



Town of Emmitsburg, Maryland

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

For the Year Ended June 30, 2024

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

As of June 30, 2024

Mayor

Frank Davis

Commissioners

Amy Boehmann – Pollitt

Jim Hoover

Valerie Turnquist

Tim O'Donnell

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, 2024**

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INDEPENDENT AUDITORS' REPORT

Mayor and Board of Commissioners Town of Emmitsburg, Maryland

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Emmitsburg, Maryland, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Town of Emmitsburg, Maryland's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Emmitsburg, Maryland, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension schedules on pages 4 - 9 and 41 - 46 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Town of Emmitsburg, Maryland
Independent Auditors' Report
Page 3

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 31, 2024, on our consideration of the Town of Emmitsburg, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Emmitsburg, Maryland's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Emmitsburg, Maryland's internal control over financial reporting and compliance.

DeLeon & Stang

DeLeon & Stang, CPAs and Advisors
Frederick, Maryland
October 31, 2024

Town of Emmitsburg

300 A South Seton Avenue • Emmitsburg, MD 21727

Office: 301-600-6300 • Fax: 301-600-6313

www.emmitsburgmd.gov

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, 2024. We encourage readers to consider the information presented here in conjunction with all other information furnished in this package.

FINANCIAL HIGHLIGHTS:

1. The Town’s government-wide net position increased \$631,758 in fiscal year 2024 as compared to a decrease of \$109,133 in fiscal year 2023. This net position increase was primarily due to the governmental-type activities of the Town. In particular, the increase in capital grants and contributions from \$294,012 in FY23 to \$523,520 in FY24.
2. The assets of the Town of Emmitsburg exceeded its liabilities as of June 30, 2024 as below noted:

Governmental Activities \$7,874,855 (up \$572,406 from last year)

Business-Type Activities – Enterprise Funds \$26,040,218 (up \$59,352 from last year)

Of the total net position, \$5,223,262 is unrestricted, \$1,043,600 is restricted and \$27,648,211 is net investment in capital assets.
3. Total governmental and business-type assets were \$8,966,164 and \$35,523,000, respectively. Capital assets, net of accumulated depreciation, for governmental and business-type activities were \$5,640,159 and \$27,024,067, respectively.
4. Total deferred outflows of resources for governmental and business-type activities were \$237,787 and \$247,177, respectively.
5. Total governmental and business-type liabilities were \$1,079,019 and \$6,317,152, respectively. Of these amounts, \$5,959,496 are long-term liabilities.
6. Total deferred inflows of resources for governmental and business-type activities were \$250,077 and \$3,412,807, respectively.

Management's Discussion and Analysis

7. As of June 30, 2024, the Town of Emmitsburg's governmental funds reported a combined ending fund balance of \$2,511,022 (up \$124,470 from last year). Of that amount, \$1,539,645 is unassigned or 61.3% of total government fund balance.
8. As of June 30, 2024, the Town of Emmitsburg's revenues were as herein noted: Governmental Funds were \$2,822,246 (down \$19,263 or 0.7% from last year). Enterprise Funds operating revenues were \$2,038,138 (up \$540,316 or 36.1% from last year). The decrease in governmental funds revenue was primarily from lower intergovernmental revenues in the capital projects fund. Due to the license plate reader project being completed in the prior FY23 year the activity for FY24 was lower in comparison. Although at a lower level, continued projects associated with safety, streets, and parks had activity in FY24. Enterprise funds increased from the prior fiscal year. The \$300,000 designation of ARPA funds to be used to cover operating expenses in the water fund was a key factor in the increased operating revenues of the Enterprise Fund from FY23 to FY24. Another factor was the increase in utility charges for both the water and sewer funds, which increased in FY24 to \$1,604,464 (up \$259,208). This was primarily due to the rate increase implemented on July 1, 2023.
9. As of June 30, 2024, the Town of Emmitsburg's expenditures were as herein noted: Governmental Funds were \$2,697,776 (down \$226,412 or 7.7% from last year). Enterprise Funds operating expenses were \$2,321,684 (up \$235,203 or 11.3% from last year). The Governmental Funds decrease is mainly due to decreased expenditures in the Capital Projects Fund associated with general government, public safety, and recreation and culture. The Enterprise Funds increase is tied primarily to spending in both the water and sewer funds for various much needed supplies and repairs.

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.

Management's Discussion and Analysis

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 and parks, and other charges. The major business-type activities of the Town of Emmitsburg include the water and 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.

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 three 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, a Water Enterprise Fund, and a Stormwater Management Enterprise Fund.

Management's Discussion and Analysis

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 19–40 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 41–46 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:

	Governmental Activities		Total Government	
	2023	2024	2023	2024
REVENUES				
Program Revenues				
Charges for services	\$ 341,983	\$ 363,493	\$ 1,792,194	\$ 2,090,997
Operating grants and contributions	303,733	241,199	345,112	549,703
Capital grants and contributions	294,012	523,520	332,571	660,984
General Revenues				
Taxes	1,204,719	1,267,991	1,204,719	1,267,991
Intergovernmental	428,331	434,028	428,331	434,028
Investment income	121,006	218,336	256,582	450,218
Rental income	36,443	35,061	128,421	127,189
Miscellaneous	4,221	12,114	71,337	18,291
TOTAL REVENUES	\$ 2,734,448	\$ 3,095,742	\$ 4,559,267	\$ 5,599,401
PROGRAM EXPENSES				
General government	\$ 1,062,241	\$ 879,885	\$ 1,062,241	\$ 879,885
Public safety	248,559	318,885	248,559	318,885
Public works	763,252	893,478	763,252	893,478
Recreation and culture	380,823	431,088	380,823	431,088
Interest	-	-	-	-
Business-type activities	-	-	2,213,525	2,444,307
TOTAL PROGRAM EXPENSES	2,454,875	2,523,336	4,668,400	4,967,643
TRANSFERS	-	-	-	-
CHANGE IN NET POSITION	\$ 279,573	\$ 572,406	\$ (109,133)	\$ 631,758

Management's Discussion and Analysis

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 \$317,134 or 14.4% above budgeted revenues. Revenues associated with real estate taxes, local income taxes, A&A taxes, zoning fines and interest were above expectations. General Fund expenditures were lower than budget by \$112,522 or 5.3% of budgeted expenses. The legislative, general services, and parks, recreation and culture departments contributed most to the lower than expected expenses.

FY24 Capital Activity

During FY24 the following capital projects were completed: In the Governmental Funds, several infrastructure projects were completed including paving of several roads. Also, all streetlights along main street were replaced. In the Water and Sewer Funds, new equipment purchases were completed including a new backflow preventer for Annandale Road, SCADA upgrade, and smart manhole covers. In FY25, the Town has multiple projects that will continue to progress and are anticipated to be completed. In the capital projects fund, these projects include the replacement of parking meters on Main Street, new parking lot at Rainbow Lake, new bathrooms and a concession stand at Community Park, and Rainbow Lake trail improvements. Also, in the water fund the water clarifier, DePaul Street and N. Seton Avenue waterline replacements continue to be major projects as well as the Dam project, backwash project, and Rainbow Lake Pumphouse Bridge replacement. Finally for the sewer, construction of the Creamery Road pump station continues and the Town plans on purchasing more smart manhole covers and new cameras for sewer line inspection.

Budget Fiscal Year 2025

Approved fiscal year 2025 General Fund revenues budget is \$2,525,468. Budgeted General Fund expenses before transfer to CIP is \$2,439,473. General Fund budgeted transfer to CIP is \$85,995.

The Real Estate Tax Rate in fiscal year 2025 has remained steady from the prior fiscal year, the rate being .3464 per \$100 assessed. Fiscal year 2025 Real Estate Tax Revenue is anticipated to rise based on increasing values reported by Frederick County.

Fiscal year 2025 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 \$750,000 budgeted in FY24 compared to \$908,500 in FY24. For Local Income Taxes the budgeted amount increases from \$315,000 to \$320,000 in the same time period.

Other areas to highlight, State Highway Use Funds budgeted will increase from \$175,761 to \$204,546 while State Aid Police will decrease from \$17,332 to \$5,565. Per county notice, County Tax Equity will be decreasing from \$434,028 to \$426,542. Also, due to higher bank interest rates the budget for Interest has gone from \$50,000 to \$229,415.

The Town will continue to set aside budgetary amounts in the Capital Projects Fund with continued emphasis of curbs, gutter, sidewalk, and road work. Designation to this area will be \$50,622. Amounts are set aside, traditionally, as to cover future continued needs of the Town in this category.

Management's Discussion and Analysis

Again this year, a designated area set aside in the Capital Projects Fund is a commitment to storm-water management in planning, designating \$22,500 due to the Town's efforts relating to the MS-4 permit mandated by the State of Maryland. Other items of emphasis for designation of capital funds are in the areas of streets – vehicles which will be \$10,805 and streets – general at \$11,690 in FY25.

Construction also continues in the Water Fund, with waterline work in the North Seton – Depaul Streets area of town. Also, building of a new water clarifier will continue in FY25. Funds have also been budgeted in the Water Fund for several new projects in FY25. These projects include Rainbow Lake Pumphouse Bridge replacement, Rainbow Lake Dam, and water treatment plant backwash upgrade. Finally, in the Sewer Fund, construction of a new pump station on Creamery Road is continuing.

In an effort to mitigate ever increasing expenses and to address the need for ongoing and future water and sewer infrastructure projects, water and sewer rates once again increased at the start of FY25. Minimum quarterly rates for water will be \$64.74 and \$119.88 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 and sewer infrastructure improvements to be made during the fiscal year including setting aside funds for replacement of water meters.

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, 2024

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
Assets			
Cash and cash equivalents	\$ 1,357,431	\$ 6,430,739	\$ 7,788,170
Restricted cash	-	1,004,500	1,004,500
Investments	1,352,740	-	1,352,740
Property taxes receivable, net	69,552	-	69,552
Due from customers	52,795	420,087	472,882
Due from other governments	412,937	89,286	502,223
Lease receivable	7,470	538,751	546,221
Other receivables	49,134	-	49,134
Benefit assessments	-	500	500
Prepaid expenses	23,946	15,070	39,016
Capital assets:			
Capital assets not being depreciated	947,839	5,085,985	6,033,824
Capital assets being depreciated	10,384,651	39,334,336	49,718,987
Less: Accumulated depreciation	(5,692,331)	(17,396,254)	(23,088,585)
Capital assets, net	<u>5,640,159</u>	<u>27,024,067</u>	<u>32,664,226</u>
Total Assets	<u>8,966,164</u>	<u>35,523,000</u>	<u>44,489,164</u>
Deferred Outflows of Resources	<u>237,787</u>	<u>247,177</u>	<u>484,964</u>
Total Assets and Deferred Outflows of Resources	<u>9,203,951</u>	<u>35,770,177</u>	<u>44,974,128</u>
Liabilities			
Accounts payable	259,263	756,103	1,015,366
Cash overdraft	-	4,616	4,616
Accrued liabilities	87,948	71,004	158,952
Compensated absences	206,519	50,722	257,241
Benefit assessments - current	-	500	500
Long-term liabilities:			
Benefit assessments - noncurrent	-	16,700	16,700
Net pension liability	525,289	401,492	926,781
Debt obligations due within one year	-	180,727	180,727
Debt obligations due in more than one year	<u>-</u>	<u>4,835,288</u>	<u>4,835,288</u>
Total Liabilities	<u>1,079,019</u>	<u>6,317,152</u>	<u>7,396,171</u>
Deferred Inflows of Resources	<u>250,077</u>	<u>3,412,807</u>	<u>3,662,884</u>
Total Liabilities and Deferred Inflows of Resources	<u>1,329,096</u>	<u>9,729,959</u>	<u>11,059,055</u>
Net Position			
Net investment in capital assets	5,640,159	22,008,052	27,648,211
Restricted - specific purposes	39,100	1,004,500	1,043,600
Unrestricted	<u>2,195,596</u>	<u>3,027,666</u>	<u>5,223,262</u>
Total Net Position	<u>\$ 7,874,855</u>	<u>\$ 26,040,218</u>	<u>\$ 33,915,073</u>

The accompanying notes are an integral part of this statement.

TOWN OF EMMITSBURG, MARYLAND
Statement of Activities
For the Year Ended June 30, 2024

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	\$ (879,885)	\$ 95,275	\$ -	\$ 175,590	\$ (609,020)	\$ -	\$ (609,020)
Public safety	(318,885)	-	30,149	-	(288,736)	-	(288,736)
Public works	(893,478)	225,857	211,050	293,496	(163,075)	-	(163,075)
Recreation and culture	(431,088)	42,361	-	54,434	(334,293)	-	(334,293)
Total governmental activities	<u>(2,523,336)</u>	<u>363,493</u>	<u>241,199</u>	<u>523,520</u>	<u>(1,395,124)</u>	<u>-</u>	<u>(1,395,124)</u>
Business-type activities							
Water services	(803,999)	706,740	300,000	137,464	-	340,205	340,205
Sewer services	(1,635,692)	1,020,764	8,504	-	-	(606,424)	(606,424)
Storm water	(4,616)	-	-	-	-	(4,616)	(4,616)
Total business-type activities	<u>(2,444,307)</u>	<u>1,727,504</u>	<u>308,504</u>	<u>137,464</u>	<u>-</u>	<u>(270,835)</u>	<u>(270,835)</u>
 Total Primary Government	 <u><u>\$ (4,967,643)</u></u>	 <u><u>\$ 2,090,997</u></u>	 <u><u>\$ 549,703</u></u>	 <u><u>\$ 660,984</u></u>	 (1,395,124)	 (270,835)	 (1,665,959)
General Revenues							
Taxes							
Property taxes, levied for general purposes					878,509	-	878,509
Income taxes					357,201	-	357,201
Other local taxes					32,281	-	32,281
County tax equity					434,028	-	434,028
Investment income					218,336	231,882	450,218
Rental income					35,061	92,128	127,189
Miscellaneous income					12,114	6,177	18,291
Total General Revenues					<u>1,967,530</u>	<u>330,187</u>	<u>2,297,717</u>
Change in Net Position					572,406	59,352	631,758
Net Position - beginning of year					<u>7,302,449</u>	<u>25,980,866</u>	<u>33,283,315</u>
Net Position - end of year					<u><u>\$ 7,874,855</u></u>	<u><u>\$ 26,040,218</u></u>	<u><u>\$ 33,915,073</u></u>

The accompanying notes are an integral part of this statement.

TOWN OF EMMITSBURG, MARYLAND
Balance Sheet
Governmental Funds
June 30, 2024

	<u>Governmental Fund Types</u>		Total
	<u>General</u>	<u>Capital Projects</u>	<u>Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 421,726	\$ 935,705	\$ 1,357,431
Investments	1,352,740	-	1,352,740
Receivables:			
Taxes, net	69,552	-	69,552
Customers	52,795	-	52,795
Other governments	94,599	273,496	368,095
Lease receivable	7,470	-	7,470
Other	49,134	-	49,134
Prepaid items	23,946	-	23,946
Total Assets	<u>\$ 2,071,962</u>	<u>\$ 1,209,201</u>	<u>\$ 3,281,163</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	\$ 206,497	\$ 52,766	\$ 259,263
Accrued liabilities	87,948	-	87,948
Total Liabilities	<u>294,445</u>	<u>52,766</u>	<u>347,211</u>
Deferred Inflows of Resources	<u>120,900</u>	<u>302,030</u>	<u>422,930</u>
Fund Balances			
Nonspendable	23,946	-	23,946
Restricted	-	39,100	39,100
Committed	93,026	-	93,026
Assigned	-	815,305	815,305
Unassigned	1,539,645	-	1,539,645
Total Fund Balances	<u>1,656,617</u>	<u>854,405</u>	<u>2,511,022</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,071,962</u>	<u>\$ 1,209,201</u>	<u>\$ 3,281,163</u>

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, 2024

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues			
Local property taxes	\$ 878,509	\$ -	\$ 878,509
Local income taxes	357,201	-	357,201
Other local taxes	32,281	-	32,281
Licenses and permits	39,916	-	39,916
Intergovernmental revenues	619,563	283,548	903,111
Service charges	319,535	-	319,535
Fines and forfeitures	4,042	-	4,042
Miscellaneous	<u>263,421</u>	<u>24,230</u>	<u>287,651</u>
Total Revenues	<u>2,514,468</u>	<u>307,778</u>	<u>2,822,246</u>
Expenditures			
General government	754,259	110,787	865,046
Public safety	343,266	25,181	368,447
Public works	646,493	443,664	1,090,157
Recreation and culture	<u>275,839</u>	<u>98,287</u>	<u>374,126</u>
Total Expenditures	<u>2,019,857</u>	<u>677,919</u>	<u>2,697,776</u>
Excess (Deficiency) of Revenues over Expenditures	494,611	(370,141)	124,470
Other Financing Sources (Uses)			
Transfers in (out)	<u>(515,516)</u>	<u>515,516</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(515,516)</u>	<u>515,516</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(20,905)	145,375	124,470
Fund Balance July 1, 2023	<u>1,677,522</u>	<u>709,030</u>	
Fund Balance June 30, 2024	<u><u>\$ 1,656,617</u></u>	<u><u>\$ 854,405</u></u>	
Adjustments for the Statement of Activities			
Capital outlay			526,598
Depreciation expense			(329,275)
Deferred inflows of resources - unavailable grant revenues			273,496
Compensated absences			19,393
Net pension adjustment			<u>(42,276)</u>
Change in Net Position of Governmental Activities			<u><u>\$ 572,406</u></u>

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, 2024

Fund balances - governmental funds	\$ 2,511,022
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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	5,640,159
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Deferred outflows of resources - pension	237,787
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Long-term receivable	44,842
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Deferred inflows of resources - pension	172,853
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Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds

Compensated absences	(206,519)
Net pension liability	<u>(525,289)</u>

Net position - governmental activities	<u>\$ 7,874,855</u>
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The accompanying notes are an integral part of this statement.

TOWN OF EMMITSBURG, MARYLAND
Statement of Net Position
Proprietary Funds
June 30, 2024

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Non-Major Fund- Storm Water Mgmt	Total
Assets				
Current Assets				
Cash and cash equivalents	\$ 2,835,246	\$ 3,595,493	\$ -	\$ 6,430,739
Restricted cash	259,000	745,500	-	1,004,500
Due from customers	149,701	270,386	-	420,087
Due from other governments	80,782	8,504	-	89,286
Lease receivable - current	-	77,703	-	77,703
Prepaid expenses	12,817	2,100	153	15,070
Benefit assessments - current	500	-	-	500
Total Current Assets	<u>3,338,046</u>	<u>4,699,686</u>	<u>153</u>	<u>8,037,885</u>
Capital Assets				
Capital assets not being depreciated	3,079,274	2,006,711	-	5,085,985
Capital assets being depreciated	7,347,075	31,987,261	-	39,334,336
Accumulated depreciation	<u>(3,944,093)</u>	<u>(13,452,161)</u>	<u>-</u>	<u>(17,396,254)</u>
Capital Assets, Net	<u>6,482,256</u>	<u>20,541,811</u>	<u>-</u>	<u>27,024,067</u>
Lease receivable - noncurrent	-	461,048	-	461,048
Total Assets	<u>9,820,302</u>	<u>25,702,545</u>	<u>153</u>	<u>35,523,000</u>
Deferred Outflows of Resources	<u>100,128</u>	<u>147,049</u>	<u>-</u>	<u>247,177</u>
Total Assets and Deferred Outflows of Resources	<u>9,920,430</u>	<u>25,849,594</u>	<u>153</u>	<u>35,770,177</u>
Liabilities				
Current Liabilities				
Accounts payable	67,639	688,311	153	756,103
Cash overdraft	-	-	4,616	4,616
Accrued liabilities	5,022	65,982	-	71,004
Compensated absences	7,368	43,354	-	50,722
Benefit assessments - current	500	-	-	500
Debt obligations due within one year	<u>71,058</u>	<u>109,669</u>	<u>-</u>	<u>180,727</u>
Total Current Liabilities	<u>151,587</u>	<u>907,316</u>	<u>4,769</u>	<u>1,063,672</u>
Noncurrent Liabilities				
Benefit assessments - noncurrent	16,700	-	-	16,700
Net pension liability	156,311	245,181	-	401,492
Debt obligations due in more than one year	<u>133,686</u>	<u>4,701,602</u>	<u>-</u>	<u>4,835,288</u>
Total Noncurrent Liabilities	<u>306,697</u>	<u>4,946,783</u>	<u>-</u>	<u>5,253,480</u>
Total Liabilities	<u>458,284</u>	<u>5,854,099</u>	<u>4,769</u>	<u>6,317,152</u>
Deferred Inflows of Resources	<u>2,865,114</u>	<u>547,693</u>	<u>-</u>	<u>3,412,807</u>
Total Liabilities and Deferred Inflows of Resources	<u>3,323,398</u>	<u>6,401,792</u>	<u>4,769</u>	<u>9,729,959</u>
Net Position				
Net investment in capital assets	6,277,512	15,730,540	-	22,008,052
Restricted - expendable maintenance & improvements	259,000	745,500	-	1,004,500
Unrestricted	<u>60,520</u>	<u>2,971,762</u>	<u>(4,616)</u>	<u>3,027,666</u>
Total Net Position	<u>\$ 6,597,032</u>	<u>\$ 19,447,802</u>	<u>(4,616)</u>	<u>\$ 26,040,218</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, 2024

	Business-type Activities - Enterprise Funds			
			Non-Major Fund- Storm Water Mgmt	
	Water	Sewer		Total
Operating Revenues				
Charges for services	\$ 706,740	\$ 1,020,764	\$ -	\$ 1,727,504
Grant income - operating	300,000	8,504	-	308,504
Miscellaneous income	2,130	-	-	2,130
Total Operating Revenues	1,008,870	1,029,268	-	2,038,138
Operating Expenses				
Personnel services	274,526	420,433	4,001	698,960
Operating	353,637	407,200	615	761,452
Depreciation	164,397	696,875	-	861,272
Total Operating Expenses	792,560	1,524,508	4,616	2,321,684
Operating Income (Loss)	216,310	(495,240)	(4,616)	(283,546)
Non-operating Revenues (Expenses)				
Investment income	108,889	122,993	-	231,882
Rental income	7,400	84,728	-	92,128
Grant income - capital	137,464	-	-	137,464
Other income	73	3,974	-	4,047
Interest expense	(11,439)	(111,184)	-	(122,623)
Total Non-operating Revenues (Expenses)	242,387	100,511	-	342,898
Change in Net Position	458,697	(394,729)	(4,616)	59,352
Total Net Position, beginning of year	6,138,335	19,842,531	-	25,980,866
Total Net Position, end of year	\$ 6,597,032	\$ 19,447,802	\$ (4,616)	\$ 26,040,218

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, 2024

	Business-type Activities - Enterprise Funds			
			Non-Major Fund- Storm Water	
	Water	Sewer	Mgmt	Total
Cash flows from operating activities				
Cash receipts from customers	\$ 663,442	\$ 1,002,711	\$ -	\$ 1,666,153
Cash payments to suppliers of goods and services	(324,872)	(384,320)	(615)	(709,807)
Cash payments to employees for services	(258,152)	(402,058)	(4,001)	(664,211)
Net cash provided by (used in) operating activities	80,418	216,333	(4,616)	292,135
Cash flows from non-operating activities				
Cash received from leasing arrangements	7,400	87,416	-	94,816
Cash received from other governments - capital	10,772	-	-	10,772
Cash received from other sources	73	3,974	-	4,047
Net cash provided by non-operating activities	18,245	91,390	-	109,635
Cash flows from capital and related financing activities				
Purchase and construction of capital assets	(167,543)	(1,041,271)	-	(1,208,814)
Principal paid on bond and loans payable	(90,957)	(107,177)	-	(198,134)
Principal receipt on loans	-	50,001	-	50,001
Interest paid on capital debt	(13,389)	(111,486)	-	(124,875)
Net cash used in capital and related financing activities	(271,889)	(1,209,933)	-	(1,481,822)
Cash flows from noncapital financing activities				
Expenditures in excess of deposits	-	-	4,616	4,616
Net cash flows from noncapital financing activities	-	-	4,616	4,616
Cash flows from investing activities				
Investment income	108,889	108,890	-	217,779
Net cash provided by investing activities	108,889	108,890	-	217,779
Net decrease in cash, cash equivalents and restricted cash	(64,337)	(793,320)	-	(857,657)
Cash, cash equivalents and restricted cash - beginning of year	3,158,583	5,134,313	-	8,292,896
Cash, cash equivalents and restricted cash - end of year	<u>\$ 3,094,246</u>	<u>\$ 4,340,993</u>	<u>\$ -</u>	<u>\$ 7,435,239</u>
Reconciliation to Statement of Net Position:				
Cash and cash equivalents	\$ 2,835,246	\$ 3,595,493	\$ -	\$ 6,430,739
Restricted cash	259,000	745,500	-	1,004,500
	<u>\$ 3,094,246</u>	<u>\$ 4,340,993</u>	<u>\$ -</u>	<u>\$ 7,435,239</u>
Supplemental Non-Cash Items				
Purchase of capital assets included in payables	<u>\$ 25,079</u>	<u>\$ 643,764</u>	<u>\$ -</u>	<u>\$ 668,843</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, 2024

Business-type Activities - Enterprise Funds				
			Non-Major Fund- Storm Water Mgmt	
	Water	Sewer		Total
Reconciliation of operating income (loss) to				
Net cash provided by (used in) operating activities				
Operating Income (Loss)	\$ 216,310	\$ (495,240)	\$ (4,616)	\$ (283,546)
Depreciation	164,397	696,875	-	861,272
Net changes in assets and liabilities:				
Due from customers	(37,771)	(18,422)	-	(56,193)
Due from other governments	-	(8,504)	-	(8,504)
Prepaid expenses	(1,780)	459	(153)	(1,474)
Deferred outflows of resources	11,919	(2,204)	-	9,715
Accounts payable	30,545	22,420	153	53,118
Accrued liabilities	(7,657)	370	-	(7,287)
Compensated absences	31	4,292	-	4,323
Net pension liability	12,851	47,317	-	60,168
Deferred inflows of resources	(308,427)	(31,030)	-	(339,457)
Net cash provided by (used in) operating activities	<u>\$ 80,418</u>	<u>\$ 216,333</u>	<u>\$ (4,616)</u>	<u>\$ 292,135</u>

The accompanying notes are an integral part of this statement.

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements
June 30, 2024

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, 2024

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, 2024:

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, 2024

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. The Stormwater Management Fund accounts for activities related to stormwater management, storm drainage and water quality programs.

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, 2024

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, 2024

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 an estimated allocation.

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, 2024, the Town has an allowance for doubtful personal property taxes of \$25,947 reported in the general fund.

Lease Receivable

The Town has recorded leases receivables as a result of implementing GASB-87 and the Town being the lessor to various rental agreements. The leases receivable are measured at an amount equal to the initial measurement value of the related deferred inflow, which is calculated as the present value of the remaining future lease payments during the lease term. The discount rate utilized by the Town is either the implicit interest rate disclosed in the lease, or the estimated incremental borrowing rate. The related deferred inflow balances are amortized on a straight-line basis over the life of the related lease. The annual reduction of the lease receivable is the difference between the cash received and interest revenue.

The Town does not report lease receivables and deferred inflows for short-term leases, with a maximum non-cancelable term of 12 months or less.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2024, 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.

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2024

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2024

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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).

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2024

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

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, 2024, \$93,026 is committed for the purpose of paying employee benefits when such employees retire or otherwise leave the Town.

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.

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2024

NOTE 2- DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Custodial credit risk for investments exists when, in the event of the failure of the counterparty to a transaction, a government may be unable to recover the value of investment or collateral securities that are in the possession of an outside party. As of year-end, the Town's carrying amount of deposits was \$8,792,020, the bank balance was \$6,838,917 and cash on hand was \$650.

The Town maintains deposits at one financial institution. At June 30, 2024, the Town was fully covered by the Federal Deposit Insurance Corporation and pledged collateral.

Included in cash and cash equivalents, the Town had \$1,953,103 invested in the Maryland Local Government Investment Pool (MLGIP) as of June 30, 2024.

The Town's cash and investments as of June 30, 2024, 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	\$ 1,357,431	\$ 6,430,739	\$ 7,788,170
Restricted	-	1,004,500	1,004,500
	<u>\$ 1,357,431</u>	<u>\$ 7,435,239</u>	<u>\$ 8,792,670</u>
	Governmental Activities	Business-type Activities	Total
Cash on hand	\$ 650	\$ -	\$ 650
Deposits in bank	888,034	5,950,883	6,838,917
Investment pools (MLGIP)	468,747	1,484,356	1,953,103
	<u>\$ 1,357,431</u>	<u>\$ 7,435,239</u>	<u>\$ 8,792,670</u>

As of June 30, 2024, the Town had the following investments:

<u>Investment Type (All funds)</u>	<u>Fair Value</u>	<u>Investment Maturities</u>		<u>% of Portfolio</u>
		<u>< 1 Year</u>	<u>1-5 Years</u>	
Certificates of deposit (3)	\$ 1,352,740	\$ 1,352,740	\$ -	100.00%

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2024

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, 2024 were 5.36% for the MLGIP account and 4.25% - 4.50% 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, 2024

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, 2024 was \$241,102,161 and the property tax rate was \$0.3464 per \$100 of assessed value.

NOTE 4- LEASES RECEIVABLE & LESSOR AGREEMENTS

The Town executed a lease agreement with Christ Community Church for the rental of a Town building. The terms of this agreement include monthly payments of \$2,200 from April 2021 through September 2023, increasing to \$2,500 per month from October 2023 through September 2024. The agreement does not provide any renewal options. This lease agreement is recognized in the General Fund of the Town.

The Town used the payment schedule in the above executed agreement to measure the lease receivable as of July 1, 2021. In addition, the lease receivable was discounted to a net present value at July 1, 2021 using a 2.375% interest rate, the rate of the 2014 Series A General Obligation Bonds.

For the year ended June 30, 2024, the General Fund recognized \$29,442 in lease revenue and \$558 in interest revenue related to lease payments received from this lease. As of year-end, \$7,470 is reported as lease receivable of the General Fund. Future payments due to the Town under the agreement is as follows for the years ending June 30:

	<u>Principal</u>	<u>Interest</u>
2025	\$ 7,470	\$ 30
Total	<u>\$ 7,470</u>	<u>\$ 30</u>

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

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2024

NOTE 4- LEASES RECEIVABLE & LESSOR AGREEMENTS (Continued)

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

For the year ended June 30, 2024, the Sewer Fund recognized \$84,728 in lease revenue and \$14,104 in interest revenue related to lease payments received from this lease. As of year-end, \$538,751 is reported as lease receivable of the Sewer Fund. Future payments due to the Town under the agreement is as follows for the years ending June 30:

	<u>Principal</u>	<u>Interest</u>
2025	\$ 77,703	\$ 12,337
2026	82,278	10,464
2027	87,042	8,482
2028	92,005	6,385
2029	97,172	4,170
2030	<u>102,551</u>	<u>1,830</u>
Total	<u>\$ 538,751</u>	<u>\$ 43,668</u>

NOTE 5- CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024 was as follows:

<u>Governmental Activities</u>	<u>Balance July 1, 2023</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Dispositions</u>	<u>Balance June 30, 2024</u>
Capital assets, not being depreciated				
Land	\$ 821,200	\$ -	\$ -	\$ 821,200
Historical Collections	36,750	-	-	36,750
Construction in progress	<u>233,952</u>	<u>526,598</u>	<u>(670,661)</u>	<u>89,889</u>
Total capital assets not being depreciated	<u>1,091,902</u>	<u>526,598</u>	<u>(670,661)</u>	<u>947,839</u>
Capital assets, being depreciated				
Buildings	959,954	-	10,715	970,669
Improvements	1,437,403	-	6,820	1,444,223
Infrastructure	5,941,113	-	627,176	6,568,289
Machinery and equipment	<u>1,375,520</u>	<u>-</u>	<u>25,950</u>	<u>1,401,470</u>
Total capital assets being depreciated	<u>9,713,990</u>	<u>-</u>	<u>670,661</u>	<u>10,384,651</u>
Less: accumulated depreciation	<u>(5,363,056)</u>	<u>(329,275)</u>	<u>-</u>	<u>(5,692,331)</u>
Total capital assets being depreciated, net	<u>4,350,934</u>	<u>(329,275)</u>	<u>670,661</u>	<u>4,692,320</u>
Governmental Activities capital assets, net	<u>\$ 5,442,836</u>	<u>\$ 197,323</u>	<u>\$ -</u>	<u>\$ 5,640,159</u>

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2024

NOTE 5- CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities

General Government	\$ 42,602
Public works - streets	187,459
Parks and recreation	99,214
	<u>\$ 329,275</u>

Capital asset activity for the year ended June 30, 2024 was as follows:

Business-type Activities	Balance July 1, 2023	Transfers/ Additions	Transfers/ Dispositions	Balance June 30, 2024
Capital assets, not being depreciated				
Land and land improvements	\$ 2,769,462	\$ -	\$ -	\$ 2,769,462
Construction in progress	790,441	1,526,082	-	2,316,523
Total capital assets not being depreciated	<u>3,559,903</u>	<u>1,526,082</u>	<u>-</u>	<u>5,085,985</u>
Capital assets, being depreciated				
Buildings and improvements	9,734,271	-	-	9,734,271
Infrastructure	28,754,697	44,709	-	28,799,406
Machinery and equipment	678,674	121,985	-	800,659
Total capital assets being depreciated	<u>39,167,642</u>	<u>166,694</u>	<u>-</u>	<u>39,334,336</u>
Less: accumulated depreciation	<u>(16,534,982)</u>	<u>(861,272)</u>	<u>-</u>	<u>(17,396,254)</u>
Total capital assets being depreciated, net	<u>22,632,660</u>	<u>(694,578)</u>	<u>-</u>	<u>21,938,082</u>
Business-type Activities capital assets, net	<u>\$ 26,192,563</u>	<u>\$ 831,504</u>	<u>\$ -</u>	<u>\$ 27,024,067</u>

Depreciation expense was charged to functions/programs as follows:

Business-type Activities

Water	\$ 164,397
Sewer	696,875
	<u>\$ 861,272</u>

NOTE 6- UNEARNED REVENUE

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

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2024

NOTE 7- DEBT OBLIGATIONS

Debt outstanding at June 30, 2024 is as follows:

Purpose	Rate	Amount
2006 Series Drinking Water Bonds; Maryland Water Quality Financing Administration; Due 2026; Annual principal and interest of approximately \$26,579.	1.10%	\$ 49,789
2009 Series General Obligation Bond; Fulton Bank; Due 2029; Semi-annual interest payments with principal amounts due annually.	3.78%	154,955
2014 Series General Obligation Bond; United States Dept. of Agriculture Financing for WWTP; Due 2055; Quarterly principal and interest of \$52,565.	2.38%	4,541,557
2016 Series General Obligation Bond; United States Dept. of Agriculture; Due 2057; Quarterly principal and interest of \$2,101.	1.38%	219,713
Co Bank RD/RUS Interim Loan; Due 2026; Principal and accrued interest repayable fully at the end of the term.	Daily SOFR	50,001
Total Debt Obligations		<u>\$ 5,016,015</u>

Changes in Non-Current Liabilities

During the year ended June 30, 2024, the following changes in long-term obligations occurred:

	July 1, 2023	Additions	Reductions	June 30, 2024	Due within one year
2004 MWQFA	\$ 21,868	\$ -	\$ (21,868)	\$ -	\$ -
2006 MWQFA	74,278	-	(24,489)	49,789	24,758
2009 GO Bond	199,555	-	(44,600)	154,955	46,300
2014 GO Bond	4,643,400	-	(101,843)	4,541,557	104,261
2016 GO Bond	225,047	-	(5,334)	219,713	5,408
Co Bank RD/RUS Interim Loan	-	50,001	-	50,001	-
Total	<u>\$ 5,164,148</u>	<u>\$ 50,001</u>	<u>\$ (198,134)</u>	<u>\$ 5,016,015</u>	<u>\$ 180,727</u>

At June 30, 2024, the debt obligations are recorded as follows:

Business-type activities:	
Water Fund	\$ 204,744
Sewer Fund	<u>4,811,271</u>
Total long-term debt obligations	<u>\$ 5,016,015</u>

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2024

NOTE 7- DEBT OBLIGATIONS (Continued)

Interest expense

For the year ended June 30, 2024 total interest costs were \$122,623 and reported as within business-type activities. Cash paid for interest for business-type activities was \$124,875.

Debt service requirements are as follows:

	<u>Principal</u>	<u>Interest & Fees</u>	<u>Total</u>
2025	\$ 180,727	\$ 121,054	\$ 301,781
2026	235,251	116,511	351,762
2027	164,530	110,574	275,104
2028	128,457	101,144	229,601
2029	120,236	98,410	218,646
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	74,856	718	75,574
	<u>\$ 5,016,015</u>	<u>\$ 1,902,593</u>	<u>\$ 6,918,608</u>

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, 2024, the conduit debt obligations outstanding was \$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, 2024

NOTE 8- EMPLOYEE BENEFITS

Cost-sharing Multiple Employer Pension Plan:

Plan Description

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

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

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

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

Funding policy

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

2014	\$14,087
2015	14,521
2016	14,544
2017	14,388
2018	15,335
2019	15,738
2020	16,333
2021	17,558
2022	19,610
2023	19,644
2024	21,454

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2024

NOTE 8- EMPLOYEE BENEFITS (Continued)

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

2014	\$59,732
2015	60,516
2016	54,470
2017	47,822
2018	56,004
2019	59,312
2020	65,278
2021	74,957
2022	89,539
2023	98,147
2024	103,474

Total pension expense for the year ended June 30, 2024 was \$180,018; \$104,057 for governmental activities and \$75,961 for business-type activities.

Key actuarial methods and assumptions:

Actuarial Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Actuarial Valuation Date	June 30, 2023
Inflation	In the 2023 actuarial valuation, 2.25% general, 2.75% wage In the 2022 actuarial valuation, 2.25% general, 2.75% wage
Salary Increases	In the 2023 actuarial valuation, 2.75% to 11.25% In the 2022 actuarial valuation, 2.75% to 11.25%
Investment Rate of Return	In the 2023 actuarial valuation, 6.80% In the 2022 actuarial valuation, 6.80%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2019 valuation pursuant to the 2018 experience study for the period July 1, 2014 to June 30, 2018.
Mortality	Various versions of the Pub-2010 Mortality Tables for males and females with projected generational mortality improvements based on the MP-2018 fully generational mortality Improvements scale for males and females.

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2024

NOTE 8- EMPLOYEE BENEFITS (Continued)

Investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board after considering input from the System's investment consultant(s) and actuary(s). For each major asset class that is included in the System's target asset allocation as of June 30, 2023, these best estimates are summarized in the following table:

Asset Class	<u>2023</u>	
	Target Allocation	Long-Term Expected Real Rate of Return
Public equity	34%	6.9%
Private equity	16%	8.6%
Rate sensitive	20%	2.6%
Credit opportunity	9%	5.6%
Real assets	15%	5.4%
Absolute return	6%	4.4%
	<u>100%</u>	

The above was the Board of Trustees' adopted asset allocation policy and best estimate of geometric real rates of return for each major asset class as of June 30, 2023. For the years ended June 30, 2023, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was (3.11)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate

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

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2024

NOTE 8- EMPLOYEE BENEFITS (Continued)

Sensitivity of the net pension liability

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

System	1% Decrease to 5.80%	Current Discount	1% Increase to 7.80%
Employees Pension	\$ 1,374,230	\$ 926,781	\$ 555,477

Deferred compensation plan

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

NOTE 9- GRANTS FROM GOVERNMENTAL UNITS

Federal and state governmental units represent an important source of supplementary funding used to finance construction, maintenance, employment programs, and other activities beneficial to the community. The grants received by the Town specify the purpose for which the grant funds are to be used, and such grants are subject to audit by the granting agency or its representative if Federal expenditures for the fiscal year exceed \$750,000. The Town's federal grant expenditures were less than \$750,000; therefore, the Town is not subject to the Single Audit Act for fiscal year 2024.

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2024

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

As of June 30, 2024, 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	\$ 45,080	\$ 7,395
Difference between actual and expected experience	26,586	38,016
Net difference between projected and actual earnings on pension plan investments	212,722	113,098
Change in proportionate share	97,102	39,494
Town's contributions subsequent to the measurement date	103,474	-
	<u>\$ 484,964</u>	<u>\$ 198,003</u>
Other deferred inflows:		
Unearned grant revenue - ARPA		2,773,756
Unearned lease revenue		515,250
Unavailable revenues		175,875
		<u>\$ 3,662,884</u>

Deferred outflows of resources of \$103,474 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, 2025.

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:

2025	\$ 44,315
2026	34,226
2027	73,772
2028	27,192
2029	3,984
	<u>\$ 183,489</u>

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2024

NOTE 11- RESTRICTED NET POSITION

The Town has instituted through a local ordinance a surcharge on water and sewer connections for the purpose of funding necessary repairs and maintenance and improvements to the Town's Water and Sewer system. As of June 30, 2024, the total amount restricted is as follows:

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

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

Impact fees - not committed	\$ 19,700
Committed for emergency warning system	<u>19,400</u>
	<u>\$ 39,100</u>

NOTE 12- RISKS, COMMITMENTS AND CONTINGENCIES

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Town's general liability risks are financed through the Town's participation in the Maryland Local Government Insurance Trust (MLGIT). The Town pays an annual premium to MLGIT for its general insurance coverage. The Town has coverage of \$1,000,000 for each occurrence. The annual aggregate limit is \$2,000,000 and is the most the Trust will pay under the Town's agreement. The Town continues to carry commercial insurance for employee health and accident insurance and workers compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage, and no significant reductions in insurance coverage have occurred, in any of the past three fiscal years. The Town also carries a current crime policy with Allmerica Financial Benefit Insurance Co. which covers against employee theft, forgery, computer and fraud transactions up to \$250,000.

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2024

NOTE 12- RISKS, COMMITMENTS AND CONTINGENCIES

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

NOTE 13- SUBSEQUENT EVENTS

Subsequent events are defined as events or transactions that occur after the Statement of Net Position date through the date that the financial statements are available to be issued. As of October 31, 2024, the date the financial statements were available to be issued, the Town performed an evaluation and revealed no material events or transactions which would require an adjustment or disclosure in the accompanying financial statements.

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

For the Year Ended June 30, 2024	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget- Positive (Negative)
Local property taxes				
Real property	\$ 750,750	\$ 750,750	\$ 833,778	\$ 83,028
Personal property	45,000	45,000	45,265	265
Penalties and interest	6,500	6,500	9,475	2,975
Less discounts	(9,000)	(9,000)	(10,009)	(1,009)
Net local property taxes	<u>793,250</u>	<u>793,250</u>	<u>878,509</u>	<u>85,259</u>
Local income taxes	<u>315,000</u>	<u>315,000</u>	<u>357,201</u>	<u>42,201</u>
Other local taxes				
Admissions and amusement taxes	800	800	3,168	2,368
Public utility taxes	<u>27,000</u>	<u>27,000</u>	<u>29,113</u>	<u>2,113</u>
Total other local taxes	<u>27,800</u>	<u>27,800</u>	<u>32,281</u>	<u>4,481</u>
Licenses and permits				
Trader's licenses	4,500	4,500	4,357	(143)
Cable franchise fees	<u>36,000</u>	<u>36,000</u>	<u>35,559</u>	<u>(441)</u>
Total licenses and permits	<u>40,500</u>	<u>40,500</u>	<u>39,916</u>	<u>(584)</u>
Intergovernmental revenues				
State Aid for Police Protection	17,332	17,332	8,899	(8,433)
County - tax equity	434,028	434,028	434,028	-
Highway user revenues	<u>175,761</u>	<u>175,761</u>	<u>176,636</u>	<u>875</u>
Total intergovernmental revenues	<u>627,121</u>	<u>627,121</u>	<u>619,563</u>	<u>(7,558)</u>
Service charges				
Garbage and tipping fees	203,000	203,000	206,166	3,166
Zoning permits	25,375	25,375	55,359	29,984
Parking meter receipts	15,000	15,000	15,649	649
Swimming pool	<u>27,100</u>	<u>27,100</u>	<u>42,361</u>	<u>15,261</u>
Total service charges	<u>270,475</u>	<u>270,475</u>	<u>319,535</u>	<u>49,060</u>
Fines and forfeitures				
Parking fines	<u>\$ 12,000</u>	<u>\$ 12,000</u>	<u>\$ 4,042</u>	<u>\$ (7,958)</u>

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

For the Year Ended June 30, 2024	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget- Positive (Negative)
Miscellaneous revenues				
Interest income	50,000	65,838	218,336	152,498
Rental income	42,300	42,300	35,061	(7,239)
Other	3,050	3,050	10,024	6,974
Total miscellaneous revenues	95,350	111,188	263,421	152,233
Total Revenues	<u>\$ 2,181,496</u>	<u>\$ 2,197,334</u>	<u>\$ 2,514,468</u>	<u>\$ 317,134</u>
General Government				
Legislative				
Salaries	\$ 64,598	\$ 64,598	\$ 62,968	\$ 1,630
Fringe benefits	6,921	25,802	22,624	3,178
Total salaries and fringe benefits	71,519	90,400	85,592	4,808
Operations				
Other operating	69,265	69,265	67,773	1,492
Total operations	69,265	69,265	67,773	1,492
Capital Outlay	1,000	1,000	1,025	(25)
Total Legislative	141,784	160,665	154,390	6,275
Legal	95,250	95,250	52,941	42,309
Planning and Zoning				
Salaries	122,142	122,142	108,510	13,632
Fringe benefits	33,251	33,251	32,634	617
Total salaries and fringe benefits	155,393	155,393	141,144	14,249
Operations				
Other operating	66,060	66,060	19,701	46,359
Total operations	66,060	66,060	19,701	46,359
Capital outlay	680	680	-	680
Total Planning and Zoning	222,133	222,133	160,845	61,288

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

For the Year Ended June 30, 2024	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget- Positive (Negative)
Financial Administration				
Salaries	\$ 98,969	\$ 112,705	\$ 126,947	\$ (14,242)
Fringe benefits	74,669	82,165	75,081	7,084
Total salaries and fringe benefits	<u>173,638</u>	<u>194,870</u>	<u>202,028</u>	<u>(7,158)</u>
Operations				
Other operating	38,550	38,550	34,059	4,491
Accounting and auditing	16,500	16,500	27,438	(10,938)
Total operations	<u>55,050</u>	<u>55,050</u>	<u>61,497</u>	<u>(6,448)</u>
Total Financial Administration	<u>228,688</u>	<u>249,920</u>	<u>263,525</u>	<u>(13,606)</u>
General Services				
Salaries	57,337	57,337	61,060	(3,723)
Fringe benefits	22,200	22,200	21,623	577
Total salaries and fringe benefits	<u>79,537</u>	<u>79,537</u>	<u>82,683</u>	<u>(3,146)</u>
Operations				
Other operating costs	64,500	64,500	39,875	24,625
Total operations	<u>64,500</u>	<u>64,500</u>	<u>39,875</u>	<u>24,625</u>
Capital outlay	3,765	3,765	-	3,765
Total General Services	<u>147,802</u>	<u>147,802</u>	<u>122,558</u>	<u>25,244</u>
Total General Government	<u>\$ 835,657</u>	<u>\$ 875,770</u>	<u>\$ 754,259</u>	<u>\$ 121,511</u>
Public Safety				
Police, ambulance and fire services				
Police protection	\$ 286,060	\$ 286,060	\$ 325,925	\$ (39,865)
Other public safety expenses	18,920	18,920	11,341	7,579
Fire and rescue donations	6,000	6,000	6,000	-
Total operations	<u>310,980</u>	<u>310,980</u>	<u>343,266</u>	<u>(32,286)</u>
Capital outlay	250	250	-	250
Total Public Safety	<u>\$ 311,230</u>	<u>\$ 311,230</u>	<u>\$ 343,266</u>	<u>\$ (32,036)</u>

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

For the Year Ended June 30, 2024	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget- Positive (Negative)
Public Works				
Highways and Streets				
Salaries	\$ 218,741	\$ 218,741	\$ 268,757	\$ (50,016)
Fringe benefits	92,465	92,465	92,843	(378)
Total salaries and fringe benefits	<u>311,206</u>	<u>311,206</u>	<u>361,600</u>	<u>(50,394)</u>
Operations				
Other operating	<u>179,270</u>	<u>179,270</u>	<u>126,485</u>	<u>52,785</u>
Total operations	<u>179,270</u>	<u>179,270</u>	<u>126,485</u>	<u>52,785</u>
Capital outlay	<u>500</u>	<u>500</u>	<u>1,025</u>	<u>(525)</u>
Total Highways and Streets	<u>490,976</u>	<u>490,976</u>	<u>489,110</u>	<u>1,867</u>
Refuse				
Salaries	<u>4,500</u>	<u>4,500</u>	<u>4,049</u>	<u>451</u>
Total salaries	<u>4,500</u>	<u>4,500</u>	<u>4,049</u>	<u>451</u>
Operations				
Other operating	<u>152,715</u>	<u>152,715</u>	<u>153,334</u>	<u>(619)</u>
Total operations	<u>152,715</u>	<u>152,715</u>	<u>153,334</u>	<u>(619)</u>
Total Refuse	<u>157,215</u>	<u>157,215</u>	<u>157,383</u>	<u>(168)</u>
Total Public Works	<u>\$ 648,191</u>	<u>\$ 648,191</u>	<u>\$ 646,493</u>	<u>\$ 1,698</u>
Recreation and Culture				
Park and swimming pool				
Salaries	\$ 99,130	\$ 99,130	\$ 100,112	\$ (982)
Fringe benefits	<u>34,894</u>	<u>34,894</u>	<u>34,603</u>	<u>291</u>
Total salaries and fringe benefits	<u>134,024</u>	<u>134,024</u>	<u>134,715</u>	<u>(691)</u>
Operations				
Other operating	<u>158,900</u>	<u>158,900</u>	<u>141,124</u>	<u>17,776</u>
Total operations	<u>158,900</u>	<u>158,900</u>	<u>141,124</u>	<u>17,776</u>
Capital Outlay	<u>4,265</u>	<u>4,265</u>	<u>-</u>	<u>4,265</u>
Total Recreation and Culture	<u>\$ 297,189</u>	<u>\$ 297,189</u>	<u>\$ 275,839</u>	<u>\$ 21,350</u>

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

For the Year Ended June 30, 2024	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget- Positive (Negative)
Total Expenditures	\$ 2,092,267	\$ 2,132,380	\$ 2,019,857	\$ 112,523
Excess of Revenues over Expenditures	\$ 89,229	\$ 64,954	\$ 494,611	\$ 429,657
Other Financing Sources (Uses)				
Transfers	(89,229)	(515,516)	(515,516)	-
Total Other Financing Sources (Uses)	\$ (89,229)	\$ (515,516)	\$ (515,516)	\$ -
Net Change in Fund Balance	\$ -	\$ (450,562)	\$ (20,905)	\$ 429,657

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

For the Year Ended June 30	2024	2023	2022	2021	2020	2019	2018	2017	2016
Town's proportion of the net pension liability	0.004024179%	0.003923206%	0.003401731%	0.003044565%	0.002888336%	0.002808523%	0.002349602%	0.002796106%	0.002871145%
Town's proportionate share of the net pension liability	<u>\$ 926,781</u>	<u>\$ 784,976</u>	<u>\$ 510,338</u>	<u>\$ 688,113</u>	<u>\$ 595,737</u>	<u>\$ 589,273</u>	<u>\$ 508,071</u>	<u>\$ 659,714</u>	<u>\$ 596,673</u>
Covered-employee payroll	\$ 1,235,385	\$ 1,243,409	\$ 1,073,812	\$ 889,126	\$ 862,452	\$ 877,880	\$ 813,293	\$ 772,254	\$ 761,803
Town's proportionate share of net pension liability as a percentage of its covered-employee payroll	<u>75.02%</u>	<u>63.13%</u>	<u>47.53%</u>	<u>77.39%</u>	<u>69.07%</u>	<u>67.12%</u>	<u>62.47%</u>	<u>85.43%</u>	<u>78.32%</u>
Plan Fiduciary Net position as a % of total pension liability	<u>73.81%</u>	<u>76.27%</u>	<u>81.84%</u>	<u>70.72%</u>	<u>72.34%</u>	<u>71.18%</u>	<u>69.38%</u>	<u>65.79%</u>	<u>68.78%</u>

TOWN OF EMMITSBURG, MARYLAND
Schedule of Contributions and Related Ratios

For the Year Ended June 30	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 103,474	\$ 98,147	\$ 89,539	\$ 74,957	\$ 65,278	\$ 59,312	\$ 56,004	\$ 47,822	\$ 54,470
Actual contribution	(103,474)	(98,147)	(89,539)	(74,957)	(65,278)	(59,312)	(56,004)	(47,822)	(54,470)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,235,385	\$ 1,243,409	\$ 1,073,812	\$ 889,126	\$ 862,452	\$ 877,880	\$ 813,293	\$ 772,254	\$ 761,803
Contributions as a percentage of covered-employee payroll	8.38%	7.89%	8.34%	8.43%	7.57%	6.76%	6.89%	6.19%	7.15%



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, each major fund and the aggregate remaining fund information of the Town of Emmitsburg, Maryland, as of and for the year ended June 30, 2024, 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 31, 2024.

Report Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and responses as Finding 2024-001 to be a material weakness.

TOWN OF EMMITSBURG, MARYLAND
Independent Auditors' Report
Page 2

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. We consider the deficiency described in the accompanying schedule of findings and responses as Finding 2024-002 to be a significant deficiency.

Report on 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

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Emmitsburg, Maryland's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Town of Emmitsburg, Maryland's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 31, 2024

TOWN OF EMMITSBURG, MARYLAND
Schedule of Findings and Responses
For the Year Ended June 30, 2024

Finding 2024-001 – Internal Controls over Grant Billings & Reconciliations

Criteria: The Town is responsible for implementing adequate internal controls over its grant billings and related reconciliations to ensure grant revenues are recognized and received on a timely and accurate basis.

Revenues are recognized within governmental funds on the modified accrual basis of accounting, where revenues are recorded when measurable and available. Available revenues are collected within 60 days after year-end.

Condition: As a result of audit procedures, two material adjustments were recorded to reduce grant revenues for the Capital Projects Fund as shown below;

- To reduce grant revenues and related receivables by \$49,607 for grant reimbursements not yet requested – Capital Projects Fund
- To reduce grant revenues by \$273,496 for amounts not collected in 60 days after year-end – Capital Projects Fund

Cause: It appears in some instances, the Town's practice is to request reimbursement for expended grant funds when the project is final and complete. In another cases it appears the Town is at the mercy of the funder on when reimbursements are allowed and/or how quickly the funds are reimbursed.

Effect: As noted above, there was an overall decrease in grant revenues amongst the Capital Projects Fund of \$323,103, which means for fiscal year 2024, the Capital Projects Fund incurred \$323,103 of related grant expenditures, with no offsetting grant revenues.

Recommendation: We recommend the Town review its current policies over grant billings and amend as considered necessary to ensure grant funds are requested within a timely manner after the expenditure has been occurred. If the grant allows for progress billings, it would be best practice to bill as the funds are expended and not hold until the project is complete.

Also, we recommend the Town receive proper training as determined necessary to ensure the governmental funds are recorded on the modified accrual basis of accounting to minimize future material audit adjustments.

Response: Priority has been given to submit grant reimbursement requests in a timely manner if allowed by the grant organization before project completion.

The \$49,607 in FY24 expenditures that reimbursement was not yet requested for, are being funded by DNR grants and the DNR has requested that a single lump sum request for reimbursement be submitted at the end of the projects. The projects are expected to be completed within FY25.

The \$273,496 reimbursement was requested from the USDA. The review process before the release of funds has taken an extremely long time.

The Town Accountant has registered to take courses to help strengthen the understanding of the nuances of municipal and fund accounting.

**TOWN OF EMMITSBURG, MARYLAND
Schedule of Findings and Responses
For the Year Ended June 30, 2024**

Finding 2024-002 – Internal Controls over Capital Project Costs

Criteria: The Town is responsible for maintaining adequate internal controls over financial reporting to ensure that all costs related to capital projects are properly accrued and recorded, and the Town's financial records accurately reflect these transactions.

Condition: During our audit testing, we identified missing year-end accruals for fiscal year 2024 capital project services performed, as well as corresponding retainage that had not been recorded. The associated audit adjustments that were corrected are detailed below;

- To accrue \$21,525 of additional construction in progress costs at year-end, including recognizing \$21,525 of associated grant revenue for the project – Water Fund
- To accrue \$66,189 of retainage for the Creamery Road project – Sewer Fund

Cause: It appears the above entries were an oversight during the financial close process.

Effect: As a result, additional capital project costs and related grant revenues had to be recorded for the amounts noted above.

Recommendation: We recommend the Town review and strengthen its internal control procedures to ensure all capital project costs and associated retainage are accrued and recorded in the correct period, preventing similar oversights in the future.

Response: Priority will be given to continue to communicate to staff the importance of submitting invoices to the accounting department in a timely manner. Accounting staff will also increase oversight to this issue, with greater emphasis placed in cases of material amounts. The Town Accountant has implemented the use of a checklist to help ensure no entries are missed.