

BOONSBORO MAYOR AND COUNCIL



FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2020

BOONSBORO MAYOR AND COUNCIL

CONTENTS

INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-8
FINANCIAL STATEMENTS	
Government - wide financial statements:	
Statement of net position	9
Statement of activities	10
Fund financial statements:	
Balance sheet - governmental fund	11
Reconciliation of the balance sheet of the governmental fund to the statement of net position	12
Statement of revenues, expenditures, and changes in fund balance - governmental fund	13
Reconciliation of the statement of revenues, expenditures, and changes in fund balance of the governmental fund to the statement of activities	14
Statement of net position - proprietary funds	15
Statement of revenues, expenses, and changes in fund net position - proprietary funds	16
Statement of cash flows - proprietary funds	17-18
Notes to financial statements	19-41
REQUIRED SUPPLEMENTARY INFORMATION	
Statement of revenues, expenditures, and changes in fund balance - budget and actual - general fund	42- 46
OTHER SUPPLEMENTARY INFORMATION	
Statement of revenues and expenditures - budget and actual - water utility fund (budgetary basis)	47
Statement of revenues and expenditures - budget and actual - sewer utility fund (budgetary basis)	48
INDEPENDENT AUDITORS' 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	49-50

INDEPENDENT AUDITORS' REPORT

Boonsboro Mayor and Council

Boonsboro, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the **Boonsboro Mayor and Council (“the Town”)** as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town as of June 30, 2020, 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 included supplementary information, such as management's discussion and analysis and budgetary comparison information on pages 3-8 and 42-46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The budgetary comparison information for the water and sewer funds on pages 47-48 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 29, 2020 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Albright Crumbacker Moul & Itell, LLC

Hagerstown, Maryland
October 29, 2020

**Mayor and Council of Boonsboro
Management's Discussion and Analysis
June 30, 2020**

The following discussion and analysis of the Mayor and Council of Boonsboro's (the Town) financial performance provides an overview of the Town's financial condition and activities for the fiscal year ended June 30, 2020. Please read the analysis in conjunction with the Town's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2020

The assets of the town exceeded its liabilities at the close of the fiscal year by \$12,347,981 (net position). Of this amount, \$3,795,976 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.

The total net position increased by \$36,142. Of this amount, an increase of \$589,847 and a decrease of \$553,705 were associated with governmental and business-type activities, respectively.

As of the close of the current fiscal year, the Town's general fund reported a fund balance of \$4,431,693, which is an increase of \$423,099 in comparison to the prior year.

As mentioned previously, the net position for business-type activities (Water and Sewer) decreased by \$553,705. Of this amount, an increase of \$80,089 and a decrease of \$633,794 were associated with water and sewer activities, respectively.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, sanitation, highways and streets, parks and recreation, and other charges. The major business-type activities of the Town include the operation and maintenance of the water and sanitary sewer systems. The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. In contrast to the basic financial statements, fund financial statements focus on the Town's most

significant funds rather than the Town as a whole. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

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

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

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

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

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

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

Financial Analysis of the Town as a Whole

Over time, net position may serve as a useful indicator of a government's financial position. The Town's combined assets exceeded liabilities by \$12,347,981 at the close of the most recent fiscal year. The following table provides a summary of the Town's net assets at June 30, 2020 and 2019:

Table 1
Town of Boonsboro
Fiscal Years Ended June 30,

	Governmental		Business-Type		Totals		Change
	2020	2019	2020	2019	2020	2019	
Assets:							
Current Assets	\$ 3,252,226	\$ 3,008,995	\$ 1,881,515	\$ 1,772,627	\$ 5,133,741	\$ 4,781,622	\$ 352,119
Capital Assets	3,654,643	3,721,540	10,532,947	11,034,209	14,187,590	14,755,749	(568,159)
Other Assets	1,436,676	1,219,330	(1,436,676)	(1,219,330)	-	-	-
Total Assets	8,343,545	7,949,865	10,977,786	11,587,506	19,321,331	19,537,371	(216,040)
Liabilities:							
Current and Other Liabilities	380,004	395,496	1,062,166	908,914	1,442,170	1,304,410	137,760
Long-Term Liabilities	128,018	308,693	5,403,162	5,612,429	5,531,180	5,921,122	(389,942)
Total Liabilities	508,022	704,189	6,465,328	6,521,343	6,973,350	7,225,532	(252,182)
Net Position:							
Invested in capital assets, net of related debt	3,345,950	3,236,812	4,773,437	5,204,894	8,119,387	8,441,706	(322,319)
Restricted	221,104	213,618	211,514	338,016	432,618	551,634	(119,016)
Unrestricted	4,268,469	3,795,246	(472,493)	(476,747)	3,795,976	3,318,499	477,477
Total Net Position	\$ 7,835,523	\$ 7,245,676	\$ 4,512,458	\$ 5,066,163	\$ 12,347,981	\$ 12,311,839	\$ 36,142

Of the Town's net position, 66 percent reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Four percent of the Town's assets are legally restricted for various purposes. Additional information on the Town's restricted assets can be found on the government-wide statement of net position, on page 9 of this report.

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

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

	Governmental Activities		Business-Type Activities		Totals		Change
	2020	2019	2020	2019	2020	2019	
Revenues							
General Revenues							
Property Taxes	\$ 1,208,804	\$ 1,174,698	\$ -	\$ -	\$ 1,208,804	\$ 1,174,698	\$ 34,106
Income Taxes	549,524	435,905	-	-	549,524	435,905	113,619
Highway Taxes	162,650	126,369	-	-	162,650	126,369	36,281
County Taxes	27,692	84,652	-	-	27,692	84,652	(56,960)
Other Income	53,318	47,751	29,828	400,542	83,146	448,293	(365,147)
Interest Income	48,999	38,300	10,704	10,599	59,703	48,899	10,804
Program Revenues							
Public Safety	26,832	26,572	-	-	26,832	26,572	260
Parks and Recreation	105,505	80,382	-	-	105,505	80,382	25,123
Sanitation	134,254	106,380	-	-	134,254	106,380	27,874
Water and Sewer	-	-	1,843,711	1,850,305	1,843,711	1,850,305	(6,594)
Other Income	45,860	30,734	36,185	135,980	82,045	166,714	(84,669)
Total Revenues	2,363,438	2,151,743	1,920,428	2,397,426	4,283,866	4,549,169	(265,303)
Expenditures							
General Government	477,881	409,596	-	-	477,881	409,596	68,285
Public Safety	503,212	411,834	-	-	503,212	411,834	91,378
Sanitation	185,807	180,011	-	-	185,807	180,011	5,796
Highways and streets	344,952	276,139	-	-	344,952	276,139	68,813
Parks and Recreation	194,508	203,895	-	-	194,508	203,895	(9,387)
Non-departmental	59,415	167,418	-	-	59,415	167,418	(108,003)
Interest Expense	7,816	11,591	192,494	194,500	200,310	206,091	(5,781)
Water/Sewer Utilities	-	-	2,281,639	2,311,588	2,281,639	2,311,588	(29,949)
Total Expenditures	1,773,591	1,660,484	2,474,133	2,506,088	4,247,724	4,166,572	81,152
Change in Net Position	589,847	491,259	(553,705)	(108,662)	36,142	382,597	(346,455)
Beginning Net Position	7,245,676	6,754,417	5,066,163	5,174,825	12,311,839	11,929,242	382,597
Total Net Position	\$ 7,835,523	\$ 7,245,676	\$ 4,512,458	\$ 5,066,163	\$ 12,347,981	\$ 12,311,839	\$ 36,142

Governmental activities. Governmental activities net position was \$7,835,523 at the end of the fiscal year, an increase of \$589,847 from beginning net position. This increase offset the business-type activities loss and accounted for the increase in the Town's net position. This compares to the previous year when governmental activities increased the Town's net position by \$491,259. The Town's revenues from governmental activities totaled \$2,363,438 for the fiscal year. Revenue from taxes represented 82% of total revenue. The major sources of revenue for the Town were real estate and personal property taxes of \$1,208,804 and state income and highway user taxes of \$712,174.

The Town's expenditures from governmental activities totaled \$1,773,591 for the fiscal year. Expenditures of public safety comprised the largest portion of total expenditures from governmental activities and totaled \$503,212 or 28.4%; general government expenses were the second largest portion of total expenditures at \$477,881 or 26.9%.

Business-type activities. Business-type activities net position was \$4,512,458 at the end of the fiscal year, a decrease of \$553,705 over beginning net position. Operating expenditures exceeded operating revenue by \$401,743 during the year.

Financial Analysis of the Town's Fund

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

The Town's general fund is the only governmental fund. At the end of the fiscal year, the fund balance of the general fund was \$4,431,963, of which \$2,874,020 was unassigned, \$1,336,839 was nonspendable and \$221,104 was restricted for various purposes (see page 11 of this report for further detail on restricted balances). As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents approximately 153% of total general fund expenditures.

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

The Water Fund and Sewer Fund are the Town's proprietary funds. Unrestricted net position (deficit) of the Water Fund and Sewer Fund at the end of the fiscal year was \$1,033,649 and \$(1,506,142), respectively.

General Fund Budgetary Highlights

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

Actual revenues on the budgetary basis were \$2,305,828, which exceeded expenditures by \$423,099. Property tax revenue exceeded the budgeted estimate by approximately \$22,000, shared taxes and grants exceeded the budget estimate by approximately \$177,000 while expenditures were approximately \$198,000 less than budgeted due primarily to lower capital outlays, compensation and benefit costs, and maintenance expenses.

Capital Assets and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2020 was \$14,187,590 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, vehicles, infrastructure, utility plants, and construction in progress. The Town's net investment in capital assets for the current fiscal year decreased by 1.8 percent for governmental and 4.5 percent for business-type activities as a result of current year depreciation and disposals, net of any current year additions. More detailed information regarding the Town's capital assets can be found in Notes 1 and 7 to the financial statements.

Table 3

Town of Boonsboro's Capital Assets (net of accumulated depreciation)

Fiscal Years Ended June 30,

	Governmental Activities		Business-Type Activities		Totals		Amount Change
	2020	2019	2020	2019	2020	2019	
Non-Depreciable Assets:							
Land	\$ 1,209,646	\$ 1,209,646	\$ 158,317	\$ 158,317	\$ 1,367,963	\$ 1,367,963	\$ -
Construction In Progress	-	-	-	174,330	-	174,330	(174,330)
Depreciable Assets:							
Buildings	273,140	243,809	2,679	2,768	275,819	246,577	29,242
Machinery & Equipment	163,263	190,269	559,389	367,200	722,652	557,469	165,183
Parks & Recreation	1,148,115	1,255,318	-	-	1,148,115	1,255,318	(107,203)
Vehicles	175,063	144,368	51,200	80,964	226,263	225,332	931
Infrastructure	685,416	678,130	3,563,718	3,416,960	4,249,134	4,095,090	154,044
Utility Plants	-	-	6,197,644	6,833,670	6,197,644	6,833,670	(636,026)
Total	\$ 3,654,643	\$ 3,721,540	\$ 10,532,947	\$ 11,034,209	\$ 14,187,590	\$ 14,755,749	\$ (568,159)

Long-Term Debt. At June 30, 2020, the Town had total debt outstanding of \$6,068,203. The Town's long-term debt decreased 4 percent during the fiscal year due to regular scheduled payments despite additional debt of \$150,000. Additional information on long-term debt can be found in Note 12 to the basic financial statements.

Table 4

Town of Boonsboro's Long-term Debt

Fiscal Years Ended June 30,

	Governmental		Business-Type		Totals		Change
	2020	2019	2020	2019	2020	2019	
Note Payable - MWQFA	\$ 62,000	\$ 77,500	\$ -	\$ -	\$ 62,000	\$ 77,500	\$ (15,500)
Note Payable - Park Development	246,693	407,228	-	-	246,693	407,228	(160,535)
Notes Payable - MDE	-	-	245,509	278,661	245,509	278,661	(33,152)
Note Payable - CHIEF	-	-	150,000	-	150,000	-	150,000
Infrastructure Bond - WWTP	-	-	5,184,500	5,311,000	5,184,500	5,311,000	(126,500)
Note Payable - Columbia Bank	-	-	14,202	42,605	14,202	42,605	(28,403)
Note Payable - BB&T	-	-	86,494	115,327	86,494	115,327	(28,833)
Net unamortized bond premium	-	-	78,805	81,722	78,805	81,722	(2,917)
Total	\$ 308,693	\$ 484,728	\$ 5,759,510	\$ 5,829,315	\$ 6,068,203	\$ 6,314,043	\$ (245,840)

Economic Factors

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

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

As with all municipalities in the state of Maryland, unknown revenues and funding sources from the effects of the COVID-19 pandemic has caused the Town to approach operations with a discerning eye. The rate increases implemented in recent years have helped establish a cash reserve however the Town will still face financial challenges as a result of the Governor's executive order dis-allowing utility dis-connections and late fees, which will impact water and sewer revenue.

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

Requests for Information

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

BOONSBORO MAYOR AND COUNCIL

STATEMENT OF NET POSITION

June 30,

2020

PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	\$ 718,958	\$ 951,255	\$ 1,670,213
Restricted cash and cash equivalents	167,449	-	167,449
Certificates of deposit	1,936,795	214,995	2,151,790
Restricted certificates of deposit	47,140	232,000	279,140
Receivables:			
Customers accounts	34,189	464,551	498,740
Taxes	37,529	-	37,529
Other governmental agencies	281,636	18,714	300,350
Developer, net of allowance for doubtful accounts of \$594,723	-	-	-
Prepaid expenses	28,530	-	28,530
Intercompany balances	128,367	(128,367)	-
Loans receivable (payable) - other funds	1,308,309	(1,308,309)	-
Capital assets:			
Land	1,209,646	158,317	1,367,963
Other capital assets, net of accumulated depreciation	2,444,997	10,374,630	12,819,627
TOTAL ASSETS	8,343,545	10,977,786	19,321,331
LIABILITIES			
Accounts payable	111,129	123,131	234,260
Accrued expenses	85,000	99,242	184,242
Other accrued liabilities	3,200	-	3,200
Unearned revenue	-	483,445	483,445
Current maturities of long-term debt	180,675	356,348	537,023
Long-term debt	128,018	5,403,162	5,531,180
TOTAL LIABILITIES	508,022	6,465,328	6,973,350
NET POSITION			
Invested in capital assets, net of related debt	3,345,950	4,773,437	8,119,387
Restricted for:			
Debt service	-	211,514	211,514
Excise tax	167,449	-	167,449
Friends of Shafer Park	47,140	-	47,140
Hotel/motel tax	6,515	-	6,515
Unrestricted (deficit)	4,268,469	(472,493)	3,795,976
TOTAL NET POSITION	\$ 7,835,523	\$ 4,512,458	\$ 12,347,981

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

BOONSBORO MAYOR AND COUNCIL

STATEMENT OF ACTIVITIES

Year ended June 30,

2020

FUNCTIONS/PROGRAMS	EXPENDITURES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT		TOTAL
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
Primary government:							
Governmental activities:							
General government	\$ 477,881	\$ 12,995	32,865	\$ -	\$ (432,021)	\$ -	(432,021)
Public safety	503,212	-	26,832	-	(476,380)	-	(476,380)
Sanitation	185,807	134,254	-	-	(51,553)	-	(51,553)
Highways and streets	344,952	-	-	-	(344,952)	-	(344,952)
Parks and recreation	194,508	6,096	2,659	96,750	(89,003)	-	(89,003)
Non-departmental	59,415	-	-	-	(59,415)	-	(59,415)
Interest	7,816	-	-	-	(7,816)	-	(7,816)
TOTAL GOVERNMENTAL ACTIVITIES	1,773,591	153,345	62,356	96,750	(1,461,140)	-	(1,461,140)
Business-type activities:							
Water	717,898	763,962	-	-	-	46,064	46,064
Sewer	1,756,235	1,079,749	36,185	-	-	(640,301)	(640,301)
TOTAL BUSINESS-TYPE ACTIVITIES	2,474,133	1,843,711	36,185	-	-	(594,237)	(594,237)
TOTAL PRIMARY GOVERNMENT	\$ 4,247,724	\$ 1,997,056	\$ 98,541	\$ 96,750	(1,461,140)	(594,237)	(2,055,377)
GENERAL REVENUES							
Taxes							
Property					1,208,804	-	1,208,804
Income					549,524	-	549,524
Highway					162,650	-	162,650
County shared					27,692	-	27,692
Other					39,118	-	39,118
Other income					14,200	29,828	44,028
Interest income					48,999	10,704	59,703
TOTAL GENERAL REVENUES					2,050,987	40,532	2,091,519
Change in net position					589,847	(553,705)	36,142
NET POSITION - BEGINNING OF YEAR					7,245,676	5,066,163	12,311,839
NET POSITION - END OF YEAR					\$ 7,835,523	\$ 4,512,458	\$ 12,347,981

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

BOONSBORO MAYOR AND COUNCIL

BALANCE SHEET – GOVERNMENTAL FUND

June 30,

2020

ASSETS

Cash and cash equivalents	\$	718,958
Restricted cash and cash equivalents		167,449
Certificates of deposit		1,936,795
Restricted certificates of deposit		47,140
Receivables		353,354
Prepaid expenses		28,530
Due from proprietary fund		128,367
Loan receivable from proprietary fund		1,308,309

TOTAL ASSETS

\$ 4,688,902

LIABILITIES

Accounts payable	\$	111,129
Accrued expenses		85,000
Other accrued liabilities		3,200

TOTAL LIABILITIES

199,329

DEFERRED INFLOWS OF RESOURCES

Unavailable revenue - intergovernmental		57,610
---	--	--------

TOTAL DEFERRED INFLOWS OF RESOURCES

57,610

FUND BALANCE

Non-spendable:		
Prepaid expenses		28,530
Long-term loans receivable		1,308,309
Restricted for:		
Excise tax		167,449
Friends of Shafer Park		47,140
Hotel/motel tax		6,515
Highway user taxes		-
Unassigned		2,874,020

TOTAL FUND BALANCE

4,431,963

TOTAL LIABILITIES AND FUND BALANCE

\$ 4,688,902

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

BOONSBORO MAYOR AND COUNCIL

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

June 30,

2020

Fund Balance - total governmental funds	\$	4,431,963
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund balance sheet		
Governmental capital assets, net of accumulated depreciation		3,654,643
Long-term liabilities are not due and payable in the upcoming year and therefore are not reported in the governmental fund		(308,693)
Certain amounts of grant revenues and highway user revenue in the statement of activities do not provide current financial resources and therefore is not recognized as revenue in the governmental fund		
Deferred inflows of resources - unavailable revenue		57,610
<hr/>		
Net Position of Governmental Activities	\$	7,835,523

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

BOONSBORO MAYOR AND COUNCIL

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

Year ended June 30,

2020

REVENUES

Taxes:

Local	\$	1,208,804
State shared		679,077
County shared		27,692
Other		39,118
Operating grants		37,843
Capital grants and contributions		96,750
Licenses and permits		12,995
Service charges		140,350
Interest income		48,999
Other revenues		14,200

TOTAL REVENUES

2,305,828

EXPENDITURES

General government	421,273
Public safety	477,164
Sanitation	185,807
Highways and streets	289,730
Parks and recreation	69,847
Non-departmental	59,415
Capital outlay	195,642
Debt service:	
Principal	176,035
Interest	7,816

TOTAL EXPENDITURES

1,882,729

Net change in fund balance 423,099

FUND BALANCE - beginning of year 4,008,864

FUND BALANCE - end of year \$ 4,431,963

BOONSBORO MAYOR AND COUNCIL

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

Year ended June 30,

2020

Net change in Fund Balance - total governmental funds	\$	423,099
---	----	---------

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are capitalized and depreciated over their estimated useful lives. The amount by which current year depreciation expense exceeds capital outlays exceed is a required adjustment.

	(66,897)
--	----------

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

	176,035
--	---------

Certain amounts of grant revenues and highway user revenue in the statement of activities do not provide current financial resources and are therefore not recognized as revenue in the governmental fund. This is the amount by which deferred inflows of resources decreased.

	57,610
--	--------

Change in Net Position of Governmental Funds	\$	589,847
--	----	---------

BOONSBORO MAYOR AND COUNCIL

STATEMENT OF NET POSITION – PROPRIETARY FUNDS

June 30,

2020

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	Water	Sewer	Total
ASSETS			
Cash and cash equivalents	\$ 680,489	\$ 270,766	\$ 951,255
Certificates of deposit	213,408	1,587	214,995
Restricted certificate of deposits	-	232,000	232,000
Receivables:			
Customers accounts	170,764	293,787	464,551
Developer, net of allowance for doubtful accounts of \$594,723	-	-	-
Other Governmental Agencies	18,714	-	18,714
Intercompany balances	71,067	(71,067)	-
Capital assets:			
Land	125,142	33,175	158,317
Other capital assets, net of accumulated depreciation	3,860,351	6,514,279	10,374,630
TOTAL ASSETS	\$ 5,139,935	\$ 7,274,527	\$ 12,414,462
LIABILITIES			
Accounts payable	\$ 49,087	\$ 74,044	\$ 123,131
Accrued expenses	26,516	72,726	99,242
Unearned revenue	2,000	481,445	483,445
Current maturities of long-term debt	219,708	136,640	356,348
Due to other funds	43,190	85,177	128,367
Loan payable - general fund	-	1,308,309	1,308,309
Long-term debt	247,507	5,155,655	5,403,162
TOTAL LIABILITIES	\$ 588,008	\$ 7,313,996	\$ 7,902,004
NET POSITION			
Invested in capital assets, net of related debt	\$ 3,518,278	\$ 1,255,159	\$ 4,773,437
Restricted for debt service	-	211,514	211,514
Unrestricted (deficit)	1,033,649	(1,506,142)	(472,493)
TOTAL NET POSITION	\$ 4,551,927	\$ (39,469)	\$ 4,512,458

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

BOONSBORO MAYOR AND COUNCIL

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

Year ended June 30,

2020

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			
	Water	Sewer	Total
OPERATING REVENUES			
Charges for:			
Services	\$ 686,042	\$ 1,079,749	\$ 1,765,791
Administration	77,920	-	77,920
Grants	-	36,185	36,185
TOTAL OPERATING REVENUES	763,962	1,115,934	1,879,896
OPERATING EXPENSES			
Advertising	148	197	345
Benefits	70,584	70,584	141,168
Biosolids removal	-	236,914	236,914
Chemicals	18,562	61,110	79,672
Depreciation	182,155	681,210	863,365
Equipment expense	6,282	673	6,955
Insurance	25,596	13,566	39,162
Maintenance and repairs	85,024	134,797	219,821
Meeting expense	1,507	1,150	2,657
Miscellaneous	6,767	67	6,834
Payroll taxes	15,418	15,527	30,945
Postage	2,890	1,937	4,827
Professional fees	4,914	3,399	8,313
Professional memberships and certifications	500	200	700
Salaries	201,902	203,326	405,228
Supplies	18,353	9,101	27,454
Testing	827	22,606	23,433
Uniforms	2,148	2,147	4,295
Utilities	54,471	109,613	164,084
Vehicle expense	8,228	7,239	15,467
TOTAL OPERATING EXPENSES	706,276	1,575,363	2,281,639
OPERATING INCOME (LOSS)	57,686	(459,429)	(401,743)
NON-OPERATING REVENUES (EXPENSES)			
Debt service fees	23,827	-	23,827
Interest income	6,960	3,744	10,704
Interest expense	(11,622)	(180,872)	(192,494)
Other non-operating revenues	3,238	2,763	6,001
TOTAL NON-OPERATING REVENUES (EXPENSES)	22,403	(174,365)	(151,962)
CHANGE IN NET POSITION	80,089	(633,794)	(553,705)
TOTAL NET POSITION - beginning of year	4,471,838	594,325	5,066,163
TOTAL NET POSITION - end of year	\$ 4,551,927	\$ (39,469)	\$ 4,512,458

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

BOONSBORO MAYOR AND COUNCIL

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

Year ended June 30,

2020

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			
	Water	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 754,265	\$ 1,113,756	\$ 1,868,021
Cash paid to suppliers for goods and services	(199,556)	(620,270)	(819,826)
Cash payments to employees for services	(291,978)	(292,680)	(584,658)
NET CASH PROVIDED BY OPERATING ACTIVITIES	262,731	200,806	463,537
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash received from (paid to) proprietary fund	2,375	(2,375)	-
Cash received from the general fund	68,911	148,435	217,346
NET CASH USED IN NONCAPITAL FINANCING ACTIVITIES	71,286	146,060	217,346
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(246,948)	(115,155)	(362,103)
Proceeds from note payable	150,000	-	150,000
Principal payments on notes payable	(83,317)	(133,570)	(216,887)
Interest paid on notes payable	(11,622)	(183,790)	(195,412)
Debt service fees	23,827	-	23,827
Other	3,238	2,763	6,001
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(164,822)	(429,752)	(594,574)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	6,960	3,744	10,704
Redemption/(purchase) of certificates of deposit	(4,125)	116,348	112,223
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	2,835	120,092	122,927
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	172,030	37,206	209,236
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	508,459	233,560	742,019
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 680,489	\$ 270,766	\$ 951,255

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

BOONSBORO MAYOR AND COUNCIL

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

Year ended June 30,

2020

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			
	Water	Sewer	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 57,686	\$ (459,429)	\$ (401,743)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	182,155	681,210	863,365
(Increase) decrease in:			
Customer accounts receivable	9,017	(2,178)	6,839
Other Government Agency	(18,714)	-	(18,714)
Increase (decrease) in:			
Accounts payable	36,661	(15,553)	21,108
Accrued expenses	(4,074)	(3,244)	(7,318)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 262,731	\$ 200,806	\$ 463,537

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

BOONSBORO MAYOR AND COUNCIL

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

Government - Wide Financial Statements

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

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

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

Fund Financial Statements

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

BOONSBORO MAYOR AND COUNCIL

NOTES TO FINANCIAL STATEMENTS

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

Property taxes are recognized as receivable at the time they are levied and attached as an enforceable lien on underlying property. Real estate and personal property taxes are levied July 1 of each year and are due and payable no later than September 30 with accrued interest beginning October 1. If tax bills are not paid within eighteen months, legal process is initiated in order to place a lien on the delinquent taxpayer's property. The Town's tax rates for the collection year ended June 30, 2020 were:

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

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

BOONSBORO MAYOR AND COUNCIL

NOTES TO FINANCIAL STATEMENTS

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

Fund Accounting

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

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

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

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

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

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

Encumbrances

The Town does not use encumbrances accounting.

Cash Equivalents

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

BOONSBORO MAYOR AND COUNCIL

NOTES TO FINANCIAL STATEMENTS

Investments

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

Fair value measurements

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

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

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

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

The Town uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. A financial instrument's level within the fair value hierarchy is based upon the lowest level of any input that is significant to the fair value measurement. When available, the Town measures fair value using Level 1 or Level 2 inputs because they generally provide the most reliable evidence of fair value. There are no measurements that require Level 3 inputs for the year ended June 30, 2020.

Receivables

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

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

Receivables are generally due thirty days after billing. A receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days. Interest is charged on accounts receivable that are outstanding for more than 30 days and is recognized as it is charged. Pursuant to an executive order issued by the Governor of Maryland in response to the COVID-19 pandemic, the Town has suspended charging interest on accounts receivable outstanding more than 30 days beginning in March 2020.

BOONSBORO MAYOR AND COUNCIL

NOTES TO FINANCIAL STATEMENTS

Inventory

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

Prepaid Expenditures

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

Capital Assets

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

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

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was no interest capitalized for the year ended June 30, 2020.

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

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

Inter-fund Transactions

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

BOONSBORO MAYOR AND COUNCIL

NOTES TO FINANCIAL STATEMENTS

Compensated Absences

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

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The Town does not have any items that qualify for reporting in this category as of June 30, 2020.

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. One item which qualifies for reporting in this category, which arises only under the modified accrual basis of accounting, is unavailable revenue. Accordingly, it is only reported in the governmental fund's balance sheet. When applicable, the Town reports unavailable revenue from various sources such as sanitation fees, grants, and other intergovernmental transactions. These amounts are deferred and will be recognized as revenue in the period that the amounts become available. The Town had unavailable revenue approximating \$58,000 of June 30, 2020.

Equity Classifications

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

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

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

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

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

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

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

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

BOONSBORO MAYOR AND COUNCIL

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the fair value of negotiable certificates of deposit, the allowance for uncollectible receivables, unearned revenue/tap fee revenue, and the estimated useful lives of depreciable capital assets.

Income Tax Status

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

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

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

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

BOONSBORO MAYOR AND COUNCIL

NOTES TO FINANCIAL STATEMENTS

3. RISKS AND UNCERTAINTIES

Credit Risk

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

Interest Rate and Concentration of Credit Risk

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

Custodial Credit Risk

The Town maintains its cash balances in several financial institutions, which at times may exceed federally insured limits giving rise to 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. At June 30, 2020, all of the Town's deposits, including certificates of deposits, were either covered by federal depository insurance or were collateralized, as follows:

	Bank Balance
Insured	\$ 2,000,649
Collateralized:	
Collateral held by pledging bank's agent in the Town's name	326,264
Collateral held by pledging bank's agent not in the Town's name	-
Total deposits	\$ 2,326,913

Other

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

LGIT is capitalized at an actuarially determined level to provide financial stability for its local government members to reduce the possibility of assessments. The trust is owned by the participating counties and cities and managed by a Board of Trustees elected by the members. Annual premiums are assessed for the various policy coverages. During fiscal year 2020, the Town paid premiums approximating \$305,000 to the trust. The trust is self-sustaining through member premiums and purchases reinsurance to reduce its exposure to certain large losses. Over the last three years incurred and paid claims have not exceeded insurance coverage.

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

BOONSBORO MAYOR AND COUNCIL

NOTES TO FINANCIAL STATEMENTS

4. CASH AND CASH EQUIVALENTS

Unrestricted and restricted (Note 6) cash and cash equivalents consist of the following at June 30, 2020:

	Governmental Activities	Business-type Activities	Water Fund	Sewer Fund
Cash	\$ 718,598	\$ 632,061	\$ 507,043	\$ 125,018
Money market accounts	167,449	319,194	173,446	145,748
Total cash and cash equivalents	\$ 886,047	\$ 951,255	\$ 680,489	\$ 270,766

5. CERTIFICATES OF DEPOSIT

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

Certificates of deposit, including fair value level when applicable, consisted of the following at June 30, 2020:

	Governmental Activities	Business-type Activities	Water Fund	Sewer Fund
Negotiable	\$ 1,693,421	\$ 233,587	\$ -	\$ 233,587
Non-negotiable	290,514	213,408	213,408	-
Total certificates of deposit	\$ 1,983,935	\$ 446,995	\$ 213,408	\$ 233,587

	Total	Level 1	Level 2	Level 3
Governmental Activities	\$ 1,693,421	\$ -	\$ 1,693,421	\$ -
Business-type Activities	233,587	-	233,587	-
Total negotiable certificates of deposit	\$ 1,927,008	\$ -	\$ 1,927,008	\$ -

As of June 30, 2020, the Town's certificates of deposit mature as follows:

	Carrying Value	Maturities (in years)	
		Less than 1	1 - 5
Governmental Activities	\$ 1,983,935	\$ 1,936,795	\$ 47,140
Business-type Activities	446,995	233,587	213,408
	\$ 2,430,930	\$ 2,170,382	\$ 260,548

BOONSBORO MAYOR AND COUNCIL

NOTES TO FINANCIAL STATEMENTS

6. RESTRICTED CASH AND CERTIFICATES OF DEPOSITS

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

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

During fiscal year 2018 the Town received a \$2 million Bay Restoration Fund grant whose use was restricted for the repayment of wastewater treatment plant debt. A portion of the grant funds were used for debt repayments during the fiscal year. The remaining funds will be applied to the principal payments of the Infrastructure Bond (Note 12) through April 2022. The balance of the certificate exceeds the restricted portion at June 30, 2020.

A summary of restricted cash and certificates of deposit as of June 30, 2020 is as follows:

	Governmental Activities	Business-type Activities	Water Fund	Sewer Fund
Certificates of deposit:				
Friends of Shafer Park	\$ 47,140	\$ -	\$ -	\$ -
WWTP debt service (certificate of deposit)	-	232,000	-	232,000
Total restricted certificates of deposit	47,140	232,000	-	232,000
Restricted cash				
Excise taxes	167,449	-	-	-
Total restricted cash	167,449	-	-	-
Total restricted cash and certificates of deposit	\$ 214,589	\$ 232,000	\$ -	\$ 232,000

BOONSBORO MAYOR AND COUNCIL

NOTES TO FINANCIAL STATEMENTS

7. CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2020 is as follows:

	2019	Additions	Reductions	2020
<u>Governmental Activities</u>				
Non-depreciable assets:				
Land	\$ 1,209,646	\$ -	\$ -	\$ 1,209,646
Depreciable:				
Buildings and improvements	1,320,624	57,500	-	1,378,124
Machinery and equipment	431,495	9,211	2,011	438,695
Parks and recreation	2,273,323	5,611	4,901	2,274,033
Vehicles	397,941	61,370	-	459,311
Infrastructure	1,602,783	61,950	-	1,664,733
Total	7,235,812	\$ 195,642	\$ 6,912	7,424,542
Less accumulated depreciation				
Buildings and improvements	1,076,815	\$ 28,169	\$ -	1,104,984
Machinery and equipment	241,226	36,217	2,011	275,432
Parks and recreation	1,018,005	112,814	4,901	1,125,918
Vehicles	253,573	30,675	-	284,248
Infrastructure	924,653	54,664	-	979,317
Total	3,514,272	\$ 262,539	\$ 6,912	3,769,899
Net book value	\$ 3,721,540			\$ 3,654,643

BOONSBORO MAYOR AND COUNCIL

NOTES TO FINANCIAL STATEMENTS

	2019	Additions	Reductions	2020
<u>Business-type Activities</u>				
Non-depreciable assets:				
Land	\$ 158,317	\$ -	\$ -	\$ 158,317
Construction in progress	174,330	-	174,330	-
Depreciable:				
Buildings and improvements	144,500	-	-	144,500
Machinery and equipment	1,659,106	255,729	87,542	1,827,293
Vehicles	218,486	-	-	218,486
Infrastructure	6,947,137	280,704	-	7,227,841
Utility plants	13,211,950	-	-	13,211,950
Total	22,513,826	\$ 536,433	\$ 261,872	22,788,387
Less accumulated depreciation				
Buildings and improvements	141,732	\$ 89	\$ -	141,821
Machinery and equipment	1,291,906	63,540	87,542	1,267,904
Vehicles	137,522	29,764	-	167,286
Infrastructure	3,530,177	133,946	-	3,664,123
Utility plants	6,378,280	636,026	-	7,014,306
Total	11,479,617	\$ 863,365	\$ 87,542	12,255,440
Net book value	\$ 11,034,209			\$ 10,532,947

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

Governmental Activities	
General government	\$ 56,609
Public safety	26,048
Parks and recreation	55,223
Highways and streets	124,661
	\$ 262,541
Business-type Activities	
Water	\$ 182,155
Sewer	681,210
	\$ 863,365

BOONSBORO MAYOR AND COUNCIL

NOTES TO FINANCIAL STATEMENTS

8. ACCRUED EXPENSES AND LIABILITIES

The composition of accrued expenses and liabilities as of June 30, 2020 is as follows:

	Governmental Activities	Business-type Activities	Water Fund	Sewer Fund
Accrued salaries	\$ 28,120	\$ -	\$ -	\$ -
Accrued compensated absences	33,800	32,002	16,001	16,001
Accrued pension	23,080	21,030	10,515	10,515
Accrued interest	-	46,210	-	46,210
Total accrued expenses	\$ 85,000	\$ 99,242	\$ 26,516	\$ 72,726
Deposits	\$ 3,200	\$ -	\$ -	\$ -
Total other accrued liabilities	\$ 3,200	\$ -	\$ -	\$ -

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

9. OTHER RECEIVABLES

Other receivables, including amounts receivable from other governmental agencies consisted of the following at June 30, 2020:

	Governmental Activities	Business-type Activities	Water Fund	Sewer Fund
Other governmental agencies receivable:				
State of Maryland	\$ 246,116	\$ -	\$ -	\$ -
Washington County	35,520	-	-	-
Local Governments	-	18,714	18,714	-
	\$ 281,636	\$ 18,714	\$ 18,714	\$ -

BOONSBORO MAYOR AND COUNCIL

NOTES TO FINANCIAL STATEMENTS

10. INTER-FUND RECEIVABLES AND PAYABLES

The composition of inter-fund balances as of June 30, 2020 is as follows:

Receivable Fund	Payable Fund	Amount
General	Water	\$ 43,190
General	Sewer	85,177
		\$ 128,367
Water	Sewer	\$ 71,067

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

11. INTER-FUND LOANS

The Sewer Fund obtained a \$58,880 loan from the General Fund for the purpose of financing repairs to the lagoon. Terms of the loan provide for semi-annual payments totaling \$5,888 commencing December 2001 through June 2012, at 0% interest. The loan is pre-payable without penalty and is unsecured. The commencement of payments was postponed and no payments have been made as of June 30, 2020. Since it is unlikely that any payments will occur within one year, no current maturities are recorded for this loan.

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

During 2020 the Sewer Fund obtained an additional loan totaling \$250,000 to assist in continued upgrades and operations of the wastewater treatment plant. As with prior loans, repayment will be made when the outstanding amounts due from developers (Note 17) are paid in full. Since it is unlikely that these payments will occur within one year, no current maturities are recorded for this loan.

The following is a summary of changes in long-term inter-fund loans for the year ended June 30, 2020:

Receivable Fund	Payable Fund	Balance July 1, 2018	Issued	Retired	Balance June 30, 2019	Balance Due Within One Year
General Fund	Sewer Fund	\$ 58,880	\$ -	\$ -	\$ 58,880	\$ -
General Fund	Sewer Fund	1,008,309	-	-	1,008,309	-
General Fund	Sewer Fund	-	250,000	8,880	241,120	-
		\$ 1,067,189	\$ 250,000	\$ 8,880	\$ 1,308,309	\$ -

BOONSBORO MAYOR AND COUNCIL

NOTES TO FINANCIAL STATEMENTS

12. LONG-TERM DEBT

The Town's long-term debt as of June 30, 2020 consisted of the following:

Governmental Activities

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

\$ 62,000

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

246,693

Total Governmental Activities

\$ 308,693

BOONSBORO MAYOR AND COUNCIL

NOTES TO FINANCIAL STATEMENTS

Business-type Activities

Water Fund

In October 2016 the Town refinanced its Infrastructure Bond 1990 Series I with a note payable from Columbia Bank. The total refinanced amount was \$113,612. The loan is secured by a certificate of deposit held at the bank and interest is payable at a fixed rate of 2.15%. Terms of the loan require monthly interest only payments and quarterly principal payments over 48 months, maturing October 2020. \$ 14,202

In June 1998 the Town received a loan from MDE to assist in the funding of the Water Filtration Project. Under the agreement with MDE, beginning June 1999 the Town pays annual interest at a fixed rate of 4.9%. Payments of \$11,158, including interest, are made annually beginning June 2001 and ending June 2028. In the event of a default, salvage rights shall be provided to the State of Maryland. The loan is prepayable without penalty. Interest will be recomputed if the prepayment of principal is more than six months in advance. 72,399

In March 2008 the Town received a loan in the amount of \$78,000 from MDE to assist in the funding of the Alternate Route 40 Water Main Extension Project. The loan is for the engineering phase of the project. Draws of \$73,980 were made during the duration of the project. The loan is being amortized over 19 annual payments which began in February 2010. Interest at a fixed rate of 2.20% is being paid semi-annually in August and February. The loan is a general obligation of the Town, with the full faith and credit and taxing power of the Town pledged. 32,310

In July 2009 the Town received an additional loan in the amount of \$281,000 from MDE to assist in the funding of the Alternate Route 40 Water Main Extension Project. This loan is for the construction phase of the project. Total drawn during the duration of the project was \$253,574. The loan is being amortized over 19 annual payments which began in February 2011. Interest at a fixed rate of 1% is being paid semi-annually in August and February. The loan is a general obligation of the Town, with the full faith and credit and taxing power of the Town pledged. 111,810

In November 2009 the Town entered into a loan agreement with BB&T in the amount of \$339,834. The remaining balance of \$201,834 was refinanced in April 2016. Under the terms of the refinanced agreement, monthly interest only payments and annual principal payments of \$14,417 beginning September 2016 and ending March 2023 are required. Interest is charged at a fixed rate of 2.1%. The note is prepayable without penalty and is unsecured. 86,494

BOONSBORO MAYOR AND COUNCIL

NOTES TO FINANCIAL STATEMENTS

In January 2020 the Town entered into a loan agreement with Hagerstown-Washington County Industrial Foundation, Inc. (CHIEF) in the amount of \$150,000. The note bears no interest and is due in one year. The note is prepayable without penalty and is secured by a \$200,000 certificate of deposit held by the Town.

	150,000
Total Water Fund	\$ 467,215

Sewer Fund

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

\$ 28,990

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

	5,184,500
Total Sewer Fund Debt Principal	5,213,490
Net unamortized bond premium	78,805
Total Sewer Fund	5,292,295
Total Business-type Activities	5,759,510
Total Long-term Debt	\$ 6,068,203

The following is a summary of activity charged to interest expense for the year ended June 30, 2020:

	Governmental Activities	Business-type Activities	Water Fund	Sewer Fund
Interest expense	\$ 7,816	\$ 195,413	\$ 11,622	\$ 183,791
Amortization of bond premium	-	(2,919)	-	(2,919)
Total interest expense	\$ 7,816	\$ 192,494	\$ 11,622	\$ 180,872

BOONSBORO MAYOR AND COUNCIL

NOTES TO FINANCIAL STATEMENTS

The following is a summary of changes in long-term debt for the year ended June 30, 2020:

	Balance July 1, 2019	Issued	Retired	Balance June 30, 2020	Balance Due Within One Year
Governmental Activities					
Note Payable - MWQFA	\$ 77,500	\$ -	\$ 15,500	\$ 62,000	\$ 15,500
Loan Payable - BB&T	407,228	-	160,535	246,693	165,175
Total Governmental Activities*	484,728	-	176,035	308,693	180,675
Business-type Activities					
Water Fund					
Columbia Bank Loan	42,605	-	28,403	14,202	14,202
Note Payable - MDE	79,651	-	7,252	72,399	7,608
Note Payable - MDE	36,422	-	4,112	32,310	4,203
Note Payable - MDE	126,526	-	14,716	111,810	14,862
Note Payable - BB&T	115,328	-	28,834	86,494	28,833
Note Payable - CHIEF	-	150,000	-	150,000	150,000
Total Water Fund	400,532	150,000	83,317	467,215	219,708
Sewer Fund					
Note Payable - MDE	36,060	-	7,070	28,990	7,140
Bond Payable - CDA	5,311,000	-	126,500	5,184,500	129,500
Total Sewer Fund	5,347,060	-	133,570	5,213,490	136,640
Total Business-type Activities*	5,747,592	150,000	216,887	5,680,705	356,348
Total Long-term Debt Principal*	\$ 6,232,320	\$ 150,000	\$ 392,922	\$ 5,989,398	\$ 537,023

* Does not include net unamortized bond premium. For the year ended June 30, 2020, unamortized bond premiums totaled \$0 for governmental activities and \$78,805 for business-type activities.

BOONSBORO MAYOR AND COUNCIL

NOTES TO FINANCIAL STATEMENTS

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

	Governmental Activities		Business-type Activities		Water Fund		Sewer Fund	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 180,675	\$ 1,940	\$ 356,348	\$ 185,981	\$ 219,708	\$ 6,836	\$ 136,640	\$ 179,145
2022	97,018	2,936	195,332	181,968	56,121	5,550	139,211	176,418
2023	15,500	-	198,534	177,947	56,751	4,307	141,783	173,640
2024	15,500	-	173,438	174,154	28,582	3,344	144,856	170,810
2025	-	-	169,264	170,578	29,264	2,660	140,000	167,918
2026-2030	-	-	833,789	785,951	76,789	3,720	757,000	782,231
2031-2035	-	-	878,500	657,460	-	-	878,500	657,460
2036-2040	-	-	1,039,500	496,939	-	-	1,039,500	496,939
2041-2045	-	-	1,259,500	273,760	-	-	1,259,500	273,760
2046-2047	-	-	576,500	35,255	-	-	576,500	35,255
	<u>\$ 308,693</u>	<u>\$ 4,876</u>	<u>\$ 5,680,705</u>	<u>\$ 3,139,993</u>	<u>\$ 467,215</u>	<u>\$ 26,417</u>	<u>\$ 5,213,490</u>	<u>\$ 3,113,576</u>

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

13. RETIREMENT PLAN

The Mayor and Council of Boonsboro Employee Pension Plan, administered by the Town, provides pension benefits for all of the Town's full-time employees through a defined contribution plan. Plan provisions and contribution requirements are established and may be amended by the Town. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after completing six months of employment. The Town's contributions for each employee (and income allocated to the employee's account) are fully vested after seven years' continuous service. Partial vesting begins after three years of service. The Town is obligated to contribute 7% of the employees' wages and the employee has the option to contribute to the plan. Contributions and earnings forfeited by employees who leave employment before seven years of service are used to reduce the Town's current-period contribution requirement. As of June 30, 2020, the Town has 18 full-time and part-time employees with 17 employees participating in the plan. The employees of the Town made no contributions. The Town's contribution for fiscal year 2020 was \$46,552.

14. DEFERRED COMPENSATION PLAN

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

15. CONTINGENCIES

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

16. COMMITMENTS

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

BOONSBORO MAYOR AND COUNCIL

NOTES TO FINANCIAL STATEMENTS

17. AGREEMENTS WITH DEVELOPERS

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

During the year ended June 30, 2009, the Town entered into agreements with several developers, under which the Town has agreed to provide an allocated amount of sewer taps which have been guaranteed by the developers and will pay for the first 5 years of debt service related to the construction of the WWTP (Note 16). These agreements provide for a specific number of taps to be earned by paying the debt service payments timely over the next five years and then an additional predetermined number of taps will be available to the developer. As described in Note 18, an allowance for doubtful accounts has been established as of June 30, 2020.

Included in the Statement of Net Position is unearned revenue related to these tap fees totaling \$481,445 for the year ended June 30, 2020. This will be recognized as revenue when the developers begin to utilize the taps. During the year ended June 30, 2020, the Town did not recognize any of this tap fee revenue.

18. RISKS AND VULNERABILITY

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

As of June 30, 2020, the Town has \$594,723 of other receivables recorded related to payments owed by the developers. At this point in time, it appears unlikely that the Town will be able to collect amounts owed by the developers based on the history of payments to date. Because of these reasons, the Town has established an allowance for doubtful accounts of \$594,723 offsetting the amounts owed by the developers. This has minimal effect on the statement of activities as amounts receivable for tap fees are recorded as unearned revenue on the statement of net position.

19. CONDUIT DEBT OBLIGATION

During the year ended June 30, 2016, the Town issued Economic Development Revenue Bonds in the amount of \$1,436,177 to provide assistance to the Humane Society of Washington County (Organization) for the acquisition and improvement of its operating facilities. The bonds are secured by the property financed and are payable solely from payments received on the underlying financing agreement. Upon repayment of the bonds, ownership of the acquired facilities transfers to the Organization served by the bond issuance. Neither the Mayor and Council of Boonsboro, MD, nor any public body thereof is obligated in any manner for repayment of the bonds. In accordance with the Governmental Accounting Standards Board, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2020, the Economic Development Revenue Bonds outstanding had an aggregate principal amount payable of \$1,176,762.

BOONSBORO MAYOR AND COUNCIL

NOTES TO FINANCIAL STATEMENTS

20. RECENT GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) PRONOUNCEMENTS

In May 2020, GASB issued Statement No. 95 (GASB 95), *Postponement of the Effective Dates of Certain Authoritative Guidance*. This Statement postponed effective dates for certain GASB Statements in response to the COVID-19 pandemic. Postponed effective dates are reflected in the following discussion.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments and requires that activities meeting the criteria be reported in a fiduciary fund in the basic financial statements. As delayed by GASB 95, this Statement is effective for reporting periods beginning after December 15, 2019.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liabilities and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. As delayed by GASB 95, this Statement is effective for reporting period beginning after June 15, 2021.

In June 2018, GASB approved Statement No. 89 *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. As delayed by GASB 95, this Statement is effective for reporting periods beginning after December 31, 2020.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interest – An Amendment of GASB Statements No. 14 and No. 61*. The objective of this Statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization by clarifying when that interest should be reported as an investment or as a component unit. As delayed by GASB 95, this Statement is effective for reporting periods beginning after December 15, 2019.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice by clarifying the existing definition of a conduit debt obligation, establishing that a conduit debt obligation is not a liability of the issuer, establishing standards for accounting and financial reporting of additional and voluntary commitments and arrangements, and improving required note disclosures. As delayed by GASB 95, this Statement is effective for reporting periods beginning after December 15, 2021.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of the Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during the implementation and application of certain GASB Statements. The Statement addresses a variety of topics and includes specific provisions related to those topics. As delayed by GASB 95, this Statement is effective for reporting periods beginning after June 15, 2021.

In March 2020, GASB issued Statement No. 93, *Replacement of interbank Offered Rates*. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR), most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected

BOONSBORO MAYOR AND COUNCIL

NOTES TO FINANCIAL STATEMENTS

to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates. The objective of this Statement is to address hedge and lease accounting requirements as well as other accounting and financial reporting implications that result from the replacement of an IBOR. The provision related to the removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. Except for the guidance related to lease modifications, all other provisions are effective for reporting periods beginning after June 15, 2020. As delayed by GASB 95, provisions related to lease modifications are effective for reporting periods beginning after June 15, 2021.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements where a government contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset, for a period of time in an exchange or exchange-like transaction. The Statement also provides guidance for accounting and financial reporting for availability payment arrangements in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This Statement is effective for fiscal years beginning after June 15, 2022.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. The requirements of this Statement will improve financial reporting by establishing a definition for subscription-based information technology arrangements and providing uniform guidance for accounting and financial reporting for transactions that meet that definition and enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for the arrangement and to disclose essential information about the arrangement. This Statement is effective for fiscal years beginning after June 15, 2022.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. This Statement amends the component unit criteria of financial accountability and financial burden in certain circumstances. Other provisions of this Statement (1) require the classification of a Section 457 plan as either a pension plan or an other employee benefit plan, depending on whether the Section 457 plan meets the definition of a pension plan and (2) clarify that Statement 84, as amended, should be applied to all arrangements organization under Internal Revenue Code Section 457 to determine whether those arrangement should be reported as fiduciary activities. The component unit provisions of this Statement are effective upon issuance and have no impact on the Town. The Section 457 plan provisions of this Statement are effective for fiscal years beginning after June 15, 2021.

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

21. SUBSEQUENT EVENTS

The Town has evaluated events and transactions subsequent to June 30, 2020 through October 29, 2020, the date these financial statements were available to be issued. Based on the definitions and requirements of accounting principles generally accepted in the United States of America, management has not identified any events that have occurred subsequent to June 30, 2020 through October 29, 2020, that require recognition or disclosure in the financial statements except as described below.

BOONSBORO MAYOR AND COUNCIL

NOTES TO FINANCIAL STATEMENTS

In recent months, the COVID-19 outbreak in the United States has caused economic uncertainties which are expected to be temporary. These uncertainties may negatively impact financial results, however, such impacts are unknown at this time.

Subsequent to June 30, 2020, the Maryland Public Service Commission (MPSC) extended the Maryland Governor's order prohibiting service terminations and fees for late or non-payment of utility bills. Under this ruling, the Town must offer a minimum payment plan to customers who request one. While this ruling has the potential to increase the amount of time needed to collect customer receivables, management does not believe the ruling impacts the collectability of outstanding receivables as of June 30, 2020. The ruling is currently set to expire on November 15, 2020 but may be extended again at the discretion of MPSC or the Governor.

REQUIRED SUPPLEMENTARY INFORMATION

BOONSBORO MAYOR AND COUNCIL

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

Year ended June 30,

2020

	BUDGET	ACTUAL	ACTUAL OVER (UNDER) BUDGET
REVENUES			
LOCAL TAXES			
Real property	\$ 1,099,518	\$ 1,134,330	\$ 34,812
Personal property - incorporated	90,000	72,305	(17,695)
Personal property - unincorporated	4,300	3,394	(906)
Penalties and interest	4,000	4,989	989
Less: discounts and abatements	(11,000)	(6,214)	4,786
	1,186,818	1,208,804	21,986
LICENSES AND PERMITS			
Trader's	5,000	3,496	(1,504)
Planning and zoning	24,750	9,499	(15,251)
	29,750	12,995	(16,755)
GRANTS AND SHARED TAXES			
State of Maryland			
Income tax	325,000	549,524	224,524
Admissions and amusement	10,000	15,257	5,257
Highway tax	166,000	129,553	(36,447)
Grant for police protection	28,400	26,832	(1,568)
Other grants and shared taxes	109,000	106,717	(2,283)
Washington County			
Grant in lieu of tax on financial corporations	950	-	(950)
Grant in lieu of tax on elderly housing	3,000	3,427	427
County permit excise tax	15,000	-	(15,000)
Hotel/motel tax	24,000	27,667	3,667
	681,350	858,977	177,627
SANITATION CHARGES			
Charges for service	133,200	134,254	1,054
MISCELLANEOUS			
Interest income	20,000	48,999	28,999
Rental income	9,500	4,911	(4,589)
Cable TV franchise fees	20,000	24,422	4,422
Miscellaneous income	500	12,466	11,966
	50,000	90,798	40,798
TOTAL REVENUES	\$ 2,081,118	\$ 2,305,828	\$ 224,710

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

BOONSBORO MAYOR AND COUNCIL

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

Year ended June 30,

2020

	BUDGET	ACTUAL	ACTUAL OVER (UNDER) BUDGET
EXPENDITURES			
GENERAL GOVERNMENT			
MAYOR AND COUNCIL			
Mayor salary	\$ 3,600	\$ 3,600	\$ -
Council salary	7,200	7,200	-
MML dues	3,667	3,716	49
Education stipend	6,000	1,413	(4,587)
Contributions and donations	1,000	400	(600)
Convention expense	1,000	-	(1,000)
	22,467	16,329	(6,138)
ADMINISTRATION			
Administration salaries	130,000	136,321	6,321
Payroll taxes	10,400	11,545	1,145
Pension	9,100	8,334	(766)
Insurance - health	40,300	43,552	3,252
Insurance - workers comp	350	-	(350)
Treasurer salary	1,000	1,000	-
Payroll processing	2,600	-	(2,600)
Training	1,000	2,191	1,191
Advertising	1,800	3,366	1,566
Postage	2,000	1,137	(863)
Office expenses	12,500	32,283	19,783
Telephone	6,000	4,505	(1,495)
	217,050	244,234	27,184
PROFESSIONAL SERVICES			
Attorney fees	25,000	17,846	(7,154)
Audit service	4,500	6,750	2,250
Retirement administration	750	1,340	590
Accounting services	18,000	-	(18,000)
Engineering fees	-	1,248	1,248
	\$ 48,250	\$ 27,184	\$ (21,066)

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

BOONSBORO MAYOR AND COUNCIL

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

Year ended June 30,

2020

	BUDGET	ACTUAL	ACTUAL OVER (UNDER) BUDGET
MUNICIPAL BUILDING AND GROUNDS			
Maintenance	\$ 50,000	\$ 49,155	\$ (845)
Heating and electric	21,000	28,607	7,607
	71,000	77,762	6,762
OPERATIONS			
Elections	1,500	5,649	4,149
Planning, zoning and engineering	12,400	39,932	27,532
Economic development commission	27,900	6,669	(21,231)
Environmental commission	9,000	3,514	(5,486)
	50,800	55,764	4,964
TOTAL GENERAL GOVERNMENT	409,567	421,273	19,254
PUBLIC SAFETY			
POLICE DEPARTMENT			
Salaries	293,000	300,678	7,678
Payroll taxes	23,000	25,817	2,817
Pension	20,000	10,504	(9,496)
Insurance: health	55,800	7,151	(48,649)
Insurance: worker's comp	23,000	-	(23,000)
Equipment	23,000	21,017	(1,983)
Uniforms	3,000	3,142	142
Supplies	3,000	1,599	(1,401)
Telephone	3,000	2,633	(367)
Building maintenance and utilities	15,000	9,700	(5,300)
Training	5,000	3,120	(1,880)
Vehicle maintenance	8,000	13,116	5,116
Vehicle gas	15,000	15,778	778
	489,800	414,255	(75,545)
PUBLIC OUTREACH			
Police and public safety committee meetings	960	430	(530)
National Night Out program	1,250	678	(572)
PSC special projects	2,000	-	(2,000)
	\$ 4,210	\$ 1,108	\$ (3,102)

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

BOONSBORO MAYOR AND COUNCIL

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

Year ended June 30,

2020

	BUDGET	ACTUAL	ACTUAL OVER (UNDER) BUDGET
VOLUNTEER COMPANY CONTRIBUTIONS			
Fire department	\$ 25,000	\$ 25,000	\$ -
Fire hydrants	7,000	11,801	4,801
Ambulance service	25,000	25,000	-
	57,000	61,801	4,801
TOTAL PUBLIC SAFETY	551,010	477,164	(73,846)
HIGHWAYS AND STREETS			
Salaries	112,500	123,890	11,390
Payroll taxes	8,200	10,012	1,812
Pension	7,200	14,389	7,189
Insurance: health	36,000	8,577	(27,423)
Insurance: worker's comp	4,600	-	(4,600)
Uniforms	1,000	1,522	522
Telephone	2,000	2,904	904
Street lighting	55,000	57,235	2,235
Supplies and small equipment	10,500	13,107	2,607
Cleaning and debris	15,400	8,500	(6,900)
Snow removal	11,500	17,040	5,540
Street maintenance	12,500	3,526	(8,974)
Vehicle and equipment maintenance	17,000	19,705	2,705
Vehicle gas	11,000	9,323	(1,677)
	304,400	289,730	(14,670)
SANITATION			
Sanitation and recycling	200,000	185,807	(14,193)
PARKS, RECREATION AND EVENTS			
Salaries	960	740	(220)
Park equipment	1,000	56	(944)
Facilities maintenance	15,000	40,479	25,479
Grounds maintenance	20,000	17,741	(2,259)
Events	17,550	10,831	(6,719)
	54,510	69,847	15,337

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

BOONSBORO MAYOR AND COUNCIL

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

Year ended June 30,

2020

	BUDGET	ACTUAL	ACTUAL OVER (UNDER) BUDGET
NON-DEPARTMENTAL EXPENDITURES			
Property & liability insurance	\$ 15,000	\$ 25,832	\$ 10,832
Contingency fund	7,956	-	(7,956)
Health/Life/STD insurance	-	2,686	2,686
Insurance: worker's comp	-	17,131	17,131
Miscellaneous	5,500	13,766	8,266
	28,456	59,415	30,959
CAPITAL OUTLAY			
Street, drainage and overlay	125,000	61,950	(63,050)
National Road Heritage Museum	7,500	-	(7,500)
Shafer Park	127,000	63,111	(63,889)
Vehicles and equipment	30,000	9,211	(20,789)
Police department	55,000	61,370	6,370
	344,500	195,642	(148,858)
DEBT RETIREMENT			
Interest expense	8,000	7,816	(184)
Park expansion principal	165,175	160,535	(4,640)
Mortgage principal	15,500	15,500	-
	188,675	183,851	(4,824)
TOTAL EXPENDITURES	2,081,118	1,882,729	(198,389)
EXCESS OF REVENUE OVER EXPENDITURES	\$ -	\$ 423,099	\$ 423,099

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

OTHER SUPPLEMENTARY INFORMATION

BOONSBORO MAYOR AND COUNCIL

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

Year ended June 30,

2020

	BUDGET	ACTUAL	ACTUAL OVER (UNDER) BUDGET
OPERATING REVENUES			
Charges for services	\$ 707,353	\$ 686,042	\$ (21,311)
Charges for administration	57,855	77,920	20,065
TOTAL OPERATING REVENUES	765,208	763,962	(1,246)
OPERATING EXPENSES			
Advertising	650	148	(502)
Capital outlay	125,000	246,948	121,948
Chemicals	15,000	18,562	3,562
Communications	6,500	-	(6,500)
Contingency fund	34,726	-	(34,726)
Health insurance	67,500	63,921	(3,579)
Meetings	1,200	1,507	307
Miscellaneous	100	6,767	6,667
Payroll taxes	16,950	15,418	(1,532)
Postage	3,000	2,890	(110)
Professional services	22,000	4,914	(17,086)
Property insurance	32,000	17,030	(14,970)
Repairs and maintenance	70,000	85,024	15,024
Retirement	14,850	6,663	(8,187)
Salaries	216,400	201,902	(14,498)
Supplies	12,500	18,353	5,853
Testing	1,000	827	(173)
Tools and equipment	5,000	6,282	1,282
Training and certification	2,500	500	(2,000)
Uniforms	3,000	2,148	(852)
Utilities	58,150	54,471	(3,679)
Vehicles	8,500	8,228	(272)
Worker's compensation	6,775	8,566	1,791
TOTAL OPERATING EXPENSES	723,301	771,069	47,768
OPERATING INCOME	41,907	(7,107)	(49,014)
OTHER INCOME (EXPENSE)			
Debt service fees	20,000	23,827	3,827
Other income	11,700	3,238	(8,462)
Interest income	5,000	6,960	1,960
Interest expense	(19,307)	(11,622)	7,685
Debt service (principal payments)	(59,300)	(83,317)	(24,017)
Proceeds from debt refinance	-	150,000	150,000
TOTAL OTHER INCOME (EXPENSE)	(41,907)	89,086	130,993
NET INCOME	\$ -	\$ 81,979	\$ 81,979

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

BOONSBORO MAYOR AND COUNCIL

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

Year ended June 30,

2020

	BUDGET	ACTUAL	ACTUAL OVER (UNDER) BUDGET
OPERATING REVENUES			
Charges for services	\$ 1,129,260	\$ 1,079,749	\$ (49,511)
Grants	123,500	36,185	(87,315)
TOTAL OPERATING REVENUES	1,252,760	1,115,934	(136,826)
OPERATING EXPENSES			
Advertising	1,000	197	(803)
Biosolids removal	160,000	236,914	76,914
Capital outlay	60,000	115,155	55,155
Chemicals	55,000	61,110	6,110
Communications	2,000	-	(2,000)
Contingency fund	34,804	-	(34,804)
Health insurance	67,500	63,921	(3,579)
Meetings	1,200	1,150	(50)
Miscellaneous	500	67	(433)
Payroll taxes	16,950	15,527	(1,423)
Postage	2,000	1,937	(63)
Professional services	32,000	3,399	(28,601)
Property insurance	5,000	5,000	-
Repairs and maintenance	130,000	134,797	4,797
Retirement	14,850	6,663	(8,187)
Salaries	204,400	203,326	(1,074)
Supplies	11,000	9,101	(1,899)
Telephone	2,500	-	(2,500)
Testing	30,000	22,606	(7,394)
Tools and equipment	4,000	673	(3,327)
Training and certification	1,000	200	(800)
Uniforms	2,500	2,147	(353)
Utilities	81,000	109,613	28,613
Vehicles	6,500	7,239	739
Worker's compensation	6,775	8,566	1,791
TOTAL OPERATING EXPENSES	932,479	1,009,308	76,829
OPERATING INCOME (LOSS)	320,281	106,626	(213,655)
OTHER INCOME (EXPENSE)			
Other income	500	2,763	2,263
Interest income	2,000	3,744	1,744
Interest expense	(190,000)	(183,791)	6,209
Debt service (principal payments)	(132,781)	(133,570)	(789)
TOTAL OTHER INCOME (EXPENSE)	(320,281)	(310,854)	9,427
NET INCOME	\$ -	\$ (204,228)	\$ (204,228)

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

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

Boonsboro Mayor and Council

Boonsboro, Maryland

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the **Boonsboro Mayor and Council** ("the Town") as of and for the year ended June 30, 2020, 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 29, 2020.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

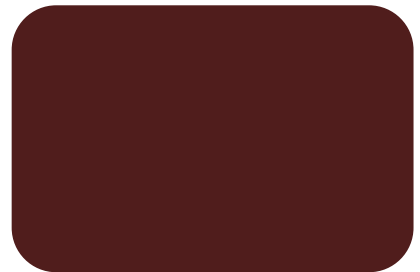
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in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

Albright Crumbaker Moul & Itell LLC

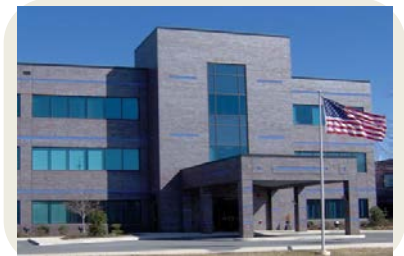
Hagerstown, Maryland
October 29, 2020

ALBRIGHT
CRUMBACKER
MOUL
& ITELL

*Certified
Public
Accountants
& Business
Consultants*



1110 Professional Court
Hagerstown, Maryland 21740
301.739.5300
Fax 301.739.5332



info@albrightcpa.com

www.albrightcpa.com



212 Lutz Avenue
Martinsburg, West Virginia 25404
304.264.2004
Fax 304.264.2005

