



Town of Emmitsburg, Maryland

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

For the Year Ended June 30, 2021

Town of Emmitsburg, Maryland
Summary of Elected and Appointed Officials

As of June 30, 2021

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, 2021

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**Town of Emmitsburg, Maryland
For the Year Ended June 30, 2021**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Emmitsburg, Maryland, as of and for the year ended June 30, 2021, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Town of Emmitsburg, Maryland
Independent Auditors' Report
Page 2

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, of the Town of Emmitsburg, Maryland, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension schedules on pages 3 – 9 and 40 – 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2021, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Emmitsburg, Maryland's internal control over financial reporting and compliance.

DeLeon & Stang

DeLeon & Stang, CPAs and Advisors
Frederick, Maryland
November 30, 2021



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, 2021. 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 decreased \$37,380 in fiscal year 2021 as compared to an decrease of \$303,437 in fiscal year 2020. This net position decrease was directly due to the business-type activities of the Town. Revenues from utility charges were lower than budgeted in the water and sewer funds. Due to the Town's rate structure this effected the sewer fund slightly more than the water fund. In addition, benefit accruals made at year end effected the net position in the business-type funds.
2. The assets of the Town of Emmitsburg exceeded its liabilities and as of June 30, 2021 as below noted:

Governmental Activities \$6,147,246 (up \$230,868 from last year)

Business-Type Activities – Enterprise Funds \$26,289,150 (down \$268,248 from last year)

Of the total net position, \$5,673,574 is unrestricted, \$1,052,100 is restricted and \$25,710,722 is net investment in capital assets.

Management's Discussion and Analysis

3. Total governmental and business-type assets were \$6,982,820 and \$32,547,755, respectively. Capital assets, net of accumulated depreciation, for governmental and business-type activities were \$4,238,619 and \$27,019,099, respectively.
4. Total deferred outflows of resources for governmental and business-type activities were \$106,415 and \$103,137, respectively.
5. Total governmental and business-type liabilities were \$764,607 and \$6,304,482, respectively. Of these amounts, \$6,257,274 are long-term liabilities.
6. Total deferred inflows of resources for governmental and business-type activities were \$177,382 and \$57,260, respectively.
7. As of June 30, 2021, the Town of Emmitsburg's governmental funds reported a combined ending fund balance of \$2,418,012 (up \$287,764 from last year). Of that amount, \$1,486,837 is unassigned or 61.5% of total government fund balance.
8. As of June 30, 2021, the Town of Emmitsburg's revenues were as herein noted: Governmental Funds were \$2,311,188, (down \$46,447 or 2.0% from last year), Enterprise Funds operating revenues were \$1,681,059 (up \$291,840 or 21% from last year). The decrease in governmental funds revenue was primarily from decreased intergovernmental revenues in the capital projects fund. Completion of the accessible playground in Community Park and the resulting grant revenues from the project in FY20 was a major factor of this higher amount in the prior year as compared to FY21. Enterprise funds increased from the prior fiscal year. Tap fees in both the water and sewer funds were the main factor in the increased operating revenues of the Enterprise Fund. Tap fees from 24 homes made up this number.
9. As of June 30, 2021, the Town of Emmitsburg's expenditures were as herein noted: Governmental Funds were \$2,036,729 (down \$652,686 or 24.3% from last year), Enterprise Funds operating expenses were \$1,972,272 (up \$54,741 or 2.9% from last year). The Governmental Funds decrease is contributable to less expenditures in the Capital Projects Fund. In this fund, the areas of Public Works (FY20 \$363,791 vs. FY21 \$113,087) and Recreation and Culture (FY20 \$471,620 vs. FY21 \$218,947) were lower from the prior year. Also, debt service was lower from the prior year (FY20 \$194,406 vs. FY21 \$15,635).

Management's Discussion and Analysis

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.

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 10–11 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. 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 12–18 of this report.

Management's Discussion and Analysis

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.

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 12–14 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 15–18 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 19–39 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 40-45 of this report.

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:

Management's Discussion and Analysis

	Governmental Activities		Total Government	
	2020	2021	2020	2021
REVENUES				
Program Revenues				
Charges for services	\$ 285,124	\$ 337,554	\$ 1,683,343	\$ 1,988,613
Operating grants and contributions	173,311	205,516	173,311	235,516
Capital grants and contributions	321,494	143,398	321,494	143,398
General Revenues				
Taxes	1,048,941	1,102,666	1,048,941	1,102,666
Intergovernmental	440,603	435,005	440,603	435,005
Investment income	36,634	25,067	73,268	50,135
Rental income	31,982	33,532	121,632	125,654
Miscellaneous	19,546	41,755	70,144	78,587
TOTAL REVENUES	\$ 2,357,635	\$ 2,324,493	\$ 3,932,736	\$ 4,159,574
PROGRAM EXPENSES				
General government	\$ 922,150	\$ 711,445	\$ 922,150	\$ 711,445
Public safety	287,846	334,182	287,846	334,182
Public works	663,421	724,214	663,421	724,214
Recreation and culture	297,844	322,949	297,844	322,949
Interest	6,296	835	6,296	835
Business-type activities	-	-	2,058,616	2,103,329
TOTAL PROGRAM EXPENSES	2,177,557	2,093,625	4,236,173	4,196,954
TRANSFERS				
CHANGE IN NET POSITION	\$ 180,078	\$ 230,868	\$ (303,437)	\$ (37,380)

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 \$233,120 or 12.5% above budgeted revenues. Revenues associated with real estate taxes, local income taxes, state highway use taxes, & zoning/ permit/ & review fees were above expectations. General Fund expenditures were lower than budget by \$138,797 or 8.1% of budgeted expenses. The legislative, public works, & parks & recreation departments contributed most to the lower than expected expenses. Due to Covid-19 restrictions, expenses tied to special events, travel, education conferences, etc. were either not utilized or delayed.

Management's Discussion and Analysis

Budget Fiscal Year 2022

Approved fiscal year 2022 General Fund revenues budget is \$1,907,086. Budgeted General Fund expenses before transfer to CIP is \$1,778,656. General Fund budgeted transfer to CIP is \$128,430.

The Real Estate Tax Rate in fiscal year 2022 has been lowered from the prior fiscal year, the rate being changed to .3464 from the prior .36 per \$100 assessed. This is due to the constant yield rate directing that the lower rate be utilized. The constant yield rate factors in increasing property assessment values and the net effect of those increasing values on the overall tax assessment.

Fiscal year 2022 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 \$660,000 budgeted in FY21 compared to \$680,000 in FY22. For Local Income Taxes the budgeted amount increases from \$250,000 to \$260,000 in the same time period.

Other areas to highlight, State Highway Use Funds budgeted will increase from \$116,393 to \$126,436. Per county notice, County Tax Equity will be decreasing from \$435,005 to \$426,617. Zoning and Review Fees increase in the budget going from \$5,950 to \$10,000. Also, Property Rentals is budgeted to increase, going from \$19,200 to \$24,200.

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 \$45,000 & \$40,000 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.

Construction also continues in the Water Fund, with waterline work in the North Seton – Depaul Streets area of town (estimated completion Spring 2024). Also, building of a new water clarifier will continue in FY22 (estimated completion Spring 2023). 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 will remain the same as fiscal year 2022. Minimum quarterly rates for water are \$35 and \$113 for sewer for a residential household with a standard $\frac{3}{4}$ 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, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,399,509	\$ 4,173,712	\$ 5,573,221
Restricted cash	-	1,004,500	1,004,500
Investments	1,047,142	-	1,047,142
Property taxes receivable, net	16,290	-	16,290
Due from customers	52,430	323,031	375,461
Due from other governments	108,314	-	108,314
Other receivables	120,413	155	120,568
Benefit assessments	-	8,665	8,665
Prepaid expenses	103	18,593	18,696
Capital assets:			
Capital assets not being depreciated	1,110,360	3,150,659	4,261,019
Capital assets being depreciated	8,009,630	35,707,639	43,717,269
Less: Accumulated depreciation	<u>(4,881,371)</u>	<u>(11,839,199)</u>	<u>(16,720,570)</u>
Capital assets, net	<u>4,238,619</u>	<u>27,019,099</u>	<u>31,257,718</u>
Total Assets	<u>6,982,820</u>	<u>32,547,755</u>	<u>39,530,575</u>
Deferred Outflows of Resources	<u>106,415</u>	<u>103,137</u>	<u>209,552</u>
Total Assets and Deferred Outflows of Resources	<u>7,089,235</u>	<u>32,650,892</u>	<u>39,740,127</u>
Liabilities			
Accounts payable	129,901	88,450	218,351
Cash overdraft	-	133,008	133,008
Accrued liabilities	13,867	71,569	85,436
Compensated absences	231,749	140,059	371,808
Escrow deposits	-	12	12
Benefit assessments - current	-	3,200	3,200
Long-term liabilities:			
Benefit assessments - noncurrent	-	22,165	22,165
Net pension liability	389,090	299,023	688,113
Debt obligations due within one year	-	189,175	189,175
Debt obligations due in more than one year	<u>-</u>	<u>5,357,821</u>	<u>5,357,821</u>
Total Liabilities	<u>764,607</u>	<u>6,304,482</u>	<u>7,069,089</u>
Deferred Inflows of Resources	<u>177,382</u>	<u>57,260</u>	<u>234,642</u>
Total Liabilities and Deferred Inflows of Resources	<u>941,989</u>	<u>6,361,742</u>	<u>7,303,731</u>
Net Position			
Net investment in capital assets	4,238,619	21,472,103	25,710,722
Restricted - specific purposes	47,600	1,004,500	1,052,100
Unrestricted	<u>1,861,027</u>	<u>3,812,547</u>	<u>5,673,574</u>
Total Net Position	<u>\$ 6,147,246</u>	<u>\$ 26,289,150</u>	<u>\$ 32,436,396</u>

The accompanying notes are an integral part of this statement.

TOWN OF EMMITSBURG, MARYLAND
Statement of Activities
For the Year Ended June 30, 2021

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	\$ (711,445)	\$ 78,727	\$ 35,790	\$ -	\$ (596,928)	\$ -	\$ (596,928)
Public safety	(334,182)	-	16,785	-	(317,397)	-	(317,397)
Public works	(724,214)	244,899	149,941	45,404	(283,970)	-	(283,970)
Recreation and culture	(322,949)	13,928	3,000	97,994	(208,027)	-	(208,027)
Interest on long-term debt	(835)	-	-	-	(835)	-	(835)
Total governmental activities	<u>(2,093,625)</u>	<u>337,554</u>	<u>205,516</u>	<u>143,398</u>	<u>(1,407,157)</u>	<u>-</u>	<u>(1,407,157)</u>
Business-type activities							
Water services	(766,730)	620,799	-	-	-	(145,931)	(145,931)
Sewer services	(1,336,599)	1,030,260	30,000	-	-	(276,339)	(276,339)
Total business-type activities	<u>(2,103,329)</u>	<u>1,651,059</u>	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>(422,270)</u>	<u>(422,270)</u>
Total Primary Government	<u>\$ (4,196,954)</u>	<u>\$ 1,988,613</u>	<u>\$ 235,516</u>	<u>\$ 143,398</u>	<u>(1,407,157)</u>	<u>(422,270)</u>	<u>(1,829,427)</u>
General Revenues							
Taxes							
Property taxes, levied for general purposes					760,695	-	760,695
Income taxes					314,097	-	314,097
Other local taxes					27,874	-	27,874
County tax equity					435,005	-	435,005
Investment income					25,067	25,068	50,135
Rental income					33,532	92,122	125,654
Miscellaneous income					41,755	36,832	78,587
Total General Revenues					<u>1,638,025</u>	<u>154,022</u>	<u>1,792,047</u>
Change in Net Position					230,868	(268,248)	(37,380)
Net Position - beginning of year					<u>5,916,378</u>	<u>26,557,398</u>	<u>32,473,776</u>
Net Position - end of year					<u>\$ 6,147,246</u>	<u>\$ 26,289,150</u>	<u>\$ 32,436,396</u>

The accompanying notes are an integral part of this statement.

TOWN OF EMMITSBURG, MARYLAND
Balance Sheet
Governmental Funds
June 30, 2021

	Governmental Fund Types			Total Governmental Funds
	General	Capital Projects		
Assets				
Cash and cash equivalents	\$ 578,487	\$ 821,022	\$ 1,399,509	
Investments	1,047,142	-	1,047,142	
Receivables:				
Taxes, net	16,290	-	16,290	
Customers	52,430	-	52,430	
Other governments	63,472	-	63,472	
Other	51,261	69,152	120,413	
Prepaid items	103	-	103	
Total Assets	\$ 1,809,185	\$ 890,174	\$ 2,699,359	
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	\$ 124,883	\$ 5,018	\$ 129,901	
Accrued liabilities	13,867	-	13,867	
Total Liabilities	138,750	5,018	143,768	
Deferred Inflows of Resources	74,631	62,948	137,579	
Fund Balances				
Nonspendable	103	-	103	
Restricted	-	47,600	47,600	
Committed	108,864	-	108,864	
Assigned	-	774,608	774,608	
Unassigned	1,486,837	-	1,486,837	
Total Fund Balances	1,595,804	822,208	2,418,012	
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,809,185	\$ 890,174	\$ 2,699,359	

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, 2021

	<u>General</u>	<u>Capital Projects</u>	Total
			Governmental Funds
Revenues			
Local property taxes	\$ 760,695	\$ -	\$ 760,695
Local income taxes	314,097	-	314,097
Other local taxes	27,874	-	27,874
Licenses and permits	43,614	-	43,614
Intergovernmental revenues	619,983	112,798	732,781
Service charges	260,800	28,800	289,600
Fines and forfeitures	4,340	-	4,340
Miscellaneous	71,784	66,403	138,187
Total Revenues	2,103,187	208,001	2,311,188
Expenditures			
General government	560,171	106,802	666,973
Public safety	316,557	17,625	334,182
Public works	498,713	113,087	611,800
Recreation and culture	189,192	218,947	408,139
Debt service	15,635	-	15,635
Total Expenditures	1,580,268	456,461	2,036,729
Excess (Deficiency) of Revenues over Expenditures	522,919	(248,460)	274,459
Other Financing Sources (Uses)			
Proceeds from sale of capital assets	-	13,305	13,305
Transfers in (out)	(331,176)	331,176	-
Total Other Financing Sources (Uses)	(331,176)	344,481	13,305
Excess of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	191,743	96,021	287,764
Fund Balance July 1, 2020	1,404,061	726,187	
Fund Balance June 30, 2021	\$ 1,595,804	\$ 822,208	
Adjustments for the Statement of Activities			
Capital outlay			326,197
Depreciation expense			(261,530)
Proceeds from sale of capital assets			-
Loss on disposal of capital assets			(33,623)
Compensated absences			(87,860)
Debt service expenditures			14,800
Net pension adjustment			(14,880)
Change in Net Position of Governmental Activities			\$ 230,868

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, 2021

Fund balances - governmental funds	\$ 2,418,012
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources, therefore are not reported in the funds

Property and equipment, net	4,238,619
Deferred outflows of resources - pension	106,415
Long-term receivable	44,842
Deferred inflows of resources - pension	(39,803)
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds	
Long-term debt	-
Compensated absences	(231,749)
Net pension liability	<u>(389,090)</u>
Net position - governmental activities	<u>\$ 6,147,246</u>

TOWN OF EMMITSBURG, MARYLAND
Statement of Net Position
Proprietary Funds
June 30, 2021

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ -	\$ 4,173,712	\$ 4,173,712
Restricted cash	259,000	745,500	1,004,500
Due from customers	90,324	232,707	323,031
Other receivables	155	-	155
Prepaid expenses	18,549	44	18,593
Benefit assessments - current	3,200	-	3,200
Total Current Assets	<u>371,228</u>	<u>5,151,963</u>	<u>5,523,191</u>
Capital Assets			
Capital assets not being depreciated	2,737,517	413,142	3,150,659
Capital assets being depreciated	7,065,618	28,642,021	35,707,639
Accumulated depreciation	<u>(3,326,874)</u>	<u>(8,512,325)</u>	<u>(11,839,199)</u>
Capital Assets, Net	<u>6,476,261</u>	<u>20,542,838</u>	<u>27,019,099</u>
Benefit assessments - noncurrent	5,465	-	5,465
Total Assets	<u>6,852,954</u>	<u>25,694,801</u>	<u>32,547,755</u>
Deferred Outflows of Resources			
Total Assets and Deferred Outflows of Resources	<u>6,904,175</u>	<u>25,746,717</u>	<u>32,650,892</u>
Liabilities			
Current Liabilities			
Accounts payable	38,840	49,610	88,450
Cash overdraft	133,008	-	133,008
Accrued liabilities	5,615	65,954	71,569
Compensated absences	117,731	22,328	140,059
Benefit assessments - current	3,200	-	3,200
Escrow deposits	12	-	12
Debt obligations due within one year	<u>86,812</u>	<u>102,363</u>	<u>189,175</u>
Total Current Liabilities	<u>385,218</u>	<u>240,255</u>	<u>625,473</u>
Noncurrent Liabilities			
Benefit assessments - noncurrent	22,165	-	22,165
Net pension liability	137,170	161,853	299,023
Debt obligations due in more than one year	<u>384,632</u>	<u>4,973,189</u>	<u>5,357,821</u>
Total Noncurrent Liabilities	<u>543,967</u>	<u>5,135,042</u>	<u>5,679,009</u>
Total Liabilities	<u>929,185</u>	<u>5,375,297</u>	<u>6,304,482</u>
Deferred Inflows of Resources			
Total Liabilities and Deferred Inflows of Resources	<u>972,586</u>	<u>5,389,156</u>	<u>6,361,742</u>
Net Position			
Net investment in capital assets	6,004,817	15,467,286	21,472,103
Restricted - expendable maintenance & improvements	259,000	745,500	1,004,500
Unrestricted	<u>(332,228)</u>	<u>4,144,775</u>	<u>3,812,547</u>
Total Net Position	<u>\$ 5,931,589</u>	<u>\$ 20,357,561</u>	<u>\$ 26,289,150</u>

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, 2021

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
Operating Revenues			
Charges for services	\$ 617,293	\$ 1,030,234	\$ 1,647,527
Grant income	-	30,000	30,000
Miscellaneous income	3,506	26	3,532
Total Operating Revenues	620,799	1,060,260	1,681,059
Operating Expenses			
Personnel services	382,687	274,961	657,648
Operating	207,915	263,718	471,633
Depreciation	163,415	679,576	842,991
Total Operating Expenses	754,017	1,218,255	1,972,272
Operating Loss	(133,218)	(157,995)	(291,213)
Non-operating Revenues (Expenses)			
Investment income	12,534	12,534	25,068
Rental income	7,250	84,872	92,122
Other income	33,750	3,082	36,832
Interest expense	(12,713)	(118,344)	(131,057)
Total Non-operating Revenues (Expenses)	40,821	(17,856)	22,965
Change in Net Position	(92,397)	(175,851)	(268,248)
Total Net Position, beginning of year	6,023,986	20,533,412	26,557,398
Total Net Position, end of year	\$ 5,931,589	\$ 20,357,561	\$ 26,289,150

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, 2021

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
Cash flows from operating activities			
Cash receipts from customers	\$ 605,588	\$ 1,031,906	\$ 1,637,494
Cash receipts from other governments	8,207	38,634	46,841
Cash payments to suppliers of goods and services	(189,442)	(237,323)	(426,765)
Cash payments to employees for services	(345,434)	(274,277)	(619,711)
Net cash provided by operating activities	<u>78,919</u>	<u>558,940</u>	<u>637,859</u>
Cash flows from noncapital financing activities			
Expenditures in excess of deposits	<u>133,008</u>	-	<u>133,008</u>
Net cash provided by investing activities	<u>133,008</u>	-	<u>133,008</u>
Cash flows from non-operating activities			
Rental income	7,250	84,872	92,122
Other income	<u>33,750</u>	<u>3,082</u>	<u>36,832</u>
Net cash provided by non-operating activities	<u>41,000</u>	<u>87,954</u>	<u>128,954</u>
Cash flows from capital and related financing activities			
Purchase and construction of capital assets	(116,730)	(246,714)	(363,444)
Principal paid on bond and loans payable	(134,905)	(100,038)	(234,943)
Interest paid on capital debt	<u>(16,171)</u>	<u>(118,627)</u>	<u>(134,798)</u>
Net cash used in capital and related financing activities	<u>(267,806)</u>	<u>(465,379)</u>	<u>(733,185)</u>
Cash flows from investing activities			
Investment income	<u>12,534</u>	<u>12,534</u>	<u>25,068</u>
Net cash provided by investing activities	<u>12,534</u>	<u>12,534</u>	<u>25,068</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	(2,345)	194,049	191,704
Cash, cash equivalents and restricted cash - beginning of year	<u>261,345</u>	<u>4,725,163</u>	<u>4,986,508</u>
Cash, cash equivalents and restricted cash - end of year	<u>\$ 259,000</u>	<u>\$ 4,919,212</u>	<u>\$ 5,178,212</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, 2021

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
Reconciliation of operating loss to			
Net cash provided by operating activities			
Operating loss	\$ (133,218)	\$ (157,995)	\$ (291,213)
Depreciation	163,415	679,576	842,991
Net changes in assets and liabilities:			
Due from customers	13,276	18,152	31,428
Due from other governments	8,207	8,634	16,841
Prepaid expenses	(11,633)	346	(11,287)
Deferred outflows of resources	(11,963)	(13,087)	(25,050)
Accounts payable	30,154	26,050	56,204
Accrued liabilities	(43,134)	(31,565)	(74,699)
Compensated absences	49,699	12,548	62,247
Net pension liability	21,020	24,243	45,263
Deferred inflows of resources	(6,904)	(7,962)	(14,866)
Net cash provided by operating activities	<u>\$ 78,919</u>	<u>\$ 558,940</u>	<u>\$ 637,859</u>

The accompanying notes are an integral part of this statement.

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements
June 30, 2021

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, 2021

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, 2021:

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, 2021

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.

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2021

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, 2021

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, 2021, the Town has an allowance for doubtful personal property taxes of \$31,816 reported in the general fund.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2021, 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

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2021

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, 2021

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, 2021, \$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, 2021

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.

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 \$6,444,163, the bank balance was \$6,515,279 and cash on hand was \$550.

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2021

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

The Town maintains deposits at one financial institution. At June 30, 2021, the Town was fully covered by the Federal Deposit Insurance Corporation and pledged collateral.

Included in cash and cash equivalents, the Town had \$1,925,010 invested in the Maryland Local Government Investment Pool (MLGIP) as of June 30, 2021.

The Town's cash and investments as of June 30, 2021, reconciled to the total presented in the Statement of Net Position, are as follows:

	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents:			
Unrestricted, net of cash overdraft	\$ 1,399,509	\$ 4,040,704	\$ 5,440,213
Restricted	-	1,004,500	1,004,500
	<u>\$ 1,399,509</u>	<u>\$ 5,045,204</u>	<u>\$ 6,444,713</u>
	Governmental Activities	Business-type Activities	Total
Cash on hand	\$ 550	\$ -	\$ 550
Deposits in bank	1,008,113	3,511,040	4,519,153
Investment pools (MLGIP)	390,846	1,534,164	1,925,010
	<u>\$ 1,399,509</u>	<u>\$ 5,045,204</u>	<u>\$ 6,444,713</u>

As of June 30, 2021, the Town had the following investments:

Investment Type (All funds)	Fair Value	Investment Maturities		% of Portfolio
		< 1 Year	1-5 Years	
Certificates of deposit (2)	\$ 1,047,142	\$ 1,047,142	\$ -	100.00%

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2021

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, 2021 were 0.03% for the MLGIP account and 2.30% 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, 2021

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, 2021 was \$198,445,509 and the property tax rate was \$0.36 per \$100 of assessed value.

NOTE 4- CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

Governmental Activities	Balance July 1, 2020	Transfers/ Additions	Transfers/ Dispositions	Balance June 30, 2021
Capital assets, not being depreciated				
Land	\$ 832,795	\$ -	\$ (11,595)	\$ 821,200
Historical Collections	36,750	-	-	36,750
Construction in progress	215,517	36,893	-	252,410
Total capital assets not being depreciated	<u>1,085,062</u>	<u>36,893</u>	<u>(11,595)</u>	<u>1,110,360</u>
Capital assets, being depreciated				
Buildings	823,305	63,263	(14,500)	872,068
Improvements	1,287,464	55,308	(203,032)	1,139,740
Infrastructure	4,792,994	112,891	-	4,905,885
Machinery and equipment	1,131,712	57,843	(97,618)	1,091,937
Total capital assets being depreciated	<u>8,035,475</u>	<u>289,305</u>	<u>(315,150)</u>	<u>8,009,630</u>
Less: accumulated depreciation	<u>(4,912,963)</u>	<u>(261,530)</u>	<u>293,122</u>	<u>(4,881,371)</u>
Total capital assets being depreciated, net	<u>3,122,512</u>	<u>27,775</u>	<u>(22,028)</u>	<u>3,128,259</u>
Governmental Activities capital assets, net	<u>\$ 4,207,574</u>	<u>\$ 64,668</u>	<u>\$ (33,623)</u>	<u>\$ 4,238,619</u>

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2021

NOTE 4- CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities

General Government	\$ 26,884
Public works - streets	152,699
Parks and recreation	<u>81,947</u>
	<u><u>\$ 261,530</u></u>

Capital asset activity for the year ended June 30, 2021 was as follows:

Business-type Activities	Balance July 1, 2020	Transfers/ Additions	Transfers/ Dispositions	Balance June 30, 2021
Capital assets, not being depreciated				
Land and land improvements	\$ 2,699,000	\$ -	\$ -	\$ 2,699,000
Construction in progress	<u>289,558</u>	<u>162,101</u>	<u>-</u>	<u>451,659</u>
Total capital assets not being depreciated	<u>2,988,558</u>	<u>162,101</u>	<u>-</u>	<u>3,150,659</u>
Capital assets, being depreciated				
Buildings and improvements	6,934,502	-	-	6,934,502
Infrastructure	28,291,857	116,536	-	28,408,393
Machinery and equipment	<u>279,937</u>	<u>84,807</u>	<u>-</u>	<u>364,744</u>
Total capital assets being depreciated	<u>35,506,296</u>	<u>201,343</u>	<u>-</u>	<u>35,707,639</u>
Less: accumulated depreciation	(10,996,208)	(842,991)	-	(11,839,199)
Total capital assets being depreciated, net	<u>24,510,088</u>	<u>(641,648)</u>	<u>-</u>	<u>23,868,440</u>
Business-type Activities capital assets, net	<u><u>\$ 27,498,646</u></u>	<u><u>\$ (479,547)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 27,019,099</u></u>

Depreciation expense was charged to functions/programs as follows:

Business-type Activities

Water	\$ 163,415
Sewer	<u>679,576</u>
	<u><u>\$ 842,991</u></u>

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2021

NOTE 5- 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.

NOTE 6- DEBT OBLIGATIONS

Debt outstanding at June 30, 2021 is as follows:

Purpose	Rate	Amount
2004 Series Drinking Water Bonds; Maryland Water Quality Financing Administration; Due 2024; Annual principal and interest of approximately \$23,200.	1.20%	64,830
2006 Series Drinking Water Bonds; Maryland Water Quality Financing Administration; Due 2026; Annual principal and interest of approximately \$26,579.	1.10%	122,459
2009 Series General Obligation Bond; Columbia Bank; Due 2029; Semi-annual interest payments with principal amounts due annually.	3.78%	284,155
2014 Series General Obligation Bond; United States Dept. of Agriculture Financing for WWTP; due 2055; Quarterly principal and interest of \$52,565.	2.38%	4,840,052
2016 Series General Obligation Bond; United States Dept. of Agriculture; due 2075; Quarterly principal and interest of \$2,101.	1.38%	235,500
Total Debt Obligations		\$ 5,546,996

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2021

NOTE 6- DEBT OBLIGATIONS (Continued)

Changes in Non-Current Liabilities

During the year ended June 30, 2021, the following changes in long-term obligations occurred:

	July 1, 2020	Additions	Reductions	June 30, 2021	Due within one year
2000 MWQFA	\$ 50,007	\$ -	\$ (50,007)	\$ -	\$ -
2001 CDA	14,800	-	(14,800)	-	-
2004 MWQFA	85,930	-	(21,100)	64,830	21,353
2006 MWQFA	146,157	-	(23,698)	122,459	23,959
2009 GO Bond	324,255	-	(40,100)	284,155	41,500
2014 GO Bond	4,934,970	-	(94,918)	4,840,052	97,172
2016 GO Bond	240,620	-	(5,120)	235,500	5,191
Total	<u>\$ 5,796,739</u>	<u>\$ -</u>	<u>\$ (249,743)</u>	<u>\$ 5,546,996</u>	<u>\$ 189,175</u>

At June 30, 2021, the debt obligations are recorded as follows:

Water Fund	\$ 471,444
Sewer Fund	<u>5,075,552</u>
Total long-term debt obligations	<u>\$ 5,546,996</u>

Interest expense

For the year ended June 30, 2021 total interest costs were \$131,892 and reported as follows: interest expense of \$835 for governmental activities and \$131,057 for business-type activities. Cash paid for interest for business-type activities was \$134,798.

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2021

NOTE 6- DEBT OBLIGATIONS (Continued)

Debt service requirements are as follows:

	Interest &		
	Principal	Fees	Total
2022	\$ 189,175	\$ 135,800	\$ 324,975
2023	193,674	131,357	325,031
2024	198,134	126,796	324,930
2025	180,727	121,054	301,781
2026	185,250	116,511	301,761
2027-2031	662,156	498,485	1,160,641
2032-2036	674,865	418,363	1,093,228
2037-2041	757,257	335,971	1,093,228
2042-2046	849,789	243,439	1,093,228
2047-2051	953,725	139,503	1,093,228
2052-2056	698,070	29,248	727,318
2057-2061	4,174	19	4,193

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, 2021, 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, 2021

NOTE 7- 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:

2012	\$ 13,505
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

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2021

NOTE 7- 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:

2012	\$ 61,513
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

Total pension expense for the year ended June 30, 2021 was \$98,050; \$54,574 for governmental activities and \$43,476 for business-type activities.

Key actuarial methods and assumptions:

Actuarial	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Inflation	2.60% general, 3.10% wage
Salary increases	3.10% to 11.60% including wage inflation
Discount rate	7.40%
Investment rate of return	7.40%
Mortality	Fully generational – PB-2010/MP2018
Actuarial valuation date	June 30, 2020

Discount rate

A single discount rate of 7.40% 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 7.40%. 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, 2021

NOTE 7- 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 7.40%, 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%	Current Discount	1%
	Decrease to 6.40%		Increase to 8.40%
Employees Pension	\$ 928,919	\$ 688,113	\$ 486,367

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 8- 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 2021.

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2021

NOTE 9- DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

As of June 30, 2021, the Town reported deferred outflows and inflows of resources related to the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of pension assumptions	\$ 2,555	\$ 10,689
Difference between actual and expected experience		20,419
Net difference between projected and actual		
earnings on pension plan investments	41,455	-
Change in proportionate share	90,585	32,629
Town's contributions subsequent to the measurement	74,957	-
	<u>\$ 209,552</u>	<u>\$ 63,737</u>
Other deferred inflows:		
Property taxes - subsequent year		972
Unavailable revenues		<u>168,933</u>
	<u><u>\$ 233,642</u></u>	

Deferred outflows of resources of \$74,957 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, 2022.

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:

2022	\$ (5,796)
2023	(14,601)
2024	(31,184)
2025	(14,682)
2026	(4,595)

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2021

NOTE 10- 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, 2021, the total amount restricted is as follows:

Surcharges for improvements - Water Fund	\$ 259,000
Surcharges for improvements - Sewer Fund	745,500
	<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	\$ 33,000
Committed for emergency warning system	14,600
	<u>\$ 47,600</u>

NOTE 11- 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, 2021

NOTE 11- RISKS, COMMITMENTS AND CONTINGENCIES (Continued)

Global Pandemic

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) a pandemic. The pandemic has caused business disruption through mandated and voluntary closings of businesses for nonessential services and triggered volatility in financial markets and a significant negative impact on the global economy. Management has concluded that while it is reasonably possible that COVID-19 could have a negative impact on the Town's operations, the specific impact is not readily determinable. However, there are no comparable recent events which may provide guidance as to the effect of the spread of the pandemic. As a result, the ultimate impact of the COVID-19 outbreak is highly uncertain and subject to change. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 12- 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 November 30, 2021, 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 2021, the Town received \$1,575,430 as the first payment from the American Rescue Plan Act. The Town is evaluating and determining what projects the funds will be used for, as well as expecting a second payment in the same amount in approximately twelve months from the first payment's date.

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

For the Year Ended June 30, 2021	Original	Final	Variance with	
	Budget	Appropriated	Actual	Final Budget-
			Positive	(Negative)
Local property taxes				
Real property	\$ 660,100	\$ 660,100	\$ 714,204	\$ 54,104
Personal property	54,300	54,300	47,537	(6,763)
Penalties and interest	5,000	5,000	7,852	2,852
Less discounts	(9,000)	(9,000)	(8,898)	102
Net local property taxes	<u>710,400</u>	<u>710,400</u>	<u>760,695</u>	<u>50,295</u>
Local income taxes	<u>250,000</u>	<u>250,000</u>	<u>314,097</u>	<u>64,097</u>
Other local taxes				
Admissions and amusement taxes	2,500	2,500	484	(2,016)
Public utility taxes	<u>22,500</u>	<u>22,500</u>	<u>27,390</u>	<u>4,890</u>
Total other local taxes	<u>25,000</u>	<u>25,000</u>	<u>27,874</u>	<u>2,874</u>
Licenses and permits				
Trader's licenses	4,500	4,500	4,667	167
Cable franchise fees	<u>35,000</u>	<u>35,000</u>	<u>38,947</u>	<u>3,947</u>
Total licenses and permits	<u>39,500</u>	<u>39,500</u>	<u>43,614</u>	<u>4,114</u>
Intergovernmental revenues				
State Aid for Police Protection	16,962	16,962	16,785	(177)
County - tax equity	435,005	435,005	435,005	-
Highway user revenues	116,393	116,393	132,403	16,010
Other	-	-	35,790	35,790
Total intergovernmental revenues	<u>568,360</u>	<u>568,360</u>	<u>619,983</u>	<u>51,623</u>
Service charges				
Garbage and tipping fees	191,200	191,200	200,301	9,101
Zoning permits	6,050	6,050	35,113	29,063
Parking meter receipts	12,000	12,000	11,458	(542)
Swimming pool	17,250	17,250	13,928	(3,322)
Total service charges	<u>226,500</u>	<u>226,500</u>	<u>260,800</u>	<u>34,300</u>
Fines and forfeitures				
Parking fines	\$ 5,000	\$ 5,000	\$ 4,340	\$ (660)

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, 2021	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget- Positive (Negative)
Miscellaneous revenues				
Interest income	15,000	15,000	25,067	10,067
Rental income	27,207	27,207	33,532	6,325
Other	3,100	3,100	13,185	10,085
Total miscellaneous revenues	<u>45,307</u>	<u>45,307</u>	<u>71,784</u>	<u>26,477</u>
Total Revenues	\$ 1,870,067	\$ 1,870,067	\$ 2,103,187	\$ 233,120
General Government				
Legislative				
Salaries	\$ 59,686	\$ 59,686	\$ 47,325	\$ 12,361
Fringe benefits	<u>5,822</u>	<u>5,822</u>	<u>6,686</u>	<u>(864)</u>
Total salaries and fringe benefits	<u>65,508</u>	<u>65,508</u>	<u>54,011</u>	<u>11,497</u>
Operations				
Other operating	<u>72,970</u>	<u>72,970</u>	<u>44,378</u>	<u>28,592</u>
Total operations	<u>72,970</u>	<u>72,970</u>	<u>44,378</u>	<u>28,592</u>
Capital Outlay	<u>1,000</u>	<u>1,000</u>	<u>300</u>	<u>700</u>
Total Legislative	<u>139,478</u>	<u>139,478</u>	<u>98,689</u>	<u>40,789</u>
Legal	<u>19,750</u>	<u>19,750</u>	<u>46,135</u>	<u>(26,385)</u>
Planning and Zoning				
Salaries	<u>102,611</u>	<u>102,611</u>	<u>92,166</u>	<u>10,445</u>
Fringe benefits	<u>11,958</u>	<u>11,958</u>	<u>12,789</u>	<u>(831)</u>
Total salaries and fringe benefits	<u>114,569</u>	<u>114,569</u>	<u>104,955</u>	<u>9,614</u>
Operations				
Other operating	<u>18,630</u>	<u>18,630</u>	<u>22,890</u>	<u>(4,260)</u>
Total operations	<u>18,630</u>	<u>18,630</u>	<u>22,890</u>	<u>(4,260)</u>
Capital outlay	<u>500</u>	<u>500</u>	<u>300</u>	<u>200</u>
Total Planning and Zoning	<u>133,699</u>	<u>133,699</u>	<u>128,145</u>	<u>5,554</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, 2021	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget-
				Positive (Negative)
Financial Administration				
Salaries	\$ 84,825	\$ 84,825	\$ 75,314	\$ 9,511
Fringe benefits	58,135	58,135	59,726	(1,591)
Total salaries and fringe benefits	<u>142,960</u>	<u>142,960</u>	<u>135,040</u>	<u>7,920</u>
Operations				
Other operating	29,950	29,950	30,648	(698)
Accounting and auditing	13,800	13,800	13,287	513
Total operations	<u>43,750</u>	<u>43,750</u>	<u>43,935</u>	<u>(186)</u>
Total Financial Administration	<u>186,710</u>	<u>186,710</u>	<u>178,975</u>	<u>7,734</u>
General Services				
Salaries	46,207	46,207	46,178	29
Fringe benefits	17,187	17,187	17,893	(706)
Total salaries and fringe benefits	<u>63,394</u>	<u>63,394</u>	<u>64,071</u>	<u>(677)</u>
Operations				
Other operating costs	59,050	59,050	44,156	14,894
Total operations	<u>59,050</u>	<u>59,050</u>	<u>44,156</u>	<u>14,894</u>
Capital outlay	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Total General Services	<u>123,444</u>	<u>123,444</u>	<u>108,227</u>	<u>15,217</u>
Total General Government	\$ 603,081	\$ 603,081	\$ 560,171	\$ 42,910
Public Safety				
Police, ambulance and fire services				
Police protection	\$ 290,000	\$ 290,000	\$ 262,592	\$ 27,408
Other public safety expenses	18,750	24,567	47,965	(23,398)
Fire and rescue donations	6,000	6,000	6,000	-
Total operations	<u>314,750</u>	<u>320,567</u>	<u>316,557</u>	<u>4,010</u>
Capital outlay	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>
Total Public Safety	\$ 315,250	\$ 321,067	\$ 316,557	\$ 4,510

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, 2021	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget- Positive (Negative)
				(Negative)
Public Works				
Highways and Streets				
Salaries	\$ 152,071	\$ 152,071	\$ 166,531	\$ (14,460)
Fringe benefits	76,169	76,169	78,298	(2,129)
Total salaries and fringe benefits	<u>228,240</u>	<u>228,240</u>	<u>244,829</u>	<u>(16,589)</u>
Operations				
Other operating	179,750	179,750	105,523	74,227
Total operations	<u>179,750</u>	<u>179,750</u>	<u>105,523</u>	<u>74,227</u>
Capital outlay	500	500	692	(192)
Total Highways and Streets	<u>408,490</u>	<u>408,490</u>	<u>351,044</u>	<u>57,447</u>
Refuse				
Salaries	3,500	3,500	3,698	(198)
Total salaries	<u>3,500</u>	<u>3,500</u>	<u>3,698</u>	<u>(198)</u>
Operations				
Other operating	143,950	143,950	143,971	(21)
Total operations	<u>143,950</u>	<u>143,950</u>	<u>143,971</u>	<u>(21)</u>
Total Refuse	<u>147,450</u>	<u>147,450</u>	<u>147,669</u>	<u>(219)</u>
Total Public Works	\$ 555,940	\$ 555,940	\$ 498,713	\$ 57,227
Recreation and Culture				
Park and swimming pool				
Salaries	\$ 59,399	\$ 59,399	\$ 68,818	\$ (9,419)
Fringe benefits	27,333	27,333	25,531	1,802
Total salaries and fringe benefits	<u>86,732</u>	<u>86,732</u>	<u>94,349</u>	<u>(7,617)</u>
Operations				
Other operating	135,110	135,110	94,543	40,567
Total operations	<u>135,110</u>	<u>135,110</u>	<u>94,543</u>	<u>40,567</u>
Capital Outlay	1,500	1,500	300	1,200
Total Recreation and Culture	\$ 223,342	\$ 223,342	\$ 189,192	\$ 34,150

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, 2021	Original Budget	Appropriated Budget	Final Actual	Variance with Final Budget-	
				Positive	(Negative)
Debt Service					
Principal payments	\$ 14,800	\$ 14,800	\$ 14,800	\$ -	
Interest payments	835	835	835	-	
Total Debt Service	<u>\$ 15,635</u>	<u>\$ 15,635</u>	<u>\$ 15,635</u>	<u>\$ -</u>	
Total Expenditures	<u>\$ 1,713,248</u>	<u>\$ 1,719,065</u>	<u>\$ 1,580,268</u>	<u>\$ 138,797</u>	
Excess of Revenues over Expenditures	<u>\$ 156,819</u>	<u>\$ 151,002</u>	<u>\$ 522,919</u>	<u>\$ 371,917</u>	
Other Financing Sources (Uses)					
Transfers	(156,819)	(331,176)	(331,176)	-	
Total Other Financing Sources (Uses)	<u>\$ (156,819)</u>	<u>\$ (331,176)</u>	<u>\$ (331,176)</u>	<u>\$ -</u>	
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (180,174)</u>	<u>\$ 191,743</u>	<u>\$ 371,917</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	2021	2020	2019	2018	2017	2016	2015
Town's proportion of the net pension liability	0.003044565%	0.002888336%	0.002808523%	0.002349602%	0.002796106%	0.002871145%	0.002528922%
Town's proportionate share of the net pension liability	<u>\$ 688,113</u>	<u>\$ 595,737</u>	<u>\$ 589,273</u>	<u>\$ 508,071</u>	<u>\$ 659,714</u>	<u>\$ 596,673</u>	<u>\$ 448,801</u>
Covered-employee payroll	\$ 889,126	\$ 862,452	\$ 877,880	\$ 813,293	\$ 772,254	\$ 761,803	\$ 759,020
Town's proportionate share of net pension liability as a percentage of its covered-employee payroll	<u>77.39%</u>	<u>69.07%</u>	<u>67.12%</u>	<u>62.47%</u>	<u>85.43%</u>	<u>78.32%</u>	<u>59.13%</u>
Plan Fiduciary Net position as a % of total pension liability	<u>70.72%</u>	<u>72.34%</u>	<u>71.18%</u>	<u>69.38%</u>	<u>65.79%</u>	<u>68.78%</u>	<u>71.87%</u>

TOWN OF EMMITSBURG, MARYLAND
Schedule of Contributions and Related Ratios

For the Year Ended June 30	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 74,957	\$ 65,278	\$ 59,312	\$ 56,004	\$ 47,822	\$ 54,470	\$ 60,516
Actual contribution	<u>(74,957)</u>	<u>(65,278)</u>	<u>(59,312)</u>	<u>(56,004)</u>	<u>(47,822)</u>	<u>(54,470)</u>	<u>(60,516)</u>
Contribution deficiency (excess)	<u>\$ -</u>						
Covered-employee payroll	\$ 889,126	\$ 862,452	\$ 877,880	\$ 813,293	\$ 772,254	\$ 761,803	\$ 759,020
Contributions as a percentage of covered-employee payroll	8.43%	7.57%	6.76%	6.89%	6.19%	7.15%	7.97%

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, 2021, 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 November 30, 2021.

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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as Finding 2021-001 that we consider to be a significant deficiency.

Town of Emmitsburg, Maryland
Independent Auditors' Report
Page 2

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*.

Town of Emmitsburg, Maryland's Response to Findings

Town of Emmitsburg, Maryland's response to the findings identified in our audit is described in the accompanying schedule of finding and questioned costs. Town of Emmitsburg, Maryland's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
November 30, 2021

TOWN OF EMMITSBURG, MARYLAND
Schedule of Findings and Responses
For the Year Ended June 30, 2021

Finding 2021-001: Internal Controls over Vendor Payments

Criteria: The Town is responsible for ensuring they have adequate internal controls and segregation of duties over vendor payments, as well as ensuring their internal accounting system supports all of the Town's vendor activity for appropriate vendor tracking and reporting.

Condition: The Town utilizes a "Resident" vendor within its accounting system, for any vendor who does not require a full vendor set up, i.e. a one time miscellaneous payment to a resident. When checks are written to the "Resident" vendor, the vendor's name and address does not print and is handwritten on the check.

During our preliminary audit procedures, the total paid through June 14, 2021 to this categorized "Resident" vendor was \$98,037. We selected the seven largest checks from this category, which ranged from \$4,600 to \$12,500, for further testing. We traced and agreed the amount date, and vendor from the payment to the supporting invoice and cancelled check, and noted no exceptions. The checks selected for tested were primarily for payments related to the community legacy grant.

In addition, during our search for unrecorded liabilities, we also noted two significant checks written out to the "Resident" vendor; the first written on August 25, 2021 for \$67,554 and the second written on September 29, 2021 for \$94,554, both related to a new capital project of the Town.

Per review of the above supporting invoices for each of these checks, the Check Request Forms were requested by the Town Planner, and a note was written on this form indicating to return the check to the Town Planner. Per review of the cancelled check images for both of these checks, the vendor name and address were handwritten, which agreed to the supporting invoices.

Cause: Per inquiry, it has been the Town's practice to use the "Resident" vendor category for one time and/or miscellaneous payments to vendors who will not be routinely paid by the Town, in order to avoid having a multiple of vendors within the accounting system who may never be used again.

Effect: There are a handful of effects noted in regards to the overall condition described above. First, the Town's accounting system is not accurately storing vendor payment information, specifically for grant related projects. The Town's accounting system should track vendor activity to ensure complete records for tax and reporting purposes.

Second, the practice of printing checks without the vendor name and address poses a heightened risk of misappropriation and is not a recommended practice.

Third, payments should not be requested and noted to be returned to the same Town employee, as this takes away all segregation of duties of the vendor payable process and increases the potential risk of misappropriation.

Recommendation: We recommend the Town review its current policies over "Resident" vendor payments and make changes as considered necessary to ensure segregation of duties are maintained, payments are tracked properly within the Town's accounting system, and the Town establishes a policy of when the use of handwritten checks are appropriate.

TOWN OF EMMITSBURG, MARYLAND
Schedule of Findings and Responses
For the Year Ended June 30, 2021

Response: In an effort to use the "Resident" vendor at a minimum, Town Staff is implementing a policy to set up a separate vendor in the accounting system if it is known that the person/ entity is to be used more than once and/ or the amount is known to be \$600 or above (once or in total). Every effort will be made to have the Office Manager distribute the requested check, either by mail as is normal, or if the vendor requests to pick up the check at the office. If Town Staff is limited, and someone else besides the Office Manager distributes the check than it is policy that they get a signed receipt stating the person/ entity has received the intended check.