <b>Beginning<br/>Balance</b> | <b>Additions</b> | <b>Reductions</b>   | <b>Ending<br/>Balance</b> | <b>Current<br/>Maturities</b> |
|----------------------|------------------------------|------------------|---------------------|---------------------------|-------------------------------|
| Note Payable - MWQFA | \$ 124,000                   | \$ -             | \$ (15,500)         | \$ 108,500                | \$ 15,500                     |
| Loan Payable - BB&T  | 950,676                      | -                | (235,777)           | 714,899                   | 151,644                       |
| Loan Payable - BB&T  | 50,000                       | -                | (50,000)            | -                         | -                             |
|                      | <u>\$ 1,124,676</u>          | <u>\$ -</u>      | <u>\$ (301,277)</u> | <u>\$ 823,399</u>         | <u>\$ 167,144</u>             |

Requirements for payments in future years are as follows:

| <b>Year Ending June 30,</b> | <b>Principal</b>  | <b>Interest</b>  |
|-----------------------------|-------------------|------------------|
| 2018                        | \$ 167,144        | 16,683           |
| 2019                        | 171,526           | 13,747           |
| 2020                        | 176,035           | 10,323           |
| 2021                        | 180,675           | 6,709            |
| 2022                        | 97,019            | 2,896            |
| 2023-2024                   | 31,000            | -                |
|                             | <u>\$ 823,399</u> | <u>\$ 50,358</u> |

**NOTE 9 GOVERNMENTAL FUND BALANCES**

The detail of the fund balance classifications aggregated on the balance sheet as of June 30, 2017 is as follows:

|                            | <b>General Fund</b> |
|----------------------------|---------------------|
| <b>FUND BALANCES</b>       |                     |
| <b>Nonspendable</b>        |                     |
| Long-term loan receivables | \$ 1,067,189        |
| Prepaid expenses           | 5,771               |
|                            | <u>\$ 1,072,960</u> |
| <b>Restricted</b>          |                     |
| Excise tax                 | \$ 62,546           |
| Hotel/Motel tax            | 42,996              |
| WWTP                       | 100,323             |
| Friends of Shafer Park     | 40,914              |
|                            | <u>\$ 246,779</u>   |
| <b>Committed</b>           |                     |
| Shafer Park expansion      | \$ 25,255           |
| Capital roads projects     | 29,719              |
|                            | <u>\$ 54,974</u>    |
| Unassigned                 | <u>\$ 1,758,320</u> |
| <b>TOTAL FUND BALANCE</b>  | <u>\$ 3,133,033</u> |

**MAYOR AND COUNCIL OF BOONSBORO**  
**Notes to Financial Statements**  
**June 30, 2017**

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**NOTE 10 DEPOSITS**

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Deposits in the General Fund, which amounted to \$3,200 at June 30, 2017, 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.

**NOTE 11 INTERFUND RECEIVABLES AND PAYABLES**

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Outstanding balances between funds are reported as “due to/from other funds” and are the result of activities between funds outstanding at the end of the fiscal year.

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u>           |
|------------------------|---------------------|-------------------------|
| General                | Water               | \$ 80,869               |
|                        | Sewer               | 220,444                 |
| Water                  | General             | (95,567)                |
|                        | Sewer               | (11,874) *              |
| Sewer                  | General             | (106,540)               |
|                        | Water               | <u>11,874</u> *         |
| Total                  |                     | <u><u>\$ 99,206</u></u> |

\* This represents the due to/from between business type activities. The total between governmental and business type activities is \$99,206, net. Amounts owed to the general fund by the business type activities are \$301,313 and amounts owed to the business type activities from the general fund are \$202,107.

**NOTE 12 PENSION PLAN**

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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, 2017, the Town has 22 total 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 2017 was \$56,256.

**MAYOR AND COUNCIL OF BOONSBORO**  
**Notes to Financial Statements**  
**June 30, 2017**

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**NOTE 13 DEFERRED COMPENSATION PLAN**

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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.

**NOTE 14 RISK MANAGEMENT**

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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 has joined with other State of Maryland local governments in a Local Government Insurance Trust (LGIT) Pool. The Town pays an annual premium to LGIT to insure against property, public official's liability, auto, and general liability claims. LGIT is backed by the full faith and credit of the member governments, which could subject them to assessments in the event LGIT incurs excess expenses in a plan year. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

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 fiscal years.

**NOTE 15 BOONSBORO/KEEDYSVILLE WATER FILTRATION PROJECT**

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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

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

**MAYOR AND COUNCIL OF BOONSBORO**  
**Notes to Financial Statements**  
**June 30, 2017**

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**NOTE 15 BOONSBORO/KEEDYSVILLE WATER FILTRATION PROJECT (CONTINUED)**

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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

**NOTE 16 CONTINGENCIES**

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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.

**NOTE 17 COMMITMENTS**

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The new 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 (See Note 7) 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 (See Note 18).

**NOTE 18 AGREEMENTS WITH DEVELOPERS**

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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.

**MAYOR AND COUNCIL OF BOONSBORO**  
**Notes to Financial Statements**  
**June 30, 2017**

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**NOTE 18 AGREEMENTS WITH DEVELOPERS (CONTINUED)**

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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 (See Note 17). These agreements provide for a specific 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 19, an allowance for doubtful accounts has been established as of June 30, 2017.

Included in the Statement of Net Position is unearned revenue – tap fees totaling \$971,433 for the year ended June 30, 2017. This will be recognized as revenue when the developers begin to utilize the taps. During the year ended June 30, 2017, the Town recognized \$132,000 of tap fee revenue that had previously been unearned.

**NOTE 19 RISKS AND VULNERABILITY**

---

As disclosed in Notes 17 and 18, 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, 2017, 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 – tap fees on the statement of net position. In the current fiscal year, the Town raised sewer rates to help fund its debt payments related to the wastewater treatment plant. Although this additional revenue helped to fund these debt payments, the revenue did not cover the debt payments entirely, and therefore the Town's General Fund loaned the Sewer Fund an additional \$159,002 to cover the payments (see Note 7).

**NOTE 20 RESTRICTED CASH**

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In July 2009, the Town established a segregated bank account, as required by MDE. The purpose of the account is to provide the funds to make debt service payments for the WWTP in the event one or more of the developers default on their payments to the Town. The current balance of the account at June 30, 2017 is \$100,323. This account is currently not being used to make debt service payments, as two transfers are being made from the General Fund's regular checking account to cover these debt payments (see Note 19).

**MAYOR AND COUNCIL OF BOONSBORO**  
**Notes to Financial Statements**  
**June 30, 2017**

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**NOTE 20 RESTRICTED CASH (CONTINUED)**

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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 balance of the certificate at June 30, 2017 is \$40,914.

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. The balance of the certificate at June 30, 2017 is \$86,528, and the restricted portion at June 30, 2017 is \$62,546.

**NOTE 21 CONDUIT DEBT OBLIGATIONS**

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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, 2017, the Economic Development Revenue Bonds outstanding had an aggregate principal amount payable of \$1,353,180.

**NOTE 22 SUBSEQUENT EVENTS**

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The Town has evaluated events and transactions subsequent to June 30, 2017 through October 25, 2017, the date these financial statements were available to be issued. Based on definitions and requirements of generally accepted accounting principles, management has identified two events that occurred subsequent to June 30, 2017 through October 25, 2017 that require recognition or disclosure in the financial statements.

In August 2017, the Town refinanced its USDA bond into a new Local Government Infrastructure bond with the Community Development Administration (see Note 7). 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.

In October 2017, the Maryland Board of Public Works approved a \$2 million Bay Restoration Fund grant for the Town to use to repay a portion of its wastewater treatment plant debt.

**MAYOR AND COUNCIL OF BOONSBORO**  
**Statement of Revenues and Expenditures - Budget and Actual - General Fund**  
**Year Ended June 30, 2017 (Unaudited)**

|  | <u>Budgeted Amounts</u> |                  | <u>Actual</u>    | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|--|-------------------------|------------------|------------------|---|
|  | <u>Original</u>         | <u>Final</u>     |                  |   |
| <b>REVENUES</b>                                |                         |                  |                  |   |
| <b>Local Property Taxes, Net of Discounts</b>  |                         |                  |                  |   |
| Real property                                  | \$ 960,366              | \$ 960,366       | \$ 1,008,366     | \$ 48,000   |
| Personal property - unincorporated             | 1,500                   | 1,500            | 4,213            | 2,713   |
| Personal property - incorporated               | 70,000                  | 70,000           | 84,227           | 14,227  |
| Penalties and interest                         | 4,500                   | 4,500            | 3,612            | (888)   |
| Discounts allowed                              | (13,500)                | (13,500)         | (13,388)         | 112   |
|  | <u>1,022,866</u>        | <u>1,022,866</u> | <u>1,087,030</u> | <u>64,164</u>   |
| <b>Licenses and Permits</b>                    |                         |                  |                  |   |
| Trader's                                       | 4,000                   | 4,000            | 5,451            | 1,451   |
| Alcoholic beverages                            | 500                     | 500              | -                | (500)   |
| Planning and zoning                            | 25,300                  | 25,300           | 35,283           | 9,983   |
|  | <u>29,800</u>           | <u>29,800</u>    | <u>40,734</u>    | <u>10,934</u>   |
| <b>Grants and Shared Taxes</b>                 |                         |                  |                  |   |
| State of Maryland                              |                         |                  |                  |   |
| Income tax                                     | 315,000                 | 315,000          | 351,942          | 36,942  |
| Admissions                                     | 8,000                   | 8,000            | 16,175           | 8,175   |
| Highway tax                                    | 122,912                 | 122,912          | 116,604          | (6,308)   |
| Grant for police protection                    | 30,373                  | 30,373           | 31,858           | 1,485   |
| Other grants and shared taxes                  | 204,500                 | 204,500          | 248,697          | 44,197  |
| Washington County                              |                         |                  |                  |   |
| Grant in lieu of tax on financial corporations | 950                     | 950              | 951              | 1   |
| Grant in lieu of tax on elderly housing        | 4,000                   | 4,000            | 3,357            | (643)   |
| Hotel/Motel tax                                | 28,000                  | 28,000           | 29,767           | 1,767   |
| Parking fines                                  | 300                     | 300              | 210              | (90)  |
|  | <u>714,035</u>          | <u>714,035</u>   | <u>799,561</u>   | <u>85,526</u>   |
| <b>Charges for Sanitation Services</b>         |                         |                  |                  |   |
|  | <u>100,000</u>          | <u>100,000</u>   | <u>103,417</u>   | <u>3,417</u>  |
| <b>Other Revenue</b>                           |                         |                  |                  |   |
| Interest                                       | 12,000                  | 12,000           | 20,043           | 8,043   |
| Rental income                                  | 8,000                   | 8,000            | 10,400           | 2,400   |
| Cable TV franchise fees                        | 21,000                  | 21,000           | 22,094           | 1,094   |
| Miscellaneous                                  | 500                     | 500              | 20,018           | 19,518  |
| Prior year reserves                            | 120,050                 | 120,050          | -                | (120,050)   |
|  | <u>161,550</u>          | <u>161,550</u>   | <u>72,555</u>    | <u>(88,995)</u>   |
| Total Revenues                                 | <u>2,028,251</u>        | <u>2,028,251</u> | <u>2,103,297</u> | <u>75,046</u>   |

**MAYOR AND COUNCIL OF BOONSBORO**  
**Statement of Revenues and Expenditures - Budget and Actual - General Fund**  
**Year Ended June 30, 2017 (Unaudited)**

(Continued)

|   | Budgeted Amounts |            | Actual    | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|------------------|------------|-----------|---|
|   | Original         | Final      |           |   |
| <b>EXPENDITURES</b>                         |                  |            |           |   |
| <b>General Government</b>                   |                  |            |           |   |
| Mayor and Council                           |                  |            |           |   |
| Salaries                                    | \$ 105,552       | \$ 105,552 | \$ 85,315 | \$ 20,237   |
| Operating expenses                          | 33,370           | 33,370     | 30,472    | 2,898   |
| Contributions and donations                 | 1,000            | 1,000      | 15,500    | (14,500)  |
| Treasurer - salary                          | 1,000            | 1,000      | 1,000     | -   |
| Legal, audit and retirement administration  | 19,550           | 19,550     | 16,824    | 2,726   |
| Planning and zoning                         | 14,500           | 14,500     | 16,161    | (1,661)   |
| Town building operating expenses            | 59,000           | 59,000     | 73,438    | (14,438)  |
| Economic Development Commission             | 18,220           | 18,220     | 15,199    | 3,021   |
| Environmental Commission                    | 10,000           | 10,000     | -         | 10,000  |
| Total General Government                    | 262,192          | 262,192    | 253,909   | 8,283   |
| <b>Public Safety</b>                        |                  |            |           |   |
| Police department                           |                  |            |           |   |
| Chief salary                                | 58,810           | 58,810     | 60,466    | (1,656)   |
| Officer salaries                            | 212,190          | 212,190    | 224,802   | (12,612)  |
| Equipment                                   | 28,000           | 28,000     | 23,694    | 4,306   |
| Uniforms                                    | 3,000            | 3,000      | 3,494     | (494)   |
| Supplies                                    | 3,000            | 3,000      | 3,193     | (193)   |
| Telephone                                   | 2,500            | 2,500      | 3,217     | (717)   |
| Cell phones                                 | 3,600            | 3,600      | 3,629     | (29)  |
| Training                                    | 2,500            | 2,500      | 423       | 2,077   |
| Building maintenance                        | 20,000           | 20,000     | 16,793    | 3,207   |
| Vehicle maintenance                         | 8,000            | 8,000      | 7,483     | 517   |
| Vehicle gas                                 | 18,000           | 18,000     | 12,316    | 5,684   |
| Other police and public safety expenses     | 2,500            | 2,500      | 6,271     | (3,771)   |
| Police and public safety committee meetings | 700              | 700        | 630       | 70  |
| Night Out expense                           | 1,250            | 1,250      | 226       | 1,024   |
| Volunteer company contributions             |                  |            |           |   |
| Fire department                             | 22,000           | 22,000     | 22,000    | -   |
| Fire hydrants                               | 7,000            | 7,000      | 12,720    | (5,720)   |
| Ambulance service                           | 22,000           | 22,000     | 22,000    | -   |
| Total Public Safety                         | 415,050          | 415,050    | 423,357   | (8,307)   |
| <b>Highways and Streets</b>                 |                  |            |           |   |
| Salaries                                    | 65,000           | 65,000     | 77,311    | (12,311)  |
| Street lighting                             | 50,000           | 50,000     | 56,155    | (6,155)   |
| Maintenance and operating expenses          | 92,000           | 92,000     | 48,197    | 43,803  |
| Snow removal                                | 10,000           | 10,000     | 13,654    | (3,654)   |
| Total Highways and Streets                  | 217,000          | 217,000    | 195,317   | 21,683  |
| <b>Sanitation</b>                           |                  |            |           |   |
|   | 170,000          | 170,000    | 173,766   | (3,766)   |

**MAYOR AND COUNCIL OF BOONSBORO**  
**Statement of Revenues and Expenditures - Budget and Actual - General Fund**  
**Year Ended June 30, 2017 (Unaudited)**

(Continued)

|   | Budgeted Amounts |             | Actual              | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|------------------|-------------|---------------------|---|
|   | Original         | Final       |                     |   |
| <b>Recreation and Parks</b>                 |                  |             |                     |   |
| Salaries                                    | \$ 770           | \$ 770      | \$ -                | \$ 770  |
| Park grounds maintenance                    | 13,000           | 13,000      | 21,678              | (8,678)   |
| Park facilities maintenance                 | 12,000           | 12,000      | 13,908              | (1,908)   |
| Operating expenses                          | 22,050           | 22,050      | 10,662              | 11,388  |
| Total Recreation and Parks                  | 47,820           | 47,820      | 46,248              | 1,572   |
| <b>Non-Departmental Expenditures</b>        |                  |             |                     |   |
| Insurance                                   | 15,000           | 15,000      | 17,886              | (2,886)   |
| Health insurance                            | 100,000          | 100,000     | 79,771              | 20,229  |
| Retirement                                  | 40,000           | 40,000      | 14,509              | 25,491  |
| Workers compensation                        | 12,000           | 12,000      | 11,972              | 28  |
| Payroll taxes                               | 38,000           | 38,000      | 45,061              | (7,061)   |
| Contingency fund                            | 16,727           | 16,727      | 20,646              | (3,919)   |
| Miscellaneous expense                       | 1,500            | 1,500       | 1,798               | (298)   |
| Total Non-Departmental Expenditures         | 223,227          | 223,227     | 191,643             | 31,584  |
| <b>Capital Outlay</b>                       |                  |             |                     |   |
| Equipment                                   | 25,050           | 25,050      | 16,260              | 8,790   |
| Buildings                                   | 30,000           | 30,000      | 12,750              | 17,250  |
| Police department capital expense           | 65,000           | 65,000      | 61,626              | 3,374   |
| Long-term capital improvements              | 342,412          | 342,412     | 318,806             | 23,606  |
| Total Capital Outlay                        | 462,462          | 462,462     | 409,442             | 53,020  |
| <b>Debt Retirement</b>                      |                  |             |                     |   |
| Interest expense                            | -                | -           | 20,578              | (20,578)  |
| Park expansion principal                    | 165,000          | 165,000     | 235,777             | (70,777)  |
| CIP loan principal                          | 50,000           | 50,000      | 50,000              | -   |
| Mortgage wellhead protection property       | 15,500           | 15,500      | 15,500              | -   |
| Total Debt Retirement                       | 230,500          | 230,500     | 321,855             | (91,355)  |
| Total Expenditures                          | 2,028,251        | 2,028,251   | 2,015,537           | 12,714  |
| <b>EXCESS OF REVENUES OVER EXPENDITURES</b> | <b>\$ -</b>      | <b>\$ -</b> | <b>87,760</b>       | <b>\$ (87,760)</b>                                      |
| <b>FUND BALANCE - BEGINNING OF YEAR</b>     |                  |             | <b>3,045,273</b>    |   |
| <b>FUND BALANCE - END OF YEAR</b>           |                  |             | <b>\$ 3,133,033</b> |   |

**MAYOR AND COUNCIL OF BOONSBORO**  
**Statement of Revenues and Expenditures – Budget and Actual – Water Utility Fund**  
**(Budgetary Basis)**  
**Year Ended June 30, 2017 (Unaudited)**

|   | <u>Budgeted Amounts</u> |                 | <u>Actual</u>       | <u>Variance with</u>       |
|---|-------------------------|-----------------|---------------------|----------------------------|
|   | <u>Original</u>         | <u>Final</u>    |                     | <u>Final Budget</u>        |
|   |                         |                 |                     | <u>Positive (Negative)</u> |
| <b>OPERATING REVENUES</b>                   |                         |                 |                     |                            |
| Charges for services                        | \$ 601,896              | \$ 601,896      | \$ 577,701          | \$ (24,195)                |
| Charges for debt services                   | 20,000                  | 20,000          | 23,029              | 3,029                      |
| Charges for administration                  | 68,629                  | 68,629          | 67,444              | (1,185)                    |
| Connection fees and user fees               | 150,000                 | 150,000         | 90,000              | (60,000)                   |
| Other income                                | 11,300                  | 11,300          | 1,186               | (10,114)                   |
|   | <u>851,825</u>          | <u>851,825</u>  | <u>759,360</u>      | <u>(92,465)</u>            |
| <b>OPERATING EXPENSES</b>                   |                         |                 |                     |                            |
| Maintenance and repairs                     | 155,000                 | 155,000         | 72,480              | 82,520                     |
| Chemicals                                   | 12,000                  | 12,000          | 11,190              | 810                        |
| Electricity                                 | 47,000                  | 47,000          | 52,081              | (5,081)                    |
| Heating                                     | 1,500                   | 1,500           | 1,715               | (215)                      |
| Telephone                                   | 6,000                   | 6,000           | 6,388               | (388)                      |
| Advertising                                 | 500                     | 500             | 548                 | (48)                       |
| Salaries                                    | 235,000                 | 235,000         | 243,769             | (8,769)                    |
| Insurance                                   | 15,000                  | 15,000          | 16,892              | (1,892)                    |
| Health/life insurance expense               | 40,000                  | 40,000          | 60,221              | (20,221)                   |
| Audit                                       | 6,000                   | 6,000           | 7,500               | (1,500)                    |
| Legal fees                                  | 500                     | 500             | 4,611               | (4,111)                    |
| Supplies                                    | 9,500                   | 9,500           | 14,299              | (4,799)                    |
| Miscellaneous                               | 100                     | 100             | 342                 | (242)                      |
| Uniforms                                    | 2,500                   | 2,500           | 2,769               | (269)                      |
| Professional memberships and certifications | 2,000                   | 2,000           | 1,463               | 537                        |
| Meeting expense                             | 1,200                   | 1,200           | 960                 | 240                        |
| Payroll taxes                               | 11,000                  | 11,000          | 20,999              | (9,999)                    |
| Pension expense                             | 15,000                  | 15,000          | 17,419              | (2,419)                    |
| Testing                                     | 1,000                   | 1,000           | 748                 | 252                        |
| Truck expense                               | 10,000                  | 10,000          | 5,134               | 4,866                      |
| Equipment expense                           | 10,000                  | 10,000          | 1,549               | 8,451                      |
| Connections - water meters                  | 20,000                  | 20,000          | 3,250               | 16,750                     |
| Contingency fund                            | 23,160                  | 23,160          | 25,133              | (1,973)                    |
| Postage                                     | 3,000                   | 3,000           | 2,008               | 992                        |
| Capital outlay                              | 125,700                 | 125,700         | 174,194             | (48,494)                   |
|   | <u>752,660</u>          | <u>752,660</u>  | <u>747,662</u>      | <u>4,998</u>               |
| Total Operating Expenses                    |                         |                 |                     |                            |
| Operating Income                            | <u>99,165</u>           | <u>99,165</u>   | <u>11,698</u>       | <u>(87,467)</u>            |
| <b>OTHER REVENUES AND (EXPENSES)</b>        |                         |                 |                     |                            |
| Interest expense                            | (12,900)                | (12,900)        | (20,197)            | (7,297)                    |
| Debt service (principal)                    | (86,665)                | (86,665)        | (209,996)           | (123,331)                  |
| Proceeds from debt refinance                | -                       | -               | 113,612             | 113,612                    |
| (Loss) on capital asset disposal            | -                       | -               | (11,384)            | (11,384)                   |
| Interest income                             | 400                     | 400             | 3,854               | 3,454                      |
|   | <u>(99,165)</u>         | <u>(99,165)</u> | <u>(124,111)</u>    | <u>(24,946)</u>            |
| Total other revenues and (expenses)         |                         |                 |                     |                            |
| <b>NET (LOSS)</b>                           | <u>\$ -</u>             | <u>\$ -</u>     | <u>\$ (112,413)</u> | <u>\$ (112,413)</u>        |

Note: Budgetary basis reflects loan proceeds as other revenue, principal payments on debt and capital equipment purchases as expenses, and does not reflect depreciation and amortization expense.

**MAYOR AND COUNCIL OF BOONSBORO**  
**Statement of Revenues and Expenditures – Budget and Actual – Sewer Utility Fund**  
**(Budgetary Basis)**  
**Year Ended June 30, 2017 (Unaudited)**

|   | <u>Budgeted Amounts</u> |                  | <u>Actual</u>       | <u>Variance with</u>       |
|---|-------------------------|------------------|---------------------|----------------------------|
|   | <u>Original</u>         | <u>Final</u>     |                     | <u>Final Budget</u>        |
|   |                         |                  |                     | <u>Positive (Negative)</u> |
| <b>OPERATING REVENUES</b>                   |                         |                  |                     |                            |
| Charges for services                        | \$ 1,010,080            | \$ 1,010,080     | \$ 876,170          | \$ (133,910)               |
| Bay Restoration Fund collections            | 72,000                  | 72,000           | -                   | (72,000)                   |
| Grants                                      | -                       | -                | 30,000              | 30,000                     |
| Connection fees and user fees               | -                       | -                | 132,000             | 132,000                    |
| Miscellaneous income                        | 500                     | 500              | 2,612               | 2,112                      |
| <b>Total Operating Revenues</b>             | <b>1,082,580</b>        | <b>1,082,580</b> | <b>1,040,782</b>    | <b>(41,798)</b>            |
| <b>OPERATING EXPENSES</b>                   |                         |                  |                     |                            |
| Maintenance and repairs                     | 90,000                  | 90,000           | 80,225              | 9,775                      |
| Chemicals                                   | 50,000                  | 50,000           | 51,991              | (1,991)                    |
| Biosolids removal                           | 100,000                 | 100,000          | 158,834             | (58,834)                   |
| Electricity                                 | 57,500                  | 57,500           | 95,092              | (37,592)                   |
| Heating                                     | 1,500                   | 1,500            | 1,715               | (215)                      |
| Telephone                                   | 4,500                   | 4,500            | 5,094               | (594)                      |
| Salaries                                    | 230,000                 | 230,000          | 248,665             | (18,665)                   |
| Insurance                                   | 41,000                  | 41,000           | 35,079              | 5,921                      |
| Health/life insurance expense               | 55,000                  | 55,000           | 61,441              | (6,441)                    |
| Advertising                                 | 500                     | 500              | 946                 | (446)                      |
| Audit                                       | 6,500                   | 6,500            | 7,500               | (1,000)                    |
| Legal fees                                  | -                       | -                | 1,276               | (1,276)                    |
| Supplies                                    | 8,500                   | 8,500            | 13,476              | (4,976)                    |
| Miscellaneous                               | 500                     | 500              | 2,145               | (1,645)                    |
| Contingency fund                            | 24,397                  | 24,397           | 685                 | 23,712                     |
| Uniforms                                    | 2,000                   | 2,000            | 2,769               | (769)                      |
| Professional memberships and certifications | 1,000                   | 1,000            | 1,394               | (394)                      |
| Meeting expense                             | 1,200                   | 1,200            | 1,090               | 110                        |
| Payroll taxes                               | 11,000                  | 11,000           | 21,288              | (10,288)                   |
| Pension expense                             | 15,000                  | 15,000           | 17,419              | (2,419)                    |
| Testing                                     | 20,000                  | 20,000           | 26,830              | (6,830)                    |
| Truck expense                               | 5,500                   | 5,500            | 5,006               | 494                        |
| Equipment expense                           | 4,000                   | 4,000            | 2,210               | 1,790                      |
| Postage                                     | 1,500                   | 1,500            | 2,008               | (508)                      |
| Capital outlay                              | 90,000                  | 90,000           | 109,120             | (19,120)                   |
| <b>Total Operating Expenses</b>             | <b>821,097</b>          | <b>821,097</b>   | <b>953,298</b>      | <b>(132,201)</b>           |
| <b>Operating Income</b>                     | <b>261,483</b>          | <b>261,483</b>   | <b>87,484</b>       | <b>(173,999)</b>           |
| <b>OTHER REVENUES AND (EXPENSES)</b>        |                         |                  |                     |                            |
| Interest expense                            | (23,000)                | (23,000)         | (249,746)           | (226,746)                  |
| Debt service (principal)                    | (166,783)               | (166,783)        | (84,079)            | 82,704                     |
| Bay Restoration Fund payments               | (72,000)                | (72,000)         | -                   | 72,000                     |
| Interest income                             | 300                     | 300              | 2,108               | 1,808                      |
| <b>Total other revenues and (expenses)</b>  | <b>(261,483)</b>        | <b>(261,483)</b> | <b>(331,717)</b>    | <b>(70,234)</b>            |
| <b>NET (LOSS)</b>                           | <b>\$ -</b>             | <b>\$ -</b>      | <b>\$ (244,233)</b> | <b>\$ (244,233)</b>        |

Note: 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.



**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***

Mayor and Council of Boonsboro  
Boonsboro, Maryland

We have audited, in accordance with the 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 of America, the financial statements of the governmental activities, the business-type activities, and each major fund of the Mayor and Council of Boonsboro (the Town) as of and for the year ended June 30, 2017, 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 25, 2017.

**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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

*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 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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2017-001 to be a material weakness.

*A significant deficiency* is a deficiency, or 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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2017-002 to be a significant deficiency.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Town's financial statements are free of 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.

### ***Mayor and Council of Boonsboro'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 subjected to the auditing procedures applied in the audit of the financial statements 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 Town'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.

A handwritten signature in black ink that reads "Smith Elliott Heavens & Company, LLC". The signature is written in a cursive style with a small star symbol above the ampersand.

MayoHagerstown, Maryland  
October 25, 2017

**MAYOR AND COUNCIL OF BOONSBORO**  
**Schedule of Findings and Responses**  
**June 30, 2017**

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**FINDING 2017-001**

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|                                 |  |
|---------------------------------|--|
| <b>Criteria:</b>                | The Town must deposit checks in a timely manner.   |
| <b>Condition/<br/>Context:</b>  | During the course of our audit, we noted that interfund checks are being written and then held in a locked safe, in some cases for several months before being deposited. Through discussions with management, it was noted that this is because management waits until sufficient funds are available before depositing the checks. |
| <b>Cause:</b>                   | Management does not want to deposit a check from another fund with insufficient money to cover the payment.  |
| <b>Effect:</b>                  | Checks are held in a safe and therefore are at risk of misappropriation.   |
| <b>Recommendation:</b>          | We recommend that the town wait until funds are available before writing checks to reimburse other funds, and that such checks are deposited into the appropriate fund immediately.  |
| <b>Management<br/>Response:</b> | For at least the past decade, the Town has practiced the procedure of keeping checks in the safe until there is sufficient funding to cash the interfund checks. Staff will evaluate the procedures.   |

**FINDING 2017-002**

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|                                 |  |
|---------------------------------|--|
| <b>Criteria:</b>                | Disbursements must be recorded when actually paid.   |
| <b>Condition/<br/>Context:</b>  | The Town remits quarterly payments to the Bay Restoration Fund for payments collected from residents. The fourth quarter payment was not remitted until after year-end; however, the disbursement was recorded in the general ledger as of June 30. Additionally, several smaller checks were found to be written prior to year-end, but not signed and mailed until after year-end. |
| <b>Cause:</b>                   | The Town recorded check disbursements before the checks were physically mailed.  |
| <b>Effect:</b>                  | The general ledger balance for cash and accounts payable were understated.   |
| <b>Recommendation:</b>          | We recommend that Town only record disbursements once the checks are signed and mailed.  |
| <b>Management<br/>Response:</b> | Disbursements are typically recorded when actually paid. Due to year end closings and check signers being off, there was a slight delay. Staff will continue to record disbursements when they are paid.   |