



The Town of Emmitsburg, Maryland

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

For the Year Ended June 30, 2019

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

As of June 30, 2019

Mayor

Donald N. Briggs

Commissioners

Glenn Blanchard

Elizabeth Buckman

Tim O'Donnell

Joseph Ritz III

Clifford L. Sweeney

Town Manager

Cathy Willets

Town Auditor

DeLeon & Stang, CPAs and Advisors

Town Attorney

John R. Clapp, Esquire

**Town of Emmitsburg, Maryland
For the Year Ended June 30, 2019**

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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, 2019, 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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, 2019, 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 October 30, 2019, 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 and Stang CPAs and Advisors
Frederick, Maryland
October 30, 2019





Town of

Emmitsburg

Mayor Donald N. Briggs

Board of Commissioners
Clifford Sweeney, *President*
Glenn Blanchard, *Vice President*
Timothy O'Donnell, *Treasurer*

Joseph Ritz III

Elizabeth Buckman

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, 2019. 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 \$262,993 in fiscal year 2019 as compared to an increase of \$269,388 in fiscal year 2018. This net position decrease was primarily due to the business-type activities of the Town. Revenues from both utility charges and tap fees were lower than anticipated in the water and sewer funds.
2. The assets of the Town of Emmitsburg exceeded its liabilities and as of June 30, 2019 as below noted:

Governmental Activities \$5,736,300 (up \$211,901 from last year)

Business-Type Activities – Enterprise Funds \$27,040,913 (down \$474,894 from last year)

Of the total net position, \$5,605,294 is unrestricted, \$1,373,880 is restricted and \$25,798,039 is net investment in capital assets.

Management's Discussion and Analysis

3. Total governmental and business-type assets were \$6,619,175 and \$33,609,408, respectively. Capital assets, net of accumulated depreciation, for governmental and business-type activities were \$3,998,614 and \$28,057,292, respectively.
4. Total deferred outflows of resources for governmental and business-type activities were \$101,298 and \$82,550, respectively.
5. Total governmental and business-type liabilities were \$784,030 and \$6,572,938, respectively. Of these amounts, \$6,875,836 are long-term liabilities.
6. Total deferred inflows of resources for governmental and business-type activities were \$200,143 and \$78,107, respectively.
7. As of June 30, 2019, the Town of Emmitsburg's governmental funds reported a combined ending fund balance of \$2,316,860 (up \$219,530 from last year). Of that amount, \$1,323,591 is unassigned or 57.1% of total government fund balance.
8. As of June 30, 2019, the Town of Emmitsburg's revenues were as herein noted: Governmental Funds were \$2,024,443, (down \$42,378 or 2.1% from last year), Enterprise Funds operating revenues were \$1,399,090 (down \$291,625 or 17.3% from last year). The decrease in governmental funds revenue was primarily from lower grant revenues in FY19 as compared to FY18. The decrease in enterprise fund revenue was directly tied to lower than expected utility charges in both the Water and Sewer Fund. A main factor in this decrease was the shutdown of the Federal Government that occurred in the Winter of FY19 as one of our major consumers had much lower usage as a result. Also, tap fees were lower than expected but this may be more of a timing issue as the Town will collect some of the budgeted tap fees in FY20.
9. As of June 30, 2019, the Town of Emmitsburg's expenditures were as herein noted: Governmental Funds were \$1,804,913 (down \$321,173 or 15.1% from last year), Enterprise Funds operating expenses were \$1,871,736 (up \$91,145 or 5.1% from last year). The Governmental Funds decrease is contributable to less activity in the Capital Projects Fund. \$644,542 in FY18 as compared to \$253,546 in FY19. Increases in direct expenses in the Water & Sewer Funds account for the increase while personnel services and depreciation were only slightly above the prior year.

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.

Management's Discussion and Analysis

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

	Governmental Activities		Total Government	
	2018	2019	2018	2019
REVENUES				
Program Revenues				
Charges for services	\$ 273,563	\$ 297,996	\$ 1,964,278	\$ 1,697,086
Operating grants and contributions	115,190	156,024	115,190	156,024
Capital grants and contributions	210,424	18,429	210,424	18,429
General Revenues				
Taxes	976,647	1,022,766	976,647	1,022,766
Intergovernmental	399,049	422,288	399,049	422,288
Investment income	26,745	53,452	53,489	107,084
Rental income	37,522	34,932	124,797	122,182
Miscellaneous	27,681	18,556	41,515	25,554
TOTAL REVENUES	\$ 2,066,821	\$ 2,024,443	\$ 3,885,389	\$ 3,571,413
PROGRAM EXPENSES				
General government	\$ 539,078	\$ 596,372	\$ 539,078	\$ 596,372
Public safety	286,266	281,631	286,266	281,631
Public works	645,700	710,160	645,700	710,160
Recreation and culture	195,187	214,873	195,187	214,873
Interest	10,938	9,506	10,938	9,506
Business-type activities	-	-	1,938,832	2,021,864.00
TOTAL PROGRAM EXPENSES	1,677,169	1,812,542	3,616,001	3,834,406
TRANSFERS	-	-	-	-
CHANGE IN NET POSITION	\$ 389,652	\$ 211,901	\$ 269,388	\$ (262,993)

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 \$128,547 or 7.0% above budgeted revenues. Revenues associated with permits, bank interest, local income taxes, and swimming pool income revenues were above expectations. General Fund expenditures were under budget by \$89,789 or 5.5% below budgeted expenses. Expenditures of note that were under budget, were in the areas of Legislative, Financial Administration, Public Safety, and Public Works. Each of these cost centers had lower operation costs than anticipated.

Management's Discussion and Analysis

Budget Fiscal Year 2020

Approved fiscal year 2020 General Fund revenues budget is \$1,930,232. Budgeted General Fund expenses before transfer to CIP is \$1,682,061. General Fund budgeted transfer to CIP is \$248,171.

The Real Estate Tax Rate will remain unchanged from fiscal year 2019. The constant yield rate was determined at the same rate as 2019 (.36 per \$100 assessed). Fiscal year 2020 Real Estate Tax revenue will increase per Frederick County notice. This increase is reflected in the FY20 budget.

Fiscal year 2020 General Fund revenues are expected to increase in the areas of County Tax Equity, State Highway Use Funds, Property Rentals, and Interest amounts earned by the Town versus prior fiscal year.

Per notice, County Tax Equity will be increasing from \$422,288 to \$440,603. Overall State Highway Use Funds budgeted will increase from \$104,294 to \$131,782. Property Rentals is budgeted to increase going from \$29,707 to \$40,607. And last, Interest revenues budgeted will expand going from \$15,000 to \$20,000.

The Town will continue to set aside budgetary amounts in the Capital Projects Fund with an emphasis on Curb, gutter, sidewalk, & road work, along with future vehicle replacement. These categories represent slightly over half, \$125,291 of the budgeted \$248,171, of the designated funds to be transferred.

Other designated areas set aside in the Capital Projects Fund is a commitment to storm-water management in planning due to the Town's efforts relating to the MS-4 permit mandated by the State of Maryland. Also continued investment in the Town pool facilities with a goal of updating the pool house in the parks area.

Water & sewer rates will remain the same as fiscal year 2020. Minimum quarterly rates for water are \$35 and \$113 for sewer for a residential household with a standard ¾ inch meter size. These rates are based upon the minimum first 6,000 gallons. The Town of Emmitsburg's rate schedule is a tier schedule based upon the amount of gallons used each quarter. A rate schedule can be obtained upon request by contacting the Town offices.

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.

Management's Discussion and Analysis

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, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,405,014	\$ 3,998,736	\$ 5,403,750
Restricted cash	-	1,159,080	1,159,080
Investments	1,000,000	-	1,000,000
Property taxes receivable, net	17,794	-	17,794
Due from customers	47,187	368,661	415,848
Due from other governments	60,964	-	60,964
Other receivables	79,836	-	79,836
Benefit assessments	-	15,197	15,197
Prepaid expenses	9,766	10,442	20,208
Capital assets:			
Capital assets not being depreciated	1,405,477	2,917,165	4,322,642
Capital assets being depreciated	7,423,436	35,300,171	42,723,607
Less: Accumulated depreciation	(4,830,299)	(10,160,044)	(14,990,343)
Capital assets, net	3,998,614	28,057,292	32,055,906
Total Assets	6,619,175	33,609,408	40,228,583
Deferred Outflows of Resources	101,298	82,550	183,848
Total Assets and Deferred Outflows of Resources	6,720,473	33,691,958	40,412,431
Liabilities			
Accounts payable	116,646	57,014	173,660
Accrued liabilities	4,683	85,105	89,788
Compensated absences	121,261	64,593	185,854
Escrow deposits	-	28,630	28,630
Benefit assessments - current	-	3,200	3,200
Long-term liabilities:			
Benefit assessments - noncurrent	-	28,696	28,696
Net pension liability	338,530	250,743	589,273
Debt obligations due within one year	25,336	287,199	312,535
Debt obligations due in more than one year	177,574	5,767,758	5,945,332
Total Liabilities	784,030	6,572,938	7,356,968
Deferred Inflows of Resources	200,143	78,107	278,250
Total Liabilities and Deferred Inflows of Resources	984,173	6,651,045	7,635,218
Net Position			
Net investment in capital assets	3,795,704	22,002,335	25,798,039
Restricted - specific purposes	214,800	1,159,080	1,373,880
Unrestricted	1,725,796	3,879,498	5,605,294
Total Net Position	\$ 5,736,300	\$ 27,040,913	\$ 32,777,213

The accompanying notes are an integral part of this statement.

TOWN OF EMMITSBURG, MARYLAND
Statement of Activities
For the Year Ended June 30, 2019

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	\$ (596,372)	\$ 47,555	\$ -	\$ -	\$ (548,817)	\$ -	\$ (548,817)
Public safety	(281,631)	-	17,025	-	(264,606)	-	(264,606)
Public works	(710,160)	215,489	133,999	8,429	(352,243)	-	(352,243)
Recreation and culture	(214,873)	34,952	5,000	10,000	(164,921)	-	(164,921)
Interest on long-term debt	(9,506)				(9,506)		(9,506)
Total governmental activities	<u>(1,812,542)</u>	<u>297,996</u>	<u>156,024</u>	<u>18,429</u>	<u>(1,340,093)</u>		<u>(1,340,093)</u>
Business-type activities							
Water services	(685,762)	492,692	-	-	-	(193,070)	(193,070)
Sewer services	(1,336,102)	906,398				(429,704)	(429,704)
Total business-type activities	<u>(2,021,864)</u>	<u>1,399,090</u>			<u>-</u>	<u>(622,774)</u>	<u>(622,774)</u>
Total Primary Government	<u>\$ (3,834,406)</u>	<u>\$ 1,697,086</u>	<u>\$ 156,024</u>	<u>\$ 18,429</u>	<u>(1,340,093)</u>	<u>(622,774)</u>	<u>(1,962,867)</u>
General Revenues							
Taxes							
Property taxes, levied for general purposes		-	-	-	712,068	-	712,068
Income taxes					283,071	-	283,071
Other local taxes		-			27,627	-	27,627
County tax equity					422,288	-	422,288
Investment income					53,452	53,632	107,084
Rental income					34,932	87,250	122,182
Miscellaneous income					18,556	6,998	25,554
Total General Revenues					<u>1,551,994</u>	<u>147,880</u>	<u>1,699,874</u>
Change in Net Position					211,901	(474,894)	(262,993)
Net Position - beginning of year					<u>5,524,399</u>	<u>27,515,807</u>	<u>33,040,206</u>
Net Position - end of year					<u>\$ 5,736,300</u>	<u>\$ 27,040,913</u>	<u>\$ 32,777,213</u>

The accompanying notes are an integral part of this statement.

TOWN OF EMMITSBURG, MARYLAND
Balance Sheet
Governmental Funds
June 30, 2019

	Governmental Fund Types		Total Governmental Funds
	General	Capital Projects	
Assets			
Cash and cash equivalents	\$ 505,121	\$ 899,893	\$ 1,405,014
Investments	1,000,000	-	1,000,000
Receivables:			
Taxes	17,794	-	17,794
Customers	47,187	-	47,187
Other governments	13,806	2,316	16,122
Other	43,643	36,193	79,836
Prepaid items	9,766	-	9,766
Total Assets	\$ 1,637,317	\$ 938,402	\$ 2,575,719
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	\$ 115,831	\$ 815	\$ 116,646
Accrued liabilities	4,683	-	4,683
Total Liabilities	120,514	815	121,329
Deferred Inflows of Resources	74,582	62,948	137,530
Fund Balances			
Nonspendable	9,766	-	9,766
Restricted	-	214,800	214,800
Committed	108,864	-	108,864
Assigned	-	659,839	659,839
Unassigned	1,323,591	-	1,323,591
Total Fund Balances	1,442,221	874,639	2,316,860
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,637,317	\$ 938,402	\$ 2,575,719

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, 2019

	General	Capital Projects	Total Governmental Funds
Revenues			
Local property taxes	\$ 712,068	\$ -	\$ 712,068
Local income taxes	283,071	-	283,071
Other local taxes	27,627	-	27,627
Licenses and permits	37,688	-	37,688
Intergovernmental revenues	544,701	32,040	576,741
Service charges	252,228	2,400	254,628
Fines and forfeitures	5,680	-	5,680
Miscellaneous	97,523	29,417	126,940
Total Revenues	1,960,586	63,857	2,024,443
Expenditures			
General government	562,523	40,546	603,069
Public safety	281,631	-	281,631
Public works	486,353	184,289	670,642
Recreation and culture	187,197	28,711	215,908
Debt service	33,663	-	33,663
Total Expenditures	1,551,367	253,546	1,804,913
Excess (Deficiency) of Revenues over Expenditures	409,219	(189,689)	219,530
Other Financing Sources (Uses)			
Transfers in (out)	(384,777)	384,777	-
Total Other Financing Sources (Uses)	(384,777)	384,777	-
Excess of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	24,442	195,088	219,530
Fund Balance July 1, 2018	1,417,779	679,551	
Fund Balance June 30, 2019	\$ 1,442,221	\$ 874,639	
Adjustments for the Statement of Activities			
Capital outlay			155,004
Depreciation expense			(213,065)
Compensated absences			25,450
Debt service expenditures			24,157
Net pension adjustment			825
Change in Net Position of Governmental Activities			\$ 211,901

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, 2019

Fund balances - governmental funds	\$	2,316,860
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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		3,998,614
Deferred outflows of resources - pension		101,298
Long-term receivable		44,842
Deferred inflows of resources - pension		(62,613)

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

Long-term debt		(202,910)
Compensated absences		(121,261)
Net pension liability		(338,530)
		(338,530)
Net position - governmental activities	\$	5,736,300

The accompanying notes are an integral part of this statement.

TOWN OF EMMITSBURG, MARYLAND
Statement of Net Position
Proprietary Funds
June 30, 2019

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 179,636	\$ 3,819,100	\$ 3,998,736
Restricted cash	259,000	900,080	1,159,080
Due from customers	116,831	251,830	368,661
Prepaid expenses	10,442	-	10,442
Benefit assessments - current	3,200	-	3,200
Total Current Assets	<u>569,109</u>	<u>4,971,010</u>	<u>5,540,119</u>
Capital Assets			
Capital assets not being depreciated	2,668,496	248,669	2,917,165
Capital assets being depreciated	6,963,098	28,337,073	35,300,171
Accumulated depreciation	<u>(3,002,554)</u>	<u>(7,157,490)</u>	<u>(10,160,044)</u>
Capital Assets, Net	<u>6,629,040</u>	<u>21,428,252</u>	<u>28,057,292</u>
Benefit assessments - noncurrent	11,997	-	11,997
Total Assets	<u>7,210,146</u>	<u>26,399,262</u>	<u>33,609,408</u>
Deferred Outflows of Resources	<u>40,115</u>	<u>42,435</u>	<u>82,550</u>
Total Assets and Deferred Outflows of Resources	<u>7,250,261</u>	<u>26,441,697</u>	<u>33,691,958</u>
Liabilities			
Current Liabilities			
Accounts payable	22,864	34,150	57,014
Accrued liabilities	12,062	73,043	85,105
Compensated absences	59,175	5,418	64,593
Benefit assessments - current	3,200	-	3,200
Escrow deposits	28,630	-	28,630
Debt obligations due within one year	145,956	141,243	287,199
Total Current Liabilities	<u>271,887</u>	<u>253,854</u>	<u>525,741</u>
Noncurrent Liabilities			
Benefit assessments - noncurrent	28,696	-	28,696
Net pension liability	114,614	136,129	250,743
Debt obligations due in more than one year	592,218	5,175,540	5,767,758
Total Noncurrent Liabilities	<u>735,528</u>	<u>5,311,669</u>	<u>6,047,197</u>
Total Liabilities	<u>1,007,415</u>	<u>5,565,523</u>	<u>6,572,938</u>
Deferred Inflows of Resources	<u>53,399</u>	<u>24,708</u>	<u>78,107</u>
Total Liabilities and Deferred Inflows of Resources	<u>1,060,814</u>	<u>5,590,231</u>	<u>6,651,045</u>
Net Position			
Net investment in capital assets	5,890,866	16,111,469	22,002,335
Restricted - expendable maintenance & improvements	259,000	900,080	1,159,080
Unrestricted	39,581	3,839,917	3,879,498
Total Net Position	<u>\$ 6,189,447</u>	<u>\$ 20,851,466</u>	<u>\$ 27,040,913</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, 2019

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues			
Charges for services	\$ 463,528	\$ 889,363	\$ 1,352,891
Tap fees	16,400	16,000	32,400
Miscellaneous charges	12,764	1,035	13,799
Total Operating Revenues	<u>492,692</u>	<u>906,398</u>	<u>1,399,090</u>
Operating Expenses			
Personnel services	265,966	250,202	516,168
Operating	233,922	288,851	522,773
Depreciation	161,054	671,741	832,795
Total Operating Expenses	<u>660,942</u>	<u>1,210,794</u>	<u>1,871,736</u>
Operating Loss	(168,250)	(304,396)	(472,646)
Non-operating Revenues (Expenses)			
Investment income	26,816	26,816	53,632
Rental income	7,250	80,000	87,250
Other income	250	6,748	6,998
Interest expense	(24,820)	(125,308)	(150,128)
Total Non-operating Revenues (Expenses)	<u>9,496</u>	<u>(11,744)</u>	<u>(2,248)</u>
Change in Net Position	<u>(158,754)</u>	<u>(316,140)</u>	<u>(474,894)</u>
Total Net Position, beginning of year	<u>6,348,201</u>	<u>21,167,606</u>	<u>27,515,807</u>
Total Net Position, end of year	<u><u>\$ 6,189,447</u></u>	<u><u>\$ 20,851,466</u></u>	<u><u>\$ 27,040,913</u></u>

The accompanying notes are an integral part of this statement.

TOWN OF EMMITSBURG, MARYLAND
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Cash flows from operating activities			
Cash receipts from customers	\$ 494,498	\$ 910,114	\$ 1,404,612
Cash receipts from other governments	-	30,000	30,000
Cash payments to suppliers of goods and services	(226,790)	(287,430)	(514,220)
Cash payments to employees for services	(263,750)	(257,750)	(521,500)
Net cash provided by operating activities	<u>3,958</u>	<u>394,934</u>	<u>398,892</u>
Cash flows from non-operating activities			
Rental income	7,250	80,000	87,250
Other income	250	6,748	6,998
Net cash provided by non-operating activities	<u>7,500</u>	<u>86,748</u>	<u>94,248</u>
Cash flows from capital and related financing activities			
Purchase of capital assets	(9,950)	(141,288)	(151,238)
Principal paid on bond and loans payable	(128,777)	(138,458)	(267,235)
Interest paid on capital debt	(25,277)	(125,792)	(151,069)
Net cash used in capital and related financing activities	<u>(164,004)</u>	<u>(405,538)</u>	<u>(569,542)</u>
Cash flows from investing activities			
Investment income	26,816	26,816	53,632
Net cash provided by investing activities	<u>26,816</u>	<u>26,816</u>	<u>53,632</u>
Net increase (decrease) in cash and cash equivalents	(125,730)	102,960	(22,770)
Cash and cash equivalents - beginning of year	564,366	4,616,220	5,180,586
Cash and cash equivalents - end of year	<u>\$ 438,636</u>	<u>\$ 4,719,180</u>	<u>\$ 5,157,816</u>
Cash and cash equivalents:			
Unrestricted	\$ 179,636	\$ 3,819,100	\$ 3,998,736
Restricted	259,000	900,080	1,159,080
	<u>\$ 438,636</u>	<u>\$ 4,719,180</u>	<u>\$ 5,157,816</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, 2019

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Reconciliation of operating income (loss) to			
Net cash provided by operating activities			
Operating income (loss)	\$ (168,250)	\$ (304,396)	\$ (472,646)
Depreciation	161,054	671,741	832,795
Net changes in assets and liabilities:			
Due from customers	1,575	4,230	5,805
Due from other governments	-	30,000	30,000
Prepaid expenses	(987)	-	(987)
Deferred outflows of resources	(16,420)	(13,379)	(29,799)
Accounts payable	8,120	1,421	9,541
Accrued liabilities	130	(515)	(385)
Compensated absences	5,761	(6,242)	(481)
Net pension liability	18,677	18,677	37,354
Deferred inflows of resources	(5,702)	(6,603)	(12,305)
Net cash provided by operating activities	<u>\$ 3,958</u>	<u>\$ 394,934</u>	<u>\$ 398,892</u>

The accompanying notes are an integral part of this statement.

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements
June 30, 2019

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, 2019

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, 2019:

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, 2019

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (Continued)

Proprietary Fund Types

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Budgets and Budgetary Accounting

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

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

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

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2019

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. For the year ended June 30, 2019, the Town has an allowance for doubtful property taxes of \$14,249 reported in the general fund.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2019, are recorded as prepaid expenses. In governmental funds, reported prepaid expenses are equally offset by non-spendable fund balance amounts, which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets.

Capital Assets

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

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

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Short-term Interfund Receivables/Payables

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

Compensated Absences

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

Deferred Outflows / Inflows of Resources

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

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

Commitments and Contingent Liabilities

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

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2019

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:

No 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, 2019, \$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, 2019

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 \$6,562,380, the bank balance was \$6,610,174 and cash on hand was \$450.

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2019

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

The Town maintains deposits at one financial institution. At June 30, 2019, the Town was fully covered by the Federal Deposit Insurance Corporation and pledged collateral.

Included in cash and cash equivalents, the Town had \$2,175,170 invested in the Maryland Local Government Investment Pool (MLGIP) as of June 30, 2019.

The Town's cash and investments as of June 30, 2019, reconciled to the total presented in the Statement of Net Position, are as follows:

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Cash and cash equivalents:			
Unrestricted	\$ 1,405,014	\$ 3,998,736	\$ 5,403,750
Restricted	-	1,159,080	1,159,080
	<u>\$ 1,405,014</u>	<u>\$ 5,157,816</u>	<u>\$ 6,562,830</u>
	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Cash on hand	\$ 450	\$ -	\$ 450
Deposits in bank	903,129	3,484,081	4,387,210
Investment pools (MLGIP)	501,435	1,673,735	2,175,170
	<u>\$ 1,405,014</u>	<u>\$ 5,157,816</u>	<u>\$ 6,562,830</u>

As of June 30, 2019, the Town had the following investments:

<u>Investment Type (All funds)</u>	<u>Fair Value</u>	<u>Investment Maturities</u>		<u>% of</u>
		<u>< 1 Year</u>	<u>1-5 Years</u>	<u>Portfolio</u>
Certificates of deposit (2)	\$ 1,000,000	\$ -	\$ 1,000,000	100.00%

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2019

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, 2019 were 2.22% 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, 2019

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, 2019 was \$183,407,440 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, 2019 was as follows:

<u>Governmental Activities</u>	<u>Balance July 1, 2018</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Dispositions</u>	<u>Balance June 30, 2019</u>
Capital assets, not being depreciated				
Land	\$ 1,164,089	\$ -	\$ -	\$ 1,164,089
Historical Collections	36,750	-	-	36,750
Construction in progress	157,187	47,451	-	204,638
Total capital assets not being depreciated	<u>1,358,026</u>	<u>47,451</u>	<u>-</u>	<u>1,405,477</u>
Capital assets, being depreciated				
Buildings	815,706	-	-	815,706
Improvements	1,254,214	33,250	-	1,287,464
Infrastructure	4,641,720	25,340	-	4,667,060
Machinery and equipment	604,243	48,963	-	653,206
Total capital assets being depreciated	<u>7,315,883</u>	<u>107,553</u>	<u>-</u>	<u>7,423,436</u>
Less: accumulated depreciation	<u>(4,617,234)</u>	<u>(213,065)</u>	<u>-</u>	<u>(4,830,299)</u>
Total capital assets being depreciated, net	<u>2,698,649</u>	<u>(105,512)</u>	<u>-</u>	<u>2,593,137</u>
Governmental Activities capital assets, net	<u>\$ 4,056,675</u>	<u>\$ (58,061)</u>	<u>\$ -</u>	<u>\$ 3,998,614</u>

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2019

NOTE 4- CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities

General Government	\$	27,458
Public works - streets		123,021
Parks and recreation		62,586
	\$	<u>213,065</u>

Capital asset activity for the year ended June 30, 2019 was as follows:

<u>Business-type Activities</u>	<u>Balance July 1, 2018</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Dispositions</u>	<u>Balance June 30, 2019</u>
Capital assets, not being depreciated				
Land and land improvements	\$ 2,679,100	\$ 9,950	\$ -	\$ 2,689,050
Construction in progress	228,115	-	-	228,115
Total capital assets not being depreciated	<u>2,907,215</u>	<u>9,950</u>	<u>-</u>	<u>2,917,165</u>
Capital assets, being depreciated				
Buildings and improvements	6,886,079	48,423	-	6,934,502
Infrastructure	28,065,982	80,233	-	28,146,215
Machinery and equipment	234,842	12,632	(28,020)	219,454
Total capital assets being depreciated	<u>35,186,903</u>	<u>141,288</u>	<u>(28,020)</u>	<u>35,300,171</u>
Less: accumulated depreciation	<u>(9,355,269)</u>	<u>(832,795)</u>	<u>28,020</u>	<u>(10,160,044)</u>
Total capital assets being depreciated, net	<u>25,831,634</u>	<u>(691,507)</u>	<u>-</u>	<u>25,140,127</u>
Business-type Activities capital assets, net	<u>\$ 28,738,849</u>	<u>\$ (681,557)</u>	<u>\$ -</u>	<u>\$ 28,057,292</u>

Depreciation expense was charged to functions/programs as follows:

Business-type Activities

Water	\$	161,054
Sewer		671,741
	\$	<u>832,795</u>

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2019

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, 2019 is as follows:

<u>Purpose</u>	<u>Rate</u>	<u>Amount</u>
2001 Series A Infrastructure Bonds; Community Development Administration; Due 2021; Annual principal and interest of approximately \$15,200.	4.77%	\$ 28,900
2004 Series Water Quality Bonds; Maryland Water Quality Financing Administration; Due 2020; Annual principal and interest of approximately \$45,500.	1.20%	43,425
2004 Series Drinking Water Bonds; Maryland Water Quality Financing Administration; Due 2024; Annual principal and interest of approximately \$23,200.	1.20%	106,779
2000 Series Drinking Water Bonds; Maryland Water Quality Financing Administration; Due 2021; Annual principal and interest of approximately \$53,700.	2.40%	98,842
2006 Series Drinking Water Bonds; Maryland Water Quality Financing Administration; Due 2026; Annual principal and interest of approximately \$26,579.	1.10%	169,598
2009 Series General Obligation Bond; Columbia Bank; Due 2029; Semi-annual interest payments with principal amounts due annually.	3.78%	362,955
Woodsboro Bank Promissory Note; Due 2021; Monthly principal and interest of approximately \$1,504.	4.00%	174,010
2014 Series General Obligation Bond; United States Dept. of Agriculture Financing for WWTP; due 2055; Quarterly principal and interest of \$52,565.	2.38%	5,027,686
2016 Series General Obligation Bond; United States Dept. of Agriculture; due 2075; Quarterly principal and interest of \$2,101.	1.38%	<u>245,672</u>
Total Debt Obligations		<u><u>\$6,257,867</u></u>

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2019

NOTE 6- DEBT OBLIGATIONS (Continued)

Changes in Non-Current Liabilities

During the year ended June 30, 2019, the following changes in long-term obligations occurred:

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2019</u>	<u>Due within one year</u>
2000 MWQFA	\$ 146,532	\$ -	\$ (47,690)	\$ 98,842	\$ 48,835
2001 CDA	42,300	-	(13,400)	28,900	14,100
2004 MWQFA	127,381	-	(20,602)	106,779	20,849
2004 MWQFA	86,336	-	(42,911)	43,425	43,426
2006 MWQFA	192,783	-	(23,185)	169,598	23,441
2016 Woodsboro Bank	184,767	-	(10,757)	174,010	11,236
2009 GO Bond	400,255	-	(37,300)	362,955	52,831
2014 GO Bond	5,118,251	-	(90,565)	5,027,686	92,716
2016 GO Bond	250,654	-	(4,982)	245,672	5,101
Total	<u>\$ 6,549,259</u>	<u>\$ -</u>	<u>\$ (291,392)</u>	<u>\$ 6,257,867</u>	<u>\$ 312,535</u>

At June 30, 2019, the debt obligations are recorded as follows:

Governmental activities	\$ 202,910
Business-type activities:	
Water Fund	\$ 738,174
Sewer Fund	5,316,783
Total long-term debt obligations	<u>\$ 6,257,867</u>

Interest expense

For the year ended June 30, 2019 total interest costs were \$159,634 and reported as follows: interest expense of \$9,506 for governmental activities and \$150,128 for business-type activities. Cash paid for interest for business-type activities was \$151,069.

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2019

NOTE 6- DEBT OBLIGATIONS (Continued)

Debt service requirements are as follows:

	<u>Principal</u>	<u>Interest & Fees</u>	<u>Total</u>
2020	\$ 312,535	\$ 151,597	\$ 464,132
2021	276,113	142,537	418,650
2022	355,550	130,368	485,918
2023	209,460	121,820	331,280
2024	214,590	116,690	331,280
2025-2029	663,360	522,198	1,185,558
2030-2034	644,495	448,733	1,093,228
2035-2039	723,149	370,079	1,093,228
2040-2044	811,481	281,747	1,093,228
2045-2049	910,697	182,531	1,093,228
2050-2054	1,022,136	71,092	1,093,228
2055-2059	74,806	768	75,574

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, 2019, 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, 2019

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

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2019

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

Total pension expense for the year ended June 30, 2019 was \$58,641; \$34,631 for governmental activities and \$24,010 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 9.10% including inflation
Discount rate	7.45%
Investment rate of return	7.45%
Mortality	RP-2014 Mortality tables
Actuarial valuation date	June 30, 2018

Discount rate

A single discount rate of 7.45% 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 7.45%. 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, 2019

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 7.45%, 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:

	1%	Current	1%
System	Decrease to 6.45%	Discount	Increase to 8.45%
Employees Pension	\$ 811,240	\$ 589,273	\$ 403,586

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, they are not subject to the Single Audit Act for fiscal year 2019.

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2019

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

For the year ended June 30, 2019, the Town reported deferred outflows and inflows of resources related to the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of pension assumptions	\$ 14,151	\$ -
Difference between actual and expected experience		33,368
Net difference between projected and actual earnings on pension plan investments	-	3,877
Change in proportionate share	110,385	70,049
Town's contributions subsequent to the measurement date	<u>59,312</u>	<u>-</u>
	<u>\$ 183,848</u>	<u>\$ 107,294</u>
Other deferred inflows:		
Property taxes - subsequent year		923
Unavailable revenues		<u>170,033</u>
		<u>\$ 278,250</u>

Deferred outflows of resources of \$59,312 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, 2020.

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:

2020	\$(14,550)
2021	(2,184)
2022	11,229
2023	2,424
2024	(14,161)

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2019

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. In addition, the Mayor and Commissioners set-aside funds for specific projects. As of June 30, 2019, the total amount restricted is as follows:

Surcharges for improvements - Water Fund	\$ 259,000
Surcharges for improvements - Sewer Fund	745,500
Lagoon improvements	110,000
Other building improvements	44,580
	<u>\$ 900,080</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	\$ 196,400
Committed for emergency warning system	18,400
	<u>\$ 214,800</u>

NOTE 11- 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.

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2019

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. The Town performed an evaluation as of October 30, 2019, the date the financial statements were available to be issued.

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

For the Year Ended June 30, 2019	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget- Positive (Negative)
Local property taxes				
Real property	\$ 650,200	\$ 650,200	\$ 659,762	\$ 9,562
Personal property	65,000	65,000	54,299	(10,701)
Penalties and interest	5,000	5,000	6,471	1,471
Less discounts	(9,000)	(9,000)	(8,464)	536
Net local property taxes	<u>711,200</u>	<u>711,200</u>	<u>712,068</u>	<u>868</u>
Local income taxes	<u>235,000</u>	<u>235,000</u>	<u>283,071</u>	<u>48,071</u>
Other local taxes				
Admissions and amusement taxes	5,500	5,500	4,670	(830)
Public utility taxes	25,000	25,000	22,957	(2,043)
Total other local taxes	<u>30,500</u>	<u>30,500</u>	<u>27,627</u>	<u>(2,873)</u>
Licenses and permits				
Trader's licenses	5,000	5,000	5,267	267
Cable franchise fees	31,000	31,000	32,421	1,421
Total licenses and permits	<u>36,000</u>	<u>36,000</u>	<u>37,688</u>	<u>1,688</u>
Intergovernmental revenues				
State Aid for Police Protection	16,700	16,700	17,025	325
County - tax equity	422,288	422,288	422,288	-
Highway user revenues	33,203	33,203	26,553	(6,650)
Other	71,091	71,091	78,835	7,744
Total intergovernmental revenues	<u>543,282</u>	<u>543,282</u>	<u>544,701</u>	<u>1,419</u>
Service charges				
Garbage and tipping fees	189,500	189,500	195,570	6,070
Zoning permits	3,100	3,100	9,867	6,767
Parking meter receipts	13,000	13,000	11,839	(1,161)
Swimming pool	15,600	15,600	34,952	19,352
Total service charges	<u>221,200</u>	<u>221,200</u>	<u>252,228</u>	<u>31,028</u>
Fines and forfeitures				
Parking fines	\$ 5,500	\$ 5,500	\$ 5,680	\$ 180

The accompanying notes are an integral part of this statement.

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

For the Year Ended June 30, 2019	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget- Positive (Negative)
Miscellaneous revenues				
Interest income	15,000	15,000	53,452	38,452
Rental income	30,607	30,607	34,932	4,325
Other	<u>3,750</u>	<u>3,750</u>	<u>9,139</u>	<u>5,389</u>
Total miscellaneous revenues	<u>49,357</u>	<u>49,357</u>	<u>97,523</u>	<u>48,166</u>
Total revenues	<u>\$ 1,832,039</u>	<u>\$ 1,832,039</u>	<u>\$ 1,960,586</u>	<u>\$ 128,547</u>
General Government				
Legislative				
Salaries	\$ 56,901	\$ 56,901	\$ 55,606	\$ 1,295
Fringe benefits	<u>5,469</u>	<u>5,469</u>	<u>5,329</u>	<u>140</u>
Total salaries and fringe benefits	<u>62,370</u>	<u>62,370</u>	<u>60,935</u>	<u>1,435</u>
Operations				
Other operating	<u>59,505</u>	<u>59,505</u>	<u>50,069</u>	<u>9,436</u>
Total operations	<u>59,505</u>	<u>59,505</u>	<u>50,069</u>	<u>9,436</u>
Capital Outlay	<u>1,500</u>	<u>1,500</u>	<u>153</u>	<u>1,347</u>
Total Legislative	<u>123,375</u>	<u>123,375</u>	<u>111,157</u>	<u>12,218</u>
Legal	<u>8,300</u>	<u>8,300</u>	<u>12,419</u>	<u>(4,119)</u>
Planning and Zoning				
Salaries	102,589	140,802	133,641	7,161
Fringe benefits	<u>21,111</u>	<u>24,034</u>	<u>16,940</u>	<u>7,094</u>
Total salaries and fringe benefits	<u>123,700</u>	<u>164,836</u>	<u>150,581</u>	<u>14,255</u>
Operations				
Other operating	<u>16,911</u>	<u>16,911</u>	<u>10,582</u>	<u>6,329</u>
Total operations	<u>16,911</u>	<u>16,911</u>	<u>10,582</u>	<u>6,329</u>
Capital outlay	<u>500</u>	<u>500</u>	<u>153</u>	<u>347</u>
Total Planning and Zoning	<u>141,111</u>	<u>182,247</u>	<u>161,316</u>	<u>20,931</u>

The accompanying notes are an integral part of this statement.

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

For the Year Ended June 30, 2019	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget- Positive (Negative)
Financial Administration				
Salaries	\$ 80,817	\$ 80,817	\$ 78,274	\$ 2,543
Fringe benefits	<u>53,218</u>	<u>53,218</u>	<u>52,089</u>	<u>1,129</u>
Total salaries and fringe benefits	<u>134,035</u>	<u>134,035</u>	<u>130,363</u>	<u>3,672</u>
Operations				
Other operating	21,702	21,702	15,681	6,021
Accounting and auditing	<u>13,500</u>	<u>13,500</u>	<u>11,636</u>	<u>1,864</u>
Total operations	<u>35,202</u>	<u>35,202</u>	<u>27,317</u>	<u>7,884</u>
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Financial Administration	<u>169,237</u>	<u>169,237</u>	<u>157,680</u>	<u>11,556</u>
General Services				
Salaries	43,159	43,159	45,724	(2,565)
Fringe benefits	<u>23,617</u>	<u>23,617</u>	<u>18,972</u>	<u>4,645</u>
Total salaries and fringe benefits	<u>66,776</u>	<u>66,776</u>	<u>64,696</u>	<u>2,080</u>
Operations				
Other operating costs	<u>58,400</u>	<u>58,400</u>	<u>55,255</u>	<u>3,145</u>
Total operations	<u>58,400</u>	<u>58,400</u>	<u>55,255</u>	<u>3,145</u>
Capital outlay	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Total General Services	<u>126,176</u>	<u>126,176</u>	<u>119,951</u>	<u>6,225</u>
Total General Government	<u>\$ 568,199</u>	<u>\$ 609,335</u>	<u>\$ 562,523</u>	<u>\$ 46,811</u>
Public Safety				
Police, ambulance and fire services				
Police protection	\$ 280,103	\$ 280,103	\$ 264,290	\$ 15,813
Other public safety expenses	6,670	6,670	11,341	(4,671)
Fire and rescue donations	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>-</u>
Total operations	<u>292,773</u>	<u>292,773</u>	<u>281,631</u>	<u>11,142</u>
Capital outlay	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>
Total Public Safety	<u>\$ 293,273</u>	<u>\$ 293,273</u>	<u>\$ 281,631</u>	<u>\$ 11,642</u>

The accompanying notes are an integral part of this statement.

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

For the Year Ended June 30, 2019	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget- Positive (Negative)
Public Works				
Highways and Streets				
Salaries	\$ 142,901	\$ 142,901	\$ 141,206	\$ 1,695
Fringe benefits	<u>74,974</u>	<u>74,974</u>	<u>72,053</u>	<u>2,921</u>
Total salaries and fringe benefits	<u>217,875</u>	<u>217,875</u>	<u>213,259</u>	<u>4,616</u>
Operations				
Other operating	<u>164,032</u>	<u>164,032</u>	<u>132,355</u>	<u>31,677</u>
Total operations	<u>164,032</u>	<u>164,032</u>	<u>132,355</u>	<u>31,677</u>
Capital outlay	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>
Total Highways and Streets	<u>382,407</u>	<u>382,407</u>	<u>345,614</u>	<u>36,794</u>
Refuse				
Salaries	<u>3,300</u>	<u>3,300</u>	<u>2,929</u>	<u>371</u>
Total salaries	<u>3,300</u>	<u>3,300</u>	<u>2,929</u>	<u>371</u>
Operations				
Other operating	<u>130,100</u>	<u>130,100</u>	<u>137,810</u>	<u>(7,710)</u>
Total operations	<u>130,100</u>	<u>130,100</u>	<u>137,810</u>	<u>(7,710)</u>
Total Refuse	<u>133,400</u>	<u>133,400</u>	<u>140,739</u>	<u>(7,339)</u>
Total Public Works	<u>\$ 515,807</u>	<u>\$ 515,807</u>	<u>\$ 486,353</u>	<u>\$ 29,455</u>
Recreation and Culture				
Park and swimming pool				
Salaries	\$ 63,037	\$ 63,037	\$ 64,029	\$ (992)
Fringe benefits	<u>28,241</u>	<u>28,241</u>	<u>26,968</u>	<u>1,273</u>
Total salaries and fringe benefits	<u>91,278</u>	<u>91,278</u>	<u>90,997</u>	<u>281</u>
Operations				
Other operating	<u>95,800</u>	<u>95,800</u>	<u>95,487</u>	<u>313</u>
Total operations	<u>95,800</u>	<u>95,800</u>	<u>95,487</u>	<u>313</u>
Capital Outlay	<u>2,000</u>	<u>2,000</u>	<u>713</u>	<u>1,287</u>
Total Recreation and Culture	<u>\$ 189,078</u>	<u>\$ 189,078</u>	<u>\$ 187,197</u>	<u>\$ 1,881</u>

The accompanying notes are an integral part of this statement.

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

For the Year Ended June 30, 2019	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget- Positive (Negative)
Debt Service				
Principal payments	\$ 23,690	\$ 23,690	\$ 24,157	\$ (467)
Interest payments	<u>9,973</u>	<u>9,973</u>	<u>9,506</u>	<u>467</u>
Total Debt Service	<u>\$ 33,663</u>	<u>\$ 33,663</u>	<u>\$ 33,663</u>	<u>\$ -</u>
Total Expenditures	<u>\$ 1,600,020</u>	<u>\$ 1,641,156</u>	<u>\$ 1,551,367</u>	<u>\$ 89,789</u>
Excess of Revenues over Expenditures	<u>\$ 232,019</u>	<u>\$ 190,883</u>	<u>\$ 409,219</u>	<u>\$ 218,336</u>
Other Financing Sources (Uses)				
Transfers	(232,019)	(384,777)	(384,777)	-
Budgeted use of fund balance	<u>-</u>	<u>41,136</u>	<u>-</u>	<u>(41,136)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (152,758)</u>	<u>\$ 24,442</u>	<u>\$ 177,200</u>

The accompanying notes are an integral part of this statement.

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

For the Year Ended June 30	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	0.002808523%	0.002349602%	0.002796106%	0.002871145%	0.002528922%
Town's proportionate share of the net pension liability	<u>\$ 589,273</u>	<u>\$ 508,071</u>	<u>\$ 659,714</u>	<u>\$ 596,673</u>	<u>\$ 448,801</u>
Covered-employee payroll	\$ 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>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>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	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 59,312	\$ 56,004	\$ 47,822	\$ 54,470	\$ 60,516
Actual contribution	<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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 877,880	\$ 813,293	\$ 772,254	\$ 761,803	\$ 759,020
Contributions as a percentage of covered-employee payroll	6.76%	6.89%	6.19%	7.15%	7.97%

The accompanying notes are an integral part of this statement.

**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, 2019, 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 October 30, 2019

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.

Town of Emmitsburg, Maryland

Independent Auditors' Report

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

Compliance and Other Matters

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

Purpose of this Report

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

DeLeon & Stang

DeLeon & Stang, CPAs and Advisors

Frederick, Maryland

October 30, 2019