

TOWN OF THURMONT
FREDERICK COUNTY, MARYLAND
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

TOWN OF THURMONT
YEAR ENDED JUNE 30, 2023
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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Town of Thurmont
Thurmont, Maryland

Report on the Audit of 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, 2023, 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, 2023, 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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



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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.

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 91, "*Conduit Debt Obligations*", Governmental Accounting Standards Board's Statement No. 94, "*Public-Private and Public-Public Partnerships (PPP) and Availability Payment Arrangements*", Governmental Accounting Standards Board's Statement No. 96, "*Subscription-Based Information Technology Arrangements*", and certain provisions of Governmental Accounting Standards Board's 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, 44 through 46, 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



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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 48 through 50 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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 30, 2023 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 30, 2023
Harrisburg, Pennsylvania

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

June 30, 2023

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, 2023. 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, 2023. 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, 2023:

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 \$40,684,165. Of this amount, \$6,793,340 may be used to meet the Town's ongoing obligations to citizens and creditors.
2. The Town's total net position increased by \$1,484,579.
3. The Town's total general obligation debt decreased by \$699,726 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, 2023, was \$2,998,097 or 57% of total General Fund expenditures.

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 \$40,684,165 and \$39,199,586 at June 30, 2023 and 2022, respectively.

Table A-1
STATEMENTS OF NET POSITION
June 30, 2023 and 2022

	2023			2022		
	Governmental activities	Business-type activities	Total	Governmental activities	Business-type activities	Total
Current and other assets	\$ 11,941,426	\$ 6,393,491	\$ 18,334,917	\$ 8,619,924	\$ 6,477,190	\$ 15,097,114
Capital assets	9,153,313	29,284,444	38,437,757	8,378,164	29,557,953	37,936,117
Total assets	<u>21,094,739</u>	<u>35,677,935</u>	<u>56,772,674</u>	<u>16,998,088</u>	<u>36,035,143</u>	<u>53,033,231</u>
Deferred Outflows of Resources	430,944	677,129	1,108,073	552,545	874,889	1,427,434
Current portion of liabilities	6,683,716	1,222,729	7,906,445	3,551,894	1,183,482	4,735,376
Long-term portion of liabilities	1,831,685	7,111,030	8,942,715	1,425,846	7,138,940	8,564,786
Total liabilities	<u>8,515,401</u>	<u>8,333,759</u>	<u>16,849,160</u>	<u>4,977,740</u>	<u>8,322,422</u>	<u>13,300,162</u>
Deferred Inflows of Resources	138,969	208,453	347,422	736,482	1,224,435	1,960,917
Net position:						
Net investment in capital assets	9,113,789	24,116,384	33,230,173	8,318,125	23,724,968	32,043,093
Restricted for Roadway Improvements	660,652	-	660,652	699,500	-	699,500
Unrestricted	<u>3,096,872</u>	<u>3,696,468</u>	<u>6,793,340</u>	<u>2,818,786</u>	<u>3,638,207</u>	<u>6,456,993</u>
Total net position	<u>\$ 12,871,313</u>	<u>\$ 27,812,852</u>	<u>\$ 40,684,165</u>	<u>\$ 11,836,411</u>	<u>\$ 27,363,175</u>	<u>\$ 39,199,586</u>

Over time, net position may serve as a useful indication of a government's financial position. In the case of the Town of Thurmont, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$40,684,165. 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, 1.6%, is restricted for roadway improvement projects. The remaining balance of net position of \$6,793,340 or 16.7% 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 additional American Rescue Plan Act (ARPA) funds during 2023. The ARPA fund had restricted cash and unearned revenues of \$6,264,683 as of June 30, 2023.

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 2022 to 2023 in the amount of \$1,484,579.

Table A-2
STATEMENTS OF CHANGES IN NET POSITION
Years ended June 30, 2023 and 2022

	2023			2022		
	Governmental activities	Business-type activities	Total	Governmental activities	Business-type activities	Total
Revenues:						
Program revenues:						
Charges for service	\$ 264,081	\$ 8,276,331	\$ 8,540,412	\$ 216,726	\$ 8,807,371	\$ 9,024,097
Operating grants and contributions	2,008,034	-	2,008,034	1,661,914	-	1,661,914
Capital grants and contributions	-	223,741	223,741	-	81,476	81,476
General revenues:						
Property taxes	2,021,253	-	2,021,253	1,893,590	-	1,893,590
Other taxes	1,357,038	-	1,357,038	1,299,113	-	1,299,113
Interest and rents	177,107	36,165	213,272	14,196	839	15,035
Gain (loss) on sale of capital assets	1,043	-	1,043	-	6,560	6,560
Miscellaneous	30,782	-	30,782	32,580	-	32,580
Transfers	(217,667)	217,667	-	(35,230)	35,230	-
Total revenues	5,641,671	8,753,904	14,395,575	5,082,889	8,931,476	14,014,365
Expenses:						
General government	1,680,128	-	1,680,128	1,412,773	-	1,412,773
Public safety	1,417,561	-	1,417,561	1,228,600	-	1,228,600
Highways and streets	802,615	-	802,615	782,331	-	782,331
Public works	183,740	-	183,740	155,888	-	155,888
Recreation and parks	520,355	-	520,355	484,990	-	484,990
Interest	2,370	-	2,370	5,013	-	5,013
Water	-	1,022,445	1,022,445	-	925,023	925,023
Sewer	-	1,653,963	1,653,963	-	1,533,293	1,533,293
Electric	-	5,627,819	5,627,819	-	5,777,830	5,777,830
Total expenses	4,606,769	8,304,227	12,910,996	4,069,595	8,236,146	12,305,741
Increase (decrease) in net position	1,034,902	449,677	1,484,579	1,013,294	695,330	1,708,624
Net position at beginning of year	11,836,411	27,363,175	39,199,586	10,823,117	26,667,845	37,490,962
Net position at end of year	\$ 12,871,313	\$ 27,812,852	\$ 40,684,165	\$ 11,836,411	\$ 27,363,175	\$ 39,199,586

Governmental Activities

Total governmental activities revenues and transfers out of \$5,641,671 in 2023 were derived from property taxes representing 35.8% of the total, followed by operating grants and contributions at 35.6% and other taxes at 24.1%. Intergovernmental revenue increased \$346,120 as the Town received grants totaling \$2,008,034 in FY23. Various grants provided funding for Community Park Trail Extensions, East End Park field lighting and pavilion replacement, and the new Mountaingate Park. The Town was the recipient of \$3,399,224 from the American Rescue Plan Act in FY 23. The amount reflects the second of two tranches. Of that amount \$367,938 has been expended for continued information technology upgrades, water and sewer infrastructure updates, and stormwater management projects.

Total governmental activities expenses in 2023 were \$4,606,769. The expenses cover a wide range of services, with the largest being the general government at \$1,680,128, public safety at \$1,417,561 and highways and streets at \$802,615. General government expenses saw an increase of \$267,355. Contributing to the increased costs were professional fees and supply costs increases. Public safety expenses saw an increase of \$188,961. Contributing to the increased costs were increased costs in supplies, insurance cost increases along with salaries associated with a fully staffed police department.

Enterprise Funds

Business-type activities increased the Town's net position by \$449,677. Key elements of this increase are as follows:

1. Operating revenues and transfers of \$8,753,904 that includes \$8,276,331 of charges for services and other revenues of \$477,573.
2. Operating expenses of \$8,304,277, an increase from the prior year in the amount of \$68,081.

The business-type activities produced \$8,276,331 in charges for services revenue, an amount that is \$531,040 less than the prior year. The decrease is primarily due to a decrease in the cost to purchase power in FY 23 as compared to FY 22. Operating expenses increased by \$68,081 in the business-type activities. The Electric Fund saw a decrease in expenses of \$150,011. Contributing to the decreased costs was the decreased cost of purchased power. The Water Fund saw an increase in expenses of \$97,422. Contributing to the increased costs were increased costs associated with the supplies and maintenance of the distribution system. The Sewer Fund saw an increase in expenses of \$120,670. Contributing to the increased costs were an increase in the cost of sludge hauling and increases in the cost of material and supplies.

Town Governmental Funds

Total General Fund revenues of \$5,490,357 in 2023 were derived primarily from tax revenues representing 61.5% of the total and intergovernmental revenue at 29.9%.

Total General Fund expenditures in 2023 were \$5,385,192. The expenditures cover a wide range of services, with the largest being the general government at \$1,580,958, public safety at \$1,312,534 and highways and streets at \$619,737.

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 2023. 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 expenditures, and proceeds from the sale of capital assets.

Revenue Variances:

- o Tax Collection:
 - o 2023 tax distributions were \$35,057 or 1.0% less than budgeted. This is primarily due to a delay in full year tax revenue recognition for new development.
 - o 2023 intergovernmental revenue distributions were \$537,706 or 48.8% more than budgeted. This increase is primarily due to increased grant fundings and increases in hotel tax receipts, and county tax differential.

Expense Variances:

- Public Safety (Police Department):
 - Overall, 2023 expenditures were \$1,312,534 against a budget of \$1,378,623 representing 4.8% under budget for the year.
- Highways and Streets:
 - Overall, 2023 expenditures were \$619,737 against a budget of \$776,883, representing 20.2% under budget for the year.
- General Government:
 - Overall, 2023 expenditures were \$1,580,958 against a budget of \$1,716,654, representing 7.9% under budget for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Town of Thurmont's total assets were \$56,772,674 as of June 30, 2023. Of this amount, \$38,437,757 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 2023 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	527,843	382,643
Buildings and improvements	4,256,136	138,478
Infrastructure	10,371,724	55,274,963
Equipment	2,216,131	1,910,650
Accumulated Depreciation / Amortization	<u>(9,911,860)</u>	<u>(28,835,053)</u>
	<u>\$ 9,153,313</u>	<u>\$ 29,284,444</u>

The Town's long term debt activity for 2023 is as follows and is detailed in Note 6 to the Financial Statements:

Type	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Loan from direct borrowings	\$ 60,039	\$ -	\$ (20,515)	\$ 39,524
New Pension Liability	<u>1,224,885</u>	<u>419,685</u>	<u>-</u>	<u>1,644,570</u>
Total Governmental Activities Long-Term Debt	<u>\$ 1,284,924</u>	<u>\$ 419,685</u>	<u>\$ (20,515)</u>	<u>\$ 1,684,094</u>
Business-Type Activities:				
General Obligation Debt	\$ 5,935,020	\$ -	\$ (679,211)	\$ 5,255,809
Net Pension Liability	<u>1,837,329</u>	<u>629,530</u>	<u>-</u>	<u>2,466,859</u>
Total Business-Type Activities Long-Term Debt	<u>\$ 7,772,349</u>	<u>\$ 629,530</u>	<u>\$ (679,211)</u>	<u>\$ 7,722,668</u>

At the end of 2023, the Town-wide long-term debt including the net pension liability, amounted to \$9,406,762. 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 2023-2024 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 2024.

Approved is a general fund budget of \$5,016,075. 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 \$13,940,255. The FY 2024 budget uses resources wisely.

The approved capital improvement budget includes purchase of a remote-control mower in the Parks Department to provide maintenance of the stormwater areas throughout town., a generator to provide power backup for the high-pressure water zones in the town, and replacement of an aging control system at Hunting Creek South tank. The Electric Department is planning to provide the electrical infrastructure to the new pump station on Radio Lane. The Town has budgeted for the repairs of several streets in the Town.

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, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 3,595,793	\$ 5,573,898	\$ 9,169,691
Investments	552,440	-	552,440
Restricted Cash	7,080,230	91,028	7,171,258
Receivables			
Taxes	46,332	-	46,332
Accounts, net	17,511	576,077	593,588
Due From Other Governments	561,683	-	561,683
Other Assets	87,437	22,747	110,184
Inventory	-	129,741	129,741
Capital Assets Not Being Depreciated	2,221,182	795,406	3,016,588
Capital Assets Being Depreciated, Net of Depreciation	6,932,131	28,489,038	35,421,169
Total Assets	<u>21,094,739</u>	<u>35,677,935</u>	<u>56,772,674</u>
Deferred Outflows of Resources			
Deferred Outflows of Resources from Pension	430,944	646,413	1,077,357
Deferred Charges on Refundings	-	30,716	30,716
Total Deferred Outflows of Resources	<u>430,944</u>	<u>677,129</u>	<u>1,108,073</u>
Liabilities			
Accounts Payable and Accrued Liabilities	242,894	486,101	728,995
Bond Interest Payable	-	22,463	22,463
Customers' and developers' deposits payable from restricted assets	84,689	33,995	118,684
Unearned Revenue	6,292,889	12,106	6,304,995
Other Liabilities	42,000	-	42,000
Current Portions of Long Term Liabilities:			
Bonds and Note Payable	21,244	668,064	689,308
Non-Current Portions of Long Term Liabilities:			
Compensated Absences	168,835	56,426	225,261
Bonds and Note Payable	18,280	4,587,745	4,606,025
Net Pension Liability	1,644,570	2,466,859	4,111,429
Total Liabilities	<u>8,515,401</u>	<u>8,333,759</u>	<u>16,849,160</u>
Deferred Inflows of Resources			
Deferred Inflows of Resources from Pension	138,969	208,453	347,422
Total Deferred Inflows of Resources	<u>138,969</u>	<u>208,453</u>	<u>347,422</u>
Net Position			
Net Investment In Capital Assets	9,113,789	24,116,384	33,230,173
Restricted for Roadway Improvements	660,652	-	660,652
Unrestricted	3,096,872	3,696,468	6,793,340
Total Net Position	<u>\$ 12,871,313</u>	<u>\$ 27,812,852</u>	<u>\$ 40,684,165</u>

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

TOWN OF THURMONT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023

	<u>General Fund</u>	<u>ARPA Fund</u>	<u>Total Governmental Funds</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ 3,595,793	\$ -	\$ 3,595,793
Investments	552,440	-	552,440
Accounts Receivable	17,511	-	17,511
Taxes Receivable	46,332	-	46,332
Due From Other Governments	561,683	-	561,683
Prepaid Expense	87,437	-	87,437
Restricted Cash	815,547	6,264,683	7,080,230
Total Assets	<u>\$ 5,676,743</u>	<u>\$ 6,264,683</u>	<u>\$ 11,941,426</u>
<u>Liabilities</u>			
Accounts Payable and Accrued Liabilities	\$ 242,894	\$ -	\$ 242,894
Customer and Developer Deposits	84,689	-	84,689
Unearned Revenues	28,206	6,264,683	6,292,889
Other Liabilities	42,000	-	42,000
Total Liabilities	<u>397,789</u>	<u>6,264,683</u>	<u>6,662,472</u>
<u>Fund Balances</u>			
Nonspendable - Prepaid Insurance	87,437	-	87,437
Restricted - Roadway Improvements	660,652	-	660,652
Committed:			
Fund Balance Reserve	489,019	-	489,019
Capital Reserve	1,000,000	-	1,000,000
Assigned:			-
Future Capital Outlay	43,749	-	43,749
Unassigned	2,998,097	-	2,998,097
Total Fund Balances	<u>5,278,954</u>	<u>-</u>	<u>5,278,954</u>
Total Liabilities and Fund Balances	<u>\$ 5,676,743</u>	<u>\$ 6,264,683</u>	<u>\$ 11,941,426</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, 2023

Total fund balances for governmental funds		\$ 5,278,954
<p>Total net position reported for governmental activities in the statement of net position is different because:</p> <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:</p>		
Land	1,693,339	
Construction in progress	527,843	
Buildings and improvements, net of \$2,013,718 accumulated depreciation	2,242,418	
Infrastructure, net of \$6,596,466 accumulated depreciation	3,775,258	
Equipment, net of \$1,301,676 accumulated depreciation	<u>914,455</u>	
Total capital assets		9,153,313
<p>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.</p> <p>Balances at June 30, 2023 are:</p>		
Compensated Absences	(168,835)	
Bonds Payable	(39,524)	
Deferred Outflows of Resources - Pensions	430,944	
Deferred Inflows of Resources - Pensions	(138,969)	
Net Pension Liability	<u>(1,644,570)</u>	
		<u>(1,560,954)</u>
Total net position of governmental activities		<u>\$ 12,871,313</u>

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

TOWN OF THURMONT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL
FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	<u>General Fund</u>	<u>ARPA Fund</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>			
Taxes	\$ 3,378,291	\$ -	\$ 3,378,291
Intergovernmental	1,640,096	367,938	2,008,034
Charges for Services	248,684	-	248,684
Fines, Licenses and Permits	15,397	-	15,397
Interest Income	177,107	-	177,107
Miscellaneous Income	30,782	-	30,782
	<u>5,490,357</u>	<u>367,938</u>	<u>5,858,295</u>
<u>Expenditures</u>			
Current:			
General Government	1,580,958	72,159	1,653,117
Public Safety	1,312,534	-	1,312,534
Economic Development	183,740	-	183,740
Highways and Streets	619,737	-	619,737
Recreation and Parks	355,302	-	355,302
Debt Service:			
Principal	20,515	-	20,515
Interest	2,370	-	2,370
Capital Outlay	1,310,036	-	1,310,036
	<u>5,385,192</u>	<u>72,159</u>	<u>5,457,351</u>
Excess of Revenues Over (Under) Expenditures	<u>105,165</u>	<u>295,779</u>	<u>400,944</u>
<u>Other Financing Sources (Uses)</u>			
Proceeds on Sale of Capital Assets	7,132	-	7,132
Transfer In	78,112	-	78,112
Transfer Out	-	(295,779)	(295,779)
Total Other Financing Sources	<u>85,244</u>	<u>(295,779)</u>	<u>(210,535)</u>
Net Change in Fund Balances	190,409	-	190,409
Fund Balances - Beginning of year	<u>5,088,545</u>	<u>-</u>	<u>5,088,545</u>
Fund Balances - End of year	<u>\$ 5,278,954</u>	<u>\$ -</u>	<u>\$ 5,278,954</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, 2023

Net change in fund balances - total governmental funds \$ 190,409

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 (\$1,361,263) exceeded depreciation (\$528,798) and disposals (\$57,316) in the current period. 775,149

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:		
Notes Payable	20,515	
Net adjustment		20,515

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	(7,398)	
Pension Benefit	56,227	
		48,829

Change in net position of governmental activities \$ 1,034,902

TOWN OF THURMONT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2023

	Proprietary Funds			
	Sewer	Water	Electric	Total
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 1,520,713	\$ 2,388,126	\$ 1,665,059	\$ 5,573,898
Restricted Cash	-	3,462	87,566	91,028
Prepaid Expense	8,888	7,467	6,392	22,747
Due From Other Funds	25	217,568	-	217,593
Net Receivables	-	44,338	526,745	571,083
Inventories	-	46,740	83,001	129,741
Total Current Assets	1,529,626	2,707,701	2,368,763	6,606,090
Noncurrent Assets				
Net Receivables	4,994	-	-	4,994
Capital Assets Not Being Depreciated	158,947	375,936	260,523	795,406
Capital Assets Being Depreciated, Net of Depreciation	19,604,240	4,127,538	4,757,260	28,489,038
Total Noncurrent Assets	19,768,181	4,503,474	5,017,783	29,289,438
Total Assets	21,297,807	7,211,175	7,386,546	35,895,528
Deferred Outflows of Resources				
Deferred Outflows from Pensions	129,283	150,829	366,301	646,413
Deferred Outflows on Refundings	-	-	30,716	30,716
Total Deferred Outflows of Resources	129,283	150,829	397,017	677,129
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	79,646	49,606	356,849	486,101
Customers' and developers' deposits payable from restricted assets	-	3,462	30,533	33,995
Due To Other Funds	8,857	-	208,736	217,593
Unearned Revenue	-	-	12,106	12,106
Bonds and Notes Payable - Current Portion	357,296	22,118	288,650	668,064
Bond Interest Payable	19,689	362	2,412	22,463
Total Current Liabilities	465,488	75,548	899,286	1,440,322
Noncurrent Liabilities:				
Compensated Absences	15,427	19,051	21,948	56,426
Bonds and notes due in more than one year	3,430,368	159,239	998,138	4,587,745
Net pension liabilities	493,372	575,599	1,397,888	2,466,859
Total Noncurrent Liabilities	3,939,167	753,889	2,417,974	7,111,030
Total Liabilities	4,404,655	829,437	3,317,260	8,551,352
Deferred Inflows of Resources				
Deferred Inflows from Pension	41,689	48,640	118,124	208,453
Total Deferred Inflows of Resources	41,689	48,640	118,124	208,453
NET POSITION				
Net Investment in Capital Assets	15,975,523	4,322,117	3,818,744	24,116,384
Unrestricted	1,005,223	2,161,810	529,435	3,696,468
Total Net Position	\$ 16,980,746	\$ 6,483,927	\$ 4,348,179	\$ 27,812,852

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, 2023

	Proprietary Funds			
	Sewer	Water	Electric	Total
Operating Revenues				
Charges for Services	\$ 1,614,795	\$ 961,427	\$ 5,635,743	\$ 8,211,965
Contract Work	1,297	1,296	-	2,593
Lease Income	-	19,616	-	19,616
Miscellaneous	10,939	5,389	25,829	42,157
Total Operating Revenues	<u>1,627,031</u>	<u>987,728</u>	<u>5,661,572</u>	<u>8,276,331</u>
Operating Expenses				
Purchased Power	-	-	3,908,701	3,908,701
System Maintenance	590,163	434,938	512,116	1,537,217
Depreciation	581,819	321,157	364,363	1,267,339
General and Administrative	411,269	261,758	793,063	1,466,090
Total Operating Expenses	<u>1,583,251</u>	<u>1,017,853</u>	<u>5,578,243</u>	<u>8,179,347</u>
Operating Income (Loss)	<u>43,780</u>	<u>(30,125)</u>	<u>83,329</u>	<u>96,984</u>
Nonoperating Revenues (Expenses)				
Intergovernmental grant	60,731	-	53,010	113,741
Interest Income	3,531	31,493	1,141	36,165
Interest and Fiscal Charges	(70,712)	(4,592)	(49,576)	(124,880)
Net Nonoperating Revenues (Expenses)	<u>(6,450)</u>	<u>26,901</u>	<u>4,575</u>	<u>25,026</u>
Income (Loss) before Capital Contributions and Transfers	<u>37,330</u>	<u>(3,224)</u>	<u>87,904</u>	<u>122,010</u>
Capital Contributions	55,000	55,000	-	110,000
Transfer In	-	217,667	-	217,667
Total Capital Contributions and Transfers	<u>55,000</u>	<u>272,667</u>	<u>-</u>	<u>327,667</u>
Changes In Net Position	92,330	269,443	87,904	449,677
Total Net Position - Beginning of Year	<u>16,888,416</u>	<u>6,214,484</u>	<u>4,260,275</u>	<u>27,363,175</u>
Total Net Position - End of Year	<u>\$ 16,980,746</u>	<u>\$ 6,483,927</u>	<u>\$ 4,348,179</u>	<u>\$ 27,812,852</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, 2023

	Proprietary Funds			
	Sewer	Water	Electric	Total
Cash Flows from Operating Activities				
Receipts from Customers	\$ 1,673,766	\$ 997,907	\$ 5,729,444	\$ 8,401,117
Payments to:				
Employees for salaries, payroll taxes and benefits	(530,851)	(387,933)	(886,035)	(1,804,819)
Suppliers for Operations	(466,623)	(292,872)	(4,337,449)	(5,096,944)
Net Cash Provided by Operating Activities	676,292	317,102	505,960	1,499,354
Cash Flows from Investing Activities				
Interest Income	3,531	31,493	1,141	36,165
Net Cash Provided by Investing Activities	3,531	31,493	1,141	36,165
Cash Flows from Noncapital and Related Financing Activities				
Interfund Transactions	800	216,867	-	217,667
Net Cash Provided by (Used in) Noncapital and Related Financing Activities	800	216,867	-	217,667
Cash Flows from Capital and Related Financing Activities				
Proceeds from sale of assets	-	-	-	-
Capital contributions and intergovernmental grants	138,748	55,000	53,010	246,758
Purchases and construction of capital assets	(208,900)	(642,388)	(142,542)	(993,830)
Principal paid on bonds and notes	(355,066)	(26,329)	(297,816)	(679,211)
Interest and fiscal charges paid on bonds and notes	(72,615)	(4,645)	(34,762)	(112,022)
Net Cash Used in Capital and Related Financing Activities	(497,833)	(618,362)	(422,110)	(1,538,305)
Net Increase (Decrease) in Cash and Cash Equivalents	182,790	(52,900)	84,991	214,881
Cash and Cash Equivalents, Beginning of Year	1,337,923	2,444,488	1,667,634	5,450,045
Cash and Cash Equivalents, End of Year	<u>\$ 1,520,713</u>	<u>\$ 2,391,588</u>	<u>\$ 1,752,625</u>	<u>\$ 5,664,926</u>
Presented in Financial Statements as:				
Cash and Cash Equivalents	\$ 1,520,713	\$ 2,388,126	\$ 1,665,059	\$ 5,573,898
Restricted Cash	-	3,462	87,566	91,028
	<u>\$ 1,520,713</u>	<u>\$ 2,391,588</u>	<u>\$ 1,752,625</u>	<u>\$ 5,664,926</u>
Noncash financing activities:				
Amortization of deferred refunding loss	\$ -	\$ -	\$ 15,359	\$ 15,359

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, 2023

	Proprietary Funds			
	Sewer	Water	Electric	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ 43,780	\$ (30,125)	\$ 83,329	\$ 96,984
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation Expense	581,819	321,157	364,363	1,267,339
Change in Assets, Deferred Outflows, Liabilities and Deferred Inflows				
Prepaid Expense	4,330	1,765	1,127	7,222
Receivables - net of allowances	46,735	8,115	91,715	146,565
Lease Receivable	-	121,776	-	121,776
Inventories	-	-	-	-
Deferred Outflows from Pensions	36,480	42,560	103,361	182,401
Accounts Payable and Accrued Liabilities	15,267	29,799	31,673	76,739
Unearned Revenue	-	-	(24,856)	(24,856)
Customers Deposit Payable	-	-	1,013	1,013
Compensated Absences	1,229	4,006	5,388	10,623
Net Pension Liability	125,906	146,890	356,734	629,530
Deferred Inflows from Leases	-	(119,712)	-	(119,712)
Deferred Inflows from Pensions	(179,254)	(209,129)	(507,887)	(896,270)
Net Cash Provided by Operating Activities	<u>\$ 676,292</u>	<u>\$ 317,102</u>	<u>\$ 505,960</u>	<u>\$ 1,499,354</u>

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

TOWN OF THURMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023

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, 2023

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, 2023

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, unspent grant monies, funds restricted for roadway and park improvements, and for future fundraising events.

TOWN OF THURMONT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2023

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, 2023

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, 2023, 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 \$225,261 in the governmental and business-type activities at June 30, 2023.

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, 2023

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, 2023

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, 2023

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 7. 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 7. 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).

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.

TOWN OF THURMONT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2023

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

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

15. Adoption of Governmental Accounting Standards Board Statements

The Town adopted the provisions of GASB Statement No. 91, “*Conduit Debt Obligations*”, Statement No. 94, “*Public-Private and Public-Public Partnerships (PPP) and Availability Payment Arrangements*”, Statement No. 96, “*Subscription-Based Information Technology Arrangements*”, and certain provisions of Statement No. 99, “*Omnibus 2022*” related to leases, PPP’s, and SBITA’s. The adoption of these statements had no effect on previously reported amounts.

16. Pending Changes in Accounting Principles

The Governmental Accounting Standards Board has issued GASB Statement No. 99, “*Omnibus 2022*”. 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.

TOWN OF THURMONT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

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

E) Budgets and Budgetary Accounting (Continued)

Level of Control

The Town maintains budgetary control at the fund level.

Lapsing of Appropriations

Unexpended appropriations lapse at fiscal year-end.

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 \$16,340,949 and the bank balance was \$16,425,137. 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, 2023, 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, 2023, 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, 2023

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, 2023, 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	\$ 552,440	\$ 552,440	\$ -	\$ -

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 \$7,080,230 consisted of \$6,264,683 of American Rescue Plan funds, \$660,652 of funds restricted for roadway improvements, \$84,689 of customer and developer escrow deposits, \$1,883 for future fundraising events, and \$68,323 held for park improvements. Business - Type Activities restricted cash of \$91,028 is comprised of \$57,033 of unspent bond proceeds and \$33,995 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 \$0.3206 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 2023. 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	\$ 607,793,391
Certified by the state:	
Ordinary business corporation	17,770,720
Railroad and public utilities	<u>1,932,980</u>
Total base	<u>\$ 627,497,091</u>

TOWN OF THURMONT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 5: CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2023 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	167,931	411,139	(51,227)	527,843
Total capital assets not being depreciated	1,861,270	411,139	(51,227)	2,221,182
Capital assets being depreciated (cost):				
Buildings and improvements	4,153,312	102,824	-	4,256,136
Infrastructure	9,827,872	543,852	-	10,371,724
Equipment	1,979,002	303,448	(66,319)	2,216,131
Total capital assets being depreciated	15,960,186	950,124	(66,319)	16,843,991
Less accumulated depreciation for:				
Buildings and improvements	(1,924,093)	(89,625)	-	(2,013,718)
Infrastructure	(6,323,609)	(272,857)	-	(6,596,466)
Equipment	(1,195,590)	(166,316)	60,230	(1,301,676)
Total accumulated depreciation	(9,443,292)	(528,798)	60,230	(9,911,860)
Total capital assets being depreciated, net	6,516,894	421,326	(6,089)	6,932,131
Total capital assets, governmental activities	\$ 8,378,164	\$ 832,465	\$ (57,316)	\$ 9,153,313

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

<u>Governmental Activities:</u>	
General Government	\$ 76,186
Public Safety	106,185
Highways and Streets	181,450
Recreation and Parks	164,977
Total Depreciation Expense - Governmental Activities	\$ 528,798

TOWN OF THURMONT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

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	222,043	255,028	(94,428)	382,643
Total capital assets not being depreciated	634,806	255,028	(94,428)	795,406
Capital assets being depreciated (cost):				
Buildings and improvements	138,478	-	-	138,478
Infrastructure	54,555,109	742,044	(22,190)	55,274,963
Equipment	1,830,170	91,186	(10,706)	1,910,650
Total capital assets being depreciated	56,523,757	833,230	(32,896)	57,324,091
Less accumulated depreciation for:				
Buildings and improvements	(75,221)	(1,468)	-	(76,689)
Infrastructure	(26,669,513)	(1,145,085)	22,190	(27,792,408)
Equipment	(855,876)	(120,786)	10,706	(965,956)
Total accumulated depreciation	(27,600,610)	(1,267,339)	32,896	(28,835,053)
Total capital assets being depreciated, net	28,923,147	(434,109)	-	28,489,038
Total capital assets, business-type activities	\$ 29,557,953	\$ (179,081)	\$ (94,428)	\$ 29,284,444

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

<u>Business-Type Activities:</u>	
Sewer	\$ 581,819
Water	321,157
Electric	364,363
Total Depreciation Expense – Business-Type Activities	\$ 1,267,339

TOWN OF THURMONT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 6: LONG – TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2023:

	Balance at July 1, 2022	Additions	Reductions	Balance at June 30, 2023	Due Within One Year
<u>Governmental activities</u>					
Note from direct borrowing	\$ 60,039	\$ -	\$ (20,515)	\$ 39,524	\$ 21,244
Net pension liability	1,224,885	419,685	-	1,644,570	-
Governmental activities long-term liabilities	<u>\$ 1,284,924</u>	<u>\$ 419,685</u>	<u>\$ (20,515)</u>	<u>\$ 1,684,094</u>	<u>\$ 21,244</u>
<u>Business-type activities</u>					
General obligation debt	\$ 5,935,020	-	\$ (679,211)	\$ 5,255,809	\$ 668,064
Net pension liability	1,837,329	629,530	-	2,466,859	-
Business-type activities long-term liabilities	<u>\$ 7,772,349</u>	<u>\$ 629,530</u>	<u>\$ (679,211)</u>	<u>\$ 7,722,668</u>	<u>\$ 668,064</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, 2023
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)	\$ 869,224
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)	928,767
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)	1,492,682

TOWN OF THURMONT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

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, 2023</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)	636,000
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)	1,329,136
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)	39,524
			<u>\$ 5,295,333</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>
2024	\$ 21,244	\$ 1,045	\$ 22,289
2025	18,280	294	18,574
	<u>\$ 39,524</u>	<u>\$ 1,339</u>	<u>\$ 40,863</u>

TOWN OF THURMONT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

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
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	466,029	39,670	505,699
2029-2033	2,150,181	87,605	2,237,786
2034-2038	174,997	1,610	176,607
	<u>\$ 5,255,809</u>	<u>\$ 386,278</u>	<u>\$ 5,642,087</u>

NOTE 7: PENSION PLAN

General Plan Information

Plan 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.

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.

TOWN OF THURMONT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 7: PENSION PLAN (CONTINUED)

Benefits Provided (Continued)

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, 2023 was 16.3%. Contributions from the Town to the Plan were \$407,035 for the year ended June 30, 2023.

TOWN OF THURMONT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 7: PENSION PLAN (CONTINUED)

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

As of June 30, 2023, the Town reported a liability of \$4,111,429 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 and update procedures were used to roll forward the total pension liability to the June 30, 2022 measurement 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, 2022, the Town's proportionate share was 0.0205484%, which was an increase of 0.0001367% from its proportion measured as of June 30, 2021. For the fiscal year ended June 30, 2023, the Town recognized pension expense of \$314,665. At June 30, 2023, 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	\$ -	\$ 293,529
Contribution Subsequent to Measurement Date	407,035	-
Change of Assumptions	458,391	41,438
Changes in Proportion	211,931	-
Difference Between Projected and Actual Investment Earnings	-	12,455
Total	\$ 1,077,357	\$ 347,422
<u>Split of Deferred Outflow/Inflow of Resources</u>		
Governmental Activities	\$ 430,944	\$ 138,969
Business-Type Activities	646,413	208,453
	<u>\$ 1,077,357</u>	<u>\$ 347,422</u>

The \$407,035 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, 2024. 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>
2024	\$ 10,302	\$ 15,453	\$ 25,755
2025	11,238	16,857	28,095
2026	(13,433)	(20,149)	(33,582)
2027	126,890	190,335	317,225
2028	(5,837)	(8,756)	(14,593)
Total	\$ 129,160	\$ 193,740	\$ 322,900

TOWN OF THURMONT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 7: 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, 2022 measurement date:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Inflation	2.25% general
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 remained at 2.25%, salary increases remained at 2.75% and the discount rate remained at 6.80% for the June 30, 2022 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, 2022 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%	6.00%
Private Equity	13.00%	8.40%
Rate Sensitive	21.00%	1.20%
Credit Opportunity	8.00%	4.90%
Real Assets	15.00%	5.20%
Absolute Return	6.00%	3.50%

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, 2023

NOTE 7: 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	\$ 6,308,237	\$ 4,111,429	\$ 2,288,583

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 8: 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 2023 totaled \$22,418. The investments under the 457 plan at fair market value were \$347,028 as of June 30, 2023. For June 30, 2023, the 457 plan had no outstanding loans. There were no forfeitures from the plan during the year ended June 30, 2023. There are no employer contributions made to the plan and the Town had no liability to the Plan at June 30, 2023.

NOTE 9: 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, 2023.

The Town has committed \$1,090,747 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, 2023

NOTE 10: INTERFUND ACCOUNTS

Individual fund "due from other funds" and "due to other funds" balances at June 30, 2023 are as follows:

	Due from Other Funds	Due to Other Funds
Governmental funds		
General Fund	\$ -	\$ -
Total Governmental funds	-	-
Enterprise funds		
Sewer Fund	25	8,857
Water Fund	217,568	-
Electric Fund	-	208,736
Total Enterprise funds	217,593	217,593
Total	\$ 217,593	\$ 217,593

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 in the amount of \$295,779 from the ARPA Fund to the Sewer Fund and the General Fund in the amounts of \$217,667 and \$78,112, respectively, for the year ended June 30, 2023. The transfer of funds was for the reimbursement of eligible capital project expenditures under the American Rescue Plan.

NOTE 11: RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Town 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 12: EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN THE GENERAL FUND

The General Fund had an excess of actual expenditures (\$5,330,723) over budget (\$4,928,818) for the year ended June 30, 2023. The excess expenditures over appropriations were funded by greater than anticipated revenues during the year.

NOTE 13: SUBSEQUENT EVENTS

The Town has evaluated all subsequent events through report issuance date of October 30, 2023.

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, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,396,348	\$ 3,413,348	\$ 3,378,291	\$ (35,057)
Intergovernmental	1,118,790	1,102,390	1,640,096	537,706
Charges for Services	204,560	204,560	248,684	44,124
Fines, Licenses and Permits	24,000	24,000	15,397	(8,603)
Interest and Rents	1,500	162,200	177,107	14,907
Miscellaneous Income	23,320	23,320	30,782	7,462
	<hr/>			
Total Revenues	4,768,518	4,929,818	5,490,357	560,539
	<hr/>			
Expenditures				
Current:				
General Government	1,635,942	1,716,654	1,580,958	135,696
Public Safety	1,358,230	1,378,623	1,312,534	66,089
Economic Development	153,000	170,000	183,740	(13,740)
Highways and Streets	770,400	776,883	619,737	157,146
Recreation and Parks	338,800	332,317	355,302	(22,985)
Debt Service:				
Principal	20,515	20,515	20,515	-
Interest	1,774	1,774	2,370	(596)
Capital Outlay	489,000	532,052	1,255,567	(723,515)
	<hr/>			
Total Expenditures (Budgetary Basis)	4,767,661	4,928,818	5,330,723	(401,905)
	<hr/>			
Differences - Budget to GAAP				
Capital Outlay - Expenditures of Prior Year				
Assigned Fund Balance			54,469	
	<hr/>			
Total Expenditures (GAAP Basis)			5,385,192	
	<hr/>			
Excess of Revenues Over Expenditures (GAAP Basis)			105,165	
	<hr/>			
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets			7,132	
Transfers In			78,112	
	<hr/>			
Total Other Financing Sources (Uses)			85,244	
	<hr/>			
Net Change in Fund Balance (GAAP Basis)			\$ 190,409	
			<hr/> <hr/>	

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

MARYLAND STATE RETIREMENT AND PENSION SYSTEM

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Town's proportion of the net pension liability	0.0205484%	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	\$ 4,111,429	\$ 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	\$ 2,470,865	\$ 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	166.40%	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	76.27%	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>2023</u>	<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	\$ 407,035	\$ 468,978	\$ 449,775	\$ 409,503	\$ 401,712	\$ 400,502	\$ 382,764	\$ 384,349	\$ 400,457
Contributions in relation to the contractually determined contribution	407,035	468,978	449,775	409,503	401,712	400,502	382,764	384,349	630,645
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ (230,188)</u></u>							
Town's covered payroll	\$ 2,493,459	\$ 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	16.32%	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.

OTHER
SUPPLEMENTAL
INFORMATION

TOWN OF THURMONT
 SCHEDULE OF OPERATING REVENUES AND EXPENSES - BUDGET AND ACTUAL
 SEWER FUND (BUDGETARY BASIS)
 FOR THE YEAR ENDED JUNE 30, 2023

	<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	\$ 1,764,009	\$ 1,776,281	\$ 1,627,031	\$ (149,250)
Total Revenues	<u>1,764,009</u>	<u>1,776,281</u>	<u>1,627,031</u>	<u>(149,250)</u>
Operating Expenses				
System Maintenance	567,836	567,836	590,163	(22,327)
General and Administrative	475,867	475,867	411,269	64,598
Total Operating Expenses (Budgetary Basis)	<u>1,043,703</u>	<u>1,043,703</u>	<u>1,001,432</u>	<u>42,271</u>
Differences - Budget to GAAP				
Depreciation			<u>581,819</u>	
Total Operating Expenses (GAAP Basis)			<u>1,583,251</u>	
Operating Income/(Loss) (GAAP Basis)			<u>\$ 43,780</u>	

TOWN OF THURMONT
 SCHEDULE OF OPERATING REVENUES AND EXPENSES - BUDGET AND ACTUAL
 WATER FUND (BUDGETARY BASIS)
 FOR THE YEAR ENDED JUNE 30, 2023

	<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	\$ 1,062,150	\$ 1,060,257	\$ 987,728	\$ (72,529)
Total Revenues	<u>1,062,150</u>	<u>1,060,257</u>	<u>987,728</u>	<u>(72,529)</u>
Operating Expenses				
System Maintenance	474,594	474,594	434,938	39,656
General and Administrative	332,689	332,689	261,758	70,931
Total Operating Expenses (Budgetary Basis)	<u>807,283</u>	<u>807,283</u>	<u>696,696</u>	<u>110,587</u>
Differences - Budget to GAAP				
Depreciation			<u>321,157</u>	
Total Operating Expenses (GAAP Basis)			<u>1,017,853</u>	
Operating Income/(Loss) (GAAP Basis)			<u>\$ (30,125)</u>	

TOWN OF THURMONT
SCHEDULE OF OPERATING REVENUES AND EXPENSES - BUDGET AND ACTUAL
ELECTRIC FUND (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2023

	<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	\$ 5,760,224	\$ 5,760,224	\$ 5,661,572	\$ (98,652)
Total Revenues	<u>5,760,224</u>	<u>5,760,224</u>	<u>5,661,572</u>	<u>(98,652)</u>
Operating Expenses				
Purchased Power	3,923,535	3,923,535	3,908,701	14,834
System Maintenance	457,500	457,500	512,116	(54,616)
General and Administrative	904,242	904,242	793,063	111,179
Total Operating Expenses (Budgetary Basis)	<u>5,285,277</u>	<u>5,285,277</u>	<u>5,213,880</u>	<u>71,397</u>
Differences - Budget to GAAP				
Depreciation			<u>364,363</u>	
Total Operating Expenses (GAAP Basis)			<u>5,578,243</u>	
Operating Income/(Loss) (GAAP Basis)			<u>\$ 83,329</u>	



Zelenkofske Axelrod LLC

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2023, 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 30, 2023.

Report on 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 and significant deficiencies may exist that have not been identified.

Report on 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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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 30, 2023