



Town of Emmitsburg, Maryland

**Financial Statements, Required Supplementary Information,
and Independent Auditors' Reports**

For the Year Ended June 30, 2022

**Town of Emmitsburg, Maryland
Summary of Elected and Appointed Officials**

As of June 30, 2022

Mayor

Donald N. Briggs

Commissioners

T.J. Burns

Frank Davis

Tim O'Donnell

Joseph Ritz III

Clifford L. Sweeney

Town Manager

Cathy Willets

Town Auditor

DeLeon & Stang, CPAs and Advisors

Town Attorney

Leslie A. Powell

**Town of Emmitsburg, Maryland
For the Year Ended June 30, 2022**

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**Town of Emmitsburg, Maryland
For the Year Ended June 30, 2022**

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INDEPENDENT AUDITORS' REPORT

**Mayor and Board of Commissioners
Town of Emmitsburg, Maryland**

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Emmitsburg, Maryland, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Emmitsburg, Maryland's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund, of the Town of Emmitsburg, Maryland, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Emmitsburg, Maryland and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter—Implementation of Standard

We draw attention to Note 2 and Note 4 of the financial statements, which describe the Town's implementation of the Governmental Accounting Standards Board Statement No. 87, *Leases* (GASB 87). The result of implementation recognized a lease receivable and deferred inflow to record expected future lease payments of \$748,437 across the primary government. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Town of Emmitsburg, Maryland
Independent Auditors' Report
Page 2

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Emmitsburg, Maryland's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Emmitsburg, Maryland's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension schedules on pages 4 - 10 and 42 - 47 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2023, on our consideration of the Town of Emmitsburg, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Emmitsburg, Maryland's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Emmitsburg, Maryland's internal control over financial reporting and compliance.

DeLeon & Stang

DeLeon & Stang, CPAs and Advisors
Frederick, Maryland
January 12, 2023



Mayor
Donald N. Briggs

Board of Commissioners
Timothy O'Donnell, *President*
Clifford Sweeney, *Vice President*
TJ Burns, *Treasurer*
Joseph Ritz III
Frank Davis

Town Manager
Cathleen Willets

Town Clerk
Madeline Shaw

TOWN OF EMMITSBURG, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Emmitsburg, Maryland, we offer readers of the Town of Emmitsburg's financial statements this narrative overview and analysis of the financial activities of the Town of Emmitsburg as of and for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with all other information furnished in this package.

FINANCIAL HIGHLIGHTS:

1. The Town's government-wide net position increased \$956,050 in fiscal year 2022 as compared to a decrease of \$37,380 in fiscal year 2021. This net position increase was directly due to the governmental-type activities of the Town. In particular, the considerable increase in capital grants and contributions going from \$143,398 in FY21 to \$814,127 in FY22.
2. The assets of the Town of Emmitsburg exceeded its liabilities and as of June 30, 2022 as below noted:
Governmental Activities \$7,022,876 (up \$875,630 from last year)
Business-Type Activities – Enterprise Funds \$26,369,572 (up \$80,420 from last year)

Of the total net position, \$6,029,663 is unrestricted, \$1,053,200 is restricted and \$26,309,585 is net investment in capital assets.

Management's Discussion and Analysis

3. Total governmental and business-type assets were \$7,985,190 and \$34,555,768, respectively. Capital assets, net of accumulated depreciation, for governmental and business-type activities were \$4,996,995 and \$26,670,412, respectively.
4. Total deferred outflows of resources for governmental and business-type activities were \$179,824 and \$183,946, respectively.
5. Total governmental and business-type liabilities were \$735,720 and \$5,908,361, respectively. Of these amounts, \$5,887,059 are long-term liabilities.
6. Total deferred inflows of resources for governmental and business-type activities were \$406,418 and \$2,461,781, respectively.
7. As of June 30, 2022, the Town of Emmitsburg's governmental funds reported a combined ending fund balance of \$2,469,231 (up \$51,219 from last year). Of that amount, \$1,479,809 is unassigned or 60.0% of total government fund balance.
8. As of June 30, 2022, the Town of Emmitsburg's revenues were as herein noted: Governmental Funds were \$2,880,533, (up \$569,345 or 24.6% from last year), Enterprise Funds operating revenues were \$2,133,736 (up \$452,677 or 26.9% from last year). The increase in governmental funds revenue was primarily from increased intergovernmental revenues in the capital projects fund. Efforts tied to the ADA ramp project was the main factor of the increase. Also, continued projects in the town parks and the grants associated with these projects contributed. Enterprise funds also increased from the prior fiscal year. Tap fees in both the water and sewer funds continue to be a main factor in the increased operating revenues of the Enterprise Fund. Charges for services also have increased from the prior year as businesses continue to more fully operate since the prior Covid-19 downturn of a few years ago.
9. As of June 30, 2022, the Town of Emmitsburg's expenditures were as herein noted: Governmental Funds were \$2,829,314 (up \$792,585 or 38.9% from last year), Enterprise Funds operating expenses were \$2,062,772 (up \$90,500 or 4.6% from last year). The Governmental Funds increase is contributable to more expenditures in the Capital Projects Fund again mainly associated with the ADA ramp project. The Enterprise Funds increase is tied to an increase in efforts in the sewer department with work done on sewer relining projects.

OVERVIEW OF THE FINANCIAL STATEMENTS:

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

Management's Discussion and Analysis

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

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

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town of Emmitsburg include legislative, executive, planning and zoning, public safety, garbage, streets, recreation & parks, and other charges. The major business-type activities of the Town of Emmitsburg include the water & sewer enterprise funds.

The government-wide financial statements include only the Town of Emmitsburg itself (known as the primary government).

The government-wide financial statements can be found on pages 11–12 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Emmitsburg can be divided into two (2) categories: governmental funds and proprietary funds.

The fund financial statements can be found on pages 13–19 of this report.

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

Management's Discussion and Analysis

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

The governmental funds financial statements can be found on pages 13–15 of this report.

Proprietary funds. The Town of Emmitsburg maintains two proprietary, or enterprise, funds. Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The Town of Emmitsburg operates a Sanitary Sewer Enterprise Fund and a Water Enterprise Fund.

The proprietary funds financial statements can be found on pages 16–19 of this report.

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

The notes to the financial statements can be found on pages 20–41 of this report.

Required supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information.

The required supplementary information can be found on pages 42–47 of this report.

Management's Discussion and Analysis

With all of the aforementioned stated, please review the following data closely for a detailed accounting of the financial activities and assets of the Town of Emmitsburg, Maryland.

The following table summarizes revenues and expenses for the governmental activities of the Town and totals for the government overall:

	Governmental Activities		Total Government	
	2021	2022	2021	2022
REVENUES				
Program Revenues				
Charges for services	\$ 337,554	\$ 377,218	\$ 1,988,613	\$ 2,275,161
Operating grants and contributions	205,516	173,303	235,516	209,764
Capital grants and contributions	143,398	814,127	143,398	1,001,699
General Revenues				
Taxes	1,102,666	1,110,650	1,102,666	1,110,650
Intergovernmental	435,005	426,617	435,005	426,617
Investment income	25,067	17,128	50,135	41,114
Rental income	33,532	37,618	125,654	129,546
Miscellaneous	41,755	30,933	78,587	62,755
TOTAL REVENUES	\$ 2,324,493	\$ 2,987,594	\$ 4,159,574	\$ 5,257,306
PROGRAM EXPENSES				
General government	\$ 711,445	\$ 790,774	\$ 711,445	\$ 790,774
Public safety	334,182	275,697	334,182	275,697
Public works	724,214	690,486	724,214	690,486
Recreation and culture	322,949	355,007	322,949	355,007
Interest	835	-	835	-
Business-type activities	-	-	2,103,329	2,189,292
TOTAL PROGRAM EXPENSES	2,093,625	2,111,964	4,196,954	4,301,256
TRANSFERS	-	-	-	-
CHANGE IN NET POSITION	\$ 230,868	\$ 875,630	\$ (37,380)	\$ 956,050

Budget Variances

In comparing the final budget amounts to the actual revenues and expenditures for the Town's General Fund,

the Town's revenues were higher than the appropriated budget by \$203,703 or 10.7% above budgeted revenues. Revenues associated with real estate taxes, local income taxes, state highway use taxes, & zoning permits & swimming pool fees were above expectations. General Fund expenditures were lower than budget by \$154,274 or 8.6% of budgeted expenses. The financial administration, general services, public safety & public works departments contributed most to the lower than expected expenses.

Management's Discussion and Analysis

Budget Fiscal Year 2023

Approved fiscal year 2023 General Fund revenues budget is \$2,053,217. Budgeted General Fund expenses before transfer to CIP is \$1,880,867. General Fund budgeted transfer to CIP is \$172,350.

The Real Estate Tax Rate in fiscal year 2023 has remained steady from the prior fiscal year, the rate being .3464 per \$100 assessed. In keeping the prior year's rate, public notice was given and Board of Commissioners approval was obtained to retain the .3464 rate as it was above than the State of Maryland 2022 Constant Yield Tax Rate Certification rate of .3340.

Fiscal year 2023 General Fund revenues budgeted have increased in the areas of Real Estate Taxes and for Local Income Taxes earned by the Town versus prior fiscal year. Real Estate Taxes going from \$680,000 budgeted in FY22 compared to \$735,000 in FY23. For Local Income Taxes the budgeted amount increases from \$260,000 to \$310,000 in the same time period.

Other areas to highlight, State Highway Use Funds budgeted will increase from \$126,436 to \$138,439. Per county notice, County Tax Equity will be slightly increasing from \$426,617 to \$428,311. Increased use of the Town Pool is anticipated with budgeted pool admissions increasing from \$11,800 in FY22 to 25,000 in FY23. Also, Property Rentals is budgeted to increase, going from \$24,200 to \$29,100. Although not reflected in the current budget, due to timing, actual interest revenues should increase considerably in FY23 based on the rate increases that have played out over the last few months.

The Town will continue to set aside budgetary amounts in the Capital Projects Fund with continued emphasis of Curb, gutter, sidewalk, & road work, along with future vehicle replacement. Designation to each were \$50,400 & \$30,000 respectively. Amounts are set aside, traditionally, as to cover future continued needs of the Town in those areas.

Again this year, a designated area set aside in the Capital Projects Fund is a commitment to storm-water management in planning, designating \$50,000, due to the Town's efforts relating to the MS-4 permit mandated by the State of Maryland. Another area of emphasis, will be maintaining and improving to the Town's buildings. The designation of capital funds in total for buildings will be \$30,000 in FY23.

Construction also continues in the Water Fund, with waterline work in the North Seton – Depaul Streets area of town (estimated completion Winter 2024-2025). Also, building of a new water clarifier will continue in FY23 (estimated completion Winter 2023-24). Along with these projects, in the Sewer Fund, construction of a new pump station is continuing. A USDA grant of \$833,000 and loan of \$1,987,000 has so far been obligated towards the project.

Water & sewer rates remain the same as FY22 at the start of FY23. Efforts are being made by the Town to look at potential future rate increases, in an effort to mitigate ever increasing expenses and addressing the need for ongoing & future water & sewer infrastructure projects. Minimum quarterly rates for water are \$35 and \$113 for sewer for a residential household with a standard ¾ inch meter size. These rates are based upon the minimum first 6,000 gallons. The Town of Emmitsburg's rate schedule is a tier schedule based upon the amount of gallons used each quarter. A rate schedule can be obtained upon request by contacting the Town offices.

Management's Discussion and Analysis

The Town will continue to monitor the water consumption needs of its residents and businesses. The Town anticipates water & sewer infrastructure improvements to be made during the fiscal year including setting aside funds for replacement of water meters. And last, Town staff will continue to make a detailed watch of the expenses concerning operating the Waste Water Treatment Plant.

Request for more information:

This financial report is designed to provide a general overview of the Town of Emmitsburg's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Town Manager
300A S. Seton Avenue
Emmitsburg, Maryland 21727

TOWN OF EMMITSBURG, MARYLAND
Statement of Net Position
June 30, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,389,393	\$ 5,650,242	\$ 7,039,635
Restricted cash	-	1,004,500	1,004,500
Investments	1,071,434	-	1,071,434
Property taxes receivable, net	35,056	-	35,056
Due from customers	52,981	339,252	392,233
Due from other governments	330,506	187,572	518,078
Lease receivable	64,768	683,669	748,437
Other receivables	43,517	1,198	44,715
Benefit assessments	-	5,399	5,399
Prepaid expenses	540	13,524	14,064
Capital assets:			
Capital assets not being depreciated	1,809,346	3,424,684	5,234,030
Capital assets being depreciated	8,336,829	35,934,209	44,271,038
Less: Accumulated depreciation	<u>(5,149,180)</u>	<u>(12,688,481)</u>	<u>(17,837,661)</u>
Capital assets, net	<u>4,996,995</u>	<u>26,670,412</u>	<u>31,667,407</u>
Total Assets	<u>7,985,190</u>	<u>34,555,768</u>	<u>42,540,958</u>
Deferred Outflows of Resources	<u>179,824</u>	<u>183,946</u>	<u>363,770</u>
Total Assets and Deferred Outflows of Resources	<u>8,165,014</u>	<u>34,739,714</u>	<u>42,904,728</u>
Liabilities			
Accounts payable	132,467	98,540	231,007
Accrued liabilities	25,437	68,965	94,402
Compensated absences	279,395	149,018	428,413
Benefit assessments - current	-	3,200	3,200
Long-term liabilities:			
Benefit assessments - noncurrent	-	18,899	18,899
Net pension liability	298,421	211,917	510,338
Debt obligations due within one year	-	193,673	193,673
Debt obligations due in more than one year	<u>-</u>	<u>5,164,149</u>	<u>5,164,149</u>
Total Liabilities	<u>735,720</u>	<u>5,908,361</u>	<u>6,644,081</u>
Deferred Inflows of Resources	<u>406,418</u>	<u>2,461,781</u>	<u>2,868,199</u>
Total Liabilities and Deferred Inflows of Resources	<u>1,142,138</u>	<u>8,370,142</u>	<u>9,512,280</u>
Net Position			
Net investment in capital assets	4,996,995	21,312,590	26,309,585
Restricted - specific purposes	48,700	1,004,500	1,053,200
Unrestricted	<u>1,977,181</u>	<u>4,052,482</u>	<u>6,029,663</u>
Total Net Position	<u>\$ 7,022,876</u>	<u>\$ 26,369,572</u>	<u>\$ 33,392,448</u>

The accompanying notes are an integral part of this statement.

TOWN OF EMMITSBURG, MARYLAND
Statement of Activities
For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental activities							
General government	\$ (790,774)	\$ 90,606	\$ -	\$ -	\$ (700,168)	\$ -	\$ (700,168)
Public safety	(275,697)	-	17,520	-	(258,177)	-	(258,177)
Public works	(690,486)	256,134	143,283	689,440	398,371	-	398,371
Recreation and culture	(355,007)	30,478	12,500	124,687	(187,342)	-	(187,342)
Total governmental activities	<u>(2,111,964)</u>	<u>377,218</u>	<u>173,303</u>	<u>814,127</u>	<u>(747,316)</u>	<u>-</u>	<u>(747,316)</u>
Business-type activities							
Water services	(762,947)	739,271	-	187,572	-	163,896	163,896
Sewer services	<u>(1,426,345)</u>	<u>1,158,672</u>	<u>36,461</u>	<u>-</u>	<u>-</u>	<u>(231,212)</u>	<u>(231,212)</u>
Total business-type activities	<u>(2,189,292)</u>	<u>1,897,943</u>	<u>36,461</u>	<u>187,572</u>	<u>-</u>	<u>(67,316)</u>	<u>(67,316)</u>
Total Primary Government	<u>\$ (4,301,256)</u>	<u>\$ 2,275,161</u>	<u>\$ 209,764</u>	<u>\$ 1,001,699</u>	<u>(747,316)</u>	<u>(67,316)</u>	<u>(814,632)</u>
General Revenues							
Taxes							
Property taxes, levied for general purposes					759,708	-	759,708
Income taxes					322,077	-	322,077
Other local taxes					28,865	-	28,865
County tax equity					426,617	-	426,617
Investment income					17,128	23,986	41,114
Rental income					37,618	91,928	129,546
Miscellaneous income					30,933	31,822	62,755
Total General Revenues					<u>1,622,946</u>	<u>147,736</u>	<u>1,770,682</u>
Change in Net Position					875,630	80,420	956,050
Net Position - beginning of year					<u>6,147,246</u>	<u>26,289,152</u>	<u>32,436,398</u>
Net Position - end of year					<u>\$ 7,022,876</u>	<u>\$ 26,369,572</u>	<u>\$ 33,392,448</u>

The accompanying notes are an integral part of this statement.

TOWN OF EMMITSBURG, MARYLAND
Balance Sheet
Governmental Funds
June 30, 2022

	Governmental Fund Types		Total Governmental Funds
	General	Capital Projects	
Assets			
Cash and cash equivalents	\$ 523,114	\$ 866,279	\$ 1,389,393
Investments	1,071,434	-	1,071,434
Receivables:			
Taxes, net	35,056	-	35,056
Customers	52,981	-	52,981
Other governments	64,174	221,490	285,664
Lease receivable	64,768	-	64,768
Other	43,517	-	43,517
Prepaid items	540	-	540
Total Assets	\$ 1,855,584	\$ 1,087,769	\$ 2,943,353
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	\$ 94,725	\$ 37,742	\$ 132,467
Accrued liabilities	25,437	-	25,437
Total Liabilities	120,162	37,742	157,904
Deferred Inflows of Resources	146,209	170,009	316,218
Fund Balances			
Nonspendable	540	-	540
Restricted	-	48,700	48,700
Committed	108,864	-	108,864
Assigned	-	831,318	831,318
Unassigned	1,479,809	-	1,479,809
Total Fund Balances	1,589,213	880,018	2,469,231
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,855,584	\$ 1,087,769	\$ 2,943,353

The accompanying notes are an integral part of this statement.

TOWN OF EMMITSBURG, MARYLAND
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2022

	General	Capital Projects	Total Governmental Funds
Revenues			
Local property taxes	\$ 759,708	\$ -	\$ 759,708
Local income taxes	322,077	-	322,077
Other local taxes	28,865	-	28,865
Licenses and permits	43,085	-	43,085
Intergovernmental revenues	586,522	720,464	1,306,986
Service charges	294,517	26,400	320,917
Fines and forfeitures	13,216	-	13,216
Miscellaneous	62,799	22,880	85,679
Total Revenues	2,110,789	769,744	2,880,533
Expenditures			
General government	594,206	201,874	796,080
Public safety	274,652	1,045	275,697
Public works	544,929	772,529	1,317,458
Recreation and culture	224,645	215,434	440,079
Total Expenditures	1,638,432	1,190,882	2,829,314
Excess (Deficiency) of Revenues over Expenditures	472,357	(421,138)	51,219
Other Financing Sources (Uses)			
Transfers in (out)	(478,947)	478,947	-
Total Other Financing Sources (Uses)	(478,947)	478,947	-
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(6,590)	57,809	51,219
Fund Balance July 1, 2021	1,595,803	822,209	
Fund Balance June 30, 2022	\$ 1,589,213	\$ 880,018	
Adjustments for the Statement of Activities			
Capital outlay			1,026,185
Depreciation expense			(267,809)
Deferred inflows of resources - unavailable grant revenues			107,061
Compensated absences			(47,647)
Net pension adjustment			6,621
Change in Net Position of Governmental Activities			\$ 875,630

The accompanying notes are an integral part of this statement.

TOWN OF EMMITSBURG, MARYLAND
Reconciliation of Fund Balance to Net Position of Governmental Activities
June 30, 2022

Fund balances - governmental funds	\$ 2,469,231
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources, therefore are not reported in the funds</p>	
Property and equipment, net	4,996,995
Deferred outflows of resources - pension	179,824
Long-term receivable	44,842
Deferred inflows of resources - pension	(197,261)
<p>Receivables that are measurable but not collected within 60 days are not considered available for use in the near term, and therefore, are reported in the governmental funds as deferred inflows</p>	
	107,061
<p>Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds</p>	
Compensated absences	(279,395)
Net pension liability	<u>(298,421)</u>
Net position - governmental activities	<u><u>\$ 7,022,876</u></u>

The accompanying notes are an integral part of this statement.

TOWN OF EMMITSBURG, MARYLAND
Statement of Net Position
Proprietary Funds
June 30, 2022

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
Assets			
Current Assets			
Cash and cash equivalents	1,323,257	\$ 4,326,985	\$ 5,650,242
Restricted cash	259,000	745,500	1,004,500
Due from customers	98,172	241,080	339,252
Due from other governments	187,572	-	187,572
Lease receivable - current	-	71,603	71,603
Other receivables	-	1,198	1,198
Prepaid expenses	12,450	1,074	13,524
Benefit assessments - current	3,200	-	3,200
Total Current Assets	1,883,651	5,387,440	7,271,091
Capital Assets			
Capital assets not being depreciated	2,903,078	521,606	3,424,684
Capital assets being depreciated	7,117,810	28,816,399	35,934,209
Accumulated depreciation	(3,492,118)	(9,196,363)	(12,688,481)
Capital Assets, Net	6,528,770	20,141,642	26,670,412
Lease receivable - noncurrent	-	612,066	612,066
Benefit assessments - noncurrent	2,199	-	2,199
Total Assets	8,414,620	26,141,148	34,555,768
Deferred Outflows of Resources	89,127	94,819	183,946
Total Assets and Deferred Outflows of Resources	8,503,747	26,235,967	34,739,714
Liabilities			
Current Liabilities			
Accounts payable	51,681	46,859	98,540
Accrued liabilities	5,414	63,551	68,965
Compensated absences	121,178	27,840	149,018
Benefit assessments - current	3,200	-	3,200
Debt obligations due within one year	88,931	104,742	193,673
Total Current Liabilities	270,404	242,992	513,396
Noncurrent Liabilities			
Benefit assessments - noncurrent	18,899	-	18,899
Net pension liability	96,718	115,199	211,917
Debt obligations due in more than one year	295,701	4,868,448	5,164,149
Total Noncurrent Liabilities	411,318	4,983,647	5,394,965
Total Liabilities	681,722	5,226,639	5,908,361
Deferred Inflows of Resources	1,689,080	772,701	2,461,781
Total Liabilities and Deferred Inflows of Resources	2,370,802	5,999,340	8,370,142
Net Position			
Net investment in capital assets	6,144,138	15,168,452	21,312,590
Restricted - expendable maintenance & improvements	259,000	745,500	1,004,500
Unrestricted	(270,193)	4,322,675	4,052,482
Total Net Position	\$ 6,132,945	\$ 20,236,627	\$ 26,369,572

The accompanying notes are an integral part of this statement.

TOWN OF EMMITSBURG, MARYLAND
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2022

	Business-type Activities - Enterprise Funds		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues			
Charges for services	\$ 739,271	\$ 1,158,672	\$ 1,897,943
Grant income	187,572	36,461	224,033
Miscellaneous income	<u>11,735</u>	<u>25</u>	<u>11,760</u>
Total Operating Revenues	938,578	1,195,158	2,133,736
Operating Expenses			
Personnel services	362,661	313,167	675,828
Operating	224,535	313,126	537,661
Depreciation	<u>165,244</u>	<u>684,039</u>	<u>849,283</u>
Total Operating Expenses	<u>752,440</u>	<u>1,310,332</u>	<u>2,062,772</u>
Operating Loss	186,138	(115,174)	70,964
Non-operating Revenues (Expenses)			
Investment income	7,725	16,261	23,986
Rental income	7,200	84,728	91,928
Other income	10,800	9,262	20,062
Interest expense	<u>(10,507)</u>	<u>(116,013)</u>	<u>(126,520)</u>
Total Non-operating Revenues (Expenses)	<u>15,218</u>	<u>(5,762)</u>	<u>9,456</u>
Change in Net Position	<u>201,356</u>	<u>(120,936)</u>	<u>80,420</u>
Total Net Position, beginning of year	<u>5,931,589</u>	<u>20,357,563</u>	<u>26,289,152</u>
Total Net Position, end of year	<u><u>\$ 6,132,945</u></u>	<u><u>\$ 20,236,627</u></u>	<u><u>\$ 26,369,572</u></u>

The accompanying notes are an integral part of this statement.

TOWN OF EMMITSBURG, MARYLAND
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2022

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
Cash flows from operating activities			
Cash receipts from customers	\$ 743,301	\$ 1,148,209	\$ 1,891,510
Cash receipts from other governments	1,575,430	35,263	1,610,693
Cash payments to suppliers of goods and services	(205,595)	(316,895)	(522,490)
Cash payments to employees for services	(367,323)	(316,193)	(683,516)
Net cash provided by operating activities	1,745,813	550,384	2,296,197
Cash flows from non-operating activities			
Rental income	7,200	87,418	94,618
Other income	10,800	9,262	20,062
Net cash provided by non-operating activities	18,000	96,680	114,680
Cash flows from capital and related financing activities			
Purchase and construction of capital assets	(217,753)	(282,842)	(500,595)
Principal paid on bond and loans payable	(86,812)	(102,362)	(189,174)
Interest paid on capital debt	(10,708)	(116,312)	(127,020)
Net cash used in capital and related financing activities	(315,273)	(501,516)	(816,789)
Cash flows from investing activities			
Investment income	7,725	7,725	15,450
Net cash provided by investing activities	7,725	7,725	15,450
Net increase in cash, cash equivalents and restricted cash	1,456,265	153,273	1,609,538
Cash, cash equivalents and restricted cash - beginning of year	125,992	4,919,212	5,045,204
Cash, cash equivalents and restricted cash - end of year	\$ 1,582,257	\$ 5,072,485	\$ 6,654,742
Reconciliation to Statement of Net Position:			
Cash and cash equivalents	\$ 1,323,257	\$ 4,326,985	\$ 5,650,242
Restricted cash	259,000	745,500	1,004,500
	\$ 1,582,257	\$ 5,072,485	\$ 6,654,742

The accompanying notes are an integral part of this statement.

TOWN OF EMMITSBURG, MARYLAND
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2022

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Reconciliation of operating income (loss) to			
Net cash provided by operating activities			
Operating income (loss)	\$ 186,138	\$ (115,174)	\$ 70,964
Depreciation	165,244	684,039	849,283
Net changes in assets and liabilities:			
Due from customers	(7,693)	(8,373)	(16,066)
Due from other governments	(187,572)	(1,198)	(188,770)
Prepaid expenses	6,099	(1,030)	5,069
Deferred outflows of resources	(37,906)	(42,903)	(80,809)
Accounts payable	12,841	(2,739)	10,102
Accrued liabilities	(12)	(2,115)	(2,127)
Compensated absences	3,447	5,512	8,959
Net pension liability	(40,452)	(46,654)	(87,106)
Deferred inflows of resources	<u>1,645,679</u>	<u>81,019</u>	<u>1,726,698</u>
Net cash provided by operating activities	<u>\$ 1,745,813</u>	<u>\$ 550,384</u>	<u>\$ 2,296,197</u>

The accompanying notes are an integral part of this statement.

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements
June 30, 2022

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Town of Emmitsburg was incorporated in 1825 and is currently organized under the provisions of a commission form of government. The financial statements of The Town of Emmitsburg, Maryland (the Town) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Governmental Accounting Standards Board Codification Section 2100 have been considered and there are no agencies or entities which should be presented with the Town.

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Town follows GASB 62 in applying GASB guidance to its proprietary activities, which incorporates Financial Accounting Standards Board statements and interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements. The statement of net position and the statement of activities display information about the Town as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Town that are governmental and those that are considered business-type activities.

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2022

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (Continued)

The statement of net position presents the financial condition of the governmental and business-type activities of the Town at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Town's governmental activities and for business-type activities of the Town. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient for the goods and services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Town, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the Town.

In the fund financial statements, financial transactions and accounts of the Town are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and managerial requirements.

The following is a brief description of the specific funds used by the Town for the year ended June 30, 2022:

Governmental Fund Types

General Fund – This fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The General Fund accounts for the normal recurring activities of the Town, (i.e., public safety, parks and recreation, public works and general government activities, etc.). These activities are funded principally by property and income taxes on individuals and businesses, and grants from other governmental units.

Capital Projects Fund – This fund accounts for the purchase, construction or renovation of major general fixed assets over an extended period of time (other than those financed by the Proprietary Funds). While capital outlay accounts are used in each function reported in the General Fund, longer-term projects, those with mixed funding or projects of a larger amount or spanning several fiscal years, are accounted for in this fund.

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2022

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (Continued)

Proprietary Fund Types

Enterprise Funds – The Water and Sewer Funds account for the activity of the Town's sewage treatment plant, sewage pumping stations and collection systems, and the water distribution system.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental fund.

Net position is reported as restricted when constraints placed on net position use are externally imposed by grantors or contributors.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when cash is received and when amounts to be received are both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers all revenues as available if they are collected within 60 days after year-end.

Expenditures generally are recorded when the related liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Business-type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Budgets and Budgetary Accounting

The budget document is a comprehensive financial plan showing all revenues and expenditures expected for the fiscal year.

The Town follows these procedures in establishing the budgetary data reflected in the general-purpose financial statements:

1. Prior to May 30th, the Mayor requests the Town Manager and Town Accountant meet with the Board of Commissioners and then prepare their proposed operating budgets for the fiscal year commencing the following July 1.
2. All budget requests are compiled by the Town Manager and Town Accountant and presented to the Mayor for review together with comparative and supporting data.
3. Public hearings are advertised and conducted at the Town Hall for taxpayer comments.
4. Prior to May 30th, the Mayor formally presents the budget message to the Board of Commissioners.
5. Prior to June 30th, the budget is legally enacted through the passage of an ordinance.
6. Appropriations lapse at the end of the fiscal year.
7. During the operating year, the Board of Commissioners must approve inter-departmental budget transfers at a regularly scheduled public meeting.

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2022

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash, Cash Equivalents, and Investments

For purposes of the statement of cash flows, the Town considers cash on hand, demand deposits, and all highly liquid investments and debt instruments with maturities of six months or less from the date of acquisition to be cash and cash equivalents. Generally, cash resources of the individual funds are combined to form a pool. Investment income earned as a result of pooling is distributed to the appropriate funds based on the average balance of cash and investments of each fund.

Receivables and Doubtful Accounts

Significant receivables include amounts due from customers primarily for property taxes and utility services. These receivables are due within one year. As of June 30, 2022, the Town has an allowance for doubtful personal property taxes of \$23,894 reported in the general fund.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2022, are recorded as prepaid expenses. In governmental funds, reported prepaid expenses are equally offset by non-spendable fund balance amounts, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

Capital Assets

Capital assets are reported in the governmental or business-type activities column in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets purchased or acquired are recorded at cost or, if donated, at the estimated fair market value upon receipt. Depreciation of property and equipment is computed on the straight-line method for financial reporting purposes. Depreciation is provided for over the estimated useful lives of the assets.

Buildings	20 – 50 years
Land improvements	10 – 20 years
Infrastructure	20 – 50 years
Machinery and equipment	5 – 15 years

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the statement of net position. Short-term interfund loans are classified as "interfund receivables/payables".

Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused pay benefits. Employees are entitled to receive payment based on their hire date. Employees hired before December 1, 2016 will be paid for all unused vacation hours and half-time pay for accrued and unused sick and personal hours upon termination. For hires on or after December 1, 2016, accrued and unused vacation and sick leave will be paid out at half-time with no payment for personal hours. Accumulated vacation, sick, and personal leave, as applicable, is accrued when incurred in the government-wide and proprietary fund financial statements.

Deferred Outflows / Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that period.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that period.

Commitments and Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although it is believed by management that such disallowances will be immaterial.

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2022

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transactions

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Restricted net position represents external restrictions by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law or enabling legislation.

Fund Balance

The Town has implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, for its governmental funds. Under GASB Statement No. 54, fund balances are required to be reported according to the following classifications:

Non-spendable fund balance – Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.

Restricted fund balance – Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions or enabling legislation).

Committed fund balance – Amounts that can only be used for specific purposes because of a formal action (resolution or ordinance) by the Town's highest level of decision-making authority, the Mayor and Board of Commissioners. As of June 30, 2022, \$108,864 is committed for the purpose of paying employee benefits when such employees retire or otherwise leave the Town.

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2022

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

Assigned fund balance – Amounts that are constrained by the Town’s intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the Board of Commissioners, or by an official to whom that authority has been given. With the exception of the General Fund, this is the residual fund balance classification for all governmental funds with positive balances.

Unassigned fund balance – This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When both restricted and unrestricted resources are available for use, it is the Town’s policy to use externally restricted resources first, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

Use of Estimates

The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates.

Recently Issued Accounting Standards

In 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases* (GASB 87). The objective of GASB 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government’s leasing arrangements.

The Town has adopted GASB 87 for the year ended June 30, 2022. As a result of adoption, the Town has recognized a lease receivable and deferred inflow of \$748,437 for the total primary government. There was no effect on net position or fund balance amongst the government-wide or fund level financial statements. See additional detail regarding the Town’s lessor arrangements at Note 4.

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2022

NOTE 2- DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Custodial credit risk for investments exists when, in the event of the failure of the counterparty to a transaction, a government may be unable to recover the value of investment or collateral securities that are in the possession of an outside party. As of year-end, the Town's carrying amount of deposits was \$8,044,135, the bank balance was \$8,173,051 and cash on hand was \$550.

The Town maintains deposits at one financial institution. At June 30, 2022, the Town was fully covered by the Federal Deposit Insurance Corporation and pledged collateral.

Included in cash and cash equivalents, the Town had \$1,878,954 invested in the Maryland Local Government Investment Pool (MLGIP) as of June 30, 2022.

The Town's cash and investments as of June 30, 2022, reconciled to the total presented in the Statement of Net Position, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and cash equivalents:			
Unrestricted	\$ 1,389,393	\$ 5,650,242	\$ 7,039,635
Restricted	<u>-</u>	<u>1,004,500</u>	<u>1,004,500</u>
	<u>\$ 1,389,393</u>	<u>\$ 6,654,742</u>	<u>\$ 8,044,135</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash on hand	\$ 550	\$ -	\$ 550
Deposits in bank	1,044,053	5,120,578	6,164,631
Investment pools (MLGIP)	<u>344,790</u>	<u>1,534,164</u>	<u>1,878,954</u>
	<u>\$ 1,389,393</u>	<u>\$ 6,654,742</u>	<u>\$ 8,044,135</u>

As of June 30, 2022, the Town had the following investments:

<u>Investment Type (All funds)</u>	<u>Fair Value</u>	<u>Investment Maturities</u>		<u>% of Portfolio</u>
		<u>< 1 Year</u>	<u>1-5 Years</u>	
Certificates of deposit (2)	\$ 1,071,430	\$ -	\$ 1,071,430	100.00%

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2022

NOTE 2- DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS
(Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's policy is not explicit as to how interest rate risk is managed. The interest rate in the MLGIP fluctuates throughout the year. The applicable interest rate at June 30, 2022 were 1.31% for the MLGIP account and .10% for the certificates of deposit.

Credit Risk

Credit risk is defined as the risk that an issuer or other counterparts to an investment in debt securities will not fulfill its obligation.

The Town shall invest only in the following types of securities, which are authorized by the State:

Credit Risk

- Obligations of U.S. governmental agencies
- Fully insured or collateralized certificates of deposit
- Repurchase agreements and reverse repurchase agreements not to exceed 360 days to stated maturity
- Bankers acceptances with the highest quality letter and numerical rating
- Municipal securities with the highest quality letter and numerical rating
- Money market mutual funds containing securities of U.S. governmental agencies
- Local Government Investment Pool administered by the State Treasurer

The Town's investments have received the following ratings by Standard & Poor's: Maryland Local Government Investment Pool (MLGIP) rated AAAm. There are no ratings on the certificates of deposit.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer, not applicable to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds, and external investment pools or other pooled investments.

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2022

NOTE 3- PROPERTY TAXES

The Town's property taxes are levied each July 1 at rates enacted by the Board of Commissioners on the total assessed value as determined by the Maryland State Department of Assessments and Taxation.

Property taxes become delinquent on October 1. Interest accrues at 1% monthly for delinquent property taxes. Tax liens on real property are sold at public auction the second Monday in May on taxes delinquent since October 1 of the current fiscal year. Total assessable base on which levies were made for the year ended June 30, 2022 was \$211,972,724 and the property tax rate was \$0.3464 per \$100 of assessed value.

NOTE 4- LEASES RECEIVABLE & LESSOR AGREEMENTS

The Town executed a lease agreement with Christ Community Church for the rental of a Town building. The terms of this agreement include monthly payments of \$2,200 from April 2021 through September 2022, increasing to \$2,500 per month from October 2022 through September 2024. The agreement does not provide any renewal options. This lease agreement is recognized in the General Fund of the Town.

The Town implemented GASB Statement No. 87 – Leases for the year ended June 30, 2022. The Town used the payment schedule in the above executed agreement to measure the lease receivable as of July 1, 2021. In addition, the lease receivable was discounted to a net present value at July 1, 2021 using a 2.375% interest rate, the rate of the 2014 Series A General Obligation Bonds.

For the year ended June 30, 2022, the General Fund recognized \$27,536 in lease revenue and \$1,678 in interest revenue related to lease payments received from this lease. As of year-end, \$64,768 is reported as lease receivable of the General Fund. Future payments due to the Town under the agreement is as follows for the years ending June 30:

	<u>Principal</u>	<u>Interest</u>
2023	\$ 27,856	\$ 1,244
2024	29,442	558
2025	<u>7,470</u>	<u>30</u>
Total	<u>\$ 64,768</u>	<u>\$ 1,832</u>

The Town executed a lease agreement with Denali Water Solutions for the rental of the Town's storage lagoon, with payments beginning November 2021. The terms of this agreement include semiannual payments of \$43,709 through November 2024, increasing 3% annually. The agreement provided an option to extend the lease for up to four additional one-year periods on the same terms and conditions, except that the rent shall increase three percent (3%) annually for each extended lease year. The Town is reasonably certain this extension period will be granted and is reflected in the net present value of the lease. This lease agreement is recognized in the Sewer Fund of the Town.

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2022

NOTE 4- LEASES RECEIVABLE & LESSOR AGREEMENTS (Continued)

The Town used the payment schedule in the above executed agreement, including the lease extension period, to measure the lease receivable as of November 8, 2021. In addition, the lease receivable was discounted to a net present value at November 8, 2021 using a 2.375% interest rate, the rate of the 2014 Series A General Obligation Bonds.

For the year ended June 30, 2022, the Sewer Fund recognized \$84,728 in lease revenue and \$8,536 in interest revenue related to lease payments received from this lease. As of year-end, \$683,669 is reported as lease receivable of the Sewer Fund. Future payments due to the Town under the agreement is as follows for the years ending June 30:

	<u>Principal</u>	<u>Interest</u>
2023	\$ 71,603	\$ 15,815
2024	73,314	14,104
2025	77,703	12,337
2026	82,278	10,464
2027	87,042	8,482
2028	92,005	6,385
2029	97,172	4,170
2030	<u>102,552</u>	<u>1,830</u>
Total	<u>\$ 683,669</u>	<u>\$ 73,587</u>

NOTE 5- CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 was as follows:

<u>Governmental Activities</u>	<u>Balance July 1, 2021</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Dispositions</u>	<u>Balance June 30, 2022</u>
Capital assets, not being depreciated				
Land	\$ 821,200	\$ -	\$ -	\$ 821,200
Historical Collections	36,750	-	-	36,750
Construction in progress	<u>252,410</u>	<u>1,026,185</u>	<u>(327,199)</u>	<u>951,396</u>
Total capital assets not being depreciated	<u>1,110,360</u>	<u>1,026,185</u>	<u>(327,199)</u>	<u>1,809,346</u>
Capital assets, being depreciated				
Buildings	872,068	-	63,591	935,659
Improvements	1,139,740	-	115,515	1,255,255
Infrastructure	4,905,885	-	138,840	5,044,725
Machinery and equipment	<u>1,091,937</u>	<u>-</u>	<u>9,253</u>	<u>1,101,190</u>
Total capital assets being depreciated	<u>8,009,630</u>	<u>-</u>	<u>327,199</u>	<u>8,336,829</u>
Less: accumulated depreciation	<u>(4,881,371)</u>	<u>(267,809)</u>	<u>-</u>	<u>(5,149,180)</u>
Total capital assets being depreciated, net	<u>3,128,259</u>	<u>(267,809)</u>	<u>327,199</u>	<u>3,187,649</u>
Governmental Activities capital assets, net	<u>\$ 4,238,619</u>	<u>\$ 758,376</u>	<u>\$ -</u>	<u>\$ 4,996,995</u>

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2022

NOTE 5- CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
General Government	\$ 25,544
Public works - streets	154,804
Parks and recreation	<u>87,461</u>
	<u>\$ 267,809</u>

Capital asset activity for the year ended June 30, 2022 was as follows:

<u>Business-type Activities</u>	<u>Balance July 1, 2021</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Dispositions</u>	<u>Balance June 30, 2022</u>
Capital assets, not being depreciated				
Land and land improvements	\$ 2,699,000	\$ -	\$ -	\$ 2,699,000
Construction in progress	<u>451,659</u>	<u>274,025</u>	<u>-</u>	<u>725,684</u>
Total capital assets not being depreciated	<u>3,150,659</u>	<u>274,025</u>	<u>-</u>	<u>3,424,684</u>
Capital assets, being depreciated				
Buildings and improvements	6,934,502	-	-	6,934,502
Infrastructure	28,408,393	154,701	-	28,563,094
Machinery and equipment	<u>364,744</u>	<u>71,869</u>	<u>-</u>	<u>436,613</u>
Total capital assets being depreciated	<u>35,707,639</u>	<u>226,570</u>	<u>-</u>	<u>35,934,209</u>
Less: accumulated depreciation	<u>(11,839,198)</u>	<u>(849,283)</u>	<u>-</u>	<u>(12,688,481)</u>
Total capital assets being depreciated, net	<u>23,868,441</u>	<u>(622,713)</u>	<u>-</u>	<u>23,245,728</u>
Business-type Activities capital assets, net	<u>\$ 27,019,100</u>	<u>\$ (348,688)</u>	<u>\$ -</u>	<u>\$ 26,670,412</u>

Depreciation expense was charged to functions/programs as follows:

Business-type Activities	
Water	\$ 165,244
Sewer	<u>684,039</u>
	<u>\$ 849,283</u>

NOTE 6- UNEARNED REVENUE

Unearned revenue arises in governmental funds when revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenue also arises, in both governmental and proprietary funds, when resources are received by the government before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized.

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2022

NOTE 7- DEBT OBLIGATIONS

Debt outstanding at June 30, 2022 is as follows:

<u>Purpose</u>	<u>Rate</u>	<u>Amount</u>
2004 Series Drinking Water Bonds; Maryland Water Quality Financing Administration; Due 2024; Annual principal and interest of approximately \$23,200.	1.20%	43,477
2006 Series Drinking Water Bonds; Maryland Water Quality Financing Administration; Due 2026; Annual principal and interest of approximately \$26,579.	1.10%	98,500
2009 Series General Obligation Bond; Columbia Bank; Due 2029; Semi-annual interest payments with principal amounts due annually.	3.78%	242,655
2014 Series General Obligation Bond; United States Dept. of Agriculture Financing for WWTP; due 2055; Quarterly principal and interest of \$52,565.	2.38%	4,742,880
2016 Series General Obligation Bond; United States Dept. of Agriculture; due 2057; Quarterly principal and interest of \$2,101.	1.38%	<u>230,310</u>
Total Debt Obligations		<u><u>\$ 5,357,822</u></u>

Changes in Non-Current Liabilities

During the year ended June 30, 2022, the following changes in long-term obligations occurred:

	<u>July 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2022</u>	<u>Due within one year</u>
2004 MWQFA	\$ 64,830	\$ -	\$ (21,353)	\$ 43,477	\$ 21,609
2006 MWQFA	122,459	-	(23,959)	98,500	24,222
2009 GO Bond	284,155	-	(41,500)	242,655	43,100
2014 GO Bond	4,840,052	-	(97,172)	4,742,880	99,480
2016 GO Bond	<u>235,500</u>	<u>-</u>	<u>(5,190)</u>	<u>230,310</u>	<u>5,262</u>
Total	<u><u>\$ 5,546,996</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (189,174)</u></u>	<u><u>\$ 5,357,822</u></u>	<u><u>\$ 193,673</u></u>

At June 30, 2022, the debt obligations are recorded as follows:

Business-type activities:	
Water Fund	\$ 384,632
Sewer Fund	<u>4,973,190</u>
Total long-term debt obligations	<u><u>\$ 5,357,822</u></u>

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2022

NOTE 7- DEBT OBLIGATIONS (Continued)

Interest expense

For the year ended June 30, 2022 total interest costs were \$126,520 and reported as within business-type activities. Cash paid for interest for business-type activities was \$127,009.

Debt service requirements are as follows:

	Principal	Interest & Fees	Total
2023	\$ 193,674	\$ 131,357	\$ 325,031
2024	198,134	126,796	324,930
2025	180,728	121,053	301,781
2026	185,250	116,511	301,761
2027	164,530	110,574	275,104
2028-2032	626,456	477,727	1,104,183
2033-2037	690,588	402,640	1,093,228
2038-2042	774,911	318,317	1,093,228
2043-2047	869,624	223,604	1,093,228
2048-2052	976,001	117,227	1,093,228
2053-2057	497,926	14,939	512,865

Conduit Debt

In December 2009, the Town issued \$1,250,000 of Town of Emmitsburg Educational Facilities Revenue Bonds, Series 2009, for the purpose of lending the proceeds to Mount Saint Mary's University to finance the renovation and improvements to the Terrace Student Housing Complex. The project is being funded by donor contributions and the Series 2009 Bond proceeds will bridge the time between costs of the projects and payments received from pledges.

As of June 30, 2022, the conduit debt obligations outstanding was \$1,250,000.

The Town is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2022

NOTE 8- EMPLOYEE BENEFITS

Cost-sharing Multiple Employer Pension Plan:

Plan Description

Effective July 1, 2006, all full-time employees of the Town are provided retirement benefits through the Maryland State Retirement and Pension's contributory pension system ("Pension System"). The Pension System is a defined-benefit plan and multiple employer system. The plan involves state-wide participation of employees from numerous other state and local governmental units. The system is administered by the Maryland State Retirement Agency pursuant to the Annotated Code of Maryland.

Under the Pension System, members may retire after 30 years of service or the attainment of age 62 with five years of service, age 63 with four years of service, age 64 with three years of service or age 65 or over and two years of service.

The State Retirement and Pension System of Maryland does not prepare or maintain separate actuarial reports for the participating governmental units. The Maryland State Retirement and Pension System issues a comprehensive annual financial report. The report can be obtained from the agency's offices at:

Maryland State Retirement and Pension Systems
120 East Baltimore Street
Baltimore, Maryland 21202

Funding policy

Obligations to contribute to the plans were established under Titles 22 and 23 of the State Personnel and Pensions Article of the Maryland Code. Members of the Pension System contribute 2% of their gross employee compensation. The total contributions from the employees were as follows for the fiscal years ended June 30:

2013	\$ 13,388
2014	14,087
2015	14,521
2016	14,544
2017	14,388
2018	15,335
2019	15,738
2020	16,333
2021	17,558
2022	19,610

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2022

NOTE 8- EMPLOYEE BENEFITS (Continued)

The Town contributed the following payments to the System, which were equal to 100% of the required contributions for the years ended June 30:

2013	\$ 51,651
2014	59,732
2015	60,516
2016	54,470
2017	47,822
2018	56,004
2019	59,312
2020	65,278
2021	74,957
2022	89,539

Total pension expense for the year ended June 30, 2022 was \$71,726; \$41,749 for governmental activities and \$29,977 for business-type activities.

Key actuarial methods and assumptions:

Actuarial Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Actuarial Valuation Date	June 30, 2021
Inflation	In the 2021 actuarial valuation, 2.60% general, 3.10% wage In the 2020 actuarial valuation, 2.60% general, 3.10% wage
Salary Increases	In the 2021 actuarial valuation, 2.75% to 9.25% In the 2020 actuarial valuation, 3.10% to 11.60%
Investment Rate of Return	In the 2021 actuarial valuation, 6.80% In the 2020 actuarial valuation, 7.40%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2019 valuation pursuant to the 2018 experience study for the period July 1, 2014 to June 30, 2018.
Mortality	Various versions of the Pub-2010 Mortality Tables for males and females with projected generational mortality improvements based on the MP-2018 fully generational mortality Improvements scale for males and females.

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2022

NOTE 8- EMPLOYEE BENEFITS (Continued)

Investments

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 pension plan investment expense and 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. Best estimates of geometric real rates of return were adopted by the Board after considering input from the System's investment consultant(s) and actuary(s). For each major asset class that is included in the System's target asset allocation as of June 30, 2021, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	37.0%	4.7%
Private Equity	13.0%	6.5%
Rate Sensitive	19.0%	-0.4%
Credit Opportunity	9.0%	2.6%
Real Assets	14.0%	4.2%
Absolute Return	<u>8.0%</u>	2.0%
Total	100.0%	

The above was the Board of Trustees' adopted asset allocation policy and best estimate of geometric real rates of return for each major asset class as of June 30, 2021. For the years ended June 30, 2021 and 2020, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was 26.69% and 3.50%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate

A single discount rate of 6.80% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 6.80%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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.

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2022

NOTE 8- EMPLOYEE BENEFITS (Continued)

Sensitivity of the net pension liability

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 6.80%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

System	1% Decrease to 5.80%	Current Discount	1% Increase to 7.80%
Employees Pension	\$ 869,178	\$ 510,338	\$ 212,683

Deferred compensation plan

The Town offers a deferred compensation plan administered by the International Town/County Management Associates (ICMA) Retirement Corporation to all full-time employees under the provisions of Internal Revenue Code Section 457. Under the terms of a 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by ICMA are held in trust for the exclusive benefit of the participants and their beneficiaries, and accordingly, are not included in the Town's financial statements.

NOTE 9- GRANTS FROM GOVERNMENTAL UNITS

Federal and state governmental units represent an important source of supplementary funding used to finance construction, maintenance, employment programs, and other activities beneficial to the community. The grants received by the Town specify the purpose for which the grant funds are to be used, and such grants are subject to audit by the granting agency or its representative if Federal expenditures for the fiscal year exceed \$750,000. The Town's federal grant expenditures were less than \$750,000; therefore, the Town is not subject to the Single Audit Act for fiscal year 2022.

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2022

NOTE 10- DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

As of June 30, 2022, the Town reported deferred outflows and inflows of resources related to the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of pension assumptions	\$ 82,395	\$ 16,883
Difference between actual and expected experience		44,291
Net difference between projected and actual earnings on pension plan investments	73,860	226,194
Change in proportionate share	117,977	85,095
Town's contributions subsequent to the measurement date	<u>89,539</u>	<u>-</u>
	<u>\$ 363,771</u>	<u>\$ 372,463</u>
Other deferred inflows:		
Property taxes - subsequent year		10,271
Unearned grant revenue - ARPA		1,575,430
Unavailable revenues		<u>170,258</u>
		<u>\$ 2,128,422</u>

Deferred outflows of resources of \$89,539 related to pensions resulting from the Town's contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ending June 30:

2023	\$ 26,885
2024	10,302
2025	26,804
2026	39,893
2027	<u>(5,653)</u>
	<u>\$ 98,231</u>

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2022

NOTE 11- RESTRICTED NET POSITION

The Town has instituted through a local ordinance a surcharge on water and sewer connections for the purpose of funding necessary repairs and maintenance and improvements to the Town's Water and Sewer system. . As of June 30, 2022, the total amount restricted is as follows:

Surcharges for improvements - Water Fund	\$ 259,000
Surcharges for improvements - Sewer Fund	<u>745,500</u>
	<u>\$ 1,004,500</u>

Net position restricted by enabling legislation represents accumulated net position attributed to revenue sources, such as taxes or fees, which are restricted for specific purposes. All new residential dwelling units are assessed a one-time fee of \$1,200 per residential dwelling unit. This impact fee is to be utilized for the acquisition, development, and rehabilitation of municipal roads, sidewalks, streets, lights, and corresponding electric service, park and recreational areas. Impact fees collected are recorded in the Capital Projects Fund. A portion of the impact fees collected is to be committed to the upgrade of the local emergency warning system and is included in restricted net position in the government-wide statement of net position.

Impact fees - not committed	\$ 29,700
Committed for emergency warning system	<u>19,000</u>
	<u>\$ 48,700</u>

NOTE 12- RISKS, COMMITMENTS AND CONTINGENCIES

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Town's general liability risks are financed through the Town's participation in the Maryland Local Government Insurance Trust (MLGIT). The Town pays an annual premium to MLGIT for its general insurance coverage. The Town has coverage of \$1,000,000 for each occurrence. The annual aggregate limit is \$2,000,000 and is the most the Trust will pay under the Town's agreement. The Town continues to carry commercial insurance for employee health and accident insurance and workers compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage, and no significant reductions in insurance coverage have occurred, in any of the past three fiscal years.

Grant Funds

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although it is believed by management that such disallowances will be immaterial.

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2022

NOTE 13- SUBSEQUENT EVENTS

Subsequent events are defined as events or transactions that occur after the Statement of Net Position date through the date that the financial statements are available to be issued. As of January 12, 2023, the date the financial statements were available to be issued, the Town performed an evaluation and revealed no other material events or transactions which would require an adjustment or disclosure in the accompanying financial statements, except for the event noted below.

In July 2022, the Town received \$1,576,610 as the second payment from the American Rescue Plan Act.

TOWN OF EMMITSBURG, MARYLAND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual
General Fund

For the Year Ended June 30, 2022	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget- Positive (Negative)
Local property taxes				
Real property	\$ 680,100	\$ 680,100	\$ 719,649	\$ 39,549
Personal property	55,000	55,000	41,795	(13,205)
Penalties and interest	5,000	5,000	7,210	2,210
Less discounts	(9,000)	(9,000)	(8,946)	54
Net local property taxes	<u>731,100</u>	<u>731,100</u>	<u>759,708</u>	<u>28,608</u>
Local income taxes	<u>260,000</u>	<u>260,000</u>	<u>322,077</u>	<u>62,077</u>
Other local taxes				
Admissions and amusement taxes	750	750	1,240	490
Public utility taxes	23,000	23,000	27,625	4,625
Total other local taxes	<u>23,750</u>	<u>23,750</u>	<u>28,865</u>	<u>5,115</u>
Licenses and permits				
Trader's licenses	4,000	4,000	4,523	523
Cable franchise fees	35,000	35,000	38,562	3,562
Total licenses and permits	<u>39,000</u>	<u>39,000</u>	<u>43,085</u>	<u>4,085</u>
Intergovernmental revenues				
State Aid for Police Protection	17,076	17,076	16,622	(454)
County - tax equity	426,617	426,617	426,617	-
Highway user revenues	126,436	126,436	143,283	16,847
Total intergovernmental revenues	<u>570,129</u>	<u>570,129</u>	<u>586,522</u>	<u>16,393</u>
Service charges				
Garbage and tipping fees	192,900	192,900	202,530	9,630
Zoning permits	10,100	10,100	47,521	37,421
Parking meter receipts	12,000	12,000	13,988	1,988
Swimming pool	12,800	12,800	30,478	17,678
Total service charges	<u>227,800</u>	<u>227,800</u>	<u>294,517</u>	<u>66,717</u>
Fines and forfeitures				
Parking fines	\$ 5,000	\$ 5,000	\$ 13,216	\$ 8,216

The accompanying notes are an integral part of this schedule.

TOWN OF EMMITSBURG, MARYLAND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual
General Fund

For the Year Ended June 30, 2022	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget- Positive (Negative)
Miscellaneous revenues				
Interest income	15,000	15,000	17,128	2,128
Rental income	32,207	32,207	37,618	5,411
Other	3,100	3,100	8,053	4,953
Total miscellaneous revenues	<u>50,307</u>	<u>50,307</u>	<u>62,799</u>	<u>12,492</u>
Total Revenues	<u>\$ 1,907,086</u>	<u>\$ 1,907,086</u>	<u>\$ 2,110,789</u>	<u>\$ 203,703</u>
General Government				
Legislative				
Salaries	\$ 65,321	\$ 65,321	\$ 57,253	\$ 8,068
Fringe benefits	<u>6,298</u>	<u>6,748</u>	<u>6,290</u>	<u>458</u>
Total salaries and fringe benefits	<u>71,619</u>	<u>72,069</u>	<u>63,543</u>	<u>8,526</u>
Operations				
Other operating	<u>55,973</u>	<u>56,373</u>	<u>58,545</u>	<u>(2,172)</u>
Total operations	<u>55,973</u>	<u>56,373</u>	<u>58,545</u>	<u>(2,172)</u>
Capital Outlay	<u>600</u>	<u>600</u>	<u>1,058</u>	<u>(458)</u>
Total Legislative	<u>128,192</u>	<u>129,042</u>	<u>123,146</u>	<u>5,896</u>
Legal	<u>26,750</u>	<u>32,750</u>	<u>55,906</u>	<u>(23,156)</u>
Planning and Zoning				
Salaries	118,247	118,247	119,171	(924)
Fringe benefits	<u>14,564</u>	<u>15,614</u>	<u>15,462</u>	<u>152</u>
Total salaries and fringe benefits	<u>132,811</u>	<u>133,861</u>	<u>134,633</u>	<u>(772)</u>
Operations				
Other operating	<u>19,100</u>	<u>19,100</u>	<u>10,030</u>	<u>9,070</u>
Total operations	<u>19,100</u>	<u>19,100</u>	<u>10,030</u>	<u>9,070</u>
Capital outlay	<u>500</u>	<u>500</u>	<u>300</u>	<u>200</u>
Total Planning and Zoning	<u>152,411</u>	<u>153,461</u>	<u>144,963</u>	<u>8,498</u>

The accompanying notes are an integral part of this schedule.

TOWN OF EMMITSBURG, MARYLAND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual
General Fund

For the Year Ended June 30, 2022	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget- Positive (Negative)
Financial Administration				
Salaries	\$ 90,265	\$ 90,265	\$ 80,908	\$ 9,357
Fringe benefits	<u>61,912</u>	<u>63,712</u>	<u>62,223</u>	<u>1,489</u>
Total salaries and fringe benefits	<u>152,177</u>	<u>153,977</u>	<u>143,131</u>	<u>10,846</u>
Operations				
Other operating	32,843	32,843	13,290	19,553
Accounting and auditing	<u>13,800</u>	<u>13,800</u>	<u>10,085</u>	<u>3,715</u>
Total operations	<u>46,643</u>	<u>46,643</u>	<u>23,375</u>	<u>23,267</u>
Total Financial Administration	<u>198,820</u>	<u>200,620</u>	<u>166,506</u>	<u>34,113</u>
General Services				
Salaries	48,719	48,719	50,688	(1,969)
Fringe benefits	<u>18,044</u>	<u>18,794</u>	<u>18,390</u>	<u>404</u>
Total salaries and fringe benefits	<u>66,763</u>	<u>67,513</u>	<u>69,078</u>	<u>(1,565)</u>
Operations				
Other operating costs	<u>64,725</u>	<u>64,725</u>	<u>34,607</u>	<u>30,118</u>
Total operations	<u>64,725</u>	<u>64,725</u>	<u>34,607</u>	<u>30,118</u>
Capital outlay	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Total General Services	<u>132,488</u>	<u>133,238</u>	<u>103,685</u>	<u>29,553</u>
Total General Government	<u>\$ 638,661</u>	<u>\$ 649,111</u>	<u>\$ 594,206</u>	<u>\$ 54,905</u>
Public Safety				
Police, ambulance and fire services				
Police protection	\$ 298,022	\$ 298,022	\$ 255,561	\$ 42,461
Other public safety expenses	17,600	17,600	13,091	4,509
Fire and rescue donations	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>-</u>
Total operations	<u>321,622</u>	<u>321,622</u>	<u>274,652</u>	<u>46,970</u>
Capital outlay	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>
Total Public Safety	<u>\$ 322,122</u>	<u>\$ 322,122</u>	<u>\$ 274,652</u>	<u>\$ 47,470</u>

The accompanying notes are an integral part of this schedule.

TOWN OF EMMITSBURG, MARYLAND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual
General Fund

For the Year Ended June 30, 2022	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget- Positive (Negative)
Public Works				
Highways and Streets				
Salaries	\$ 187,857	\$ 187,857	\$ 173,998	\$ 13,859
Fringe benefits	<u>85,405</u>	<u>88,255</u>	<u>86,829</u>	<u>1,426</u>
Total salaries and fringe benefits	<u>273,262</u>	<u>276,112</u>	<u>260,827</u>	<u>15,285</u>
Operations				
Other operating	<u>163,915</u>	<u>163,915</u>	<u>133,111</u>	<u>30,804</u>
Total operations	<u>163,915</u>	<u>163,915</u>	<u>133,111</u>	<u>30,804</u>
Capital outlay	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>
Total Highways and Streets	<u>437,677</u>	<u>440,527</u>	<u>393,938</u>	<u>46,590</u>
Refuse				
Salaries	<u>4,100</u>	<u>4,100</u>	<u>3,817</u>	<u>283</u>
Total salaries	<u>4,100</u>	<u>4,100</u>	<u>3,817</u>	<u>283</u>
Operations				
Other operating	<u>152,225</u>	<u>152,225</u>	<u>147,174</u>	<u>5,051</u>
Total operations	<u>152,225</u>	<u>152,225</u>	<u>147,174</u>	<u>5,051</u>
Total Refuse	<u>156,325</u>	<u>156,325</u>	<u>150,991</u>	<u>5,334</u>
Total Public Works	<u>\$ 594,002</u>	<u>\$ 596,852</u>	<u>\$ 544,929</u>	<u>\$ 51,923</u>
Recreation and Culture				
Park and swimming pool				
Salaries	\$ 67,560	\$ 67,560	\$ 82,937	\$ (15,377)
Fringe benefits	<u>24,878</u>	<u>25,628</u>	<u>25,329</u>	<u>299</u>
Total salaries and fringe benefits	<u>92,438</u>	<u>93,188</u>	<u>108,266</u>	<u>(15,078)</u>
Operations				
Other operating	<u>129,933</u>	<u>129,933</u>	<u>115,479</u>	<u>14,454</u>
Total operations	<u>129,933</u>	<u>129,933</u>	<u>115,479</u>	<u>14,454</u>
Capital Outlay	<u>1,500</u>	<u>1,500</u>	<u>900</u>	<u>600</u>
Total Recreation and Culture	<u>\$ 223,871</u>	<u>\$ 224,621</u>	<u>\$ 224,645</u>	<u>\$ (24)</u>

The accompanying notes are an integral part of this schedule.

TOWN OF EMMITSBURG, MARYLAND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual
General Fund

For the Year Ended June 30, 2022	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget- Positive (Negative)
Total Expenditures	<u>\$ 1,778,656</u>	<u>\$ 1,792,706</u>	<u>\$ 1,638,432</u>	<u>\$ 154,274</u>
Excess of Revenues over Expenditures	<u>\$ 128,430</u>	<u>\$ 114,380</u>	<u>\$ 472,357</u>	<u>\$ 357,977</u>
Other Financing Sources (Uses)				
Transfers	<u>(128,430)</u>	<u>(478,947)</u>	<u>(478,947)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>\$ (128,430)</u>	<u>\$ (478,947)</u>	<u>\$ (478,947)</u>	<u>\$ -</u>
Net Change in Fund Balance	<u><u>\$ -</u></u>	<u><u>\$ (364,567)</u></u>	<u><u>\$ (6,590)</u></u>	<u><u>\$ 357,977</u></u>

The accompanying notes are an integral part of this schedule.

TOWN OF EMMITSBURG, MARYLAND
Schedule of the Town's Proportionate Share of the Net Pension Liability

For the Year Ended June 30	2022	2021	2020	2019	2018	2017	2016
Town's proportion of the net pension liability	0.003401731%	0.003044565%	0.002888336%	0.002808523%	0.002349602%	0.002796106%	0.002871145%
Town's proportionate share of the net pension liability	<u>\$ 510,338</u>	<u>\$ 688,113</u>	<u>\$ 595,737</u>	<u>\$ 589,273</u>	<u>\$ 508,071</u>	<u>\$ 659,714</u>	<u>\$ 596,673</u>
Covered-employee payroll	\$ 1,073,812	\$ 889,126	\$ 862,452	\$ 877,880	\$ 813,293	\$ 772,254	\$ 761,803
Town's proportionate share of net pension liability as a percentage of its covered-employee payroll	<u>47.53%</u>	<u>77.39%</u>	<u>69.07%</u>	<u>67.12%</u>	<u>62.47%</u>	<u>85.43%</u>	<u>78.32%</u>
Plan Fiduciary Net position as a % of total pension liability	<u>81.84%</u>	<u>70.72%</u>	<u>72.34%</u>	<u>71.18%</u>	<u>69.38%</u>	<u>65.79%</u>	<u>68.78%</u>

TOWN OF EMMITSBURG, MARYLAND
Schedule of Contributions and Related Ratios

For the Year Ended June 30	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 89,539	\$ 74,957	\$ 65,278	\$ 59,312	\$ 56,004	\$ 47,822	\$ 54,470
Actual contribution	<u>(89,539)</u>	<u>(74,957)</u>	<u>(65,278)</u>	<u>(59,312)</u>	<u>(56,004)</u>	<u>(47,822)</u>	<u>(54,470)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,073,812	\$ 889,126	\$ 862,452	\$ 877,880	\$ 813,293	\$ 772,254	\$ 761,803
Contributions as a percentage of covered-employee payroll	8.34%	8.43%	7.57%	6.76%	6.89%	6.19%	7.15%

The accompanying notes are an integral part of this schedule.



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

**Mayor and Board of Commissioners
Town of Emmitsburg, Maryland**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund, of the Town of Emmitsburg, Maryland, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Emmitsburg, Maryland's basic financial statements, and have issued our report thereon dated January 12, 2023.

Report Internal Control over Financial Reporting

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

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

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

Report Compliance and Other Matters

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

Purpose of this Report

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

DeLeon & Stang

DeLeon & Stang, CPAs and Advisors
Frederick, Maryland
January 12, 2023