

TOWN OF THURMONT
FREDERICK COUNTY, MARYLAND
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

TOWN OF THURMONT
YEAR ENDED JUNE 30, 2022
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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Town of Thurmont
Thurmont, Maryland

Report on the Financial Statements

Opinions

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town 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

The Town's 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's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's 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 auditor's 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 GAAS 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.

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34745 Burbage Road, Frankford, DE 19945

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In performing an audit in accordance with GAAS, 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'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 Town'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.

Adoption of Governmental Accounting Standards Board Statements

As described in Note 1 to the financial statements, in 2022 the Town adopted the provisions of Governmental Accounting Standards Board's Statement No. 87, "*Leases*", Statement No. 89, "*Accounting for Interest Cost Incurred before the End of a Construction Period*", Statement No. 92, "*Omnibus 2020*", Statement No. 97, "*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*", Statement No. 98, "*The Annual Comprehensive Financial Report*", and certain provisions of GASB Statement No.99, "*Omnibus 2022*". Our opinions are not modified with respect to these matters.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, general fund budgetary comparison information, schedule of Town's proportionate share of the net pension liability, and the schedule of the Town's contributions on pages 4-10, 45 through 47, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The budgetary comparison information on pages 49 through 51 is presented for purposes of additional analysis and is not a required part of the basic financial statements.



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The budgetary comparison information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2022 on our consideration of the Town'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Zelenkofske Axlerod LLC

ZELENKOFKSKE AXELROD LLC

October 28, 2022
Harrisburg, Pennsylvania

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

June 30, 2022

The Management's Discussion and Analysis (MD&A) is a component part of the reporting model adopted by the Government Accounting Standards Board (GASB), as referenced in Statement No. 34 issued in June 1999. The intent of the MD&A is to summarize Town of Thurmont's ("Town") financial performance, using comparative information from the current year analyzed against prior years.

The Town of Thurmont MD&A presents a narrative overview and analysis of the Town's financial performance for the fiscal year ended June 30, 2022. It is recommended that it be read in conjunction with the accompanying basic financial statements and notes to the financial statements in order to obtain a thorough understanding of the Town's financial condition as of June 30, 2022. Certain amounts have been reclassified to conform to current year presentation.

USING THESE FINANCIAL STATEMENTS

The financial statements are organized to provide an understanding of Town of Thurmont as an entire operating entity, while also providing a detailed look at specific financial activities. The first two statements are government-wide financial statements - the statement of net position and the statement of activities. These provide short-term and long-term information about the Town's overall financial status. Then, the remaining statements are fund financial statements that focus on individual parts of the Town's operations. The governmental funds statement describes how general Town services are financed in the short term, as well as what remains for future spending. The other types of funds shown in the financial statements are enterprise funds. Enterprise fund statements provide financial information regarding funds for services that the Town operates like a business.

FINANCIAL HIGHLIGHTS

The following items detail the Town of Thurmont's financial highlights for the fiscal year ended June 30, 2022:

1. The assets and deferred outflow of resources of the Town and its business-type activities exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$39,199,586. Of this amount, \$6,456,993 may be used to meet the Town's ongoing obligations to citizens and creditors.
2. The Town's total net position increased by \$1,708,624.
3. The Town's total general obligation debt decreased by \$864,807 due to continued payment of principal on existing debt. All scheduled debt payments were made during the year.
4. The unassigned fund balance for the General Fund as of June 30, 2022, was \$2,857,050, or 61.7% of total General Fund expenditures.
5. The Town adopted GASB 87 "Leases" during 2022 which resulted in the Town recording a lease receivable and related deferred inflow from leases of \$129,741 and \$119,712 at June 30, 2022, in the Water Fund. The Town has a lease with a telecommunications company for the right to place antennas on the Town water towers.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this report consists of four parts: management's discussion and analysis; the basic financial statements (including notes to the financial statements), required supplementary information (including budgetary comparison schedules for the General Fund) and other supplemental information.

The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements.

The Government-wide Financial Statements

The government-wide financial statements of the Town are divided into two categories: governmental activities and business-type activities. The government-wide statements report information about the Town using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, deferred outflow of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is paid or received. The two government-wide statements report the Town's net position and how it has changed. An increase or decrease in the Town's net position is an indication of whether its financial health overall is improving or deteriorating. The three business-type activities of Town of Thurmont are the Water Fund, the Sewer Fund and the Electric Fund.

Fund Financial Statements

The Town's fund financial statements provide more detailed information about the most significant funds, not the Town as a whole. The fund financial statements include:

- The governmental fund financial statements, which explain how services, such as public safety and public works, are financed. The governmental funds include the General Fund and the American Rescue Plan Act (ARPA) Fund.
- Enterprise funds financial statements offer information about the activities that the Town operates like a business. There are three Town enterprise funds: the Water Fund, the Sewer Fund and the Electric Fund.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

The Town's total net position was \$39,199,586 and \$37,490,962 at June 30, 2022 and 2021, respectively.

Table A-1
STATEMENTS OF NET POSITION
June 30, 2022 and 2021

	2022			2021		
	Governmental	Business-type	Total	Governmental	Business-type	Total
	activities	activities		activities	activities	
Current and other assets	\$ 8,619,924	\$ 6,477,190	\$ 15,097,114	\$ 5,293,145	\$ 5,897,678	\$ 11,190,823
Capital assets	8,378,164	29,557,953	37,936,117	8,004,668	30,262,515	38,267,183
Total assets	<u>16,998,088</u>	<u>36,035,143</u>	<u>53,033,231</u>	<u>13,297,813</u>	<u>36,160,193</u>	<u>49,458,006</u>
Deferred Outflows of Resources	552,545	874,889	1,427,434	375,055	624,014	999,069
Current portion of liabilities	3,551,894	1,183,482	4,735,376	723,017	1,235,861	1,958,878
Long-term portion of liabilities	1,425,846	7,138,940	8,564,786	1,934,820	8,592,629	10,527,449
Total liabilities	<u>4,977,740</u>	<u>8,322,422</u>	<u>13,300,162</u>	<u>2,657,837</u>	<u>9,828,490</u>	<u>12,486,327</u>
Deferred Inflows of Resources	736,482	1,224,435	1,960,917	191,914	287,872	479,786
Net position:						
Net investment in capital assets	8,318,125	23,724,968	32,043,093	7,752,820	23,771,866	31,524,686
Restricted for Roadway Improvements	699,500	-	699,500	416,185	-	416,185
Unrestricted	<u>2,818,786</u>	<u>3,638,207</u>	<u>6,456,993</u>	<u>2,654,112</u>	<u>2,895,979</u>	<u>5,550,091</u>
Total net position	<u>\$ 11,836,411</u>	<u>\$ 27,363,175</u>	<u>\$ 39,199,586</u>	<u>\$ 10,823,117</u>	<u>\$ 26,667,845</u>	<u>\$ 37,490,962</u>

Over time, net position may serve as a useful indication of a government's financial position. In the case of Town of Thurmont, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$39,199,586. The largest portion of the Town's net position, 81.7%, reflects its net investment in capital assets (e.g., land, buildings, equipment, improvements, construction in progress and infrastructure); used to acquire those assets that are still in service. The smallest portion, 1.8%, is restricted for roadway improvement projects. The remaining balance of net position of \$6,456,993 or 16.5% represents resources that may be used to meet the government's ongoing obligations to its citizens.

Governmental Activities current and other assets and the current portion of liabilities increased primarily due to the Town receiving American Rescue Plan Act (ARPA) funds during 2022. The ARPA fund had restricted cash and unearned revenues of \$3,233,296 as of June 30, 2022.

The results of this year's operations as a whole are reported in the statement of activities. All expenses are reported in the first column of the Statement of Activities. Specific charges, grants and subsidies that directly relate to specific expense categories are presented to determine the final amount of the Town's activities that are supported by general revenues. The largest source of general revenues are real estate taxes.

Table A-2 takes the information from the statement of activities and rearranges it slightly, to depict the changes in net position. There was an increase in net position from 2021 to 2022 in the amount of \$1,708,624.

Table A-2
STATEMENTS OF CHANGES IN NET POSITION
Years ended June 30, 2022 and 2021

	2022			2021		
	Governmental activities	Business-type activities	Total	Governmental activities	Business-type activities	Total
Revenues:						
Program revenues:						
Charges for service	\$ 216,726	\$ 8,807,371	\$ 9,024,097	\$ 150,205	\$ 8,792,158	\$ 8,942,363
Operating grants and contributions	1,661,914	-	1,661,914	1,342,519	-	1,342,519
Capital grants and contributions	-	81,476	81,476	-	346,473	346,473
General revenues:						
Property taxes	1,893,590	-	1,893,590	1,824,759	-	1,824,759
Other taxes	1,299,113	-	1,299,113	1,162,840	-	1,162,840
Interest and rents	14,196	839	15,035	12,872	491	13,363
Gain (loss) on sale of capital assets	-	6,560	6,560	250	-	250
Miscellaneous	32,580	-	32,580	22,898	-	22,898
Transfers	(35,230)	35,230	-	-	-	-
Total revenues	<u>5,082,889</u>	<u>8,931,476</u>	<u>14,014,365</u>	<u>4,516,343</u>	<u>9,139,122</u>	<u>13,655,465</u>
Expenses:						
General government	1,412,773	-	1,412,773	1,485,770	-	1,485,770
Public safety	1,228,600	-	1,228,600	1,292,700	-	1,292,700
Highways and streets	782,331	-	782,331	811,832	-	811,832
Public works	155,888	-	155,888	120,525	-	120,525
Recreation and parks	484,990	-	484,990	339,485	-	339,485
Interest	5,013	-	5,013	8,773	-	8,773
Water	-	925,023	925,023	-	997,849	997,849
Sewer	-	1,533,293	1,533,293	-	1,579,123	1,579,123
Electric	-	5,777,830	5,777,830	-	6,012,595	6,012,595
Total expenses	<u>4,069,595</u>	<u>8,236,146</u>	<u>12,305,741</u>	<u>4,059,085</u>	<u>8,589,567</u>	<u>12,648,652</u>
Increase (decrease) in net position	1,013,294	695,330	1,708,624	457,258	549,555	1,006,813
Net position at beginning of year	<u>10,823,117</u>	<u>26,667,845</u>	<u>37,490,962</u>	<u>10,365,859</u>	<u>26,118,290</u>	<u>36,484,149</u>
Net position at end of year	<u>\$ 11,836,411</u>	<u>\$ 27,363,175</u>	<u>\$ 39,199,586</u>	<u>\$ 10,823,117</u>	<u>\$ 26,667,845</u>	<u>\$ 37,490,962</u>

Governmental Activities

Total governmental activities revenues and transfers out of \$5,082,889 in 2022 were derived from property taxes representing 37.3% of the total, followed by operating grants and contributions at 32.7% and other taxes at 25.6%. Intergovernmental revenue increased \$156,009 as the Town received grants totaling \$402,033 in FY22. Various grants provided funding for the Town Hall emergency generator, new press box and storage building at Eyler Road Park, Woodland Park playground upgrades, and completion of a new skatepark. A grant also funded the purchase of 6 East Main Street property for future economic development. The Town was the recipient of \$3,396,682 from the American Rescue Plan Act in FY 22. The amount reflects the first of two tranches. Of that amount \$163,386 has been expended for information technology upgrades, stormwater management projects and new sewer drains in Jermae Estates.

Total governmental activities expenses in 2022 were \$4,069,595. The expenses cover a wide range of services, with the largest being the general government at \$1,412,773, public safety at \$1,228,600 and highways and streets at \$782,331. Parks and Recreation expenses saw an increase of \$145,505. Contributing to the increased costs were costs associated with additional salaries, mowing expenses and depreciation expense.

Enterprise Funds

Business-type activities increased the Town's net position by \$695,330. Key elements of this increase are as follows:

1. Operating revenues of \$8,931,476 that includes \$8,807,371 of charges for services and other revenues of \$124,105.
2. Operating expenses of \$8,236,146, a decrease from the prior year in the amount of \$353,421.

The business-type activities produced \$8,807,371 in charges for services revenue, an amount that is \$15,213 more than the prior year. Operating expenses decreased by \$353,421 in the business-type activities. The Electric Fund saw a decrease in expenditures of \$234,765. Contributing to the decreased costs were vacant personnel positions and related employee benefits, along with decreased depreciation expense.

Town Governmental Funds

Total General Fund revenues of \$4,954,733 in 2022 were derived primarily from tax revenues representing 64.4% of the total and intergovernmental revenue at 30.2%.

Total General Fund expenditures in 2022 were \$4,628,637. The expenditures cover a wide range of services, with the largest being the general government at \$1,379,372, public safety at \$1,116,336 and highways and streets at \$605,259.

General Fund Budget

A schedule showing the Town's budget compared to amounts actually paid and received is provided as required supplementary information. There were two sets of budget amendments during the fiscal year 2022. The Town adopts its budget on a budgetary basis which differs from GAAP in that the budget excludes capital outlay expenditures related to prior year committed fund balance, capital lease proceeds and expense, and proceeds from the sale of capital assets.

Revenue Variances:

- o Tax Collection:
 - o 2022 tax distributions were \$126,505 or 4% more than budgeted. This is primarily due to increased local income tax distribution and increased A&A Tax receipts.
 - o 2022 intergovernmental revenue distributions were \$383,393 or 3% more than budgeted. This increase is primarily due to increased grant fundings.

Expense Variances:

- Public Safety (Police Department):
 - o Overall, 2022 expenditures were \$1,116,336 against a budget of \$1,283,500 representing 13.0% under budget for the year.
- Highways and Streets:
 - o Overall, 2022 expenditures were \$605,259 against a budget of \$710,003, representing 14.8% under budget for the year.
- General Government:
 - o Overall, 2022 expenditures were \$1,379,372 against a budget of \$1,653,289, representing 16.6% under budget for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Town of Thurmont's total assets were \$53,033,231 as of June 30, 2022. Of this amount, \$37,936,117 is accounted for by capital assets. This investment in capital assets includes land, buildings and improvements, water, sewer and electric systems improvements. It also includes machinery and equipment, park facilities, and street improvements. The Town's capital assets for 2022 are as follows and are detailed in Note 5 to the Financial Statements:

	Governmental Activities	Business- Type Activities
	<u> </u>	<u> </u>
Land	\$ 1,693,339	\$ 412,763
Construction in Progress	167,931	222,043
Buildings and improvements	4,153,312	138,478
Infrastructure	9,827,872	54,555,109
Equipment	1,979,002	1,830,170
Accumulated Depreciation / Amortization	<u>(9,443,292)</u>	<u>(27,600,610)</u>
	<u>\$ 8,378,164</u>	<u>\$ 29,557,953</u>

The Town's long term debt activity for 2022 is as follows and is detailed in Note 6 to the Financial Statements:

Type	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
General Obligation Debt	\$ 172,000	\$ -	\$ (172,000)	\$ -
Loan from direct borrowings	79,848	-	(19,809)	60,039
New Pension Liability	<u>1,726,690</u>	<u>-</u>	<u>(501,805)</u>	<u>1,224,885</u>
Total Governmental Activities Long-Term Debt	<u>\$ 1,978,538</u>	<u>\$ -</u>	<u>\$ (693,614)</u>	<u>\$ 1,284,924</u>
Business-Type Activities:				
General Obligation Debt	\$ 6,608,018	\$ -	\$ (672,998)	\$ 5,935,020
Net Pension Liability	<u>2,590,035</u>	<u>-</u>	<u>(752,706)</u>	<u>1,837,329</u>
Total Business-Type Activities Long-Term Debt	<u>\$ 9,198,053</u>	<u>\$ -</u>	<u>\$ (1,425,704)</u>	<u>\$ 7,772,349</u>

At the end of 2022, the Town-wide long-term debt including the net pension liability, amounted to \$9,057,273. A detailed discussion of long-term debt and maturities is included in the footnotes.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following was considered in preparing the Town's budget for the 2022-2023 fiscal year:

1. Population will increase slightly with the addition of a new subdivision.

The Enterprise Funds will maintain previous water, sewer, and electric rates for FY 2023.

Approved is a general fund budget of \$4,768,518. It is based on a municipal property tax rate of \$0.3206 per \$100 of assessed value. The budget across all funds, including water and sewer, and electric totals \$13,354,901. The FY 2023 budget uses resources wisely.

The approved capital improvement budget includes replacement of a dump truck in the Streets Department, replacement of pickup truck in the Electric Fund, repairs to several streets in Town, upgrades to the Hunting Creek Drive Water Treatment Plant, and Wastewater Sludge Building.

The American Rescue Plan Acts is to provide the Town with \$6,795,906. The first portion was received in FY22. The second half has been received as of this date. The Town plans to upgrade and improve infrastructure throughout the Town. Continued upgrade of stormwater management, upgraded water/sewer projects along with improvement to the information technology systems are planned uses of the funding.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Chief Financial Officer, P.O. Box 17, Thurmont, MD 21788.

TOWN OF THURMONT
STATEMENT OF NET POSITION
JUNE 30, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 3,365,118	\$ 5,361,103	\$ 8,726,221
Investments	539,840	-	539,840
Restricted Cash	4,090,559	88,942	4,179,501
Receivables			
Taxes	49,350	-	49,350
Accounts, net	10,656	722,642	733,298
Lease	-	121,776	121,776
Due From Other Governments	488,309	23,017	511,326
Other Assets	76,092	29,969	106,061
Inventory	-	129,741	129,741
Capital Assets Not Being Depreciated	1,861,270	634,806	2,496,076
Capital Assets Being Depreciated, Net of Depreciation	6,516,894	28,923,147	35,440,041
Total Assets	<u>16,998,088</u>	<u>36,035,143</u>	<u>53,033,231</u>
Deferred Outflows of Resources			
Deferred Outflows of Resources from Pension	552,545	828,814	1,381,359
Deferred Charges on Refundings	-	46,075	46,075
Total Deferred Outflows of Resources	<u>552,545</u>	<u>874,889</u>	<u>1,427,434</u>
Liabilities			
Accounts Payable and Accrued Liabilities	140,320	409,362	549,682
Bond Interest Payable	-	24,964	24,964
Customers' and developers' deposits payable from restricted assets	105,655	32,982	138,637
Unearned Revenue	3,243,404	36,962	3,280,366
Other Liabilities	42,000	-	42,000
Current Portions of Long Term Liabilities:			
Bonds and Note Payable	20,515	679,212	699,727
Non-Current Portions of Long Term Liabilities:			
Compensated Absences	161,437	45,803	207,240
Bonds and Note Payable	39,524	5,255,808	5,295,332
Net Pension Liability	1,224,885	1,837,329	3,062,214
Total Liabilities	<u>4,977,740</u>	<u>8,322,422</u>	<u>13,300,162</u>
Deferred Inflows of Resources			
Deferred Inflows of Resources from Pension	736,482	1,104,723	1,841,205
Deferred Inflows of Resources from Leases	-	119,712	119,712
Total Deferred Inflows of Resources	<u>736,482</u>	<u>1,224,435</u>	<u>1,960,917</u>
Net Position			
Net Investment In Capital Assets	8,318,125	23,724,968	32,043,093
Restricted for Roadway Improvements	699,500	-	699,500
Unrestricted	2,818,786	3,638,207	6,456,993
Total Net Position	<u>\$ 11,836,411</u>	<u>\$ 27,363,175</u>	<u>\$ 39,199,586</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF THURMONT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022

	<u>General Fund</u>	<u>ARPA Fund</u>	<u>Total Governmental Funds</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ 3,364,108	\$ 1,010	\$ 3,365,118
Investments	539,840	-	539,840
Accounts Receivable	10,656	-	10,656
Taxes Receivable	49,350	-	49,350
Due From Other Governments	488,309	-	488,309
Prepaid Expense	76,092	-	76,092
Restricted Cash	857,263	3,233,296	4,090,559
Total Assets	<u>\$ 5,385,618</u>	<u>\$ 3,234,306</u>	<u>\$ 8,619,924</u>
<u>Liabilities</u>			
Accounts Payable and Accrued Liabilities	\$ 139,310	\$ 1,010	\$ 140,320
Customer and Developer Deposits	105,655	-	105,655
Unearned Revenues	10,108	3,233,296	3,243,404
Other Liabilities	42,000	-	42,000
Total Liabilities	<u>297,073</u>	<u>3,234,306</u>	<u>3,531,379</u>
<u>Fund Balances</u>			
Nonspendable - Prepaid Insurance	76,092	-	76,092
Restricted - Roadway Improvements	699,500	-	699,500
Committed:			
Fund Balance Reserve	455,903	-	455,903
Capital Reserve	1,000,000	-	1,000,000
Unassigned	2,857,050	-	2,857,050
Total Fund Balances	<u>5,088,545</u>	<u>-</u>	<u>5,088,545</u>
Total Liabilities and Fund Balances	<u>\$ 5,385,618</u>	<u>\$ 3,234,306</u>	<u>\$ 8,619,924</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF THURMONT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2022

Total fund balances for governmental funds \$ 5,088,545

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	1,693,339	
Construction in progress	167,931	
Buildings and improvements, net of \$1,924,093 accumulated depreciation	2,229,219	
Infrastructure, net of \$6,323,609 accumulated depreciation	3,504,263	
Equipment, net of \$1,195,590 accumulated depreciation	<u>783,412</u>	
 Total capital assets		 8,378,164

Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position.

Balances at June 30, 2022 are:

Compensated Absences	(161,437)	
Bonds Payable	(60,039)	
Deferred Outflows of Resources - Pensions	552,545	
Deferred Inflows of Resources - Pensions	(736,482)	
Net Pension Liability	<u>(1,224,885)</u>	
		<u>(1,630,298)</u>

Total net position of governmental activities \$ 11,836,411

TOWN OF THURMONT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL
FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	<u>General Fund</u>	<u>ARPA Fund</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>			
Taxes	\$ 3,192,703	\$ -	\$ 3,192,703
Intergovernmental	1,498,528	163,386	1,661,914
Charges for Services	198,857	-	198,857
Fines, Licenses and Permits	17,869	-	17,869
Interest Income	14,196	-	14,196
Miscellaneous Income	32,580	-	32,580
	<u>4,954,733</u>	<u>163,386</u>	<u>5,118,119</u>
<u>Expenditures</u>			
Current:			
General Government	1,379,372	94,849	1,474,221
Public Safety	1,116,336	-	1,116,336
Economic Development	152,024	3,864	155,888
Highways and Streets	605,259	-	605,259
Recreation and Parks	348,859	-	348,859
Debt Service:			
Principal	191,809	-	191,809
Interest	5,532	-	5,532
Capital Outlay	829,446	29,443	858,889
	<u>4,628,637</u>	<u>128,156</u>	<u>4,756,793</u>
Excess of Revenues Over (Under) Expenditures	<u>326,096</u>	<u>35,230</u>	<u>361,326</u>
<u>Other Financing Sources (Uses)</u>			
Transfer Out	-	(35,230)	(35,230)
Total Other Financing Sources	<u>-</u>	<u>(35,230)</u>	<u>(35,230)</u>
Net Change in Fund Balances	326,096	-	326,096
Fund Balances - Beginning of year	<u>4,762,449</u>	<u>-</u>	<u>4,762,449</u>
Fund Balances - End of year	<u>\$ 5,088,545</u>	<u>\$ -</u>	<u>\$ 5,088,545</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF THURMONT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2022

Net change in fund balances - total governmental funds	\$	326,096
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The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$858,889) exceeded depreciation (\$485,393) in the current period.		373,496
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Repayment of note principal and payments for other long-term obligations are expenditures in the governmental funds but reduce the liabilities in the statement of net position.

Repayments:

Bonds Payable	172,000	
Notes Payable	19,809	
Net adjustment		191,809

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net changes in compensated absences, accrued interest, deferred assets, bond (premium)/discount, and pension benefit.

Compensated Absences	(13,353)	
Accrued Interest on Bonds	519	
Pension Benefit	134,727	
		121,893

Change in net position of governmental activities	\$	1,013,294
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TOWN OF THURMONT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022

	Proprietary Funds			
	Sewer	Water	Electric	Total
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 1,337,923	\$ 2,441,026	\$ 1,582,154	\$ 5,361,103
Restricted Cash	-	3,462	85,480	88,942
Prepaid Expense	13,218	9,232	7,519	29,969
Due From Other Governments	23,017	-	-	23,017
Due From Other Funds	25	216,768	-	216,793
Net Receivables	36,885	52,453	618,460	707,798
Inventories	-	46,740	83,001	129,741
Total Current Assets	<u>1,411,068</u>	<u>2,769,681</u>	<u>2,376,614</u>	<u>6,557,363</u>
Noncurrent Assets				
Net Receivables	14,844	-	-	14,844
Lease Receivable	-	121,776	-	121,776
Capital Assets Not Being Depreciated	62,629	311,654	260,523	634,806
Capital Assets Being Depreciated, Net of Depreciation	20,073,477	3,870,589	4,979,081	28,923,147
Total Noncurrent Assets	<u>20,150,950</u>	<u>4,304,019</u>	<u>5,239,604</u>	<u>29,694,573</u>
Total Assets	<u>21,562,018</u>	<u>7,073,700</u>	<u>7,616,218</u>	<u>36,251,936</u>
Deferred Outflows of Resources				
Deferred Outflows from Pensions	165,763	193,389	469,662	828,814
Deferred Outflows on Refundings	-	-	46,075	46,075
Total Deferred Outflows of Resources	<u>165,763</u>	<u>193,389</u>	<u>515,737</u>	<u>874,889</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	64,379	19,807	325,176	409,362
Customers' and developers' deposits payable from restricted assets	-	3,462	29,520	32,982
Due To Other Funds	8,057	-	208,736	216,793
Unearned Revenue	-	-	36,962	36,962
Bonds and Notes Payable - Current Portion	355,067	26,329	297,816	679,212
Bond Interest Payable	21,592	415	2,957	24,964
Total Current Liabilities	<u>449,095</u>	<u>50,013</u>	<u>901,167</u>	<u>1,400,275</u>
Noncurrent Liabilities:				
Compensated Absences	14,198	15,045	16,560	45,803
Bonds and notes due in more than one year	3,787,663	181,357	1,286,788	5,255,808
Net pension liabilities	367,466	428,709	1,041,154	1,837,329
Total Noncurrent Liabilities	<u>4,169,327</u>	<u>625,111</u>	<u>2,344,502</u>	<u>7,138,940</u>
Total Liabilities	<u>4,618,422</u>	<u>675,124</u>	<u>3,245,669</u>	<u>8,539,215</u>
Deferred Inflows of Resources				
Deferred Inflows from Pension	220,943	257,769	626,011	1,104,723
Deferred Inflows from Leases	-	119,712	-	119,712
Total Deferred Inflows of Resources	<u>220,943</u>	<u>377,481</u>	<u>626,011</u>	<u>1,224,435</u>
NET POSITION				
Net Investment in Capital Assets	15,993,376	3,974,557	3,757,035	23,724,968
Unrestricted	895,040	2,239,927	503,240	3,638,207
Total Net Position	<u>\$ 16,888,416</u>	<u>\$ 6,214,484</u>	<u>\$ 4,260,275</u>	<u>\$ 27,363,175</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF THURMONT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Proprietary Funds			
	Sewer	Water	Electric	Total
Operating Revenues				
Charges for Services	\$ 1,648,875	\$ 920,817	\$ 6,146,475	\$ 8,716,167
Contract Work	1,271	1,271	-	2,542
Lease Income	-	46,327	-	46,327
Miscellaneous	11,715	7,696	22,924	42,335
Total Operating Revenues	<u>1,661,861</u>	<u>976,111</u>	<u>6,169,399</u>	<u>8,807,371</u>
Operating Expenses				
Purchased Power	-	-	4,354,330	4,354,330
System Maintenance	531,640	360,465	307,816	1,199,921
Depreciation	563,425	346,690	368,480	1,278,595
General and Administrative	362,859	212,647	689,577	1,265,083
Total Operating Expenses	<u>1,457,924</u>	<u>919,802</u>	<u>5,720,203</u>	<u>8,097,929</u>
Operating Income (Loss)	<u>203,937</u>	<u>56,309</u>	<u>449,196</u>	<u>709,442</u>
Nonoperating Revenues (Expenses)				
Intergovernmental grant	71,476	-	-	71,476
Interest Income	75	738	26	839
Gain (Loss) on disposal of capital assets	-	6,560	-	6,560
Interest and Fiscal Charges	(75,369)	(5,221)	(57,627)	(138,217)
Net Nonoperating Revenues (Expenses)	<u>(3,818)</u>	<u>2,077</u>	<u>(57,601)</u>	<u>(59,342)</u>
Income (Loss) before Capital Contributions and Transfers	<u>200,119</u>	<u>58,386</u>	<u>391,595</u>	<u>650,100</u>
Capital Contributions	5,000	5,000	-	10,000
Transfer In	35,230	-	-	35,230
Total Capital Contributions and Transfers	<u>40,230</u>	<u>5,000</u>	<u>-</u>	<u>45,230</u>
Changes In Net Position	240,349	63,386	391,595	695,330
Total Net Position - Beginning of Year	<u>16,648,067</u>	<u>6,151,098</u>	<u>3,868,680</u>	<u>26,667,845</u>
Total Net Position - End of Year	<u>\$ 16,888,416</u>	<u>\$ 6,214,484</u>	<u>\$ 4,260,275</u>	<u>\$ 27,363,175</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF THURMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Proprietary Funds			
	Sewer	Water	Electric	Total
Cash Flows from Operating Activities				
Receipts from Customers	\$ 1,636,139	\$ 971,711	\$ 6,233,921	\$ 8,841,771
Payments to:				
Employees for salaries, payroll taxes and benefits	(507,749)	(367,055)	(729,471)	(1,604,275)
Suppliers for Operations	(478,825)	(263,381)	(4,769,823)	(5,512,029)
Net Cash Provided by Operating Activities	<u>649,565</u>	<u>341,275</u>	<u>734,627</u>	<u>1,725,467</u>
Cash Flows from Investing Activities				
Interest Income	75	738	26	839
Net Cash Provided by Investing Activities	<u>75</u>	<u>738</u>	<u>26</u>	<u>839</u>
Cash Flows from Noncapital and Related Financing Activities				
Interfund Transactions	(1,027,610)	(790,676)	(1,769,729)	(3,588,015)
Net Cash Used in Noncapital and Related Financing Activities	<u>(1,027,610)</u>	<u>(790,676)</u>	<u>(1,769,729)</u>	<u>(3,588,015)</u>
Cash Flows from Capital and Related Financing Activities				
Proceeds from sale of assets	-	8,000	-	8,000
Capital contributions and intergovernmental grants	53,459	5,000	-	58,459
Purchases and construction of capital assets	(274,614)	(193,153)	(107,706)	(575,473)
Principal paid on bonds and notes	(350,561)	(26,175)	(296,262)	(672,998)
Interest and fiscal charges paid on bonds and notes	(77,240)	(5,273)	(42,810)	(125,323)
Net Cash Used in Capital and Related Financing Activities	<u>(648,956)</u>	<u>(211,601)</u>	<u>(446,778)</u>	<u>(1,307,335)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,026,926)	(660,264)	(1,481,854)	(3,169,044)
Cash and Cash Equivalents, Beginning of Year	2,364,849	3,104,752	3,149,488	8,619,089
Cash and Cash Equivalents, End of Year	<u>\$ 1,337,923</u>	<u>\$ 2,444,488</u>	<u>\$ 1,667,634</u>	<u>\$ 5,450,045</u>
Presented in Financial Statements as:				
Cash and Cash Equivalents	\$ 1,337,923	\$ 2,441,026	\$ 1,582,154	\$ 5,361,103
Restricted Cash	-	3,462	85,480	88,942
	<u>\$ 1,337,923</u>	<u>\$ 2,444,488</u>	<u>\$ 1,667,634</u>	<u>\$ 5,450,045</u>
Noncash financing activities:				
Amortization of deferred refunding loss	\$ -	\$ -	\$ 15,359	\$ 15,359
Amortization of deferred inflow from leases	-	39,900	-	39,900
Loss on disposal of capital assets	-	1,440	-	1,440

The accompanying notes are an integral part of the financial statements.

TOWN OF THURMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

	Proprietary Funds			
	Sewer	Water	Electric	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ 203,937	\$ 56,309	\$ 449,196	\$ 709,442
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation Expense	563,425	346,690	368,480	1,278,595
Change in Assets, Deferred Outflows, Liabilities and Deferred Inflows				
Prepaid Expense	(6,630)	(3,568)	3,854	(6,344)
Receivables - net of allowances	(25,722)	(2,336)	53,884	25,826
Lease Receivable	-	(121,776)	-	(121,776)
Deferred Outflows from Pensions	(53,247)	(62,121)	(150,866)	(266,234)
Accounts Payable and Accrued Liabilities	(23,888)	(5,005)	(37,873)	(66,766)
Unearned Revenue	-	-	11,078	11,078
Customers Deposit Payable	-	-	(440)	(440)
Compensated Absences	(21,139)	(1,597)	965	(21,771)
Net Pension Liability	(150,541)	(175,631)	(426,534)	(752,706)
Deferred Inflows from Leases	-	119,712	-	119,712
Deferred Inflows from Pensions	163,370	190,598	462,883	816,851
Net Cash Provided by Operating Activities	<u>\$ 649,565</u>	<u>\$ 341,275</u>	<u>\$ 734,627</u>	<u>\$ 1,725,467</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF THURMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Commissioners of Thurmont, Maryland (the “Commissioners”) operate under an elected Mayor/Council administrative/legislative form of government. Major operations include police protection, waste collection, parks and recreation, public works, and general administration services. In addition, the Commissioners own and operate three major business-type activities – an electric plant, a water system, and a local sewer system.

A summary of the Town’s significant accounting policies are as follows:

A) Reporting Entity

Consistent with the guidance contained in GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, the criteria used by the Town to evaluate the possible inclusion of related entities within its reporting entity are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given case, the Town reviews the applicability of the following criteria.

The Town is financially accountable for:

- Organizations that make up the legal Town entity.
- Legally separate organizations if the Town officials appoint a voting majority of the organization’s governing body and the Town is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Town as defined below:

Impose Its Will – If the Town can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.

Financial Benefit or Burden – Exists if the Town (1) is entitled to the organization’s resources or (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization or (3) is obligated in some manner for the debt of the organization.

- Organizations that are fiscally dependent on the Town. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the Town.

Based on the foregoing criteria, the Town has no component units that are required to be included in the Town’s financial statements.

TOWN OF THURMONT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

B) Government-Wide and Fund Financial Statements

The Government-wide financial statements (i.e., statement of net position and the statement of activities) report information on all the non-fiduciary activities of the government as a whole. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

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

Separate financial statements are provided for the governmental fund and the proprietary funds. The major individual governmental fund and major individual enterprise funds are reported as separate columns in the fund financial statements.

C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds financial statements. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for 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.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability rather than an expenditure.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers tax revenues to be available if they are collected within 60 days and all other revenues to be available if they are collected within 180 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

TOWN OF THURMONT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

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

Property taxes, charges for services, licenses, operating grants, capital grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when the Town receives cash.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources". Governmental funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during the period.

Because of their spending measurement focus, expenditure recognition for governmental fund types exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims for judgments, are recorded only when payment is due.

The Town reports the following major governmental funds:

- The General Fund is the primary government'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 American Rescue Plan Act (ARPA) Fund is used to account for amounts received from federal sources. Revenues are restricted for specific purposes outlined by the federal government.

The Town's enterprise funds are proprietary funds. In the fund financial statements, the proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, the proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheet. The proprietary fund types operating statement presents increases (revenues) and decreases (expenses) in total net position.

TOWN OF THURMONT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

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

Proprietary funds operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the funds. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Amounts paid to acquire capital assets in the proprietary funds are capitalized as assets in the fund financial statements, rather than reported as an expenditure.

The Town reports the following major proprietary funds:

- The Sewer Fund is used to account for the operations of the sewer system in a manner whereby the costs of providing services to the general public are recovered primarily through user charges.
- The Water Fund is used to account for the operations of the water system in a manner whereby the costs of providing services to the general public are recovered primarily through user charges.
- The Electric Fund is used to account for the operations of the electric plant in a manner whereby the costs of providing services to the general public are recovered primarily through user charges.

D) Assets, Liabilities, and Net Position or Fund Balances

1. Cash and Cash Equivalents

For purposes of the accompanying statement of cash flows, the Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

2. Investments

The Town invests in a non-negotiable certificate of deposit (CD), which is valued at cost because it is considered a non-participating contract for which redemption terms do not consider market values.

3. Inventory

Inventory consists of materials and supplies used by the proprietary funds and are stated at the lower of cost or market. The Town uses the first-in, first-out (FIFO) method to record inventory for each of the funds. As inventory is consumed, the cost is charged to expense.

4. Restricted Assets

Restricted assets represent cash balances from customer's and developers' escrow deposits, unspent bond proceeds, funds restricted for roadway and park improvements, and for future fundraising events.

TOWN OF THURMONT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2022

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (CONTINUED)

D) Assets, Liabilities, and Net Position or Fund Balances (Continued)

5. Capital Assets

Capital assets are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital purchases with initial, individual costs that equal or exceed \$500 and estimated useful lives of over one year are recorded as capital assets. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Capital assets are recorded at historical costs or estimated historical costs if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized. Major outlay of capital assets and improvements are capitalized as projects are completed. Interest incurred during the construction phase of the capital asset of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment and infrastructure assets are depreciated using the straight line method over the following intended useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	5 to 50
Equipment	5 to 20
Infrastructure	5 to 60

6. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of the interfund loans). Other outstanding balances between funds are also reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

TOWN OF THURMONT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

D) Assets, Liabilities, and Net Position or Fund Balances (Continued)

6. Receivables and Payables (continued)

Account receivables in the proprietary funds are shown net of an allowance for uncollectible accounts. The Town's allowance for uncollectible accounts is based upon historical collection experience and a review of the status of current accounts receivable. As of June 30, 2022, the Town recorded an allowance for uncollectible account in the proprietary funds in the amount of \$343,756.

7. Compensated Absences

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure. Sick leave accrues to full-time, permanent employees to specified maximums and is not paid out upon termination or departure. Generally, after one year of service, employees are entitled to all accrued vacation leave upon termination. Compensated absences are reported in the government-wide and proprietary fund statement of net position as long-term liabilities.

The government-wide statement of net position includes accrued compensated absences of \$207,240 in the governmental and business-type activities at June 30, 2022.

8. Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Unearned Revenues

Revenues that are received but not earned are recorded as unearned revenue in the Town's financial statements. In the Town's governmental funds, unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for unearned revenue is removed from the governmental funds' balance sheet and revenue is recognized.

TOWN OF THURMONT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2022

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (CONTINUED)

D) Assets, Liabilities, and Net Position or Fund Balances (Continued)

10. Net Position / Fund Balances

The following classifications describe the relative strength of the spending constraints:

- *Nonspendable Fund Balance* – Amounts that are not in a spendable form (such as Inventory) or are required to be maintained in tact.
- *Restricted Fund Balance* – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- *Committed Fund Balance* – Amounts constrained to specific purposes by the Town itself, using its highest level of decision-making authority (i.e. Town Commissioners). To be reported as committed, amounts cannot be used for any other purpose unless the Town takes the same level action to remove or change the constraint. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Commissioners.
- *Assigned Fund Balance* – Amounts the Town intends to be used for a specific purpose, but are neither restricted nor committed. Assignments of fund balance can be created by the Town's Commissioners.
- *Unassigned Fund Balance* – Amounts that are available for any purpose. Positive amounts are reported only in the general fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the Town's policy to use restricted resources first. When expenditures are incurred for purposes of which unrestricted resources are available, and amounts in any of the unrestricted classifications could be used, it is the Town's policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

Fund Balance Policy. The Town has adopted the following fund balance policy in an effort to maintain a prudent level of financial resources to protect against reducing services levels, raising taxes and fees, and/or borrowing to meet cash flow needs due to revenue shortfalls or unanticipated one-time expenditures. To alleviate significant unanticipated budget shortfalls and to ensure orderly provision of services to Town residents, the Town will maintain a fund balance reserve of at least 12 percent of the actual unrestricted General Fund audited expenditures, excluding capital outlay expenditures. Any expenditure of funds from the fund balance reserve must be approved by a majority of the total number of members of the Mayor and Town Commissioners.

The Town will also maintain a capital reserve of at least \$1,000,000 to have funds available for capital projects, to provide funds for planned and anticipated projects, and to allow for completion of projects in a timely manner that is not dependent on the Town's cash flow. Any expenditures of funds from the capital reserve must be approved by a majority of the Mayor and Town Commissioners.

TOWN OF THURMONT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2022

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (CONTINUED)

D) Assets, Liabilities, and Net Position or Fund Balances (Continued)

10. Net Position / Fund Balances (continued)

At the end of each fiscal year, operating surpluses as determined through the annual audit will be first used to replenish the Capital Reserve to the minimum required, if needed, and then be added to the replenish the Fund Balance Reserve, if needed, to the minimum required amount. Any change to this policy must be approved by a majority of the total number of members of the Mayor and Town Commissioners.

The government-wide and business-type activities financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- *Net Investment in Capital Assets* – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – This category represents net position of the Town, not restricted for any project or other purpose.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed for their intended purposes.

11. Interfund Transactions

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

12. Accounting Estimates

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

TOWN OF THURMONT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

D) Assets, Liabilities, and Net Position or Fund Balances (Continued)

13. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents 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 then. The Town has two items that qualify for reporting in this category: deferred outflows related to pensions and deferred outflows for deferred charges on refunding bonds. Deferred outflows related to pensions are described further in Note 8. The annual difference between the projected and actual earnings on investments is amortized over a five-year closed period beginning the year in which the difference occurs (current year). The remaining components of deferred outflows are amortized into pension expense for the pension plan over the remaining service life of participants, beginning the year in which the deferred amount occurs (current year). A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents 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 time. The Town has two items that qualify for reporting in this category: deferred inflows related to pensions and leases. Deferred inflows related to pensions are further described in Note 8. The components of deferred outflows are amortized into pension expense for the pension plan over the remaining service life of participants, beginning the year in which the deferred amount occurs (current year). Deferred inflows related to leases are further described in Note 7. The components of deferred inflows of resources are amortized into lease revenue over the term of the lease, beginning the year in which the deferred amount occurs.

14. Pensions

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

15. Leases

The Town is a lessor for a noncancellable lease of space on their water towers. The Town recognizes a lease receivable and a deferred inflow of resources in the government-wide and proprietary fund financial statements.

TOWN OF THURMONT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2022

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (CONTINUED)

D) Assets, Liabilities, and Net Position or Fund Balances (Continued)

15. Leases (Continued)

At the commencement of a lease, the Town initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of the lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Town determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term and (3) lease receipts.

- The Town uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Town monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

16. Adoption of Governmental Accounting Standards Board Statements

The Town adopted the provisions of GASB Statement No. 87, "Leases", Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, Statement No. 92, "Omnibus 2020", Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32" and Statement No. 98, "The Annual Comprehensive Financial Report". The adoption of GASB 87 "Leases" resulted in the Town recording a Lease Receivable and Deferred Inflow of Resources from Leases in the Water Fund of \$159,612 as of July 1, 2021. The adoption of the remaining statements had no effect on previously reported amounts.

17. Pending Changes in Accounting Principles

In May 2019, the GASB issued Statement No. 91, "Conduit Debt Obligations". The Town is required to adopt the provisions of Statement No. 91 for its fiscal year 2023 financial statements.

In March 2020, the GASB issued Statement No. 94, "Public-Private and Public-Public Partnerships (PPP) and Availability Payment Arrangements". The Town is required to adopt Statement No. 94 for its fiscal year 2023 financial statements.

TOWN OF THURMONT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

D) Assets, Liabilities, and Net Position or Fund Balances (Continued)

17. Pending Changes in Accounting Principles (Continued)

In May 2020, the GASB issued Statement No. 96, "*Subscription-Based Information Technology Arrangements*". The Town is required to adopt Statement No. 96 for its fiscal year 2023 financial statements.

The Governmental Accounting Standards Board has issued GASB Statement No. 99, "*Omnibus 2022*". The provisions related to leases, PPP's, and SBITA's to be adopted by the Town for its fiscal year 2023 statements, while the provisions relating to financial guarantees and the classification and reporting of derivative instruments are required to be adopted by the Town for its fiscal year ending 2024 statements.

In June 2022, the GASB issued Statement No. 100, "*Accounting Changes and Error Corrections an Amendment of GASB Statement No.62*". The Town is required to adopt this statement for its fiscal year 2024 financial statements.

In June 2022, the GASB issued Statement No. 101, "*Compensated Absences*". The Town is required to adopt this statement for its fiscal year 2025 financial statements.

The Town has not yet completed the various analyses required to estimate the financial statement impact of these new pronouncements.

E) Budgets and Budgetary Accounting

Budget Policy and Practice

The Mayor submits an annual budget to the Commissioners of Thurmont in accordance with the Commissioners of Thurmont's Charter and Maryland Statutes. The budgets for the general fund and proprietary funds are presented to the Commissioners of Thurmont for review, and public hearings are held to address priorities and the allocation of resources. The Commissioners of Thurmont adopt the annual fiscal year budgets for operating funds.

Basis of Budgeting

The Town adopts the budgets on the budgetary basis of accounting which differs from GAAP. The General Fund Budget excludes capital outlay expenditures related to the prior year committed fund balance, capital lease proceeds and expense, and proceeds from the sale of capital assets. The Proprietary Fund Budgets exclude depreciation expense.

Level of Control

The Town maintains budgetary control at the fund level.

Lapsing of Appropriations

Unexpended appropriations lapse at fiscal year-end.

TOWN OF THURMONT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

E) Budgets and Budgetary Accounting (Continued)

Management Amendment Authority

During the course of the year, departmental needs may change, emergencies may occur or additional revenue may arise. As a result, funds are transferred between line items of a department's budget or additional revenue may need to be budgeted for a specific project or grant. Adjustments to the budget are made on a line item basis during the year and approved by the Board of Commissioners.

NOTE 2: DEPOSIT AND INVESTMENT RISK

The Commissioners are restricted by state law as to the kinds of investments that can be made. Authorized investments include: deposits in banks and savings and loans which have the lawfully required escrow deposits or which have authorized collateral; in any obligation for which the United States has pledged its faith and credit of the payment of the principal and interest; in any obligation that a federal agency issues in accordance with an act of Congress; or in a repurchase agreement that any of these obligations secures. There are no formal deposit or investment policies specific to the Town of Thurmont.

Deposits

At year-end, the carrying amount of the Town's deposits was \$12,905,722 and the bank balance was \$12,998,580. Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Maryland State Law prescribes that local government units, such as the Town, must deposit its cash in banks that transact business in the State of Maryland. Such banks must also secure any deposits in excess of the Federal Depository Insurance Corporation insurance levels with collateral whose market value is at least equal to the deposits. As of June 30, 2022, the Town's bank balances were not exposed to custodial credit risk as all deposits in excess of Federal Depository Insurance were fully collateralized with securities held by its agent or pledging financial institution or trust department in the Town's name.

Investments

Custodial Credit Risk – For investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2022, none of the Town's investments were exposed to custodial credit risk as all balances in excess of Federal Depository Insurance were fully collateralized with securities held by its agent or pledging financial institution or trust department in the Town's name.

TOWN OF THURMONT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 2: DEPOSIT AND INVESTMENT RISK (CONTINUED)

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer period are subject to increased risk of adverse interest rate changes. As of June 30, 2022, the Town had the following investments and maturities:

Investment Type	Value	Investment Maturity (in Years)		
		Less Than 1	1-5	6-10
Certificate of Deposit - Non-negotiable	\$ 539,840	\$ -	\$ 539,840	\$ -

NOTE 3: RESTRICTED CASH AND CASH EQUIVALENTS

Assets whose use is limited to a specific purpose has been classified as restricted in the governmental fund balance sheet and the Statements of Net Position. Governmental Activities restricted cash and cash equivalents of \$4,090,559 consisted of \$3,233,296 of American Rescue Plan funds, \$699,500 of funds restricted for roadway improvements, \$105,655 of customer and developer escrow deposits, \$2,063 for future fundraising events, and \$50,045 held for park improvements. Business - Type Activities restricted cash of \$88,942 is comprised of \$55,960 of unspent bond proceeds and \$32,982 of funds held for customer's and developer's escrow deposits.

NOTE 4: PROPERTY TAXES

The Commissioners levy and accrue property taxes each July 1 on the assessed value of properties listed as of the prior January 1. The locally assessed taxable bases were prepared from assessments submitted by Frederick County, Maryland. A revaluation of all property is required to be completed every third year. Any increase in assessed value is phased in over a three-year period. Property taxes are due on July 1, however, they do not become delinquent until October of the following year.

The tax rate for locally assessed real property was set by the Commissioners at \$0.2992 for each hundred dollars of valuation. The tax rate for ordinary business corporation and railroads and public utility certifications remained at \$0.62 for each hundred dollars of valuation in 2022. The assessment bases of all real and personal property subject to municipal taxation, net of various exemptions, for the current levy year are shown below by class:

Locally assessed – real property	\$ 585,549,942
Certified by the state:	
Ordinary business corporation	21,784,950
Railroad and public utilities	<u>3,675,640</u>
Total base	<u>\$ 611,010,532</u>

TOWN OF THURMONT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 5: CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2022 is as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
<u>Governmental activities</u>				
Capital assets not being depreciated (cost):				
Land	\$ 1,693,339	\$ -	\$ -	\$ 1,693,339
Construction in progress	61,868	166,114	(60,051)	167,931
Total capital assets not being depreciated	1,755,207	166,114	(60,051)	1,861,270
Capital assets being depreciated (cost):				
Buildings and improvements	4,075,099	78,213	-	4,153,312
Infrastructure	9,293,915	533,957	-	9,827,872
Equipment	1,843,969	140,656	(5,623)	1,979,002
Total capital assets being depreciated	15,212,983	752,826	(5,623)	15,960,186
Less accumulated depreciation for:				
Buildings and improvements	(1,833,281)	(90,812)	-	(1,924,093)
Infrastructure	(6,079,749)	(243,860)	-	(6,323,609)
Equipment	(1,050,492)	(150,721)	5,623	(1,195,590)
Total accumulated depreciation	(8,963,522)	(485,393)	5,623	(9,443,292)
Total capital assets being depreciated, net	6,249,461	267,433	-	6,516,894
Total capital assets, governmental activities	\$ 8,004,668	\$ 433,547	\$ (60,051)	\$ 8,378,164

Depreciation expense was charged to functions/programs of the Town as follows:

<u>Governmental Activities:</u>	
General Government	\$ 65,455
Public Safety	104,347
Highways and Streets	177,216
Recreation and Parks	138,375
Total Depreciation Expense - Governmental Activities	\$ 485,393

TOWN OF THURMONT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 5: CAPITAL ASSETS (CONTINUED)

<u>Business-Type Activities</u>	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated (cost):				
Land	\$ 412,763	\$ -	\$ -	\$ 412,763
Construction in progress	951,154	349,013	(1,078,124)	222,043
Total capital assets not being depreciated	1,363,917	349,013	(1,078,124)	634,806
Capital assets being depreciated (cost):				
Buildings and improvements	138,478	-	-	138,478
Infrastructure	53,308,491	1,257,134	(10,516)	54,555,109
Equipment	1,806,635	47,450	(23,915)	1,830,170
Total capital assets being depreciated	55,253,604	1,304,584	(34,431)	56,523,757
Less accumulated depreciation for:				
Buildings and improvements	(73,753)	(1,468)	-	(75,221)
Infrastructure	(25,516,139)	(1,163,890)	10,516	(26,669,513)
Equipment	(765,114)	(113,237)	22,475	(855,876)
Total accumulated depreciation	(26,355,006)	(1,278,595)	32,991	(27,600,610)
Total capital assets being depreciated, net	28,898,598	25,989	(1,440)	28,923,147
Total capital assets, business-type activities	\$ 30,262,515	\$ 375,002	\$ (1,079,564)	\$ 29,557,953

Depreciation expense was charged to business-type functions of the Town as follows:

<u>Business-Type Activities:</u>	
Sewer	\$ 563,425
Water	346,690
Electric	368,480
Total Depreciation Expense – Business-Type Activities	\$ 1,278,595

TOWN OF THURMONT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 6: LONG – TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2022:

	Balance at July 1, 2021	Additions	Reductions	Balance at June 30, 2022	Due Within One Year
<u>Governmental activities</u>					
General obligation debt	\$ 172,000	\$ -	\$ (172,000)	\$ -	\$ -
Note from direct borrowing	79,848	-	(19,809)	60,039	20,515
Net pension liability	1,726,690	-	(501,805)	1,224,885	-
Governmental activities long-term liabilities	<u>\$ 1,978,538</u>	<u>\$ -</u>	<u>\$ (693,614)</u>	<u>\$ 1,284,924</u>	<u>\$ 20,515</u>
<u>Business-type activities</u>					
General obligation debt	\$ 6,608,018	\$ -	\$ (672,998)	\$ 5,935,020	\$ 679,212
Net pension liability	2,590,035	-	(752,706)	1,837,329	-
Business-type activities long-term liabilities	<u>\$ 9,198,053</u>	<u>\$ -</u>	<u>\$ (1,425,704)</u>	<u>\$ 7,772,349</u>	<u>\$ 679,212</u>

The net pension liability is liquidated by the General Fund, Sewer Fund, Water Fund, and the Electric Fund.

Pertinent information regarding long-term debt obligations outstanding is presented below (payable from general fund tax revenues, sewer revenues, water revenues, and electric revenues):

Date of Issue	Amount of Original Issue	Purpose	Balance Outstanding at June 30, 2022
2011	\$ 1,700,000	General Obligation Water Quality Bond, Series of 2011 issued to finance the Waste Water Treatment Plant ENR Upgrade project and pay the costs of issuing the bonds. Bond carries an interest rate of 2.50% to 2.75% payable semi-annually on February 1 and August 1. (Final maturity is February 2032)	\$ 954,414
2012A	\$ 2,908,498	General Obligation Bonds, Series of 2012A issued to finance the construction, replacement, and rehabilitation of the Town's electrical system, currently refund General Obligation Bond Series of 1998B, currently refund General Obligation Bonds Series of 1983, and pay the costs of issuing the bonds. Bond carries an interest rate of 2.396% payable semi-annually on June 1 and December 1. (Final maturity is December 2031)	1,064,101
2013	\$ 2,607,685	General Obligation Water Quality Bond, Series of 2013 issued to finance Waste System Improvements and pay the costs of issuing the bonds. Bond carries an interest rate of 1.10% payable semi-annually on February 1 and August 1. (Final maturity is February 2033)	1,637,322

TOWN OF THURMONT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 6: LONG – TERM LIABILITIES (CONTINUED)

<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Purpose</u>	<u>Balance Outstanding at June 30, 2022</u>
2014A	\$ 2,001,000	General Obligation Bonds, Series of 2014A issued to currently refund General Obligation Infrastructure Bonds Series of 2006A and pay the costs of issuing the bonds. Bond carries an interest rate of 2.10% payable semi-annually on June 1 and December 1. (Final maturity is June 2026)	839,000
2015	\$ 2,090,444	General Obligation Water Quality Bond, Series of 2015 issued to finance the Waste Systems Improvements Phase III project and pay the costs of issuing the bonds. Bond carries an interest rate of 0.70% payable semi-annually on February 1 and August 1. (Final maturity is February 2035)	1,440,183
2020	\$ 102,102	General Obligation Note of 2020 issued to finance 3 police vehicles. Note carries an annual interest rate of 3.50% payable monthly on the 28 th day for a total of 60 months. (Final payments is due April 2025)	60,039
			<u>\$ 5,995,059</u>

An analysis of debt service requirements to maturity on the Governmental Activities obligations is as follows:

Note from Direct Borrowings

	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Debt Service Requirements</u>
2023	\$ 20,515	\$ 1,770	\$ 22,285
2024	21,244	1,045	22,289
2025	18,280	294	18,574
	<u>\$ 60,039</u>	<u>\$ 3,109</u>	<u>\$ 63,148</u>

TOWN OF THURMONT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 6: LONG – TERM LIABILITIES (CONTINUED)

Upon the occurrence of an event of default on the General Obligation Note of 2020, the Town is required to immediately pay the outstanding principal balance and all accrued interest due.

An analysis of debt service requirements to maturity on the Business-Type Activities obligations is as follows:

	Principal Requirements	Interest Requirements	Total Debt Service Requirements
2023	\$ 679,212	\$ 93,447	\$ 772,659
2024	668,064	81,702	749,766
2025	663,834	70,158	733,992
2026	671,486	58,610	730,096
2027	461,218	46,923	508,141
2028-2032	2,379,957	123,928	2,503,885
2033-2035	411,249	4,957	416,206
	<u>\$ 5,935,020</u>	<u>\$ 479,725</u>	<u>\$ 6,414,745</u>

NOTE 7: LEASES

Lease Receivable

The Town has entered into a lease with a telecommunication company for the right to place antennas on the Town's water towers. The lease expires in May 2025 and the Town will receive monthly payments ranging from \$3,341 to \$3,761. The Town recognized \$37,836 in lease revenue and \$2,985 in interest revenue during the current fiscal year related to the leases. As of June 30, 2022, the Town's receivable for lease payments was \$121,776. Also, the Town has a deferred inflow of resources associated with the leases that will be recognized as revenue over the lease term. As of June 30, 2022, the balance of the deferred inflow of resources was \$119,712.

The future principal and interest lease payments as of June 30, 2022, were as follows:

Year	Principal	Interest	Total
2023	\$ 39,182	\$ 2,943	\$ 42,125
2024	40,575	2,813	43,388
2025	42,019	2,672	44,691
Total	<u>\$ 121,776</u>	<u>\$ 8,428</u>	<u>\$ 130,204</u>

NOTE 8: PENSION PLAN

General Plan InformationPlan Description

The Town participates in the State Retirement and Pension System of Maryland (the "Plan"), a cost-sharing multi-employer defined benefit pension plan, which provides retirement allowances and other benefits to Plan members and beneficiaries. The Plan is administered by the State Retirement Agency. Responsibility for the Plan's administration and operation is vested in a 15 member Board of Trustees.

TOWN OF THURMONT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 8: PENSION PLAN (CONTINUED)

General Plan Information (Continued)Plan Description (Continued)

The System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland. The State Retirement and Pension System of Maryland issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to the Maryland State Retirement Agency of Maryland, 120 East Baltimore Street, Baltimore, Maryland, 21202, or on the internet at www.srs.state.md.us.

Benefits Provided

The Plan provides retirement, death, and disability benefits under the Alternate Contributory Pension Selection (ACPS) or Reformed Contributory Pension Benefit (RCPB), depending on enrollment date.

The ACPS Plan's normal retirement allows for 30 years of eligibility service or one of the following: age 62 with 5 years of eligibility service; age 63 with 4 years of eligibility service; age 64 with 3 years of eligibility service; or age 65 or older with 2 years of eligibility service. The ACPS Plan's normal retirement benefit is the greater of the following: (i) 1.2% of average final compensation for the highest three consecutive years as an employee for each year of creditable service on or before June 30, 1998; (ii) 0.8% of average final compensation up to the Social Security Integration Level (SSIL) for the three highest consecutive years as a member plus 1.5% of average final compensation over the SSIL for each year of creditable service on or before June 30, 1998; (iii) 1.8% of average final compensation for the three highest consecutive years as an employee for each year of creditable service after June 30, 1998. The SSIL is the average of all Social Security Wage Bases over the thirty-five calendar years prior to retirement.

The RCPB Plan's normal retirement allows for a combined age and eligibility service of at least 90 years or age 65 after 10 years of eligibility service. The RCPB Plan's normal retirement benefit is 1.5% of average final compensation for the five highest consecutive years as an employee for each year of creditable service on or after July 1, 2011.

Contributions

The contribution requirements of the Plan members and the Town are established and may be amended by the System's Board of Trustees. Plan members are required to contribute 7% of earnable compensation. The Town is required to contribute at an actuarially determined rate for the Plan. The Town's contractually required contribution rate for the year ended June 30, 2022 was 19.0%. Contributions from the Town to the Plan were \$468,978 for the year ended June 30, 2022.

TOWN OF THURMONT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 8: PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2022, the Town reported a liability of \$3,062,214 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participant members, actuarially determined. At June 30, 2021, the Town's proportionate share was 0.0204116%, which was an increase of 0.0013122% from its proportion measured as of June 30, 2020.

For the fiscal year ended June 30, 2022, the Town recognized pension expense of \$135,687. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ -	\$ 234,702
Contribution Subsequent to Measurement Date	468,978	-
Change of Assumptions	592,718	65,634
Changes in Proportion	319,663	142,413
Difference Between Projected and Actual Investment Earnings	-	1,398,456
Total	\$ 1,381,359	\$ 1,841,205
<u>Split of Deferred Outflow/Inflow of Resources</u>		
Governmental Activities	\$ 552,545	\$ 736,482
Business-Type Activities	828,814	1,104,723
	\$ 1,381,359	\$ 1,841,205

The \$468,978 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
2023	\$ (109,736)	\$ (164,604)	\$ (274,340)
2024	(85,876)	(128,815)	(214,691)
2025	(96,021)	(144,031)	(240,052)
2026	(111,548)	(167,323)	(278,871)
2027	31,652	47,478	79,130
Total	\$ (371,529)	\$ (557,295)	\$ (928,824)

TOWN OF THURMONT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 8: PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)Actuarial methods and assumptions

The following methods and assumptions were used in the actuarial valuation for the June 30, 2021 measurement date:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Inflation	2.25% general, 2.75% wage
Salary Increases	2.75% including inflation
Investment Rate of Return	6.80%

Retirement age was based on an experience-based table of rates that are specific to the type of eligibility condition and was last updated for the 2018 valuation pursuant to an experience study for the period July 1, 2014 to June 30, 2018. Mortality rates were based on Public Sector 2010 Mortality Tables calibrated to MSRPS experience with generational projections using MP-2018 (2-dimensional) mortality improvement scale. Inflation decreased from 2.60% to 2.25%, salary increases decreased from 3.10% to 2.75% and the discount rate decreased from 7.40% to 6.80% for the June 30, 2021 measurement date.

The long-term expected real rate of return for pension plan investments is 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 for each major asset class included in the Plan's current and target asset allocation as of June 30, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	37.00%	4.70%
Private Equity	13.00%	6.50%
Rate Sensitive	19.00%	-0.40%
Credit Opportunity	9.00%	2.60%
Real Assets	14.00%	4.20%
Absolute Return	8.00%	2.00%

Discount Rate

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

TOWN OF THURMONT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 8: PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)Sensitivity of the Town's proportionate share of the net pension liability to change in the discount rate

The following schedule presents the Town's proportionate share of the net pension liability calculated using the discount rate of 6.80%. It also shows what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)
Town's proportionate share of the Net Pension Liability	\$ 5,215,379	\$ 3,062,214	\$ 1,276,177

Pension Plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued plan financial report.

NOTE 9: DEFERRED COMPENSATION PLAN

The Commissioners of Thurmont have established a deferred compensation plan in accordance with subsection (g) of the IRC Section 457. The Plan is administered by an independent plan administrator through a service agreement and is available to all Town employees. Employees defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death, or financial hardship. The Towns' compensation funds are not subject to the claims of their general creditors.

Employee contributions made during fiscal year 2022 totaled \$40,891. The investments under the 457 plan at fair market value were \$353,582 as of June 30, 2022. For June 30, 2022, the 457 plan had no outstanding loans. There were no forfeitures from the plan during the year ended June 30, 2022. There are no employer contributions made to the plan and the Town had no liability to the Plan at June 30, 2022.

NOTE 10: COMMITMENTS AND CONTINGENCIES

In the normal course of business, there are various claims and suits pending against the Town and its elected officials. Management is of the opinion that these matters will not have a material adverse effect on the Town's financial position at June 30, 2022.

The Town has committed \$1,252,312 of business-type funds unrestricted net position for future capital outlay and construction.

As the effects of the Coronavirus pandemic continue to evolve and are dependent upon future developments, the impact of the Coronavirus on the Town's operations and financial results are uncertain at this time.

TOWN OF THURMONT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 11: INTERFUND ACCOUNTS

Individual fund “due from other funds” and “due to other funds” balances at June 30, 2022 are as follows:

	Due from Other Funds	Due to Other Funds
Governmental funds		
General Fund	\$ -	\$ -
Total Governmental funds	-	-
Enterprise funds		
Sewer Fund	25	8,057
Water Fund	216,768	-
Electric Fund	-	208,736
Total Enterprise funds	216,793	216,793
Total	\$ 216,793	\$ 216,793

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided, (2) reimbursable expenditures occur, and (3) payments made between funds are made.

The Town transferred funds from the ARPA Fund to the Sewer Fund in the amount of \$35,230 for the year ended June 30, 2022. The transfer of funds was for the purpose of capital projects eligible under the American Rescue Plan.

NOTE 12: 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 has commercial insurance for various risks of loss, including workers' compensation and fidelity bond insurance. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 13: SUBSEQUENT EVENTS

The Town has evaluated all subsequent events through report issuance date of October 28, 2022.

REQUIRED
SUPPLEMENTARY
INFORMATION

TOWN OF THURMONT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 GENERAL FUND (BUDGETARY BASIS)
 FOR THE YEAR ENDED JUNE 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,038,273	\$ 3,066,198	\$ 3,192,703	\$ 126,505
Intergovernmental	1,091,671	1,115,135	1,498,528	383,393
Charges for Services	189,060	184,370	198,857	14,487
Fines, Licenses and Permits	21,000	21,000	17,869	(3,131)
Interest and Rents	1,000	1,000	14,196	13,196
Miscellaneous Income	22,020	22,020	32,580	10,560
	<hr/>			
Total Revenues	4,363,024	4,409,723	4,954,733	545,010
<hr/>				
Expenditures				
Current:				
General Government	1,547,289	1,653,289	1,379,372	273,917
Public Safety	1,233,500	1,283,500	1,116,336	167,164
Economic Development	132,500	139,500	152,024	(12,524)
Highways and Streets	650,003	710,003	605,259	104,744
Recreation and Parks	291,052	301,052	348,859	(47,807)
Debt Service:				
Principal	191,810	191,810	191,809	1
Interest	5,593	5,593	5,532	61
Capital Outlay	428,562	529,976	706,872	(176,896)
	<hr/>			
Total Expenditures (Budgetary Basis)	4,480,309	4,814,723	4,506,063	308,660
<hr/>				
Differences - Budget to GAAP				
Capital Outlay - Expenditures of Prior Year			122,574	
Assigned Fund Balance			<hr/>	
Total Expenditures (GAAP Basis)			4,628,637	
<hr/>				
Excess of Revenues Over Expenditures (GAAP Basis)			326,096	
<hr/>				
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets			-	
	<hr/>			
Total Other Financing Sources (Uses)			-	
<hr/>				
Net Change in Fund Balance (GAAP Basis)			<u>\$ 326,096</u>	

TOWN OF THURMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

MARYLAND STATE RETIREMENT AND PENSION SYSTEM

	2022	2021	2020	2019	2018	2017	2016	2015
Town's proportion of the net pension liability	0.0204116%	0.0190994%	0.0195623%	0.0200846%	0.0188059%	0.0197296%	0.018999%	0.017240%
Town's proportionate share of the net pension liability	\$ 3,062,214	\$ 4,316,725	\$ 4,034,837	\$ 4,214,064	\$ 4,066,536	\$ 4,655,005	\$ 3,948,410	\$ 3,059,580
Town's covered payroll	\$ 2,448,738	\$ 1,983,521	\$ 1,980,691	\$ 2,246,168	\$ 2,143,716	\$ 1,819,197	\$ 1,904,637	N/A
Town's proportionate share of the net pension liability as a percentage of its covered payroll	125.05%	217.63%	203.71%	187.61%	189.70%	255.88%	207.31%	N/A
Plan fiduciary net position as a percentage of the total pension liability	81.84%	70.72%	72.34%	71.18%	69.38%	65.79%	67.78%	71.87%

Note:

This schedule will eventually cover the 10 most recent fiscal years; however information prior to June 30, 2015 is not available.

N/A - Information is not available

TOWN OF THURMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TOWN'S CONTRIBUTIONS

MARYLAND STATE RETIREMENT AND PENSION SYSTEM

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 468,978	\$ 449,775	\$ 409,503	\$ 401,712	\$ 400,502	\$ 382,764	\$ 384,349	\$ 400,457
Contributions in relation to the contractually determined contribution	<u>468,978</u>	<u>449,775</u>	<u>409,503</u>	<u>401,712</u>	<u>400,502</u>	<u>382,764</u>	<u>384,349</u>	<u>630,645</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (230,188)</u>						
Town's covered payroll	\$ 2,470,865	\$ 2,448,738	\$ 1,983,521	\$ 1,980,691	\$ 2,246,168	\$ 2,143,716	\$ 1,819,197	\$ 1,904,637
Contributions as a percentage of covered payroll	18.98%	18.37%	20.65%	20.28%	17.83%	17.86%	21.13%	33.11%

Note:

This schedule will eventually cover the 10 most recent fiscal years; however information prior to June 30, 2015 is not available.

Changes of assumptions

The discount rate decreased from 7.40% to 6.80% from 2020 to 2021.

Inflation decreased from 2.60% to 2.25% from 2020 to 2021.

Salary increases decreased from 3.10% to 2.75% from 2020 to 2021.

Inflation decreased from 2.65% to 2.60% from 2019 to 2020.

The discount rate decreased from 7.45% to 7.40% from 2018 to 2019.

Inflation increased from 2.60% to 2.65% from 2018 to 2019.

Salary increases changed from 3.20% to 3.10% from 2018 to 2019.

The discount rate decreased from 7.50% to 7.45% from 2017 to 2018.

Inflation decreased from 2.65% to 2.60% from 2017 to 2018.

Salary increases changed from 3.15% to 3.10% from 2017 to 2018.

O T H E R
S U P P L E M E N T A L
I N F O R M A T I O N

TOWN OF THURMONT
 SCHEDULE OF OPERATING REVENUES AND EXPENSES - BUDGET AND ACTUAL
 SEWER FUND (BUDGETARY BASIS)
 FOR THE YEAR ENDED JUNE 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Operating Revenues				
Charges for Services - User Charges	\$ 1,661,244	\$ 1,679,703	\$ 1,661,861	\$ (17,842)
Total Revenues	<u>1,661,244</u>	<u>1,679,703</u>	<u>1,661,861</u>	<u>(17,842)</u>
Operating Expenses				
System Maintenance	526,500	556,500	531,640	24,860
General and Administrative	463,690	463,690	362,859	100,831
Total Operating Expenses (Budgetary Basis)	<u>990,190</u>	<u>1,020,190</u>	<u>894,499</u>	<u>125,691</u>
Differences - Budget to GAAP				
Depreciation			<u>563,425</u>	
Total Operating Expenses (GAAP Basis)			<u>1,457,924</u>	
Operating Income/(Loss) (GAAP Basis)			<u>\$ 203,937</u>	

TOWN OF THURMONT
 SCHEDULE OF OPERATING REVENUES AND EXPENSES - BUDGET AND ACTUAL
 WATER FUND (BUDGETARY BASIS)
 FOR THE YEAR ENDED JUNE 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Operating Revenues				
Charges for Services - User Charges	\$ 995,173	\$ 995,173	\$ 976,111	\$ (19,062)
Total Revenues	<u>995,173</u>	<u>995,173</u>	<u>976,111</u>	<u>(19,062)</u>
Operating Expenses				
System Maintenance	403,599	403,599	360,465	43,134
General and Administrative	300,242	307,242	212,647	94,595
Total Operating Expenses (Budgetary Basis)	<u>703,841</u>	<u>710,841</u>	<u>573,112</u>	<u>137,729</u>
Differences - Budget to GAAP				
Depreciation			<u>346,690</u>	
Total Operating Expenses (GAAP Basis)			<u>919,802</u>	
Operating Income/(Loss) (GAAP Basis)			<u>\$ 56,309</u>	

TOWN OF THURMONT
 SCHEDULE OF OPERATING REVENUES AND EXPENSES - BUDGET AND ACTUAL
 ELECTRIC FUND (BUDGETARY BASIS)
 FOR THE YEAR ENDED JUNE 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Operating Revenues				
Charges for Services - User Charges	\$ 6,172,244	\$ 6,172,244	\$ 6,169,399	\$ (2,845)
Total Revenues	<u>6,172,244</u>	<u>6,172,244</u>	<u>6,169,399</u>	<u>(2,845)</u>
Operating Expenses				
Purchased Power	4,435,384	4,435,384	4,354,330	81,054
System Maintenance	411,363	411,363	307,816	103,547
General and Administrative	841,488	853,041	689,577	163,464
Total Operating Expenses (Budgetary Basis)	<u>5,688,235</u>	<u>5,699,788</u>	<u>5,351,723</u>	<u>348,065</u>
Differences - Budget to GAAP				
Depreciation			<u>368,480</u>	
Total Operating Expenses (GAAP Basis)			<u>5,720,203</u>	
Operating Income/(Loss) (GAAP Basis)			<u>\$ 449,196</u>	



Zelenkofske Axlerod LLC

CERTIFIED PUBLIC ACCOUNTANTS

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

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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

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Town of Thurmont
Thurmont, Maryland

We have audited, 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, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Thurmont (the "Town"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated October 28, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) as a basis for designing 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town'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 financial statements. 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*.



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CERTIFIED PUBLIC ACCOUNTANTS

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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.

Zelenkofske Axlerod LLC

ZELENKOFKSKE AXELROD LLC

Harrisburg, Pennsylvania
October 28, 2022