

**BOROUGH OF MYERSTOWN**  
**BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**



**BOROUGH OF MYERSTOWN  
BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**TABLE OF CONTENTS**

|   | <u>PAGE NO.</u> |
|---|-----------------|
| <b>INDEPENDENT AUDITOR'S REPORT</b>   | 1-2             |
| Statement of Net Position<br>December 31, 2017  | 3               |
| Statement of Activities<br>For the Year Ended December 31, 2017   | 4               |
| Primary Government - Balance Sheet - Governmental Funds<br>December 31, 2017  | 5               |
| Reconciliation of the Governmental Funds<br>Balance Sheet to the Statement of Net Position<br>For the Year Ended December 31, 2017  | 6               |
| Statement of Revenues, Expenditures and<br>Changes in Fund Balances - Governmental Funds<br>For the Year Ended December 31, 2017  | 7               |
| Reconciliation of the Governmental Funds<br>Statement of Revenues, Expenditures and Changes<br>in Fund Balance to Statement of Activities<br>For the Year Ended December 31, 2017 | 8               |
| Statement of Net Position - Proprietary Funds<br>December 31, 2017  | 9               |
| Statement of Revenues, Expenses, and<br>Changes in Net Position - Proprietary Funds<br>For the Year Ended December 31, 2017   | 10              |
| Statement of Cash Flows – Proprietary Funds<br>For the Year Ended December 31, 2017   | 11-12           |
| Statement of Net Position - Fiduciary Fund<br>December 31, 2017   | 13              |
| Combined Statement of Changes in Net Position<br>Retirement Trust Funds<br>For the Year Ended December 31, 2017   | 14              |
| Notes to Basic Financial Statements<br>December 31, 2017  | 15-36           |

**BOROUGH OF MYERSTOWN  
BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**TABLE OF CONTENTS**

|   | <u>PAGE NO.</u> |
|---|-----------------|
| <b>REQUIRED SUPPLEMENTARY INFORMATION:</b>  |                 |
| Statement of Changes in Net Pension Liability<br>And Related Ratios<br>For the Three Years Ended December 31, 2017            | 37              |
| Schedule of Employer Contributions<br>For the Ten Years Ended December 31, 2017   | 38              |
| Statement of Changes in Revenues and Expenditures<br>Budget and Actual - General Fund<br>For the Year Ended December 31, 2017 | 39              |



Certified Public Accountants

Thomas I. Siegel, CPA

Maxine R. Maser, CPA

David H. Siegel, CPA

Daniel S. Siegel, CPA

Rachel L. Siegel, CPA

Samuel R. Siegel, CPA

## INDEPENDENT AUDITOR'S REPORT

To the Borough Council  
BOROUGH OF MYERSTOWN  
Myerstown, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, and the aggregate remaining fund information of the BOROUGH OF MYERSTOWN, as of and for the year ended **December 31, 2017**, and the related notes to the financial statements, which collectively comprise the Borough of Myerstown's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Myerstown Water Authority, which represent 100% of the assets, net position and revenues of the component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, and the aggregate remaining fund information of the Borough of Myerstown, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the schedule of changes in the Borough's net pension asset and related ratios, schedule of pension contributions and the budgetary comparison information on pages 34 through 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other-Matters***

Management has not presented the management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. The management discussion and analysis, 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. Our opinion on the basic financial statements is not modified with respect to this matter.

*Stanilla, Siegel and Maser LLC*

Lebanon, Pennsylvania  
July 9, 2018

**BOROUGH OF MYERSTOWN**  
**STATEMENT OF NET POSITION**  
**December 31, 2017**

|   | Primary Government  |                      |                      | Component            |
|---|---------------------|----------------------|----------------------|----------------------|
|   | Governmental        | Business-Type        | Total                | Unit                 |
|   | Activities          | Activities           |                      |                      |
| <b>ASSETS</b>   |                     |                      |                      |                      |
| Cash & Cash Equivalents                                   | \$ 1,401,623        | \$ 3,507,319         | \$ 4,908,942         | \$ 644,183           |
| Cash & Cash Equivalents, Restricted                       | 43,530              |                      | 43,530               | 5,581                |
| Investments   | 15,231              | 1,842,391            | 1,857,622            | 420,982              |
| Taxes Receivable  | 27,252              |                      | 27,252               | -0-                  |
| Accounts Receivable                                       | 737                 | 249,154              | 249,891              | 157,830              |
| Grant Receivable  |                     | 410,600              | 410,600              | -0-                  |
| Due from Other Funds                                      | 61,704              | 638                  | 62,342               | -0-                  |
| Prepaid Expense   |                     |                      |                      | 20,240               |
| Net Pension Asset   | 89,418              |                      | 89,418               | -0-                  |
| Capital Assets:   |                     |                      |                      |                      |
| Non-depreciable   | 61,502              |                      | 61,502               | 275,971              |
| Depreciable, net  | 2,932,458           | 19,352,181           | 22,284,639           | 10,578,625           |
| Total Assets  | <u>\$ 4,633,455</u> | <u>\$ 25,362,283</u> | <u>\$ 29,995,738</u> | <u>\$ 12,103,412</u> |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                     |                     |                      |                      |                      |
| Difference between actual and expected pension earnings   | \$ 19,916           | \$ -0-               | \$ 19,916            | \$ 15,937            |
| Unamortized loss on early retirement of debt, net         | -0-                 | 951,374              | 951,374              | 118,274              |
| Total Deferred Outflows of Resources                      | <u>\$ 19,916</u>    | <u>\$ 951,374</u>    | <u>\$ 971,290</u>    | <u>\$ 134,211</u>    |
| <b>LIABILITIES</b>  |                     |                      |                      |                      |
| Accounts Payable  | \$ 24,819           | \$ 33,449            | \$ 58,268            | \$ 14,870            |
| Due to Related Parties                                    |                     |                      |                      | 7,190                |
| Due to Other Funds  | 2,825               | 64,001               | 66,826               | -0-                  |
| Accrued Payroll and Withholdings                          | 19,110              | 6,418                | 25,528               | 4,383                |
| Escrow Payable  |                     |                      |                      | 5,581                |
| Accrued Interest  |                     | 84,376               | 84,376               | 20,484               |
| Accrued Compensated Absences                              | 26,461              | 3,808                | 30,269               | 897                  |
| Net Pension Liability                                     |                     |                      |                      | 13,108               |
| Note Payable, due within one year                         | 50,000              | 430,000              | 480,000              | 440,000              |
| Note Payable, due in more than one year                   | 1,403,347           | 8,142,133            | 9,545,480            | 6,630,000            |
| Total Liabilities   | <u>\$ 1,526,562</u> | <u>\$ 8,764,185</u>  | <u>\$ 10,290,747</u> | <u>\$ 7,136,513</u>  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                      |                     |                      |                      |                      |
| Difference between expected and actual pension experience | \$ -0-              | \$ -0-               | \$ -0-               | \$ 2,264             |
| <b>NET POSITION</b>                                       |                     |                      |                      |                      |
| Net Investment in Capital Assets                          | \$ 1,540,613        | \$ 10,780,048        | \$ 12,320,661        | \$ 3,902,870         |
| Restricted, Trust   | 43,530              |                      | 43,530               | -0-                  |
| Restricted  | 158,269             |                      | 158,269              | -0-                  |
| Unrestricted  | 1,384,397           | 6,769,424            | 8,153,821            | 1,195,976            |
| Total Net Position  | <u>\$ 3,126,809</u> | <u>\$ 17,549,472</u> | <u>\$ 20,676,281</u> | <u>\$ 5,098,846</u>  |

See Accompanying Notes to Basic Financial Statements

**BOROUGH OF MYERSTOWN  
STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2017**

| Functions/Programs                                | Program Revenues |                      |                                    | Net (Expense) Revenue and Changes in Net Assets |                         |                          | Component Unit |
|---|------------------|----------------------|------------------------------------|---|-------------------------|--------------------------|----------------|
|   | Expenses         | Charges for Services | Operating Grants and Contributions | Capital Grants                                  | Governmental Activities | Business-Type Activities | Total          |
| <i>Governmental Activities:</i>                   |                  |                      |                                    |   |                         |                          |                |
| General Government                                | \$ 602,229       | \$ 238,817           | \$ 214,068                         | \$ -0-  | \$ (149,344)            | \$ -0-                   | \$ (149,344)   |
| Public Safety                                     | 79,250           | 7,512                |                                    |   | (71,738)                |                          | (71,738)       |
| Public Works                                      | 354,181          | 765                  | 108,541                            |   | (244,875)               |                          | (244,875)      |
| Culture and Recreation                            | 16,495           | 1,015                |                                    |   | (15,480)                |                          | (15,480)       |
| Community Development                             | -0-              |                      |                                    |   | -0-                     |                          | -0-            |
| Interest on Note Payable                          | 17,639           |                      |                                    |   | (17,639)                |                          | (17,639)       |
| Miscellaneous                                     | 283,962          | 3,084                |                                    |   | (280,878)               |                          | (280,878)      |
| Total Governmental Activities                     | \$ 1,353,756     | \$ 251,193           | \$ 322,609                         | \$ -0-  | \$ (779,954)            | \$ -0-                   | \$ (779,954)   |
| <i>Business-Type Activities:</i>                  |                  |                      |                                    |   |                         |                          |                |
| Waste Water Treatment Pool                        | \$ 1,557,153     | \$ 1,283,064         | \$ 342,137                         | \$ -0-  | \$ -0-                  | \$ 68,048                | \$ 68,048      |
|   | 125,224          | 124,523              | 7,000                              | 410,600   | -0-                     | 416,899                  | 416,899        |
| Total Business-Type Activities                    | \$ 1,682,377     | \$ 1,407,587         | \$ 349,137                         | \$ 410,600                                      | \$ -0-                  | \$ 484,947               | \$ 484,947     |
| Total Primary Government                          | \$ 3,036,133     | \$ 1,658,780         | \$ 671,746                         | \$ -0-  | \$ (779,954)            | \$ 484,947               | \$ (295,007)   |
| <i>Component Unit Activities:</i>                 |                  |                      |                                    |   |                         |                          |                |
| Water Authority                                   | \$ 1,071,372     | \$ 1,172,240         | \$ -0-                             | \$ -0-  | \$ -0-                  | \$ -0-                   | \$ 100,868     |
| General Revenues:                                 |                  |                      |                                    |   |                         |                          |                |
| Taxes:  |                  |                      |                                    |   |                         |                          |                |
| Property Taxes                                    |                  | \$ 478,876           |                                    | \$ -0-  | \$ -0-                  | \$ 478,876               | \$ -0-         |
| Local Services Taxes                              |                  | 76,106               |                                    |   |                         | 76,106                   | -0-            |
| Earned Income Taxes                               |                  | 280,411              |                                    |   |                         | 280,411                  | -0-            |
| Real Estate Transfer Taxes                        |                  | 38,262               |                                    |   |                         | 38,262                   | -0-            |
| Local Enabling Taxes                              |                  | 917                  |                                    |   |                         | 917                      | -0-            |
| Investment Earnings                               |                  | 15,105               |                                    |   |                         | 85,972                   | 34,440         |
| Miscellaneous                                     |                  | 17,878               |                                    |   |                         | 17,878                   | -0-            |
| Gain on Disposition of Assets                     |                  | 389,826              |                                    |   |                         | 5,400                    | -0-            |
| Transfers   |                  | (985,948)            |                                    |   |                         | 985,948                  | -0-            |
| Total General Revenues and Transfers              |                  | \$ 311,433           |                                    |   | \$ 1,077,320            | \$ 1,388,753             | \$ 34,440      |
| Change in Net Position                            |                  | \$ (468,521)         |                                    |   | \$ 1,562,267            | \$ 1,093,746             | \$ 135,308     |
| Net Position - Beginning (as Previously Reported) |                  | 3,595,330            |                                    |   | 15,987,205              | 19,582,535               | 4,963,538      |
| Prior Period Restatement                          |                  |                      |                                    |   |                         |                          |                |
| Net Position - Ending                             |                  | \$ 3,126,809         |                                    |   | \$ 17,549,472           | \$ 20,676,281            | \$ 5,098,846   |

See Accompanying Notes to Basic Financial Statements



**BOROUGH OF MYERSTOWN  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2017**

|                                     | <u>General</u>           | <u>Municipal<br/>Center</u> | <u>Non-major<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|-------------------------------------|--------------------------|-----------------------------|----------------------------|---|
| <i><b>ASSETS</b></i>                |                          |                             |                            |   |
| Cash and Cash Equivalents           | \$ 506,613               | \$ 455,167                  | \$ 178,620                 | \$ 1,140,400                            |
| Certificates of Deposit             | 173,973                  |                             | 130,782                    | 304,755                                 |
| Investments                         |                          |                             | 15,231                     | 15,231                                  |
| Taxes Receivable                    | 10,483                   |                             |                            | 10,483                                  |
| Due from Other Funds                | 61,704                   |                             |                            | 61,704                                  |
| Accounts Receivable                 | <u>738</u>               |                             |                            | <u>738</u>                              |
| Total Assets                        | <u><u>\$ 753,511</u></u> | <u><u>\$ 455,167</u></u>    | <u><u>\$ 324,633</u></u>   | <u><u>\$ 1,533,311</u></u>              |
| <i><b>LIABILITIES</b></i>           |                          |                             |                            |   |
| Accounts Payable                    | \$ 24,584                | \$ (44)                     | \$ 280                     | \$ 24,820                               |
| Due to Other Funds                  | 2,295                    | 530                         |                            | 2,825                                   |
| Accrued Payroll and Withholding     | <u>19,110</u>            |                             |                            | <u>19,110</u>                           |
| Total Liabilities                   | <u><u>\$ 45,989</u></u>  | <u><u>\$ 486</u></u>        | <u><u>\$ 280</u></u>       | <u><u>\$ 46,755</u></u>                 |
| <i><b>FUND BALANCES</b></i>         |                          |                             |                            |   |
| Nonspendable-Permanent Fund         | \$ 43,530                | \$ -0-                      | \$ -0-                     | \$ 43,530                               |
| Restricted                          |                          |                             | 158,269                    | 158,269                                 |
| Committed                           | 92,331                   |                             |                            | 92,331                                  |
| Assigned                            | 48,680                   | 454,681                     | 166,084                    | 669,445                                 |
| Unassigned                          | <u>522,981</u>           |                             |                            | <u>522,981</u>                          |
| Total Fund Balances                 | <u><u>\$ 707,522</u></u> | <u><u>\$ 454,681</u></u>    | <u><u>\$ 324,353</u></u>   | <u><u>\$ 1,486,556</u></u>              |
| Total Liabilities and Fund Balances | <u><u>\$ 753,511</u></u> | <u><u>\$ 455,167</u></u>    | <u><u>\$ 324,633</u></u>   | <u><u>\$ 1,533,311</u></u>              |

See Accompanying Notes to Basic Financial Statements

**BOROUGH OF MYERSTOWN**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION**  
**For the Year Ended December 31, 2017**

|   |    |           |
|---|----|-----------|
| <b>Total Fund Balances - Governmental Funds</b> | \$ | 1,486,556 |
|---|----|-----------|

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

|  |  |         |
|--|--|---------|
| Pension Net Assets and deferred recognition of pension earnings<br>presented in the governmental activities are not current financial<br>resources and not reported as assets in the fund statements |  | 109,334 |
|--|--|---------|

|   |  |           |
|---|--|-----------|
| Capital assets used in governmental activities are not current<br>financial resources and therefore not reported as assets<br>in the funds. |  | 2,993,960 |
|---|--|-----------|

|   |  |        |
|---|--|--------|
| Taxes are recognized when measurable and available in the<br>governmental funds, when assessed in governmental activities |  | 16,769 |
|---|--|--------|

|   |  |             |
|---|--|-------------|
| Long Term Notes Payable reported in governmental activities<br>are note current financial uses and therefore not reported as<br>liabilities in the funds. |  | (1,453,347) |
|---|--|-------------|

|  |  |          |
|--|--|----------|
| Accrued compensated absences are not due and payable in<br>the current period and are not reported in the funds. |  | (26,463) |
|--|--|----------|

|  |           |                  |
|--|-----------|------------------|
| <b>Net Position of Governmental Activities</b> | <b>\$</b> | <b>3,126,809</b> |
|--|-----------|------------------|

**BOROUGH OF MYERSTOWN**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

**For the Year Ended December 31, 2017**

|  | <u>General</u>           | <u>Municipal<br/>Center</u> | <u>Non-major<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|--------------------------|-----------------------------|----------------------------|---|
| REVENUES COLLECTED   |                          |                             |                            |   |
| Taxes  | \$ 822,331               | \$ -0-                      | \$ 41,845                  | \$ 864,176                              |
| Licenses and Permits   | 72,727                   |                             |                            | 72,727                                  |
| Fines  | 6,476                    |                             |                            | 6,476                                   |
| Intergovernmental  | 220,192                  |                             | 102,416                    | 322,608                                 |
| Charges for Services   | 110,519                  |                             |                            | 110,519                                 |
| Investment Earnings  | 6,469                    | 4,687                       | 3,949                      | 15,105                                  |
| Rental Income  | 16,168                   | 42,219                      |                            | 58,387                                  |
| Miscellaneous  | 17,878                   | 3,084                       |                            | 20,962                                  |
| Total Revenues Collected   | <u>\$ 1,272,760</u>      | <u>\$ 49,990</u>            | <u>\$ 148,210</u>          | <u>\$ 1,470,960</u>                     |
| EXPENDITURES PAID  |                          |                             |                            |   |
| General Government   | \$ 579,110               | \$ -0-                      | \$ 4,438                   | \$ 583,548                              |
| Public Safety  | 79,250                   |                             |                            | 79,250                                  |
| Public Works   | 282,521                  |                             | 174,224                    | 456,745                                 |
| Culture and Recreation   | 15,623                   |                             |                            | 15,623                                  |
| Community Development  | -0-                      | 453,009                     |                            | 453,009                                 |
| Miscellaneous  | 128,559                  |                             |                            | 128,559                                 |
| Total Expenditures Paid  | <u>\$ 1,085,063</u>      | <u>\$ 453,009</u>           | <u>\$ 178,662</u>          | <u>\$ 1,716,734</u>                     |
| Excess (Deficiency) of Revenues<br>Collected Over Expenditures Paid  | <u>\$ 187,697</u>        | <u>\$ (403,019)</u>         | <u>\$ (30,452)</u>         | <u>\$ (245,774)</u>                     |
| OTHER FINANCING SOURCES (USES)   |                          |                             |                            |   |
| Proceeds on Disposition of Assets  | \$ 33,760                | \$ 389,107                  | \$ -0-                     | \$ 422,867                              |
| GO Loan Proceeds   | 867,394                  |                             |                            | 867,394                                 |
| Debt Service   | (65,542)                 |                             | (7,097)                    | (72,639)                                |
| Operating Transfers - In   | 5,000                    | 21,000                      | 130,000                    | 156,000                                 |
| Operating Transfers - Out  | (885,948)                | (180,000)                   | (76,000)                   | (1,141,948)                             |
| Total Other Financing Sources (Uses)   | <u>\$ (45,336)</u>       | <u>\$ 230,107</u>           | <u>\$ 46,903</u>           | <u>\$ 231,674</u>                       |
| Excess (Deficiency) of Revenues<br>Collected and Other Financing Sources<br>Over (Under) Expenditures Paid<br>and Other Financing Uses | <u>\$ 142,361</u>        | <u>\$ (172,912)</u>         | <u>\$ 16,451</u>           | <u>\$ (14,100)</u>                      |
| Fund Balances - Beginning  | <u>565,161</u>           | <u>627,593</u>              | <u>307,902</u>             | <u>1,500,656</u>                        |
| Fund Balances - Ending   | <u><u>\$ 707,522</u></u> | <u><u>\$ 454,681</u></u>    | <u><u>\$ 324,353</u></u>   | <u><u>\$ 1,486,556</u></u>              |

See Accompanying Notes to Basic Financial Statements

**BOROUGH OF MYERSTOWN**  
**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCE TO THE**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2017**

|   |           |                 |
|---|-----------|-----------------|
| <b>Net Change in Fund Balances - Governmental Funds</b> | <b>\$</b> | <b>(14,100)</b> |
|---|-----------|-----------------|

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

|  |  |         |
|--|--|---------|
| Taxes are recognized when measurable and available in the governmental funds, when assessed in governmental activities |  | (2,434) |
|--|--|---------|

Governmental funds report pension contributions as expenditures. In the Statement of Activities, the cost of benefits earned, net of contributions is reported as pension expense.

|                         |  |          |
|-------------------------|--|----------|
| Cost of Benefits Earned |  | (63,248) |
|-------------------------|--|----------|

Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

|                |  |           |
|----------------|--|-----------|
| Capital Outlay |  | 594,431   |
| Depreciation   |  | (119,251) |

|  |  |          |
|--|--|----------|
| Cost of assets sold is not reported in the governmental funds but is reported in statement of activities to arrive at net gain |  | (33,040) |
|--|--|----------|

|  |  |           |
|--|--|-----------|
| Long Term Notes Payable proceeds are reported in the governmental funds as income while the statement of activities it is a liability. |  | (867,393) |
|--|--|-----------|

|  |  |        |
|--|--|--------|
| Principal payments on Debt are reported in the governmental funds as expense while in the statement of activities it is a reduction of a liability |  | 55,000 |
|--|--|--------|

|   |  |          |
|---|--|----------|
| The net increase in compensated absences reported in the statement of activities does not require the use of current financial resources and is not reported as expenditures in the governmental funds. |  | (18,486) |
|---|--|----------|

|  |           |                  |
|--|-----------|------------------|
| <b>Change in Net Position of Governmental Activities</b> | <b>\$</b> | <b>(468,521)</b> |
|--|-----------|------------------|

**BOROUGH OF MYERSTOWN**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2017**

|   | <i>Waste Water</i>          | <i>Pool</i>                | <i>Total</i>                |
|---|-----------------------------|----------------------------|-----------------------------|
| <b>ASSETS</b>                           |                             |                            |                             |
| <b>CURRENT ASSETS</b>                   |                             |                            |                             |
| Cash & Cash Equivalents                 | \$ 3,443,519                | \$ 63,800                  | \$ 3,507,319                |
| Investments                             | 1,842,391                   |                            | 1,842,391                   |
| Accounts Receivable                     | 249,154                     |                            | 249,154                     |
| Capital Grant Receivable                |                             | 410,600                    | 410,600                     |
| Due from Other Funds                    |                             | 638                        | 638                         |
| Capital Assets, net of Depreciation     | <u>18,043,910</u>           | <u>1,308,271</u>           | <u>19,352,181</u>           |
| Total Assets                            | <u>\$ 23,578,974</u>        | <u>\$ 1,783,309</u>        | <u>\$ 25,362,283</u>        |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>   |                             |                            |                             |
| Deferred Amount on Refunding            | <u>\$ 951,374</u>           | <u>\$ -0-</u>              | <u>\$ 951,374</u>           |
| <b>LIABILITIES</b>                      |                             |                            |                             |
| Accounts Payable                        | \$ 32,567                   | \$ 882                     | \$ 33,449                   |
| Due to Other Funds                      | 60,210                      | 3,791                      | 64,001                      |
| Accrued Wages                           | 6,418                       |                            | 6,418                       |
| Accrued Interest Payable                | 84,376                      |                            | 84,376                      |
| Accrued Vacation                        | 3,808                       |                            | 3,808                       |
| Note Payable, due within one year       | 425,000                     | 5,000                      | 430,000                     |
| Note Payable, due in more than one year | <u>7,750,000</u>            | <u>392,133</u>             | <u>8,142,133</u>            |
| Total Liabilities                       | <u>\$ 8,362,379</u>         | <u>\$ 401,806</u>          | <u>\$ 8,764,185</u>         |
| <b>NET POSITION</b>                     |                             |                            |                             |
| Invested in Capital Assets              | \$ 9,868,910                | \$ 1,321,738               | \$ 10,780,048               |
| Unrestricted                            | <u>6,299,059</u>            | <u>59,765</u>              | <u>6,769,424</u>            |
| Total Net Position                      | <u><u>\$ 16,167,969</u></u> | <u><u>\$ 1,381,503</u></u> | <u><u>\$ 17,549,472</u></u> |

See Accompanying Notes to Basic Financial Statements

**BOROUGH OF MYERSTOWN**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2017**

|  | <u>Waste Water</u>   | <u>Pool</u>         | <u>Total</u>         |
|--|----------------------|---------------------|----------------------|
| <b>OPERATING REVENUES</b>                |                      |                     |                      |
| Sewer Charges for Services               | \$ 1,283,064         | \$ -0-              | \$ 1,283,064         |
| Pool Revenue                             |                      | 124,523             | 124,523              |
| County Allocation                        |                      | 7,000               | 7,000                |
| Other Operating Income                   | 19,033               |                     | 19,033               |
| Reimbursements - Operating, net          | 312,092              |                     | 312,092              |
| Reimbursements - Pension Costs           | 11,012               |                     | 11,012               |
|  | <hr/>                | <hr/>               | <hr/>                |
| Total Operating Revenues                 | \$ 1,625,201         | \$ 131,523          | \$ 1,756,724         |
|  | <hr/>                | <hr/>               | <hr/>                |
| <b>OPERATING EXPENSES</b>                |                      |                     |                      |
| Sewer Operations and Maintenance         | \$ 837,335           | \$ -0-              | \$ 837,335           |
| Pool Operating Costs                     |                      | 125,224             | 125,224              |
| Depreciation Expense                     | 462,085              |                     | 462,085              |
|  | <hr/>                | <hr/>               | <hr/>                |
| Total Operating Expenses                 | \$ 1,299,420         | \$ 125,224          | \$ 1,424,644         |
|  | <hr/>                | <hr/>               | <hr/>                |
| Net Operating Income                     | \$ 325,781           | \$ 6,299            | \$ 332,080           |
|  | <hr/>                | <hr/>               | <hr/>                |
| <b>NON-OPERATING REVENUES (EXPENSES)</b> |                      |                     |                      |
| Investment Income (Loss)                 | \$ 85,059            | \$ 913              | \$ 85,972            |
| Transfer In (Out)                        | 409,750              | 576,198             | 985,948              |
| Capital Grant                            |                      | 410,600             | 410,600              |
| Sales of fixed assets                    | 5,400                |                     | 5,400                |
| Amortization Expense                     | (60,599)             |                     | (60,599)             |
| Interest Expense                         | (197,134)            |                     | (197,134)            |
|  | <hr/>                | <hr/>               | <hr/>                |
| Total Non-Operating Revenues (Expenses)  | \$ 242,476           | \$ 987,711          | \$ 1,230,187         |
|  | <hr/>                | <hr/>               | <hr/>                |
| <b>CHANGE IN NET POSITION</b>            | \$ 568,257           | \$ 994,010          | \$ 1,562,267         |
|  | <hr/>                | <hr/>               | <hr/>                |
| <b>NET POSITION - BEGINNING</b>          | 15,599,711           | 387,494             | 15,987,205           |
|  | <hr/>                | <hr/>               | <hr/>                |
| <b>NET POSITION - ENDING</b>             | <u>\$ 16,167,968</u> | <u>\$ 1,381,504</u> | <u>\$ 17,549,472</u> |

See Accompanying Notes to Basic Financial Statements

**BOROUGH OF MYERSTOWN**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2017**

|  | <u>Waste Water</u>          | <u>Pool</u>                 | <u>Total</u>                |
|--|-----------------------------|-----------------------------|-----------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                          |                             |                             |                             |
| Cash Received from Customers   | \$ 1,300,930                | \$ 124,523                  | \$ 1,425,453                |
| Miscellaneous Cash Received  | 47,054                      | 7,000                       | 54,054                      |
| Reimbursements   | 288,642                     |                             | 288,642                     |
| Operating Expenses Paid  | (587,183)                   | (86,627)                    | (673,810)                   |
| Cash Paid to Employees   | (158,378)                   | (60,203)                    | (218,581)                   |
|  | <u>                    </u> | <u>                    </u> | <u>                    </u> |
| Net Cash Provided by Operating Activities                            | \$ 891,065                  | \$ (15,307)                 | \$ 875,758                  |
|  | <u>                    </u> | <u>                    </u> | <u>                    </u> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                          |                             |                             |                             |
| Interest Income Received   | \$ 14,197                   | \$ 913                      | \$ 15,110                   |
| Income Received from Investments                                     | 111,328                     |                             | 111,328                     |
| Purchase of Investments  | (287,247)                   |                             | (287,247)                   |
|  | <u>                    </u> | <u>                    </u> | <u>                    </u> |
| Net Cash Provided By Investing Activities                            | \$ (161,722)                | \$ 913                      | \$ (160,809)                |
|  | <u>                    </u> | <u>                    </u> | <u>                    </u> |
| <b>CASH FLOWS FROM CAPITAL</b>                                       |                             |                             |                             |
| <b>AND RELATED FINANCING ACTIVITIES</b>                              |                             |                             |                             |
| Transfers for Capital Purchases                                      | \$ -0-                      | \$ 576,198                  | \$ 576,198                  |
| Payments for construction of Capital Assets                          | (19,729)                    | (587,493)                   | (607,222)                   |
| Proceeds from sale of assets   | 5,400                       |                             | 5,400                       |
| Payment on Note Payable  | (415,000)                   |                             | (415,000)                   |
| Interest Paid  | (193,245)                   |                             | (193,245)                   |
|  | <u>                    </u> | <u>                    </u> | <u>                    </u> |
| Net Cash Used By Capital<br>and Related Financing Activities         | \$ (622,574)                | \$ (11,295)                 | \$ (633,869)                |
|  | <u>                    </u> | <u>                    </u> | <u>                    </u> |
| <b>CASH FLOWS FROM NON-CAPITAL</b>                                   |                             |                             |                             |
| <b>AND RELATED FINANCING ACTIVITIES</b>                              |                             |                             |                             |
| Transfer from Governmental Type                                      | \$ 409,750                  | \$ -0-                      | \$ 409,750                  |
| Tapping Fees   |                             |                             | -0-                         |
|  | <u>                    </u> | <u>                    </u> | <u>                    </u> |
| Net Cash Provided By Non-Capital<br>and Related Financing Activities | \$ 409,750                  | \$ -0-                      | \$ 409,750                  |
|  | <u>                    </u> | <u>                    </u> | <u>                    </u> |
| <b>NET INCREASE (DECREASE) IN CASH<br/>AND CASH EQUIVALENTS</b>      | \$ 516,519                  | \$ (25,689)                 | \$ 490,830                  |
| <b>CASH AND CASH EQUIVALENTS -<br/>BEGINNING OF YEAR</b>             | <u>2,950,450</u>            | <u>89,489</u>               | <u>3,039,939</u>            |
| <b>END OF YEAR</b>   | <u><u>\$ 3,466,969</u></u>  | <u><u>\$ 63,800</u></u>     | <u><u>\$ 3,530,769</u></u>  |

See Accompanying Notes to Basic Financial Statements

**BOROUGH OF MYERSTOWN  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2017**

|   | <u>Waste Water</u> | <u>Pool</u>        | <u>Total</u>      |
|---|--------------------|--------------------|-------------------|
| <b>RECONCILIATION OF OPERATING<br/>INCOME TO NET CASH PROVIDED<br/>BY OPERATING ACTIVITIES</b>        |                    |                    |                   |
| Operating Income  | \$ 325,781         | \$ 6,299           | \$ 332,080        |
| <b>ADJUSTMENTS TO RECONCILE<br/>OPERATING INCOME TO NET CASH<br/>PROVIDED BY OPERATING ACTIVITIES</b> |                    |                    |                   |
| Depreciation  | \$ 462,085         | \$ 22,174          | \$ 484,259        |
| Unrealized Loss on Investments  | 40,465             |                    | 40,465            |
| (Increase) Decrease in:   |                    |                    |                   |
| Accounts Receivable   | 49,819             |                    | 49,819            |
| Prepaid Insurance   |                    |                    | -0-               |
| Due from Other Funds  |                    | (37)               | (37)              |
| Increase (Decrease) in:   |                    |                    |                   |
| Accounts Payable  | 480                | (46,025)           | (45,545)          |
| Due to Other Funds  | 5,315              | 2,282              | 7,597             |
| Accrued Wages   | 2,162              |                    | 2,162             |
| Accrued Interest  | 3,889              |                    | 3,889             |
| Accrued Vacation  | 1,069              |                    | 1,069             |
| Total Adjustments   | \$ 565,284         | \$ (21,606)        | \$ 543,678        |
| <b>NET CASH PROVIDED BY<br/>OPERATING ACTIVITIES</b>  | <u>\$ 891,065</u>  | <u>\$ (15,307)</u> | <u>\$ 875,758</u> |

See Accompanying Notes to Basic Financial Statements



**BOROUGH OF MYERSTOWN**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUND**  
**December 31, 2017**

|                                    | <u>Agency Funds</u> | <u>Police<br/>Pension Fund</u> | <u>Non-Uniform<br/>Retirement</u> |
|------------------------------------|---------------------|--------------------------------|-----------------------------------|
| <b><i>ASSETS</i></b>               |                     |                                |                                   |
| Cash                               | \$ 33,963           | \$ -0-                         | \$ -0-                            |
| Investments                        | <u>1,054,041</u>    | <u>1,054,041</u>               | <u>1,119,592</u>                  |
| Total Assets                       | <u>\$ 33,963</u>    | <u>\$ 1,054,041</u>            | <u>\$ 1,119,592</u>               |
| <b><i>LIABILITIES</i></b>          |                     |                                |                                   |
| Other Current Liabilities          | \$ -0-              |                                |                                   |
| Escrow Payable                     | <u>33,963</u>       |                                |                                   |
| Total Liabilities                  | <u>\$ 33,963</u>    |                                |                                   |
| <b><i>NET POSITION</i></b>         |                     |                                |                                   |
| Held in trust for pension benefits |                     | <u>\$ 1,054,041</u>            | <u>\$ 1,119,592</u>               |

**BOROUGH OF MYERSTOWN**  
**COMBINED STATEMENT OF CHANGES IN NET POSITION**  
**RETIREMENT TRUST FUNDS**  
**For the Year Ended December 31, 2017**

|                                | <u>Police<br/>Pension Fund</u> | <u>Non-Uniform<br/>Retirement Plan</u> |
|--------------------------------|--------------------------------|--|
| <b>ADDITIONS</b>               |                                |  |
| Contributions:                 |                                |  |
| Employer                       | \$ -0-                         | \$ 13,592                              |
| Employee                       | -0-                            | -0-                                    |
| Commonwealth                   | -0-                            | 41,294                                 |
|                                | <u>-0-</u>                     | <u>41,294</u>                          |
| Total Contributions            | \$ -0-                         | \$ 54,886                              |
| <b>INVESTMENT INCOME</b>       |                                |  |
| Interest and Dividends         | \$ -0-                         | \$ -0-                                 |
| Net Appreciation(Depreciation) | -0-                            | -0-                                    |
| in Fair Value of Investments   | <u>109,813</u>                 | <u>142,750</u>                         |
| Net Investment Income          | \$ 109,813                     | \$ 142,750                             |
| Total Additions                | <u>\$ 109,813</u>              | <u>\$ 197,636</u>                      |
| <b>DEDUCTIONS</b>              |                                |  |
| Benefits Paid                  | \$ 87,069                      | \$ -0-                                 |
| Administrative Expenses        | <u>-0-</u>                     | <u>-0-</u>                             |
| Total Deductions               | <u>\$ 87,069</u>               | <u>\$ -0-</u>                          |
| <b>CHANGE IN NET POSITION</b>  | \$ 22,744                      | \$ 197,636                             |
| <b>NET POSITION</b>            |                                |  |
| - BEGINNING OF YEAR            | <u>1,031,297</u>               | <u>921,956</u>                         |
| - END OF YEAR                  | <u><u>\$ 1,054,041</u></u>     | <u><u>\$ 1,119,592</u></u>             |

See Accompanying Notes to Basic Financial Statements

**BOROUGH OF MYERSTOWN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization

The Borough of Myerstown is a municipal corporation organized in 1912 under the Commonwealth of Pennsylvania. Borough Council members are elected by the citizens. The daily operations and management of the Borough are performed by the administrative staff of the Borough, headed by the Borough Manager, who is appointed by the Borough Council. Services provided by the Borough include public safety, public works, public health and welfare, community planning, and culture and recreation.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the Borough are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Borough.

As required by generally accepted accounting principles, these financial statements are to present the Borough of Myerstown (the primary government) and organizations for which the primary government is financially accountable. The Borough is financially accountable for an organization if the Borough appoints a voting majority of the organization's governing board and (1) the Borough is able to significantly influence the programs or services performed or provided by the organization; or (2) the Borough is legally entitled to or can otherwise access the organization's resources; the Borough is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Borough is obligated for the debt of the organization. Component units may also include organizations that are financially dependent on the Borough in that the Borough approved the budget, the issuance of debt, or the levying of taxes.

Myerstown Water Authority has been determined by the above criteria as being part of the reporting entity. The significant factor for including the Authority is the appointment of a voting majority of the Authority board members and guarantees the debt of the Authority. Myerstown Water Authority issues a separate report of which a copy of the audit is held in the Borough's office and is available for public review.

Measurement Focus and Basis of Accounting

In preparing the financial statements, accounting and financial reporting treatment is determined by the basis of accounting and the measurement focus. Measurement focus indicates the type of resources being measured such as current financial resources vs. economic resources. The basis of accounting refers to the timing of transactions or events recognized in the financial statements.

In the government-wide Statement of Net Position and Statement of Activities both governmental and business-like activities are presented using the economic measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Grant income is recognized as revenue when the eligibility requirements have been met.

In the fund financial statements, governmental funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable

**BOROUGH OF MYERSTOWN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Measurement Focus and Basis of Accounting (continued)

means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter (within 60 days of period end) to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest and compensated absences which are reported when due.

All proprietary funds and pension funds utilize the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. The agency fund has no measurement focus but uses the accrual basis of accounting.

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Borough of Myerstown Police Pension Fund and additions to/deductions from the Borough of Myerstown Police Pension Fund's fiduciary net position have been determined on the same basis as they are reported by the Borough of Myerstown Police Pension Fund. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, cash receipts/revenues, and cash disbursements/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary.

**BOROUGH OF MYERSTOWN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Fund Financial Statements (continued):

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/ expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a single column in the fund financial statements.

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income.

The General Fund is the primary operating fund of the Borough and is always classified as a major fund. It is used to account for all activities except those required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to disbursements for specified purposes other than debt service or capital projects. The Borough's State Liquid Fuels Fund and Street Light Fund are the Special Revenue Funds included in the governmental non-major funds.

Capital Project Funds are used to account for financial resources to be used for capital outlays. The Borough maintains two capital project funds - the General Reserve Fund and Municipal Center Fund. The General Reserve Fund is included in the non-major funds.

Permanent Funds are used to account for financial resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs. The Beautification Trust Fund is reported as a non-major fund.

Proprietary Funds:

*Enterprise Fund*

Enterprise Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the Waste Water Treatment Fund. This fund accounts for the operating activities of the Borough's waste water treatment system. Also, the operations of the Borough's pool are accounted for as a separate enterprise fund.

Fiduciary Funds:

*Trust and Agency Funds*

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Borough programs. The reporting focus is on net assets and changes in net assets. The Borough's fiduciary funds are presented in the fiduciary fund financial statements by type. Since these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

**BOROUGH OF MYERSTOWN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally segregated for the specific purpose.

Net Position

Net position of the government-wide funds is categorized as restricted or unrestricted. The restricted category represents the balance of assets restricted by requirements, externally imposed constraints or by legislation.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash, certificates of deposits and short-term governmental securities.

Investments

Investments are stated at fair value which is based on quoted market price.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. The Borough monitors outstanding accounts receivable and considers proprietary fund accounts receivable at year end to be fully collectible, therefore, no allowance for uncollectible amounts are recorded. Taxes receivable in the government wide financial statements include a 50 % reserve for uncollectible amounts.

Prepaid Expenditures

The Borough uses the purchase method of accounting for prepaid expenditures in its governmental funds where items are expensed when purchased rather than when consumed. Prepaid expenses of the governmental activities, proprietary funds and the component unit consist of insurance policies amortized over their effective dates.

Deferred Outflows of Resources

The statement of financial position includes a separate section for deferred outflows of resources. This separate financial statement element represents the use of net position which applies to future periods. As the outflow of resources is recognized the deferral is reduced.

Compensated Absences

The Borough's employee policy allows employees to carry over up to 40 hours of paid time off with the option to be paid for any unused time, no later than February 15<sup>th</sup> of the following year. Component Unit employees may accumulate up to a maximum of 40 hours to be used in the next calendar quarter. Compensated absences are reported as accrued in the government-wide, proprietary, and component unit financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees and is included in wages and benefits payable, when applicable.

**BOROUGH OF MYERSTOWN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All purchased capital assets are carried at cost. Contributed property is recorded at the estimated market value at the date of contribution. Depreciation is computed using the straight-line method. The cost of maintenance and repairs is charged against income as incurred, whereas significant renewals and betterments are capitalized and deduction is made for retirements resulting from renewals or betterments.

Depreciation of capital assets is recorded as an allocated expense in the Statement of Activities, with the accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$500 is used to report capital assets for the Borough and \$1,000 for the component unit. The range of estimated useful lives by type of assets is as follows:

|                              |             |
|------------------------------|-------------|
| Buildings and Improvements   | 40-50 years |
| Waste Water Treatment System | 15-39 years |
| Water System                 | 20-75 years |
| Equipment                    | 3-20 years  |
| Vehicles                     | 5-10 years  |

Restricted Assets

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to the bond trustee accounts.

Government-wide and Proprietary Fund Net Position

Government wide and proprietary fund net position are divided into three components:

- Invested in capital assets, net of related debt - consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted - consists of net position that is restricted by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted - all other net assets are reported in this category.

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

- Nonspendable - Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- Restricted - Amounts that can be spent only for specific purposes because of enabling legislation, the township code, state or federal laws, or externally imposed conditions by grantors or creditors.



**BOROUGH OF MYERSTOWN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Governmental Fund Balances (continued):

- Committed - Amounts that can be used only for specific purposes determined by a formal action by Borough Council ordinance or resolution.
- Assigned - Amounts that are designated by the Borough Council for a particular purpose.
- Unassigned - All amounts not included in other spendable classifications.

Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net assets), the Borough's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Borough's policy is to first apply the expenditure toward restricted fund balance and then to other, less restrictive classifications - committed and then assigned fund balances before using unassigned fund balances.

Deferred Inflow of Resources

The statement of financial position includes a separate section for deferred inflow of resources. This separate financial statement element represents the acquisition of net position which applies to future periods. As the inflow of resources is recognized the deferral is reduced.

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and producing and delivering goods. It also includes all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

Risk Management

The Borough is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, and errors and omissions. These risks are covered by commercial insurance.

Interfund Activity

Interfund activity is reported as reimbursements or transfers. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements. Intercompany balances are present when there is a time lag in the reimbursement and/or transfer.

Budgetary Procedures and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds of the Borough. All annual appropriations lapse at year end.



**BOROUGH OF MYERSTOWN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Budgetary Procedures and Budgetary Accounting (continued)

During August, a draft budget is prepared by the Borough Manager and forwarded to the Finance Committee. This committee then prepares the final budget for approval by the Borough Council. The Borough makes available to the public its proposed operating budget of all funds. The operating budget includes proposed expenditures and the means of financing them. The Council holds public hearings and a final budget must be prepared and adopted no later than December 31 through the passage of an ordinance.

All budget revisions require the approval of the Borough Council. There were no budget revisions made during the year.

The legal level of budgetary control is at the fund level. The carryover fund balance from the prior year and the current year excess of revenues collected over expenditures paid are available for the appropriation without formal budget revision.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires the Borough's management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Event Review

The Borough has evaluated subsequent events through July 9, 2018, the date the financial statements were available to be issued.

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

Compliance with Finance Related Legal and Contractual Provisions

The Borough has no known material violations of finance related legal and contractual provisions.

Deficit Fund Balance or Retained Earnings of Individual Funds

There are no deficits in fund balances or net assets at December 31, 2017.

Excess of Expenditures Over Budgeted Appropriations in Individual Funds

For the year ended December 31, 2017, expenditures exceeded budgeted amounts in the General Fund for transfers to other funds. This is due to the need for the Municipal Center Fund to borrow additional funds during the year. Cash was transferred to the Municipal Center Fund from various funds to cover construction costs. This amount was not known at budget time. The cost of debt service was also not budgeted since the debt was still in the drawdown phase in 2017 and repayment had not been anticipated.

**BOROUGH OF MYERSTOWN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 3 – DEPOSITS AND INVESTMENTS**

The Borough code provides for the deposit of governmental funds into certain authorized investment types including U.S. Treasury bills, U.S. Treasury notes, other short-term U.S. and Pennsylvania government obligations or their agencies or instrumentalities and insured or collateralized time deposits and certificates of deposits. There were no deposit transactions during the year that were in violation of either state statutes or Borough policy.

Pension plans are authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act.

The Authority Component Unit is permitted to invest funds consistent with sound business practices in the following types of investments: 1) Obligations of (a) the United States of America, (b) the Commonwealth of Pennsylvania, or (c) any political subdivision of the Commonwealth or any of their agencies or instrumentalities backed respectively by their full faith and credit and 2) Deposits in savings, time deposits or share accounts of institutions insured by the FDIC or the Federal Savings and Loan Insurance Corporation to the extent that such accounts are so insured and, for any amounts over the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.

The deposit and investment policy of the Authority adheres to state statutes and prudent business practice. There were no deposit or investment transactions during the year that were in violation of either the state statutes or Authority policy.

**Custodial Credit Risk**

The Borough deposits cash in one local financial institution. At the year-end, the Borough's carrying amount of deposits was \$1,979,709 excluding \$600 in petty cash and the bank balance was \$2,009,136. The bank balance up to \$250,000 is covered by the Federal Deposit Insurance Corporation (FDIC). The depository pledges assets, not in the Borough's name, to secure deposits over \$250,000 in accordance with Act 72 of 1971.

Cash equivalents of the Borough consist partially of funds deposited in the Pennsylvania Local Government Investment Trust (PLGIT). These funds are invested in federal securities and rated AAAM by Standard & Poor's. Balances at December 31, 2017 totaled \$838,085 per book and \$847,575 per bank. The cash equivalents are not categorized by level of credit risk as they are pooled funds and securities are not used as evidence of investment.

Cash equivalents also include money market funds of \$648,851 and certificates of deposit totaling \$1,122,605 purchased through Edward Jones, a broker dealer. Certificates are covered by the FDIC of the issuing bank. No one bank has certificates in excess of the \$250,000 FDIC limit.

Market value of the above instruments is cost. The Borough places no limit on the amount deposited in any one issuer.

At year end, the carrying amount of the Authority's cash deposits was \$1,070,746, including petty cash of \$25, and the bank balance was \$1,080,708 of which \$431,352 was fully insured and \$404,144 was collateralized by securities held by the pledging financial institution's trust department or agent but not in the Authority's name. When collateral is required in excess of insured limits, the requirements with Act 72 of 1971 are followed with respect to pooling, custody and type of collateral.

**BOROUGH OF MYERSTOWN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 3 – DEPOSITS AND INVESTMENTS (continued)**

As of December 31, 2017, the investment balances were as follows:

|                        | <u>Investment Type</u>  | <u>Fair Value</u> | <u>Weighted Average Maturity (months)</u> |
|------------------------|-------------------------|-------------------|---|
| <u>Borough:</u>        |                         |                   |   |
| Governmental Funds     | Municipal Bonds         | \$ 15,231         | 12.4                                      |
| Waste Water Fund       | Municipal Bonds         | 1,783,079         | 17.0                                      |
| Waste Water Fund       | Government Agency       | 33,714            | 16.2                                      |
| Pension Funds          | Bond Mutual Funds       | 1,054,041         | na  |
| Retirement Funds       | Mutual Funds            | 1,119,592         | na  |
| <u>Component Unit:</u> |                         |                   | <u>(years)</u>                            |
| Authority              | Certificates of Deposit | \$187,352         | 3.76                                      |
| Authority              | Municipal Bonds         | 233,630           | 13.54                                     |

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or a deposit. Investments in mutual funds, 2a7-like external investment pools are excluded from this requirement. The Borough's investment policy limits investment maturities to instruments with a maturity of 13 months or less as a means of managing its exposure to fair values losses arising from increasing interest rates.

The Weighted Average Maturity (WAM) method expresses investment time horizons, the time when investments become due and payable, in years or months, weighted to reflect the dollar size of individual investments within an investment type.

Concentration of Credit Risk and Foreign Currency Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issue. The Authority places no limit on the amounts deposited in any one issuer. The Authority's cash and deposits in Fulton Bank represent approximately 78% of the total deposits. The Borough's investment policy requires diversification by security type and institution. The Borough held no investments that were exposed to foreign currency risk as of December 31, 2017.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure the counterparty to the transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments in external investment pools and in open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The Borough has no investment policy regarding custodial credit risk for investments.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the plan's name, and are held by either: a) the counterparty or b) the counterparty's trust department or agent, but not in the Borough's name.

**BOROUGH OF MYERSTOWN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 3 – DEPOSITS AND INVESTMENTS (continued)**

Separate accounts maintained for the pension fund held at The Edward Jones Company and Mass Mutual are commingled pools, rather than individual securities. As a result, these accounts are not rated. These accounts are not subject to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Obligations of the U.S. Government are not considered to have credit risk and do not require disclosure of credit quality. At December 31, 2017, the credit risk of the Borough's investments in debt securities (excluding external investment pools, money market funds, bond mutual funds and other pooled investments of fixed-income securities) was rated as follows:

|   | <u>Fair Value</u> | <u>Average<br/>Credit Quality</u> |
|---|-------------------|-----------------------------------|
| <u>Borough</u><br>Municipal Bonds         | \$ 1,798,310      | A/A3 or higher                    |
| <u>Component Unit:</u><br>Municipal Bonds | \$ 233,630        | Aaa to A3 or AA to A-             |

Component Unit

The Authority does not have a formal investment policy that limits investment maturities as a means of managing changing interest rates, addresses custodial credit risk, concentration of credit risk, or foreign currency risk. However, the Authority held no investments that were exposed to these risks as of December 31, 2017.

Fair Value

Fair value measurements are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The investments held by the Borough and the Authority are all valued using significant other observable inputs of the underlying securities and bonds (Level 2 inputs).

**NOTE 4 – RESTRICTED ASSETS**

The Authority component unit maintains separate escrow accounts for developers who advance the Authority funds to cover expenses for the developer. Developer's escrow cash and corresponding liabilities represent amounts received under terms of agreements between the Authority and a developer with respect to construction by the developer. The escrow amounts represent security for payment of all costs and expenses incurred by the Authority pursuant to the terms of the agreement. Upon payment of all Authority costs and expenses, any unexpended balance is returnable to the developer; therefore, these are reported as restricted assets.

**BOROUGH OF MYERSTOWN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 5 - CAPITAL ASSETS**

|  | <u>Beginning<br/>Balance</u> | <u>Additions</u>    | <u>Retirements</u> | <u>Ending<br/>Balance</u> |
|--|------------------------------|---------------------|--------------------|---------------------------|
| <b><u>Primary Government</u></b>                       |                              |                     |                    |                           |
| <b><u>Governmental Activities:</u></b>                 |                              |                     |                    |                           |
| Non-depreciable Assets                                 |                              |                     |                    |                           |
| Land   | \$ 71,502                    | \$ - 0 -            | \$ 10,000          | \$ 61,502                 |
| Total Non-depreciable Assets                           | <u>\$ 71,502</u>             | <u>\$ - 0 -</u>     | <u>\$ 10,000</u>   | <u>\$ 61,502</u>          |
| Depreciable Assets                                     |                              |                     |                    |                           |
| Buildings and Improvements                             | \$ 1,953,621                 | \$ 452,138          | \$ 102,112         | \$ 2,303,647              |
| Infrastructure   | 1,782,866                    | 121,050             | - 0 -              | 1,903,916                 |
| Equipment  | 462,151                      | - 0 -               | 91,662             | 370,489                   |
| Vehicles   | 185,866                      | - 0 -               | 29,647             | 156,219                   |
| Total Depreciable Assets                               | <u>\$ 4,384,504</u>          | <u>\$ 573,188</u>   | <u>\$ 223,421</u>  | <u>\$ 4,734,271</u>       |
| Less: Accumulated Depreciation for:                    |                              |                     |                    |                           |
| Buildings and Improvements                             | \$ 1,143,404                 | \$ 28,284           | \$ 79,888          | \$ 1,091,800              |
| Infrastructure   | 234,301                      | 61,446              | - 0 -              | 295,747                   |
| Equipment  | 377,963                      | 14,731              | 90,846             | 301,848                   |
| Vehicles   | 135,692                      | 6,373               | 29,647             | 112,418                   |
| Total Accumulated Depreciation                         | <u>\$ 1,891,360</u>          | <u>\$ 110,834</u>   | <u>\$ 200,381</u>  | <u>\$ 1,801,813</u>       |
| Net Depreciable Capital Assets                         | <u>\$ 2,493,144</u>          | <u>\$ 462,354</u>   | <u>\$ 23,040</u>   | <u>\$ 2,932,458</u>       |
| <b><u>Business Type Activities:</u></b>                |                              |                     |                    |                           |
| Depreciable Assets                                     |                              |                     |                    |                           |
| Waste Water Treatment Plant,<br>Improvements and Lines | \$ 28,876,655                | \$ 19,729           | \$ - 0 -           | \$ 28,896,384             |
| Pool   | 345,820                      | 984,626             | - 0 -              | 1,330,446                 |
| Equipment  | 194,581                      | - 0 -               | - 0 -              | 194,581                   |
| Vehicles   | 60,180                       | - 0 -               | - 0 -              | 60,180                    |
| Total Depreciable Assets                               | <u>\$ 29,477,236</u>         | <u>\$ 1,004,355</u> | <u>\$ - 0 -</u>    | <u>\$30,481,591</u>       |
| Less: Accumulated Depreciation for:                    |                              |                     |                    |                           |
| Waste water treatment Plant,<br>Improvements and Lines | \$ 10,474,313                | \$ 444,420          | \$ - 0 -           | \$10,918,733              |
| Pool   | - 0 -                        | 22,174              | - 0 -              | 22,174                    |
| Equipment  | 141,605                      | 10,788              | - 0 -              | 152,393                   |
| Vehicles   | 29,232                       | 6,878               | - 0 -              | 36,110                    |
| Total Accumulated Depreciation                         | <u>\$ 10,645,150</u>         | <u>\$ 484,260</u>   | <u>\$ - 0 -</u>    | <u>\$11,129,410</u>       |
| Net Capital Assets                                     | <u>\$ 18,832,086</u>         | <u>\$ 520,095</u>   | <u>\$ - 0 -</u>    | <u>\$19,352,181</u>       |
| Total Net Depreciable Capital Assets                   | <u>\$ 21,325,230</u>         | <u>\$ 982,449</u>   | <u>\$ 23,040</u>   | <u>\$22,284,639</u>       |

**BOROUGH OF MYERSTOWN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 5 - CAPITAL ASSETS (continued)**

|                                     | <u>Beginning<br/>Balance</u> | <u>Additions</u>  | <u>Retirements</u> | <u>Ending<br/>Balance</u> |
|-------------------------------------|------------------------------|-------------------|--------------------|---------------------------|
| <b><u>Component Unit:</u></b>       |                              |                   |                    |                           |
| Non-depreciable Assets              |                              |                   |                    |                           |
| Land                                | \$ 275,971                   | \$ - 0 -          | \$ - 0 -           | \$ 275,971                |
| Construction in Progress            | 11,957                       | 1,297             | - 0 -              | 13,254                    |
| Total Non-depreciable Assets        | <u>\$ 287,928</u>            | <u>\$ 1,297</u>   | <u>\$ - 0 -</u>    | <u>\$ 289,225</u>         |
| Depreciable Assets                  |                              |                   |                    |                           |
| Site Improvements                   | \$ 9,244                     | \$ - 0 -          | \$ - 0 -           | \$ 9,244                  |
| Buildings                           | 97,635                       | - 0 -             | - 0 -              | 97,635                    |
| Water Systems                       | 14,733,886                   | 609,489           | - 0 -              | 15,343,375                |
| Equipment                           | 295,192                      | - 0 -             | - 0 -              | 295,192                   |
| Vehicles                            | 85,381                       | 35,899            | (23,910)           | 97,370                    |
| Total Depreciable Assets            | <u>\$ 15,221,338</u>         | <u>\$ 645,388</u> | <u>\$ (23,910)</u> | <u>\$ 15,842,816</u>      |
| Less: Accumulated Depreciation for: |                              |                   |                    |                           |
| Site Improvements                   | \$ 9,244                     | \$ - 0 -          | \$ - 0 -           | \$ 9,244                  |
| Buildings                           | 16,012                       | 3,343             | - 0 -              | 19,355                    |
| Water Systems                       | 4,711,570                    | 303,698           | - 0 -              | 5,015,268                 |
| Equipment                           | 177,692                      | 9,741             | - 0 -              | 187,433                   |
| Vehicles                            | 62,248                       | 7,807             | (23,910)           | 46,145                    |
| Total Accumulated Depreciation      | <u>\$ 4,976,766</u>          | <u>\$ 324,589</u> | <u>\$ (23,910)</u> | <u>\$ 5,277,445</u>       |
| Net Depreciable Capital Assets      | <u>\$ 10,244,572</u>         | <u>\$ 322,096</u> | <u>\$ - 0 -</u>    | <u>\$ 10,854,596</u>      |

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

|                        |                   |
|------------------------|-------------------|
| General Government     | \$ 18,680         |
| Public Works           | 92,154            |
| Pool                   | 22,174            |
| Waste Water Activities | <u>462,086</u>    |
| Total                  | <u>\$ 595,094</u> |

**NOTE 6 - PROPERTY TAXES**

The total taxable assessed real estate valuation for the year ended December 31, 2017 was \$173,841,700. The Borough's property tax is levied March 1. The municipal tax rate for 2017 was 2.5000 mills. A 2% discount is allowed on taxes paid by April 30. Taxes are payable at face value during May and June. A 10% penalty is added to taxes paid after June 30.



**BOROUGH OF MYERSTOWN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 7 – FUND BALANCE REPORTING**

At December 31, 2017, fund balances are made up of the following:

|                                      |                |
|--------------------------------------|----------------|
| Non-spendable – Beautification Trust | \$ 43,530      |
| Restricted: Liquid Fuels             | \$ 158,269     |
| Committed: Unemployment Compensation | \$ 92,331      |
| Assigned: Recreation                 | \$ 48,680      |
| Municipal Center                     | 454,681        |
| General Reserve                      | <u>166,084</u> |
|                                      | \$ 669,445     |

**NOTE 8 - COMMUNITY DEVELOPMENT BLOCK GRANT**

The Borough is a sub-grantee in a grant agreement between the County of Lebanon and the Pennsylvania Department of Community Affairs. The program is administered by the Housing and Redevelopment Authority of the County of Lebanon and involves Federal block grant entitlement passed through the State from the Department of Housing and Urban Development. Grant funds totaling \$121,807 were distributed to the Lebanon County Housing and Redevelopment Authority on behalf of the Township during 2017 for curbs and ramps along Railroad Street in the Borough. The Borough contributed \$57,211 to this project.

**NOTE 9 – DEFERRED OUTFLOWS OF RESOURCES**

The Borough and Water Authority report deferred outflows of resources related to their net pension liability which represents the amount of variance between the expected earnings of the plan and the actual investment results.

**Business-Type Activities**

The advance refunding of the Series A of 2007 guaranteed sewer revenue bonds in 2014 resulted in a deferred asset of \$1,113,170, the difference between the carrying amount of the old debt and the amount deposited with the escrow agent to pay the future debt service. The amount will be amortized over twenty-two years, the remaining life of the 2007 bond series at the refunding date.

**Component Unit**

Unamortized bond issuance costs and discount from the advance refunding of the 2006 Bond Series are capitalized as Loss on Early Retirement of Debt and are being amortized ratable over twenty-two years, the remaining term of the 2006 bond series at the refunding date.

**BOROUGH OF MYERSTOWN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 9 – DEFERRED OUTFLOWS OF RESOURCES (continued)**

The costs and related accumulated amortization as of December 31, 2017, are as follow:

|                          | Business-<br>Type | Component<br>Unit |
|--------------------------|-------------------|-------------------|
| Advance Refunding        | \$ 1,113,170      | \$ 148,991        |
| Accumulated Amortization | (161,796)         | (30,717)          |
|                          | <u>\$ 951,374</u> | <u>\$ 118,274</u> |

**NOTE 10 –NOTES PAYABLE**

Governmental Activities

2014 Note Series B

Simultaneously with the issuance of the Series A of 2014, General Obligation Notes Payable discussed below under Business-Type Activities, the Borough issued the General Obligation Notes, Series B of 2014 in the amount of \$1,173,000. The Borough could draw down the proceeds of the Note from the closing date through October 15, 2017, as per modified terms. At closing date, \$693,953 had been borrowed. At December 31, 2017, \$1,065,000 was outstanding. The note, as modified, bears interest at 2.25% through August 2023 and thereafter at a variable rate equal to 65% of the Wall Street Journal Prime Rate, not to exceed 4.75% per annum, until August 1, 2036, the final maturity date.

\$397,133 of this loan was used to pay for Pool renovations in 2017 and is recorded as a liability in the Pool Fund, a Proprietary Fund. It is anticipated that the capital grant recorded as a receivable will pay the debt service of this amount when the grant is received.

GO Note, Series of 2017

In December 2017, the Borough issued the \$1,050,000 general obligation note, series of 2017. The Borough may draw down on the note through December 1, 2019 to pay project costs and construction period interest. The note bears interest at 3.00% through December 1, 2027 and thereafter at 65% of the sum of the 30-day LIBOR plus 195 basis points with the maximum rate not to exceed 4.058%.

Principal and interest payments for the next five years and thereafter on the Note, Series B of 2014 including that portion recorded in the Pool Fund and Series of 2017, assuming the maximum variable interest rate are as follows:

| Year Ended<br>December 31, | Principal           | Interest          | Total               |
|----------------------------|---------------------|-------------------|---------------------|
| 2018                       | \$ 55,000           | \$ 46,624         | \$ 101,624          |
| 2019                       | 99,000              | 46,289            | 145,289             |
| 2020                       | 105,000             | 43,732            | 148,732             |
| 2021                       | 106,000             | 41,032            | 147,032             |
| 2022                       | 88,000              | 38,302            | 126,302             |
| 2023-2027                  | 490,000             | 223,487           | 713,487             |
| 2028-2032                  | 559,000             | 156,919           | 715,919             |
| 2033-2036                  | <u>348,480</u>      | <u>37,045</u>     | <u>385,525</u>      |
|                            | <u>\$ 1,850,480</u> | <u>\$ 633,430</u> | <u>\$ 2,483,910</u> |



**BOROUGH OF MYERSTOWN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 10 –NOTES PAYABLE (continued)**

Business-Type Activities

2014 Note Series A

Millcreek-Richland Joint Authority (Joint Authority) issued guaranteed revenue bonds, Series A of 2007, on September 20, 2007, in the amount of \$9,285,000. Proceeds of the Bonds, together with other available funds, were loaned to the Borough of Myerstown, (the "Borough"), and used to finance a waste water treatment project on behalf of the Borough.

In October 2014 the Borough of Myerstown issued General Obligation Note, Series A of 2014 in the amount of \$8,827,000. The note was issued to advance refund the remaining \$8,280,000 of outstanding Joint Authority guaranteed sewer revenue bonds, Series A of 2007. The proceeds of the 2014 Series A issue were deposited irrevocably into a trust to be invested in direct obligations of the United States of America until which time they are used to provide for debt service on the 2007 Series A bonds. The 2007 Series A bonds are therefore considered defeased and the note payable to the Joint Authority to pay off the bonds has been removed from the books of the Borough. The outstanding principal of the defeased bonds was paid in 2017.

The 2014 Note bears interest at 2.25% until August 1, 2021 and thereafter at a variable rate equal to 65% of the Wall Street Journal Prime Rate, not to exceed 4.75% per annum, until August 1, 2036, the final maturity date.

Principal and interest payments for the next five years and thereafter on the Note, Series A of 2014, assuming the maximum variable interest rate are as follows:

| <u>Year Ended</u><br><u>December 31,</u> | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>        |
|--|---------------------|---------------------|---------------------|
| 2018                                     | \$ 425,000          | \$ 183,938          | \$ 608,938          |
| 2019                                     | 435,000             | 174,375             | 609,375             |
| 2020                                     | 440,000             | 164,588             | 604,588             |
| 2021                                     | 455,000             | 154,688             | 609,688             |
| 2022                                     | 305,000             | 144,450             | 449,450             |
| 2023-2027                                | 1,750,000           | 1,140,352           | 2,890,352           |
| 2028-2032                                | 2,200,000           | 837,662             | 3,037,662           |
| 2033-2036                                | <u>2,165,000</u>    | <u>263,150</u>      | <u>2,428,150</u>    |
|  | <u>\$ 8,175,000</u> | <u>\$ 3,063,203</u> | <u>\$11,238,203</u> |

Component Unit

2013 Note Series

The Authority issued guaranteed water revenue note, Series of 2013, on August 21, 2013, in the maximum amount of \$9,045,000. The note was issued to provide financing for the purpose of paying costs and expenses associated with the construction of certain projects, the advance refunding of Series of 2006 bonds, and to pay costs and expenses associated with issuing the Series 2013 note. The note pays interest semi-annually at an annual interest rate of 2.25% through November 2020 at which time it becomes a variable rate at 65% of the national prime rate not to exceed 4.75%. Principal payments are due annually to November 15, 2033. The note is guaranteed by the Borough of Myerstown.

**BOROUGH OF MYERSTOWN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 10 –NOTES PAYABLE (continued)**

Principal and interest payable in each year for the next five years and in five year increments thereafter are as follows:

| <u>Year Ended</u><br><u>December 31,</u> | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>        |
|--|---------------------|---------------------|---------------------|
| 2018                                     | \$ 440,000          | \$ 159,075          | \$ 599,075          |
| 2019                                     | 450,000             | 149,175             | 599,175             |
| 2020                                     | 460,000             | 139,050             | 599,050             |
| 2021                                     | 330,000             | 271,700             | 601,700             |
| 2022                                     | 345,000             | 256,025             | 601,025             |
| 2023-2027                                | 1,980,000           | 1,019,112           | 2,999,112           |
| 2028-2032                                | 2,495,000           | 501,600             | 2,996,600           |
| 2033                                     | <u>570,000</u>      | <u>27,075</u>       | <u>597,075</u>      |
|  | <u>\$ 7,070,000</u> | <u>\$ 2,522,812</u> | <u>\$ 9,592,812</u> |

Long-term liabilities changed during the year ended December 31, 2017, as follows:

|                              | <u>Balance</u><br><u>12/31/16</u> | <u>Additions</u>   | <u>Reductions</u>   | <u>Balance</u><br><u>12/31/17</u> |
|------------------------------|-----------------------------------|--------------------|---------------------|-----------------------------------|
| Governmental Activities:     |                                   |                    |                     |                                   |
| 2017 GO Note                 | \$ - 0 -                          | \$ 785,479         | \$ - 0 -            | \$ 785,479                        |
| 2014 GO Note, Series B       | 640,953                           | 81,914             | (55,000)            | 667,867                           |
|                              | <u>\$ 640,953</u>                 | <u>\$ 867,393</u>  | <u>\$ (55,000)</u>  | <u>\$ 1,453,346</u>               |
| Business-Type Activities:    |                                   |                    |                     |                                   |
| 2014 GO Note, Series B(pool) | \$ - 0 -                          | \$ 667,868         | \$ - 0 -            | \$ 667,868                        |
| 2014 GO Note, Series A       | 8,590,000                         | -0-                | (415,000)           | 8,175,000                         |
|                              | <u>\$8,590,000</u>                | <u>\$ 667,868</u>  | <u>\$(415,000)</u>  | <u>\$ 8,842,868</u>               |
| Total                        | <u>\$9,230,953</u>                | <u>\$1,535,261</u> | <u>\$(470,000)</u>  | <u>\$10,296,214</u>               |
| Component Unit:              |                                   |                    |                     |                                   |
| Series of 2013               | <u>\$7,500,000</u>                | <u>\$ -0-</u>      | <u>\$ (430,000)</u> | <u>\$ 7,070,000</u>               |

**NOTE 11 - LEASE AGREEMENTS**

The Borough entered into a lease agreement for the rental of office space for the Post Office in March, 1987 for an initial term of 20 years. The lease is automatically renewable with 4 five year options. Rental income for this property was \$16,333 for the year ended December 31, 2017.

The Borough also leases a portion of the Municipal Center. The lease was assumed in the purchase of the building. Payments were made to the Borough in the amount of \$42,219 for the year ended December 31, 2017.

**BOROUGH OF MYERSTOWN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 12 – RELATED PARTY TRANSACTIONS**

The Authority reported a payable to the Borough of \$7,190 and \$4,337 at December 31, 2017 and 2016, respectively, which represents waste water treatment and debt service receipts not yet transferred.

**NOTE 13 – PENSION TRUST FUNDS**

**Uniformed Employee's Pension**

*Plan description.* The Borough maintains a defined benefit pension plan, Borough of Myerstown Police Pension Fund, which covers prior full-time members of the police force of the Borough. All members of the force retired in 2014. The Borough of Myerstown Police Pension Fund is a single-employer defined benefit pension plan which had been controlled by the provisions of Ordinance No. 81 adopted pursuant to Act 600. During 2014, Ordinance No. 822 was adopted to convert to a non-Act 205 plan whereby normal retirement dates were revised so that all members were eligible for retirement benefits. The Borough of Myerstown governs the plan and has the authority to establish and amend the benefit terms and to manage the plan assets. The Borough has delegated the authority to manage certain plan assets to Edward Jones Company.

*Benefits provided.* The Borough of Myerstown Police Pension Fund provides retirement, disability, and death benefits to plan members and their beneficiaries. At December 31, 2014 a member was eligible for normal retirement after attainment of age 60 and completion of 21 years of service. The normal retirement pension is payable monthly during the member's lifetime, with payments continuing after the member's death to the surviving spouse, or eligible child, equal to 50% of the amount payable at the member's death. The amount of the monthly pension is equal to 50% of average monthly compensation which is based upon total compensation reported on Form W-2 over the last 60 months of employment. If a member continues working after his normal retirement date, his pension does not start until he actually retires. The late retirement benefit is the benefit accrued to the late retirement date.

If a member becomes disabled in the line of duty, he is eligible for a disability pension. The disability pension is equal to 50% of average monthly compensation determined as of the time of disablement, but no less than 50% of salary at the time of disablement, less social security disability benefits being paid for the same illness or injury. A member's benefits vest upon completion of 12 years of service. The vested benefit is a deferred pension beginning at normal retirement equal to the benefit accrued to the date of termination. The benefit accrued at any date other than the normal retirement date is equal to the projected normal retirement benefit multiplied by the ratio of the number of years and completed months of service to date to the number of years and completed months of service projected to normal retirement.

*Employees covered.* At December 31, 2017, the following employees were covered by the plan:

|  |          |
|--|----------|
| Inactive employees or beneficiaries currently receiving benefits | 3        |
| Inactive employees entitled to but not yet receiving benefits    | 0        |
| Active employees   | <u>0</u> |
| Total Members  | <u>3</u> |

**BOROUGH OF MYERSTOWN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 13 – PENSION TRUST FUNDS (continued)**

*Contributions.* Member contributions may be reduced or suspended by annual Borough resolution. Contributions are currently suspended. Act 205 requires that annual contributions to the plan be based upon the plan's Minimum Municipal Obligation (MMO), which is based on the plan's biennial actuarial valuation. In accordance with the plan's governing document, employees are not required to contribute to the plan. The plan may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program which must be used for pension funding. Any funding requirements established by the MMO in excess of employee contributions and state aid must be paid by the municipality in accordance with Act 205. The Plan had no contributions required in 2017. A separately issued report of the plan may be obtained in the Borough office. All three of the participants have retired and it has been determined the plan has sufficient assets to cover the pension liability.

*Net Pension Asser/Liability.* The Borough's net pension liability was measured as of December 31, 2017, and the total pension liability was determined by rolling forward the liability from an actuarial valuation as of January 1, 2017. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

*Actuarial assumptions.* The total pension liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|  |                                      |
|--|--------------------------------------|
| Inflation                              | 3.00%                                |
| Salary Increases                       | 4.50% (average, including inflation) |
| Investment Rate of Return              | 7.50% (including inflation)          |
| Postretirement Cost of Living Increase | 0.00%                                |

Mortality rates were based on the 2017 IRS Small Plan Combined Mortality Table for Males and Females. Incorporated into this table are rates for annuitants projected 7 years and rates for non-annuitants projected 15 years using Scale AA to reflect mortality improvement.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**BOROUGH OF MYERSTOWN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 13 – PENSION TRUST FUNDS (continued)**

The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

| <u>Asset Class</u>   | <u>Target Allocation</u> | <u>Long-Term Expected<br/>Real Rate of Return</u> |
|----------------------|--------------------------|---|
| Domestic Equity      | 55.00%                   | 5.50% - 7.50%                                     |
| International Equity | 0.00%                    | 4.50% - 6.50%                                     |
| Fixed Income         | 45.00%                   | 1.00% - 3.00%                                     |
| Real Estate          | 0.00%                    | 4.50% - 6.50%                                     |
| Cash                 | 0.00%                    | 0.00% - 1.00%                                     |

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The pension plans fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

*Changes in the Net Pension Liability.* The changes in Net Pension Liability are determined as follows:

|                          | <u>Increase (Decrease)</u>         |  |                                  |
|--------------------------|------------------------------------|--|----------------------------------|
|                          | <u>Total Pension<br/>Liability</u> | <u>Plan Fiduciary<br/>Net Position</u> | <u>Net Pension<br/>Liability</u> |
| Balance 12/31/2016       | \$ 953,142                         | \$1,038,553                            | \$ (85,411)                      |
| Service Cost             | - 0 -                              |  | - 0 -                            |
| Interest Cost            | 70,843                             |  | 70,843                           |
| Changes of Benefit Terms | - 0 -                              |  | - 0 -                            |
| Changes for Experience   | 7,964                              |  | 7,964                            |
| Changes of Assumptions   | 26,999                             |  | 26,999                           |
| Contributions-Employer   |                                    | - 0 -                                  | - 0 -                            |

**BOROUGH OF MYERSTOWN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 13 – PENSION TRUST FUNDS (continued)**

|  | <u>Increase (Decrease)</u>         |  |                                  |
|--|------------------------------------|--|----------------------------------|
|  | <u>Total Pension<br/>Liability</u> | <u>Plan Fiduciary<br/>Net Position</u> | <u>Net Pension<br/>Liability</u> |
| Contributions – Member   |                                    | - 0 -                                  | - 0 -                            |
| Net Investment Income  |                                    | 109,813                                | (109,813)                        |
| Benefit Payments, including<br>Refunds of member contributions | (87,069)                           | (87,069)                               | - 0 -                            |
| Administrative Expenses  |                                    | - 0 -                                  | - 0 -                            |
| Other Changes  | <u>                    </u>        | <u>          - 0 -          </u>       | <u>          - 0 -          </u> |
| Net Changes  | <u>         (18,737)         </u>  | <u>         (22,744)         </u>      | <u>         (4,007)         </u> |
| Balance at December 31, 2017                                   | <u>\$ 971,879</u>                  | <u>\$ 1,061,297</u>                    | <u>\$ (89,418)</u>               |

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the Plan, calculated using the discount rate of 7.50%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

|                              | 1% Decrease<br><u>(6.50%)</u> | Current<br>Discount Rate<br><u>(7.50%)</u> | 1% Increase<br><u>(8.50%)</u> |
|------------------------------|-------------------------------|--|-------------------------------|
| Plan's Net Pension Liability | \$ 2,141                      | \$ (89,418)                                | \$(167,533)                   |

*Pension Expense.* For the year ended December 31, 2017, the Borough recognized \$ -0- pension expense related to this plan.

**Non-Uniformed Employee's Retirement**

The Borough participates in a defined contribution plan under Section 401 of the Internal Revenue Code which covers non-uniformed employees. The plan uses the accrual basis of accounting. The plan is governed by the Borough Council which is responsible for the management of the plan assets. The Borough has delegated the authority to administer and manage plan assets to Hartford Life Insurance Company. The Borough contributes 16 percent of plan participants' compensation per year. The plan is eligible for an annual allocation from the General Municipal Pension System State Aid Program which must be used to reduce or eliminate the required municipal contributions. Employees may also contribute to the plan as long as their total contributions do not exceed 25% of their compensation. The State contributed \$41,294 and the Borough contributed \$13,592 to this plan for the year ended December 31, 2017.

**BOROUGH OF MYERSTOWN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 13 – PENSION TRUST FUNDS (continued)**

**Non-Uniformed Employee's Retirement (continued)**

The Borough also participates in a deferred compensation plan under Section 457 of the Internal Revenue Code. The Borough has delegated the authority to administer and manage plan assets to Hartford Life Insurance Company. Refer to the plan document for a detail description of plan benefits. This plan is offered to all non-uniformed employees of the Borough. Participants may elect to contribute to the Plan a percentage of compensation as defined in the Plan. Deferrals may not exceed the dollar limit that is set by law. The Borough contributed \$13,946 to this plan in 2017.

**Component Unit**

The Component Unit maintains a cash balance pension plan pursuant to Act 15 of 1974. The Plan is governed by the Authority which may amend Plan provisions and which is responsible for the management of Plan assets. The non-uniformed pension plan covers all full-time general employees of the Authority. Specifics of the Plan can be obtained from the Authority financial statements.

**NOTE 14 – INTER-MUNICIPAL AGREEMENTS**

The Borough has entered into two agreements with municipalities, one with the Township of Millcreek, the Borough of Richland and the Richland-Millcreek Joint Sewer Authority and the other with Jackson Township and the Jackson Township Authority. The purpose of these agreements is to define how the municipalities will share the cost of operating the wastewater treatment facility and share the costs of future expansion.

**NOTE 15 – CONCENTRATIONS OF CREDIT RISK**

There were two customers of the Borough that represented a concentration of credit risk at December 31, 2017. These customers represent 39% of customer charges for business-type waste water treatment activities.

These two customers also represent 77 of the accounts receivable balance and approximately 44% of the customer charges for water services for the component unit for the year.

**NOTE 16 - COMMITMENTS**

The Borough has signed an inter-municipal agreement "Grumbine Plan" pertaining to the repayment from the overpaid municipalities (that agreed to the plan) to the underpaid entities relating to the former EIT issue. The Borough agreed to repay the amount owed of \$44,387 over a 10 year period at 0% interest beginning in 2011. The Borough's annual payments are \$4,439. Payments are made to Fulton Bank, paying agent, and the bank is responsible for distribution of the funds to the underpaid entities. The balance remaining on this commitment at December 31, 2017 was \$13,314.



**BOROUGH OF MYERSTOWN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 17 - CONTINGENCIES**

The Borough provides unemployment compensation to eligible claimants through its own self-funded plan with the Commonwealth of Pennsylvania. The Borough is liable for unemployment compensation claims out of its general revenues. Currently \$92,331 is set aside for future possible claims.



## **REQUIRED SUPPLEMENTARY INFORMATION**

**BOROUGH OF MYERSTOWN**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**STATEMENT OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**For the Three Years Ended December 31, 2017**

|  | 2017                       | 2016                       | 2015                       |
|--|----------------------------|----------------------------|----------------------------|
| <b>Total Pension Liability:</b>                                  |                            |                            |                            |
| Service Cost   | \$ -0-                     | \$ -0-                     | \$ -0-                     |
| Interest Cost  | 70,843                     | 69,536                     | 70,759                     |
| Changes in Benefit Terms   | -0-                        | -0-                        | -0-                        |
| Changes for Experience   | 7,964                      | -0-                        | -0-                        |
| Changes of Assumptions   | 26,999                     | -0-                        | -0-                        |
| Benefit Payments   | <u>(87,069)</u>            | <u>(87,069)</u>            | <u>(87,069)</u>            |
| Net Change in Total Pension Liability                            | \$ 18,737                  | \$ (17,533)                | \$ (16,310)                |
| Total Pension Liability:   |                            |                            |                            |
| Beginning  | <u>953,142</u>             | <u>970,675</u>             | <u>986,985</u>             |
| Ending   | <u><u>\$ 971,879</u></u>   | <u><u>\$ 953,142</u></u>   | <u><u>\$ 970,675</u></u>   |
| <b>Plan Fiduciary Net Position:</b>                              |                            |                            |                            |
| Contributions:   |                            |                            |                            |
| Employer   | \$ -0-                     | \$ -0-                     | \$ -0-                     |
| Employee   | -0-                        | -0-                        | -0-                        |
| Net Investment Income  | 109,813                    | 65,142                     | (19,107)                   |
| Benefit Payments, including<br>refunds of member contributions   | (87,069)                   | (87,069)                   | (87,069)                   |
| Administrative Expense   | -0-                        | -0-                        | (3,463)                    |
| Other Changes  | <u>-0-</u>                 | <u>-0-</u>                 | <u>-0-</u>                 |
| Net Change in Plan<br>Fiduciary Net Position                     | \$ 22,744                  | \$ (21,927)                | \$ (109,639)               |
| Plan Fiduciary Net Position:                                     |                            |                            |                            |
| Beginning  | <u>1,038,553</u>           | <u>1,060,480</u>           | <u>1,170,119</u>           |
| Ending   | <u><u>\$ 1,061,297</u></u> | <u><u>\$ 1,038,553</u></u> | <u><u>\$ 1,060,480</u></u> |
| Plan Fiduciary Net Position as a<br>% of Total Pension Liability | <u><u>109%</u></u>         | <u><u>109%</u></u>         | <u><u>109%</u></u>         |

Required ten year information will be completed as time passes.

**BOROUGH OF MYERSTOWN**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**For the Ten Years Ended December 31, 2017**

| <u>Year</u> | <u>Actuarially<br/>Determined<br/>Contribution</u> | <u>Contributions<br/>from<br/>Employer</u> | <u>Contribution<br/>Deficiency/<br/>(Excess)</u> | <u>Covered<br/>Employee<br/>Payroll</u> | <u>Contributions<br/>as a %<br/>of Payroll</u> |
|-------------|--|--|--|---|--|
| 2008        | \$ -0-   | \$ -0-                                     | \$ -0-   |   |  |
| 2009        | -0-  | -0-  | -0-  |   |  |
| 2010        | -0-  | -0-  | -0-  |   |  |
| 2011        | -0-  | -0-  | -0-  |   |  |
| 2012        | -0-  | -0-  | -0-  |   |  |
| 2013        | -0-  | -0-  | -0-  |   |  |
| 2014        | -0-  | -0-  | -0-  |   |  |
| 2015        | -0-  | -0-  | -0-  | -0-                                     | 0.00%  |
| 2016        | -0-  | -0-  | -0-  | -0-                                     | 0.00%  |
| 2017        | -0-  | -0-  | -0-  | -0-                                     | 0.00%  |

**Notes to Schedule**

Valuation Date: Actuarially determined contribution rates are calculated as of January 1, two to four years prior to the end of the fiscal year in which the contributions are reported

Methods and assumptions used to determine contribution rates:

|                                |  |
|--------------------------------|--|
| Actuarial Valuation Date:      | 1/1/2015   |
| Actuarial Cost Method:         | Entry Age Normal   |
| Amortization Method:           | Level Dollar Closed  |
| Remaining Amortization Period: | N/A  |
| Asset Valuation Method:        | Market value of assets as determined<br>by the Trustee                         |
| Inflation:                     | 3.00%  |
| Salary Increases:              | 4.50%  |
| Investment Rate of Return:     | 7.50%  |
| Retirement Age:                | Normal Retirement Age  |
| Mortality:                     | RP2000 Table. This table does not include<br>projected mortality improvements. |

Changes in benefit terms: None since January 1, 2015.

**BOROUGH OF MYERSTOWN**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**STATEMENT OF CHANGES IN REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended December 31, 2017**

|   | Original<br>Budget  | Final<br>Budget     | Actual              | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|---------------------|---------------------|---------------------|---|
| <b>REVENUES</b>   |                     |                     |                     |   |
| Taxes   | \$ 831,904          | \$ 831,904          | \$ 822,331          | \$ (9,573)  |
| Licenses and Permits  | 61,950              | 61,950              | 72,727              | 10,777  |
| Fines   | 3,650               | 3,650               | 6,476               | 2,826   |
| Intergovernmental   | 350,529             | 350,529             | 220,192             | (130,337)   |
| Charges for Services  | 2,270               | 2,270               | 110,519             | 108,249   |
| Investment Earnings   | 4,090               | 4,090               | 6,469               | 2,379   |
| Rental Income   | 16,001              | 16,001              | 16,168              | 167   |
| Miscellaneous   | 15,175              | 15,175              | 17,878              | 2,703   |
| <b>TOTAL REVENUES</b>   | <b>\$ 1,285,569</b> | <b>\$ 1,285,569</b> | <b>\$ 1,272,760</b> | <b>\$ (12,809)</b>                                      |
| <b>EXPENDITURES</b>   |                     |                     |                     |   |
| General Government  | \$ 636,073          | \$ 636,073          | \$ 579,110          | \$ 56,963   |
| Public Safety   | 85,754              | 85,754              | 79,250              | 6,504   |
| Public Works  | 361,042             | 361,042             | 282,521             | 78,521  |
| Culture and Recreation  | 34,063              | 34,063              | 15,623              | 18,440  |
| Miscellaneous   | 206,504             | 206,504             | 128,559             | 77,945  |
| <b>TOTAL EXPENDITURES</b>   | <b>\$ 1,323,436</b> | <b>\$ 1,323,436</b> | <b>\$ 1,085,063</b> | <b>\$ 238,373</b>                                       |
| Excess of Revenues<br>Over (Under) Expenditures   | \$ (37,867)         | \$ (37,867)         | \$ 187,697          | \$ 225,564  |
| <b>OTHER FINANCING<br/>SOURCES (USES)</b>   |                     |                     |                     |   |
| Proceeds from sale of assets  | \$ -0-              | \$ -0-              | \$ 33,760           | \$ 33,760   |
| GO Loan Proceeds  | -0-                 | -0-                 | 867,394             | 867,394   |
| Debt Service  | -0-                 | -0-                 | (65,542)            | (65,542)  |
| Operating Transfers - Net   | 5,750               | 5,750               | (880,948)           | (886,698)   |
| <b>TOTAL OTHER FINANCING<br/>SOURCES (USES)</b>   | <b>\$ 5,750</b>     | <b>\$ 5,750</b>     | <b>\$ (45,336)</b>  | <b>\$ (51,086)</b>                                      |
| Excess (Deficiency) of Revenues<br>and Other Financing Sources<br>Over Expenditures and<br>Other Financing Uses | \$ (32,117)         | \$ (32,117)         | \$ 142,361          | \$ 174,478  |

