



YEAR ENDED JUNE 30, 2023



CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

A Professional Corporation

*TOWN OF MOUNT AIRY, MARYLAND*

YEAR ENDED JUNE 30, 2023

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*TOWN OF MOUNT AIRY, MARYLAND*

YEAR ENDED JUNE 30, 2023

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## Independent Auditor's Report

Honorable Mayor and Town Council  
Town of Mount Airy, Maryland  
Mount Airy, Maryland

### **Opinions**

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of the Town of Mount Airy, Maryland, (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 of Mount Airy, Maryland, 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). 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 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 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 the 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 matter that we identified during the audit.

## Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule - general fund, schedules of the Town's proportionate share of the net pension liability, Town contributions and changes in the Town's total other postemployment benefits (OPEB) liability and related ratios on pages 4 through 15 and 61 through 64, 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 (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Brown Schultz Steidman & Fritz*

Westminster, Maryland  
October 31, 2023

## *TOWN OF MOUNT AIRY, MARYLAND*

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

Unaudited

The following discussion and analysis of the financial performance of the Town of Mount Airy provides an overview of the Town's financial activities for the year ended June 30, 2023. Please read it in conjunction with the Town's financial statements.

#### **FINANCIAL HIGHLIGHTS**

- The total assets of the Town of Mount Airy exceeded its total liabilities at the close of Fiscal Year 2023 by \$71,333,894 (total net position). Of this amount, \$37,957,561 was for governmental activities and \$33,376,333 was for business-type activities. Further, the amount of net position that was unrestricted at year end was \$8,056,174; \$3,729,642 for governmental activities and \$4,326,532 for business-type activities. This information can be found in the Statement of Net Position, directly following the Management's Discussion and Analysis.
- In reviewing the Statement of Activities, you will see that the net position of governmental activities (the General Fund) increased by \$5,232,339, and business-type activities (the Water & Sewer Fund) increased by \$2,118,594 resulting in a \$7,350,933 increase in the Town's total net position from the previous fiscal year.
- The Balance Sheet is a report that gives a snapshot of the total financial picture of the Town's Governmental Fund. As of June 30, 2023, the total liabilities, deferred inflows of resources and fund balances for governmental funds were \$9,920,049. This is an increase of \$1,271,713 from Fiscal Year 2022.
- At the close of Fiscal Year 2023, the Town's governmental fund reported an ending fund balance of \$7,271,838, an increase of \$1,231,527 from Fiscal Year 2022. This information may be reviewed on the Statement of Revenues, Expenditures and Changes in Fund Balance.
- The Town received their second disbursement in the amount of \$4,662,276 from the American Rescue Plan Act (ARPA) in early August 2022, for a total disbursement of \$9,321,568. At June 30, 2023, the Town has spent a total of \$5,240,029 of these funds on the following projects: the storm sewer cured-in-place lining project, Rails to Trails - West of Main trail capping and construction project, the South Main Street roundabout project, the water meter replacement and installation project, the water main replacement project, several inflow and infiltration capital projects and the water and wastewater treatment plant feasibility study. The remaining funds will continue to fund many of these projects, as well as the water treatment plant laboratory upgrade.
- The Town of Mount Airy ended the fiscal year, with funds on deposit in certificates of deposit, investments, checking accounts and savings accounts totaling more than \$16 million. Of this amount \$4,081,539 was the remaining ARPA funds not disbursed by the end of Fiscal Year 2023. Of this amount, 22% is in investments with the Maryland Local Government Investment Pool earning an interest rate of 5.07% at June 30, 2023. Of this amount, 11% is invested in certificates of deposit earning interest rates from 0.25% to 1.54%. You can find this information in the Notes to Basic Financial Statements, Note 2 – Deposits and investments.

## *TOWN OF MOUNT AIRY, MARYLAND*

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

Unaudited

- Grant acquisition continues to be a source of funding for many capital projects, as well as some operating expenditures. The Town received many grants throughout Fiscal Year 2023:
  - The Old Main Line Central Branch Trail Grant was obtained for Rails to Trails, East of Main in the amount of \$228,712. This grant partially funded the construction of a new boardwalk and storm water management project.
  - The Maryland Department of Natural Resources Land Acquisition & Planning Grant in the amount of \$574,737 partially funded the purchase of the CSX property for Rails to Trails, West of Main.
  - The Maryland Department of Natural Resources Community Parks and Playgrounds Grant in the amount of \$172,949 partially funded Phase II of the Watkins Park Inclusive Playground.
  - The Maryland Department of Natural Resources Local Parks and Playground Infrastructure Grant in the amount of \$202,829 for the Rails to Trails, West of Main walking trail construction.
  - PA Clean Ways, Keep America Beautiful Grant in the amount of \$5,000 to fund the new bridge on Rails to Trails, East of Main at the entrance to Watkins Park.
  - The Mount Airy Police Department (MAPD) received several grants: \$3,542 from the Motor Vehicle Administration for Impaired & Aggressive Driving Grant; Occupant Protection Grant and Speed Enforcement Grant. \$232 from the Maryland Department of Education for School Traffic Safety Enforcement Grant. \$1,047 from the Office of Justice Programs, Patrick Leahy Bulletproof Vest Partnership Grant.
  - Classmates for Life provided the Town with a donation in the amount of \$15,500 to partially fund Phase I of the skate park pump track at Watkins Park.
  - The Historical Society of Mount Airy Maryland provided the Town with a donation of \$12,772 to partially fund the flat iron building structural assessment.
  - The Town received a pass-through grant from the Maryland Department of Housing & Community Development Historic Trust in the amount of \$41,274 for façade improvements to the downtown area. The funds were then paid to two businesses: \$36,572 to WFR Capital, LLC at 8 North Main Street, and \$4,702 to Mount Airy Hotel, LLC at 216 South Main Street.
- Following a comprehensive review of information provided by granting agencies, it was determined the Town needed to revise its method of estimating the deferred inflow of resources related to grants receivable. The Town no longer applies the 60-day measurement focus to reimbursement-based grant revenue. As a result of this change in estimate, the Town reported an additional \$833,255 in grant revenue for Fiscal Year 2023. This change had a one-time impact on the General Fund in the current year but does not have any impact on the government-wide statements of financial position or activities. This information can be viewed in Notes to Basic Financial Statements, Note 3 – Change in accounting estimate.
- Effective June 15, 2023, the lease agreement for the Police Station located at 205 Center Street, Suite 203, was renewed for an additional three-year term, this resulted in a right to use leased asset of \$130,955 and corresponding lease liability. This information can be reviewed in the Notes to Basic Financial Statements, Note 6 – Right to use leased asset and Note 7 – Long-term liabilities.

## *TOWN OF MOUNT AIRY, MARYLAND*

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

Unaudited

- The Water and Sewer Fund ended Fiscal Year 2023 with a \$981,416 operating loss, as reported on the Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund. The depreciation expense, which affects this bottom line, was \$1,417,019.
- The Town's Water and Sewer Fund long-term liability balance including compensated absences was \$3,626,325 a net decrease of \$342,418 from Fiscal Year 2022. This information can be reviewed in the Notes to Basic Financial Statements, Note 7 – long-term liabilities.
- The Town received a Bay Restoration Fund Grant in the amount of \$74,237 for Enhanced Nutrient Removal (ENR) operating and maintenance expenses. This was an increase of \$14,622 from Fiscal Year 2022. This grant is provided to help pay for the chemicals needed to remove phosphorous and nitrogen emitted into effluent water which eventually makes its way into the Chesapeake Bay.

#### **OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis serve as an introduction to the financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the basic financial statements.

Government-Wide Financial Statements are designed to provide readers with a broad overview of the Town's finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All the current year's revenues and expenses are considered regardless of when cash is received or paid.

The Statement of Net Position reports information of all the Town's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator as to whether the financial position of the Town is improving or deteriorating.

The Statement of Activities list governmental activities and business-type activities by department reporting expenses, program revenue and net revenue (or expense) for each department. Then general revenues are added in to show how the Town's net position changed during the fiscal year.

Both the Statement of Net Position and the Statement of Activities distinguish functions of the Town that are governmental activities, which are those activities principally supported by taxes and revenues from other governments, and functions of the Town that are business-type activities, which are meant to cover operating costs with service fees. The governmental activities of the Town include general government, public safety, waste collection, streets and roads, parks and recreation, planning and zoning and economic development. The business-type activities of the Town include water and sewer service.

## *TOWN OF MOUNT AIRY, MARYLAND*

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

Unaudited

Fund Financial Statements report the Town's operation in more detail than the government-wide statements by providing information about the Town's funds separately. The Town's two funds, governmental and proprietary, use different accounting approaches.

- Governmental funds - Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in the reconciliation after the fund financial statements. The Town's Governmental Fund is the General Fund.
- Proprietary funds - Services that the Town provides, for which it charges customers, are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities using the full accrual accounting method. The Town's enterprise fund is the same as the business-type activities we report in the government-wide statements but provides more detail and additional information, such as cash flows. The Town's Proprietary Fund is the Water and Sewer Fund.

Notes to the financial statements provide additional information that is essential to obtaining a full understanding of the data provided in the government-wide and fund financial statements.

## *TOWN OF MOUNT AIRY, MARYLAND*

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

Unaudited

#### GOVERNMENT WIDE FINANCIAL ANALYSIS

The following is selected information as of June 30, 2023, and for the previous year ended, which is provided for comparison purposes. A summary of the Town's Statement of Net Position is as follows:

	Fiscal Year 2023			Fiscal Year 2022		
	Governmental	Business-Type	Total	Governmental	Business-Type	Total
<b>Assets</b>						
Current & Other Assets	\$ 10,051,004	\$ 9,048,122	\$ 19,099,126	\$ 8,648,336	\$ 9,449,420	\$ 18,097,756
Capital Assets	<u>\$ 32,884,113</u>	<u>\$ 32,591,370</u>	<u>\$ 65,475,483</u>	<u>\$ 27,707,323</u>	<u>\$ 30,151,536</u>	<u>\$ 57,858,859</u>
<b>Total Assets</b>	<b>\$ 42,935,117</b>	<b>\$ 41,639,492</b>	<b>\$ 84,574,609</b>	<b>\$ 36,355,659</b>	<b>\$ 39,600,956</b>	<b>\$ 75,956,615</b>
<b>Deferred Outflows of Resources</b>	<b>\$ 1,178,297</b>	<b>\$ 180,540</b>	<b>\$ 1,358,837</b>	<b>\$ 1,449,916</b>	<b>\$ 240,587</b>	<b>\$ 1,690,503</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 44,113,414</b>	<b>\$ 41,820,032</b>	<b>\$ 85,933,446</b>	<b>\$ 37,805,575</b>	<b>\$ 39,841,543</b>	<b>\$ 77,647,118</b>
<b>Liabilities</b>						
Current Liabilities	\$ 2,575,561	\$ 3,258,251	\$ 5,833,812	\$ 1,414,320	\$ 2,907,830	\$ 4,322,150
Long-Term Liabilities	<u>\$ 2,733,425</u>	<u>\$ 3,995,616</u>	<u>\$ 6,729,041</u>	<u>\$ 2,325,952</u>	<u>\$ 4,314,584</u>	<u>\$ 6,640,536</u>
<b>Total Liabilities</b>	<b>\$ 5,308,986</b>	<b>\$ 7,253,867</b>	<b>\$ 12,562,853</b>	<b>\$ 3,740,272</b>	<b>\$ 7,222,414</b>	<b>\$ 10,962,686</b>
<b>Deferred Inflows of Resources</b>	<b>\$ 846,867</b>	<b>\$ 1,189,832</b>	<b>\$ 2,036,699</b>	<b>\$ 1,340,081</b>	<b>\$ 1,361,390</b>	<b>\$ 2,701,471</b>
<b>Net Position</b>						
Net Investment in Capital Assets	\$ 32,843,648	\$ 29,007,702	\$ 61,851,350	\$ 27,690,874	\$ 26,222,827	\$ 53,913,701
Restricted	\$ 1,384,271	\$ 42,099	\$ 1,426,370	\$ 13,638	\$ 9,158	\$ 22,796
Unrestricted	<u>\$ 3,729,642</u>	<u>\$ 4,326,532</u>	<u>\$ 8,056,174</u>	<u>\$ 5,020,710</u>	<u>\$ 5,025,754</u>	<u>\$ 10,046,464</u>
<b>Total Net Position</b>	<b>\$ 37,957,561</b>	<b>\$ 33,376,333</b>	<b>\$ 71,333,894</b>	<b>\$ 32,725,222</b>	<b>\$ 31,257,739</b>	<b>\$ 63,982,961</b>

The Town's total net position increased by 11% (\$71,333,894 compared to \$63,982,961). Total assets increased by 11% (\$84,574,609 compared to \$75,956,615). The capital assets include land, easements, buildings, infrastructure, equipment, vehicles and construction in progress. The current and other assets include cash and cash equivalents, investments, taxes receivable, lease receivable, accounts receivable, unbilled services, inventory and intergovernmental receivables.

The Town's total liabilities increased by 15% (\$12,562,853 compared to \$10,962,686). Current liabilities include accounts payable and accrued expenses, refundable deposits, unearned revenues, current portion of bonds and lease payable and bond interest payable. The largest portion of the Town's total liabilities is from long-term debt in business-type activities in which improvements to the infrastructure of the Water and Sewer Systems have been made. Followed by unearned revenues in both governmental activities and business-type activities for ARPA funds received but not expended by the end of the fiscal year.

**TOWN OF MOUNT AIRY, MARYLAND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2023

Unaudited

Pensions and other postemployment benefits, reported on the Statement of Net Position as deferred outflows of resources and deferred inflows of resources, can be thought of as promises of future benefits to workers in return for labor today. State and local governments must recognize their pension liability in their financial statements. Other postemployment benefits are benefits, other than pensions, that are offered to employees after retirement such as a Medicare supplement plan. The accrued liability for other post-employment benefits is the liability for those benefits that have already been accrued for past and current, eligible retired employees.

A summary of the Town's Statement of Activities for the current and prior fiscal year is as follows:

	Fiscal Year 2023			Fiscal Year 2022		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
<b>Revenue</b>						
Program Revenues						
Charges for Services	\$ 126,486	\$ 2,574,782	\$ 2,701,268	\$ 302,526	\$ 2,657,260	\$ 2,959,786
Operating Grants and Contributions	\$ 803,267	\$ 74,237	\$ 877,504	\$ 727,920	\$ 59,615	\$ 787,535
Capital Grants and Contributions	\$ 5,419,606	\$ 3,024,181	\$ 8,443,787	\$ 2,107,918	\$ 2,313,148	\$ 4,421,066
General Revenues						
Taxes						
Income Taxes	\$ 2,413,567		\$ 2,413,567	\$ 2,503,259		\$ 2,503,259
Real Property Taxes	\$ 2,134,729		\$ 2,134,729	\$ 2,031,368		\$ 2,031,368
Personal Property Tax	\$ 145,780		\$ 145,780	\$ 115,807		\$ 115,807
Grants, Contributions, and Franchise Fees						
not Restricted to Specific Programs	\$ 1,003,573		\$ 1,003,573	\$ 949,744		\$ 949,744
Connection Charges		\$ 11,400	\$ 11,400		\$ 125,000	\$ 125,000
Interest Income and Rent	\$ 91,680	\$ 107,413	\$ 199,093	\$ 35,216	\$ 113,164	\$ 148,380
Miscellaneous	\$ 15,082		\$ 15,082	\$ 14,979		\$ 14,979
<b>Total Revenues</b>	<b>\$ 12,153,770</b>	<b>\$ 5,792,013</b>	<b>\$ 17,945,783</b>	<b>\$ 8,788,737</b>	<b>\$ 5,268,187</b>	<b>\$ 14,056,924</b>
<b>Expenses</b>						
General Government	\$ 1,172,082		\$ 1,172,082	\$ 1,134,654		\$ 1,134,654
Planning & Zoning	\$ 324,307		\$ 324,307	\$ 276,938		\$ 276,938
Public Safety	\$ 2,032,732		\$ 2,032,732	\$ 2,141,798		\$ 2,141,798
Public Works	\$ 2,560,885		\$ 2,560,885	\$ 2,373,258		\$ 2,373,258
Parks and Recreation	\$ 599,550		\$ 599,550	\$ 579,052		\$ 579,052
Economic Development	\$ 231,875		\$ 231,875	\$ 226,079		\$ 226,079
Water & Sewer Services		\$ 3,673,419	\$ 3,673,419		\$ 3,766,369	\$ 3,766,369
	<b>\$ 6,921,431</b>	<b>\$ 3,673,419</b>	<b>\$ 10,594,850</b>	<b>\$ 6,731,779</b>	<b>\$ 3,766,369</b>	<b>\$ 10,498,148</b>
<b>Changes in Net Position</b>	<b>\$ 5,232,339</b>	<b>\$ 2,118,594</b>	<b>\$ 7,350,933</b>	<b>\$ 2,056,958</b>	<b>\$ 1,501,818</b>	<b>\$ 3,558,776</b>
Net Position at Beginning of Year	\$ 32,725,222	\$ 31,257,739	\$ 63,982,961	\$ 30,668,264	\$ 29,755,921	\$ 60,424,185
<b>Net Position - End of Year</b>	<b>\$ 37,957,561</b>	<b>\$ 33,376,333</b>	<b>\$ 71,333,894</b>	<b>\$ 32,725,222</b>	<b>\$ 31,257,739</b>	<b>\$ 63,982,961</b>

## *TOWN OF MOUNT AIRY, MARYLAND*

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

Unaudited

#### Governmental activities

For the fiscal year ended June 30, 2023, revenues from governmental activities totaled \$12,153,770, which is a 38% increase from the previous year. Most of the governmental general revenue came from income taxes (20%) and real property taxes (18%). A large increase can be observed in the capital grants and contributions category. This increase is attributed to several factors. The contributed capital was mostly from the Town being deeded the new roads, sidewalks and storm drains for the Brittany Manor at Twin Arch Village subdivision and the parking lot located North Main Street and Prospect Road. Grants were received for the following purchases and projects: the purchase of the CSX property for Rails to Trails - West of Main, the boardwalk and storm water management project for Rails to Trails - East of Main, Phase II of the all-inclusive park at Watkins Park, the skate park pump track at Watkins Park, the new bridge on Rails to Trails, East of Main at the entrance to Watkins Park.

Expenses from governmental activities totaled \$6,921,431. The largest component of expenses, \$2,560,885 (37%), was from Public Works. Public Safety came in next highest at \$2,032,732 (29%).

#### Business-type activities

Water and Sewer capital grants and contributions made up 52% of the total business-type revenue, with the next highest being charges for services at 44%. Expenses were down slightly at 2%. The large increase in capital grants and contributions was from the Town being deeded the new water and sewer lines for the Brittany Manor at Twin Arch Village subdivision and spending of the ARPA funds.

### **FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

#### Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. This information is useful in assessing the Town's financing requirements. In particular, the unreserved fund balance may serve as a useful measure of a government's net resources available for spending.

## *TOWN OF MOUNT AIRY, MARYLAND*

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

Unaudited

In reviewing the Balance Sheet – Governmental Funds, as of the end of Fiscal Year 2023, the Town's governmental funds reported ending fund balance of \$7,271,838, of which \$1,681,118, or 23%, is unassigned. \$3,977,690, or 55%, is assigned to provide funding for capital improvements, park improvements, sidewalk improvements and road improvements. Much of this money has been collected through developer fees and surplus deposits throughout the years. Committed fund balances total \$72,260, which consists of Center Street Improvements. \$1,384,271 of the Town's funds are restricted; this is money in the police adjudicated fund and ARPA funds, and lastly \$156,499 is listed as non-spendable funds and represents inventory, notes receivable, lease receivable and prepaid expenses.

#### Business-type Funds

The Statement of Net Position – Proprietary Funds reports the unrestricted funds for the Water and Sewer Fund total \$4,326,532. You can find detailed information about the Town's fund balances for both the General Fund and the Water and Sewer Fund in the Notes to Basic Financial Statements, Note 8 – Net position and fund balances.

#### **BUDGET AMENDMENTS ANALYSIS**

The original budget for the Town was amended 23 times during the year. Early in the Fiscal Year the Town received the second disbursement of the American Rescue Plan Act (ARPA) funding in the amount of \$4,662,276. The Town accounted for \$2,100,000 of these funds in the original budget to be used for two Streets and Roads capital projects and one Parks and Recreation capital project. The remaining funds were for Water and Sewer infrastructure projects. The capital budget was amended to allocate the additional funds for projects already included in the budget to increase the scope of the projects. The remaining budget amendments were mostly for capital improvements purchases and projects. Finally, near the end of the fiscal year the council approved 11 amendments reducing costs and related anticipated grant revenue for capital projects that did not move forward as planned in the fiscal year, two to reduce operating expenses, and one to add grant revenue received.

#### **GENERAL FUND BUDGETARY HIGHLIGHTS**

In the required supplementary information section of the financial statements the Budgetary Comparison Schedule contains a chart that shows the original budget, the final budget, the actual and the variance to budget. The General Fund took in \$552,878 more in revenues than expected. The large positive variance in taxes was due to income taxes and the large positive variance in intergovernmental revenues was due to grants, specifically park grant revenue. These grants were for capital parks projects and land acquisitions. Total expenses came in \$405,408 less than expected, the largest variance is from Police expenses primarily related to salaries. The roads departments spent less than expected due to a milder winter and there was less spent on maintenance and repairs.

## *TOWN OF MOUNT AIRY, MARYLAND*

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

Unaudited

The rental income listed in this chart comes from the Mount Airy Pharmacy located at 1 North Main Street. When the Town purchased the Train Station in Fiscal Year 2017 it also became landlord to the existing tenant, the Mount Airy Pharmacy, which has been a landmark in the downtown area for many years. This lease agreement was renewed in Fiscal Year 2022 for an additional three-year term.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

The Town of Mount Airy's investment in capital assets for its governmental and business-type activities as of June 30, 2023, can be found in the Notes to Basic Financial Statements, Note 5. Governmental activities capital assets total \$32,884,113 (net of accumulated depreciation), and the business-type activities total \$32,591,370. These assets include construction in progress, land, easements, storm water management facilities, buildings, roads, sidewalks, storm drains, park facilities, machinery and equipment, vehicles, water and sewer infrastructure and the Wastewater Treatment Plant (WWTP).

Capital purchases that were put into service and projects that were completed during the fiscal year include the following:

#### General Fund

- General Government
  - o A new water heater was installed at Town Hall at a cost of \$4,980.
- Police Department
  - o Two new vehicles were purchased at a cost of \$90,000.
  - o Three new Speed Alert Radar Signs were purchased at a cost of \$12,090.
- Sanitation Department
  - o A new enclosure was installed around the downtown trash and recycling center at a cost of \$14,338.
- Roads Department
  - o The Annual Sidewalk Project consisted of adding new sidewalks to a section along Prospect Road at a cost of \$28,035.
  - o The Annual Road Paving Project consisted of repaving a section of Frederick Avenue at a cost of \$15,090.
  - o Storm Drain Improvements were made at Prospect Road at a cost of \$20,203.
  - o Storm Sewer Improvements were made at various locations within the Town at a cost of \$978,073.
  - o Repairs were made at five Storm Water Management Facility's for a total cost of \$209,495.
  - o Land - Parcel A, Lot 46, South Main Street for the Roundabout at a cost of \$96,326.

## *TOWN OF MOUNT AIRY, MARYLAND*

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

Unaudited

#### - Parks Department

- A new Exmark zero-turn mower was purchased at a cost of \$18,500.
- A storage shed was purchased for Windy Ridge Park to store tools in at a cost of \$3,500.
- A chain link fence was installed at Twin Arch Park at a cost of \$38,315.
- The roof was replaced on the Watkins Park Dug-Out at a cost of \$3,185.
- A new skate park pump track was installed at Watkins Park at a cost of \$45,500.

#### Water & Sewer Fund

- A new truck was purchased at a cost of \$75,256.
- The Sludge Dewatering Building project was completed. This project began in Fiscal Year 2020 and cost a total of \$722,098.
- Seven Pumps were replaced at various Water Stations for a total cost of \$51,682.
- The Center Street Water Main Replacement Project was completed. This project started in Fiscal Year 2020 and cost a total of \$1,020,375.
- A new FiStream All-Glass 2 Liter/Hr Still was purchased for the Wastewater Treatment Plant at a cost of \$5,216.
- Three Inflow and Infiltration projects were completed. These projects began in Fiscal Year 2022 and cost a total of \$1,689,753.
- Wastewater Treatment Plant Swale Improvements project was completed at a cost of \$46,690.

Contributed Capital (Land, facilities, easements or other capital assets given to the Town). Values must be assigned to assets given to the Town and in doing so land values of adjacent properties are used to assign a value.

- An easement was given to the Town from LDG Ridgeville, LLC for access to a storm water management facility. This easement is valued at \$91,782.
- An easement was given to the Town from LDG Ridgeville, LLC for access to a storm water management facility. This easement is valued at \$72,012.
- Land was deeded to the Town by Stephens Property, LLC as open space in the Fields of Nottingham subdivision. This land is valued at \$17,300.
- A parking lot located at the corner of North Main Street and Prospect Road was deeded to the Town from Main Street, LLC for additional parking for Main Street. This parking lot is valued at \$136,200.
- The Town was conveyed four roads: Gails Lane, Damon Drive, Jimmys Street and Connor Circle, deeded to the Town by K. Hovanian Homes of Maryland L.L.C. Included with the roads were sidewalks, curbs, gutters, storm drains, water lines and sewer lines. The total value being \$4,857,274.

## *TOWN OF MOUNT AIRY, MARYLAND*

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

Unaudited

#### **Debt**

At year end, the Town's Water and Sewer Department had \$3,583,668 in outstanding debt, compared to \$3,928,709 the previous year. This amount consists of bonds issued for Water System infrastructure improvements. They are the Infrastructure Bonds of 2012 Refunding, and the Infrastructure Bonds of 2012.

The Town entered into a lease agreement effective June 15, 2023 for their police station building, which resulted in an outstanding balance of \$130,955 as of June 30, 2023.

Additional information concerning the Town's debt can be found in the Notes to Basic Financial Statements, Note 7.

#### **Economic Factors and Next Year's Budgets and Rates**

The Tax Rate for Fiscal Year 2024 will remain the same as Fiscal Year 2023 at .1662 (cents) per \$100 of assessed value. This has been the tax rate for the last seven fiscal years and follows a decade and a half of declining tax rates. Conversely, the cost of operating the Town has increased over the same period. In the coming year, the Town will evaluate all the Town's revenue sources to determine if adjustments need to be made to keep up with the cost of living.

The Homestead Tax Cap was raised from 0% to 3% in Fiscal Year 2022 and will remain at 3% for Fiscal Year 2024. The 3% cap will begin to increase homeowners' taxable assessed value from the value that was "frozen" since Fiscal Year 2000. It's a very small step in "catching up" to current assessed values which will increase real estate tax revenue for the Town, albeit by a very small amount. The Maryland State Department of Assessments and Taxation estimates that long-term homeowners in Mount Airy may never be taxed at the full taxable assessed value.

Many General Fund capital projects are being considered for next year and beyond. Projects on the list of possibilities include connecting Center Street from downtown to Watkins Park (MD Route 808 to MD Route 27), acquiring land and building a new police station, determining the future of the Flat Iron Building, obtaining access and making improvements to Windy Ridge Park, just to name a few. Careful consideration as to the benefit of these projects will be a main component in deciding which projects move forward into the budgeting phase. Funding will also be a main component in determining which projects move forward into the budgeting phase; there are more projects on the wish list than the Town has in reserve funds to start or complete, and the operating budget cannot sustain a debt payment with the current revenue flow although reserves can be used for this purpose. Efforts to obtain grants have been and will continue to be a focus of Town staff in future years.

## *TOWN OF MOUNT AIRY, MARYLAND*

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

Unaudited

As of June 30, 2023, the Town is committed to construction projects for: South Main Street roundabout in the amount of \$1,559,185; Summit Ridge Playground in the amount of \$136,426; Rails to Trails engineering in the amount of \$37,320; water meter replacement project in the amount of \$80,097 for the purchase of new meters and \$500,000 for the installation and Prospect Road water main replacement project in the amount of \$32,591.

The Town is fortunate to have reserve funds that built up over the years from surplus funds and permit fees and they are used to fund capital projects. At the end of Fiscal Year 2023 the amount remaining in the General Fund reserves totaled \$3,977,690; Water & Sewer Fund reserves totaled \$3,967,987. As the Town builds out existing subdivisions and new building construction in the approved pipeline of projects, deposits from permit fees will eventually end. Careful planning will be the key to determining how to fund the ongoing capital projects for which the reserves have historically been used. Considerations will include the safe level of funds to keep for emergencies, or "rainy day" funds, and other potential sources of revenue to fund future capital projects.

Future revenues will be among the most important topics of discussion for our elected officials in the coming years. Without an increase in revenue, the Town will no longer be able to continue to provide the same level of services to citizens. Planning for the future financial health of the Town will be the focus of the Mayor and Town Council. Increasing real estate tax revenues can be accomplished via two means; by increasing the tax rate on existing revenue sources or increasing the tax base from which revenue is collected (e.g., development of properties). Either method will be beneficial to the fiscal health of the Town.

#### **Contacting the Town's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mayor Larry Hushour at 110 South Main Street, Mount Airy, Maryland 21771-0050.

**TOWN OF MOUNT AIRY, MARYLAND**

STATEMENT OF NET POSITION  
JUNE 30, 2023

	Governmental activities	Business-type activities	Total
<b>Assets:</b>			
Current assets:			
Pooled cash and cash equivalents	\$ 3,299,173	\$ 390,670	\$ 3,689,843
Non-pooled cash and cash equivalents	2,133,631	2,338,814	4,472,445
Non-pooled cash and cash equivalents, restricted	3,552,204	2,864,271	6,416,475
Accounts receivable	50,024	7,572	57,596
Taxes receivable	317,011		317,011
Lease receivable	16,363	36,261	52,624
Notes receivable	14,664		14,664
Due from other governments	326,926		326,926
Inventory	105,353	15,468	120,821
Unbilled services		712,878	712,878
Prepaid expenses and deposits	36,195	12,958	49,153
	<u>9,851,544</u>	<u>6,378,892</u>	<u>16,230,436</u>
Total current assets			
Noncurrent assets:			
Capital assets:			
Construction in progress	3,061,741	1,642,893	4,704,634
Land and land rights	4,020,191	1,438,848	5,459,039
Buildings and improvements	6,022,886	27,141,027	33,163,913
Equipment	4,347,695	625,153	4,972,848
Infrastructure	44,477,438	26,444,994	70,922,432
Vehicles	1,215,388	524,446	1,739,834
	<u>63,145,339</u>	<u>57,817,361</u>	<u>120,962,700</u>
Less accumulated depreciation	<u>30,261,226</u>	<u>25,225,991</u>	<u>55,487,217</u>
Net property and equipment	32,884,113	32,591,370	65,475,483
Certificates of deposit	54,628	1,772,703	1,827,331
Lease receivable	13,877	896,527	910,404
Right-to-use leased asset, net of accumulated amortization	130,955		130,955
	<u>33,083,573</u>	<u>35,260,600</u>	<u>68,344,173</u>
Total noncurrent assets	<u>33,083,573</u>	<u>35,260,600</u>	<u>68,344,173</u>
<b>Total assets</b>	<b><u>42,935,117</u></b>	<b><u>41,639,492</u></b>	<b><u>84,574,609</u></b>
<b>Deferred outflows of resources:</b>			
Deferred amounts from:			
Pensions	1,069,896	137,126	1,207,022
Other postemployment benefits	108,401	43,414	151,815
	<u>1,178,297</u>	<u>180,540</u>	<u>1,358,837</u>
<b>Total deferred outflows of resources</b>	<b><u>1,178,297</u></b>	<b><u>180,540</u></b>	<b><u>1,358,837</u></b>
<b>Total assets and deferred outflows of resources</b>	<b><u>\$ 44,113,414</u></b>	<b><u>\$ 41,820,032</u></b>	<b><u>\$ 85,933,446</u></b>

See notes to basic financial statements.

**TOWN OF MOUNT AIRY, MARYLAND**

STATEMENT OF NET POSITION  
JUNE 30, 2023

	Governmental activities	Business-type activities	Total
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 275,805	\$ 34,842	\$ 310,647
Accrued:			
Payroll and related benefits	80,235	28,457	108,692
Compensated absences	8,604		8,604
Interest payable		19,239	19,239
Current portion of:			
Lease	42,984		42,984
Bonds payable (net of premiums)		353,541	353,541
Payable from restricted assets:			
Accounts payable and accrued expenses	264,024	49,915	313,939
Due to other governments		58,530	58,530
Refundable deposits	525,786		525,786
Unearned revenues	1,378,123	2,713,727	4,091,850
<b>Total current liabilities</b>	<b>2,575,561</b>	<b>3,258,251</b>	<b>5,833,812</b>
Noncurrent liabilities:			
Accrued compensated absences	100,600	42,657	143,257
Net pension liability	1,995,103	416,359	2,411,462
Total other postemployment benefits liability	549,751	306,473	856,224
Lease	87,971		87,971
Bonds payable (net of premiums)		3,230,127	3,230,127
<b>Total noncurrent liabilities</b>	<b>2,733,425</b>	<b>3,995,616</b>	<b>6,729,041</b>
<b>Total liabilities</b>	<b>5,308,986</b>	<b>7,253,867</b>	<b>12,562,853</b>
<b>Deferred inflows of resources:</b>			
Deferred amounts from:			
Leases	29,953	890,128	920,081
Pensions	217,162	68,955	286,117
Other postemployment benefits	599,752	230,749	830,501
<b>Total deferred inflows of resources</b>	<b>846,867</b>	<b>1,189,832</b>	<b>2,036,699</b>
<b>Net position:</b>			
Net investment in capital assets	32,843,648	29,007,702	61,851,350
Restricted	1,384,271	42,099	1,426,370
Unrestricted	3,729,642	4,326,532	8,056,174
<b>Total net position</b>	<b>37,957,561</b>	<b>33,376,333</b>	<b>71,333,894</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 44,113,414</b>	<b>\$ 41,820,032</b>	<b>\$ 85,933,446</b>

See notes to basic financial statements.

**TOWN OF MOUNT AIRY, MARYLAND**

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2023**

Functions/programs	Expenses	Program revenues			Net (expenses) revenues and changes in net position		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 1,172,082	\$ 68,023	\$ 362	\$ 153,500	\$ (950,197)		\$ (950,197)
Planning and zoning	324,307	31,870			(292,437)		(292,437)
Public safety	2,032,732	5,100	224,872		(1,802,760)		(1,802,760)
Public works	2,560,885	6,200	532,649	4,384,968	2,362,932		2,362,932
Parks and recreation	599,550	15,293		881,138	296,881		296,881
Economic development	231,875		45,384		(186,491)		(186,491)
<b>Total governmental activities</b>	<b>6,921,431</b>	<b>126,486</b>	<b>803,267</b>	<b>5,419,606</b>	<b>(572,072)</b>		<b>(572,072)</b>
Business-type activities, Water and sewer services	3,673,419	2,574,782	74,237	3,024,181		\$ 1,999,781	1,999,781
<b>Total primary government</b>	<b>\$ 10,594,850</b>	<b>\$ 2,701,268</b>	<b>\$ 877,504</b>	<b>\$ 8,443,787</b>	<b>(572,072)</b>	<b>1,999,781</b>	<b>1,427,709</b>
<b>General revenues:</b>							
Taxes:							
Income					2,413,567		2,413,567
Real estate					2,134,729		2,134,729
Personal property					145,780		145,780
Grants, contributions and franchise fees not restricted to specific programs					1,003,573		1,003,573
Connection charges						11,400	11,400
Interest income and rents					91,680	107,413	199,093
Miscellaneous					15,082		15,082
<b>Total general revenues</b>					<b>5,804,411</b>	<b>118,813</b>	<b>5,923,224</b>
<b>Changes in net position</b>					<b>5,232,339</b>	<b>2,118,594</b>	<b>7,350,933</b>
<b>Net position:</b>							
Beginning of year					32,725,222	31,257,739	63,982,961
<b>End of year</b>					<b>\$ 37,957,561</b>	<b>\$ 33,376,333</b>	<b>\$ 71,333,894</b>

See notes to basic financial statements.

*TOWN OF MOUNT AIRY, MARYLAND*

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2023

	General Fund	Total governmental funds
<b>Assets:</b>		
Pooled cash and cash equivalents	\$ 3,299,173	\$ 3,299,173
Non-pooled cash and cash equivalents	2,133,631	2,133,631
Non-pooled cash and cash equivalents, restricted	3,552,204	3,552,204
Certificates of deposit	54,628	54,628
Accounts receivable	50,024	50,024
Taxes receivable	317,011	317,011
Lease receivable	30,240	30,240
Notes receivable	14,664	14,664
Due from other governments	326,926	326,926
Inventory	105,353	105,353
Prepaid expenses and deposits	36,195	36,195
	<b>\$ 9,920,049</b>	<b>\$ 9,920,049</b>
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 235,340	\$ 235,340
Accrued payroll and related benefits	80,235	80,235
Unearned revenues	1,378,123	1,378,123
Payable from restricted assets:		
Accounts payable and accrued expenses	264,024	264,024
Refundable deposits	525,786	525,786
	<b>2,483,508</b>	<b>2,483,508</b>
<b>Deferred inflows of resources:</b>		
Deferred amounts from:		
Leases	29,953	29,953
Unavailable revenue	134,750	134,750
	<b>164,703</b>	<b>164,703</b>
<b>Fund balances:</b>		
Nonspendable	156,499	156,499
Restricted	1,384,271	1,384,271
Committed	72,260	72,260
Assigned	3,977,690	3,977,690
Unassigned	1,681,118	1,681,118
	<b>7,271,838</b>	<b>7,271,838</b>
<b>Total liabilities and fund balances</b>	<b>\$ 9,920,049</b>	<b>\$ 9,920,049</b>

See notes to basic financial statements.

**TOWN OF MOUNT AIRY, MARYLAND**

RECONCILIATION OF THE BALANCE SHEET –  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
JUNE 30, 2023

<b>Total fund balances, governmental funds</b>	<b>\$ 7,271,838</b>
Amounts reported for governmental activities in the statement of net position are different because:	
Revenues are recognized in the period for which earned rather than when "available." A portion of revenues are not an available financial resources and, therefore, are not reported in the fund financial statements.	134,750
Capital assets used in governmental activities are not available financial resources and, therefore, are not reported in the fund financial statements.	32,884,113
Retainage payable for capital assets used in governmental activities are not reported in the fund financial statements.	(40,465)
Right to use leased assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.	130,955
Lease liabilities are not payable in the current period and, therefore, are reported as expenditures in the period during which the lease period occurs.	(130,955)
Net pension liability and related deferred amounts in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	(1,142,369)
Total other postemployment benefits liability and related deferred amounts that are not payable in the current period and, therefore, are reported as employee benefits in the period during which the benefit occurs in the fund financial statements.	(1,041,102)
Accrued compensated absences are not payable in the current period and, therefore, are reported as wages in the period during which the absence occurs in the fund financial statements.	<u>(109,204)</u>
<b>Total net position of governmental activities</b>	<b><u><u>\$ 37,957,561</u></u></b>

See notes to basic financial statements.

**TOWN OF MOUNT AIRY, MARYLAND**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2023

	General Fund	Total governmental funds
<b>Revenues:</b>		
Taxes	\$ 4,697,231	\$ 4,697,231
Licenses and permits	171,220	171,220
Intergovernmental	4,629,781	4,629,781
Charges for services	79,711	79,711
Income:		
Rental	16,339	16,339
Interest	75,341	75,341
Miscellaneous	20,568	20,568
	<b>9,690,191</b>	<b>9,690,191</b>
<b>Expenditures:</b>		
General government	974,882	974,882
Planning and zoning	231,198	231,198
Public safety:		
Police	1,496,422	1,496,422
Contributions to volunteer fire company	228,101	228,101
Public works:		
Highways and streets	481,250	481,250
Solid waste collection	660,897	660,897
Parks and recreation	324,034	324,034
Economic development	180,446	180,446
Miscellaneous	493,229	493,229
Capital outlays	3,530,156	3,530,156
	<b>8,600,615</b>	<b>8,600,615</b>
<b>Excess of revenues over expenditures</b>	<b>1,089,576</b>	<b>1,089,576</b>
<b>Other financing sources:</b>		
Lease liability issued	134,451	134,451
Proceeds from sale of capital assets	7,500	7,500
	<b>141,951</b>	<b>141,951</b>
<b>Net changes in fund balances</b>	<b>1,231,527</b>	<b>1,231,527</b>
<b>Fund balances:</b>		
Beginning of year	6,040,311	6,040,311
<b>End of year</b>	<b>\$ 7,271,838</b>	<b>\$ 7,271,838</b>

See notes to basic financial statements.

**TOWN OF MOUNT AIRY, MARYLAND**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2023

**Net changes in fund balances, total governmental funds** **\$ 1,231,527**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.

Capital outlays	3,530,156
Depreciation expense	(1,732,294)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and trade-ins) is to decrease net position. (13,455)

Capital asset contributions are revenues in the statement of activities that do not provide current financial resources and, therefore, are not reported as revenue in the governmental funds. 3,502,818

In the statement of activities, revenues are recognized when they are earned and received. In the governmental funds, revenues are recognized as income if they are available to satisfy current obligations. This is the amount of the change in deferred inflows of resources in the governmental funds which is recognized as revenue in the statement of activities. (1,039,239)

In the statement of activities, certain expenses do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These expenses include the change in:

Accrued compensated absences	15,660
Lease liability issued	(134,451)
Deferred outflows of resources relating to:	
Pensions	(262,874)
Other postemployment benefits	(8,745)
Net pension liability	(546,099)
Total other postemployment benefits liability	212,460
Deferred inflows of resources relating to:	
Pensions	633,455
Other postemployment benefits	(156,580)

**Changes in net position of governmental activities** **\$ 5,232,339**

See notes to basic financial statements.

**TOWN OF MOUNT AIRY, MARYLAND**

STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
JUNE 30, 2023

	<u>Water and Sewer Fund</u>	<u>Total proprietary funds</u>
<b>Assets:</b>		
Current assets:		
Pooled cash and cash equivalents	\$ 390,670	\$ 390,670
Non-pooled cash and cash equivalents	2,338,814	2,338,814
Non-pooled cash and cash equivalents, restricted	2,864,271	2,864,271
Accounts receivable	7,572	7,572
Unbilled services	712,878	712,878
Inventory	15,468	15,468
Prepaid expenses and deposits	12,958	12,958
Lease receivable	36,261	36,261
	<hr/>	<hr/>
Total current assets	6,378,892	6,378,892
Noncurrent assets:		
Capital assets:		
Construction in progress	1,642,893	1,642,893
Land and land rights	1,438,848	1,438,848
Buildings and improvements	27,141,027	27,141,027
Equipment	625,153	625,153
Infrastructure	26,444,994	26,444,994
Vehicles	524,446	524,446
	<hr/>	<hr/>
	57,817,361	57,817,361
Less accumulated depreciation	25,225,991	25,225,991
	<hr/>	<hr/>
Net property and equipment	32,591,370	32,591,370
Certificates of deposit	1,772,703	1,772,703
Lease receivable	896,527	896,527
	<hr/>	<hr/>
Total noncurrent assets	35,260,600	35,260,600
	<hr/>	<hr/>
<b>Total assets</b>	<b>41,639,492</b>	<b>41,639,492</b>
<b>Deferred outflows of resources:</b>		
Deferred amounts from:		
Pensions	137,126	137,126
Other postemployment benefits	43,414	43,414
	<hr/>	<hr/>
<b>Total deferred outflows of resources</b>	<b>180,540</b>	<b>180,540</b>
	<hr/>	<hr/>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 41,820,032</b>	<b>\$ 41,820,032</b>
	<hr/>	<hr/>

See notes to basic financial statements.

**TOWN OF MOUNT AIRY, MARYLAND**

STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
JUNE 30, 2023

	Water and Sewer Fund	Total proprietary funds
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 34,842	\$ 34,842
Accrued:		
Payroll and related benefits	28,457	28,457
Interest payable	19,239	19,239
Unearned revenues	2,713,727	2,713,727
Current portion of bonds payable (net of premiums)	353,541	353,541
Payable from restricted assets:		
Accounts payable and accrued expenses	49,915	49,915
Due to other governments	58,530	58,530
<b>Total current liabilities</b>	<b>3,258,251</b>	<b>3,258,251</b>
Noncurrent liabilities:		
Accrued compensated absences	42,657	42,657
Net pension liability	416,359	416,359
Total other postemployment benefits liability	306,473	306,473
Bonds payable (net of premiums)	3,230,127	3,230,127
<b>Total noncurrent liabilities</b>	<b>3,995,616</b>	<b>3,995,616</b>
<b>Total liabilities</b>	<b>7,253,867</b>	<b>7,253,867</b>
<b>Deferred inflows of resources:</b>		
Deferred amounts from:		
Leases	890,128	890,128
Pensions	68,955	68,955
Other postemployment benefits	230,749	230,749
<b>Total deferred inflows of resources</b>	<b>1,189,832</b>	<b>1,189,832</b>
<b>Net position:</b>		
Net investment in capital assets	29,007,702	29,007,702
Restricted	42,099	42,099
Unrestricted	4,326,532	4,326,532
<b>Total net position</b>	<b>33,376,333</b>	<b>33,376,333</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 41,820,032</b>	<b>\$ 41,820,032</b>

See notes to basic financial statements.

**TOWN OF MOUNT AIRY, MARYLAND**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION –  
 PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2023

	Water and Sewer Fund	Total proprietary funds
<b>Operating revenues:</b>		
Charges for services	\$ 2,492,943	\$ 2,492,943
Other revenues	81,839	81,839
	<b>2,574,782</b>	<b>2,574,782</b>
<b>Operating expenses:</b>		
Depreciation	1,417,019	1,417,019
Insurance	75,299	75,299
Other administrative expenses	69,995	69,995
Payroll taxes and fringe benefits	255,547	255,547
Repairs and maintenance	531,632	531,632
Salaries and wages	675,479	675,479
Supplies and materials	255,910	255,910
Utilities	275,317	275,317
	<b>3,556,198</b>	<b>3,556,198</b>
<b>Total operating expenses</b>	<b>3,556,198</b>	<b>3,556,198</b>
<b>Operating loss</b>	<b>(981,416)</b>	<b>(981,416)</b>
<b>Nonoperating revenues (expenses):</b>		
Connection charges	11,400	11,400
Intergovernmental	1,426,668	1,426,668
Interest income	52,533	52,533
Gain on disposal of assets	2,514	2,514
Rental income	54,880	54,880
Interest expense and fiscal charges	(119,735)	(119,735)
	<b>1,428,260</b>	<b>1,428,260</b>
<b>Total nonoperating revenues (expenses)</b>	<b>1,428,260</b>	<b>1,428,260</b>
<b>Net income before capital contributions</b>	<b>446,844</b>	<b>446,844</b>
Capital contributions	1,671,750	1,671,750
<b>Changes in net position</b>	<b>2,118,594</b>	<b>2,118,594</b>
<b>Net position:</b>		
Beginning of year	31,257,739	31,257,739
<b>End of year</b>	<b>\$ 33,376,333</b>	<b>\$ 33,376,333</b>

See notes to basic financial statements.

**TOWN OF MOUNT AIRY, MARYLAND**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2023**

	Water and Sewer Fund	Total proprietary funds
<b>Cash flows from operating activities:</b>		
Inflows, cash received from customers	\$ 2,544,087	\$ 2,544,087
Outflows, cash paid to:		
Suppliers	1,586,294	1,586,294
Employees	666,598	666,598
	2,252,892	2,252,892
<b>Net cash provided by operating activities</b>	<b>291,195</b>	<b>291,195</b>
<b>Cash flows provided by non-capital financing activities, inflows, cash received from other Government</b>	<b>74,237</b>	<b>74,237</b>
<b>Cash flows from capital and related financing activities:</b>		
Inflows:		
Connection fees received	11,400	11,400
Lease payments received	73,146	73,146
American Rescue Plan grant funding	2,255,873	2,255,873
	2,340,419	2,340,419
Outflows:		
Interest paid	121,188	121,188
Purchase of capital assets	2,666,098	2,666,098
Payments on long-term debt	345,041	345,041
	3,132,327	3,132,327
<b>Net cash used by capital and related financing activities</b>	<b>(791,908)</b>	<b>(791,908)</b>
<b>Cash flows from investing activities:</b>		
Inflows:		
Interest received	34,267	34,267
Cash in of certificates of deposit	908,229	908,229
<b>Net cash provided by investing activities</b>	<b>942,496</b>	<b>942,496</b>
<b>Net increase in cash and cash equivalents</b>	<b>516,020</b>	<b>516,020</b>
<b>Cash and cash equivalents:</b>		
Beginning of year	5,077,735	5,077,735
<b>End of year</b>	<b>\$ 5,593,755</b>	<b>\$ 5,593,755</b>

(continued)

**TOWN OF MOUNT AIRY, MARYLAND**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2023**

	Water and Sewer Fund	Total proprietary funds
<b>Reconciliation of cash and cash equivalents to the statement of net position:</b>		
Current assets:		
Pooled cash and cash equivalents	\$ 390,670	\$ 390,670
Non-pooled cash and cash equivalents	2,338,814	2,338,814
Non-pooled cash and cash equivalents, restricted	2,864,271	2,864,271
<b>Cash and cash equivalents, end of year</b>	<b>\$ 5,593,755</b>	<b>\$ 5,593,755</b>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>		
Operating loss	\$ (981,416)	\$ (981,416)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	1,417,019	1,417,019
(Increase) decrease in assets and deferred outflows of resources:		
Lease receivable	34,020	34,020
Accounts receivable	(7,572)	(7,572)
Unbilled services	(44,602)	(44,602)
Inventory	28,900	28,900
Prepaid expenses	(1,657)	(1,657)
Deferred amounts from:		
Pensions	56,900	56,900
Other postemployment benefits	3,147	3,147
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable and accrued expenses	(71,830)	(71,830)
Accrued payroll and related benefits	6,258	6,258
Due to other governments	1,554	1,554
Accrued compensated absences	2,623	2,623
Net pension liability	121,513	121,513
Total other postemployment benefits liability	(89,563)	(89,563)
Unearned revenues	(12,541)	(12,541)
Deferred amounts from:		
Leases	(55,072)	(55,072)
Pensions	(182,493)	(182,493)
Other postemployment benefits	66,007	66,007
<b>Net cash provided by operating activities</b>	<b>\$ 291,195</b>	<b>\$ 291,195</b>
<b>Noncash capital and related financing activities:</b>		
Contribution of capital assets	\$ 1,671,750	\$ 1,671,750
Trade-in allowances for purchases of equipment	\$ 7,500	\$ 7,500

See notes to basic financial statements.

## ***TOWN OF MOUNT AIRY, MARYLAND***

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

#### **1. Nature of business and summary of significant accounting policies:**

##### *Reporting entity:*

The Town of Mount Airy, Maryland (the Town) was incorporated in 1894. The Town operates under a Council - Mayor supervised form of government and provides the following services: general and administrative, planning and zoning, public safety and enforcement, streets and roads, sanitation, parks and recreation, economic development and water and sewer services to its residents.

The Town's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The basis for determining component units is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management and the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no separate component units of the Town.

##### *Basic financial statements - government-wide statements:*

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund (reporting the Town's major funds) financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's general administrative, planning and zoning, public safety, public works, parks and recreation and economic development services are classified as governmental activities. The Town's water and sewer services are classified as business-type activities.

In the government-wide statement of net position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column and (b) are reported on a full-accrual, economic-resource basis, which recognizes all long-term assets, receivables and deferred outflows of resources, as well as long-term debt and obligations and deferred inflows of resources. The Town's net position is reported in three parts - net investment in capital assets; restricted net position and unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities.

## *TOWN OF MOUNT AIRY, MARYLAND*

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

#### 1. Nature of business and summary of significant accounting policies (continued):

##### *Basic financial statements - government-wide statements:*

The government-wide statement of activities reports both the gross and net cost per functional category (public works, recreation and parks, etc.), which are otherwise being supported by general government revenues (property and income taxes, certain intergovernmental revenues, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues and operating and capital grants and contributions. The program revenues must be directly associated with the function or business-type activity. 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 activity and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other general revenues not restricted to specific program functions are reported instead as general revenues.

The net costs (by function or program) are normally covered by general revenue (property and income taxes, intergovernmental revenues, interest income, etc.). The Town does not allocate indirect costs.

This government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

##### *Basic financial statements - fund financial statements:*

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance/net position, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The Town utilizes various criteria (percentage of the assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

##### Governmental funds:

Governmental funds are those through which most governmental functions of the Town are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets and deferred inflows of resources are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities and deferred outflows of resources are assigned to the fund from which they will be paid.

## *TOWN OF MOUNT AIRY, MARYLAND*

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

#### 1. Nature of business and summary of significant accounting policies (continued):

##### *Basic financial statements - fund financial statements:*

##### Governmental funds:

The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance.

The following is a description of the Town's major governmental fund:

**General Fund** - The General Fund is the primary operating fund of the Town. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

##### Proprietary funds:

The focus of proprietary fund measurement is upon determination of operating income (loss), changes in net position, financial position and cash flows. The applicable accounting principles generally accepted in the United States of America are those similar to businesses in the private sector. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues for the Town's proprietary funds are charges for water services and sewer services. Operating expenses for the Town's proprietary funds include personnel services, contracted services, utilities, supplies and materials, repairs and maintenance, administrative and general, insurance and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town's proprietary fund is classified as an enterprise fund. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third-party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

The following is a description of the Town's major enterprise fund:

**Water and Sewer Fund** - The Water and Sewer Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing water and sewer services to the general public on a continuing basis are partially financed through user charges.

## *TOWN OF MOUNT AIRY, MARYLAND*

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

#### 1. Nature of business and summary of significant accounting policies (continued):

##### *Basis of accounting:*

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual - Both governmental and business-type activities in the government-wide financial statements and proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of 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 eligible requirements imposed by the provider have been met.

Modified accrual - The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end, except grants and similar items which are considered available if they are expensed to reimburse expenditures already incurred. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

In applying the "susceptible to accrual" concept to intergovernmental revenues, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met should, under most circumstances, be reported as advances by the provider and as unearned revenue or deferred inflows of resources by the recipient.

##### *Cash and cash equivalents:*

The Town considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents. The carrying amount approximates estimated fair value because of the short maturity of those instruments.

##### *Unbilled services:*

Unbilled customer service receivables for water consumption and related sewer charges are based upon the estimated quantity of water used during the current year but not billed until next fiscal year.

**TOWN OF MOUNT AIRY, MARYLAND**

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023

**1. Nature of business and summary of significant accounting policies (continued):**

*Inventory:*

Materials and supplies are carried at cost using the first-in, first-out method and are subsequently charged to expenditures when consumed.

*Receivables and deferred inflow of resources for leases:*

The Town's leases receivable is measured at the present value of lease payments expected to be received during the lease term. A deferred inflow of resources is recorded for the leases. The deferred inflow of resources is recorded at the commencement of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

*Capital assets and depreciation:*

Capital assets used in governmental fund type operations are accounted for in the government-wide financial statements, rather than in governmental funds.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated acquisition value on the date donated. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. Capital assets are capitalized by the Town if they have a value of \$3,000 or more for a single item, with an estimated useful life in excess of one year. Capital assets are depreciated using the straight-line, full-year method over the following estimated useful lives:

Buildings	10 - 50 years
Furniture, machinery and equipment	5 - 15 years
Improvements	10 - 20 years
Roads, sidewalks and storm drains	20 - 40 years
Vehicles	5 - 10 years
Water distribution and sewer systems	40 - 50 years

## *TOWN OF MOUNT AIRY, MARYLAND*

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

#### **1. Nature of business and summary of significant accounting policies (continued):**

##### *Government-wide statements:*

In the government-wide financial statements, capital assets used in operations are accounted for as property and equipment. The Town elected to retroactively report all general infrastructure assets, including roads, bridges and other infrastructure assets, at historical cost in a prior year. The Town has elected not to retroactively report intangible assets, including capital assets identified as having indefinite useful lives or being internally generated, prior to July 1, 2009. All intangible assets acquired subsequent to July 1, 2009 are reported at historical cost.

Depreciation of all exhaustible capital assets is recorded as a direct expense in the statement of activities, with accumulated depreciation reflected in the statement of net position.

Additions are recorded at cost or, if contributed property, at their estimated acquisition value at time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of capital assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

##### *Fund financial statements:*

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide financial statements.

##### *Right to use leased asset:*

The Town has recorded a right to use leased asset for their police station building. The related lease is discussed in Note 6. The right to use leased asset is amortized on a straight-line basis over the term of the related lease.

Right to use leased asset used in governmental fund type operations are accounted for in the government-wide financial statements, rather than in governmental funds.

##### *Deferred outflows and inflows of resources:*

In addition to assets and liabilities, the statement of net position will sometimes report separate sections for deferred outflows and inflows of resources. These separate financial statement elements represent a consumption or acquisition of net position that applies to future periods and will not be recognized as an outflow (expense/expenditure) or inflow (revenue) of resources until that time. Deferrals related to leases, pension and other postemployment benefits are disclosed in their respective notes.

## *TOWN OF MOUNT AIRY, MARYLAND*

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

#### **1. Nature of business and summary of significant accounting policies (continued):**

##### *Unavailable revenues:*

Unavailable revenues are reported in governmental funds and represent revenue received more than 60 days following year end and, therefore, are unavailable to pay liabilities of the current period, however, recognized as revenue in the government-wide financial statements.

##### *Unearned revenues:*

Revenues under reimbursable grant agreements are recognized in the period in which the qualified expenditures are made. Grant agreement funding received in advance and unexpended at year end is reported as unearned revenues.

##### *Accrued compensated absences:*

The Town permits employees to accumulate unused vacation time to a maximum of 160 hours, earned equally from each pay based on the employee's length of service. Upon termination from employment, an employee will be paid for annual vacation leave accumulated to the date of separation up to 160 hours, plus any accumulated annual vacation leave earned up to the time of termination during the calendar year. Paid sick leave is accrued through December 31, 2012. Upon termination from employment, an employee will be paid their accrued sick leave at one-half of their current pay rate. Sick leave after December 31, 2012 is accrued and used by employees, but is not paid upon termination from employment. Compensatory time is permitted to be accrued to a maximum of 40 hours, all of which will be paid to employees in full upon termination of employment. The salary-related payments representing the employer's share of Social Security and Medicare taxes have been accrued. The vested annual leave is expensed as incurred in the appropriate funds.

##### *Bond premiums and issuance costs:*

In the government-wide and proprietary funds financial statements, bond premiums are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method. Unamortized bond premiums are netted against bonds payable for presentation. Bond issuance costs, excluding amounts prepaid for bond insurance, are expensed as incurred.

## *TOWN OF MOUNT AIRY, MARYLAND*

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

#### 1. Nature of business and summary of significant accounting policies (continued):

##### *Net position and fund balances:*

In the government-wide financial statements and proprietary fund financial statements net position is classified in the following categories:

Net investment in capital assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt and other liabilities that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted - 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 - This category represents the net position of the Town that is not restricted for any project or other purpose. However, these funds may be constrained for specific projects or purposes in the fund financial statements.

In the governmental fund financial statements, fund balances are classified in the following categories:

Nonspendable fund balance - This category represents amounts that are not in spendable form (such as inventory, prepaid expenses and long-term receivables) or are required to be maintained intact.

Restricted fund balance - This category represents 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 - This category represents amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint. For committed fund balance, the Town's highest level of decision-making authority is the Mayor and Council. The formal action that is required to be taken to establish and modify or rescind a fund balance commitment is an ordinance.

Assigned fund balance - This category represents amounts a government intends to use for a specific purpose. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. For assigned fund balance, the Mayor and Council are authorized to assign amounts to a specific purpose. The authorization policy is a formal motion.

## *TOWN OF MOUNT AIRY, MARYLAND*

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

#### **1. Nature of business and summary of significant accounting policies (continued):**

##### *Net position and fund balances:*

Unassigned fund balance - This category represents amounts that are available for any 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. When committed, assigned or unassigned fund balances are available for use, it is the Town's policy to use fund balances in the following order: 1) committed and 2) assigned, if projects are budgeted using such funds or for any emergency projects, otherwise, the unassigned fund balance is used.

##### *Pensions:*

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

##### *Property tax calendar:*

From the effective date of the budget, the amount stated thereon as the amount to be raised by property taxes shall constitute a determination of the amount of the tax levies in the corresponding tax year. The Town's real property taxes are levied each July 1st on the assessed value listed as of July 1st for all real property located in the Town, and shall be overdue and in arrears on October 1st where they will accrue two-thirds of 1% interest per month unpaid. The Town also has the ability to place liens against the properties. Business personal property taxes are due within 30 days of billing, which occurs as assessment information is received by the State. Property taxes are reported net of discounts. A list of all property in which the Town taxes have not been paid as of January 1st shall be provided to the official of Carroll County or Frederick County responsible for the sale of tax delinquent property as provided by Maryland law. The tax rates for real and business personal property for the year ended June 30, 2023 were \$0.1662 and \$0.41, respectively, per \$100 assessed property value.

##### *Estimates:*

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, the disclosure of contingencies and the reported revenues and expenditures/expenses. Actual results could vary from the estimates that were used.

**TOWN OF MOUNT AIRY, MARYLAND**

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023

**1. Nature of business and summary of significant accounting policies (continued):**

*New GASB pronouncement:*

The GASB issued a pronouncement prior to the year ended June 30, 2023 that has an effective date that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following Statement may have on the Town's financial statements:

GASB Statement No. 101, *Compensated Absences*, will be effective for the Town as of July 1, 2024. The objective of this Statement is to update the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

**2. Deposits and investments:**

The deposits held as of June 30, 2023 were as follows:

Type	Rating/ Interest rate (unaudited)	Maturities (unaudited)	Carrying value
Deposits:			
Cash on hand	N/A	N/A	\$ 300
Demand deposits	0.00% - 0.77%	N/A	10,888,620
Certificates of deposit	0.25% - 1.54%	11/12/2024 - 6/29/2026	1,827,331
Investments, Maryland local government investment pool	AAAm/5.07%	N/A	<u>3,689,843</u>
Total deposits and investments			<u>\$ 16,406,094</u>

## TOWN OF MOUNT AIRY, MARYLAND

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

#### 2. Deposits and investments (continued):

Reconciliation to statement of net position:

Current assets:

Pooled cash and cash equivalents \$ 3,689,843

Non-pooled cash and cash equivalents:

Unrestricted 4,472,445

Restricted 6,416,475

Noncurrent assets, certificates of deposit 1,827,331

\$ 16,406,094

The Town follows Government Accounting Standards Board Statement 79, *Certain External Investment Pools and Pool Participants*, which requires disclosure of specific criteria regarding external investment pools. The Town maintains a cash and investment pool that is available for use by all funds. The Town is governed by the deposit and investment limitations of Maryland law. The Town is a participant in the Maryland Local Government Investment Pool (MLGIP), which provides all local government units of the state an investment vehicle for short-term investment of funds. The MLGIP is rated "AAAm" by Standard and Poor's (their highest rating). The State Legislature created MLGIP with the passage of Article 95 22G, of the Annotated Code of Maryland. The MLGIP, under the administrative control of the State Treasurer, has been managed by a single financial institution. A MLGIP Advisory Committee of current participants reviews, on a quarterly basis, the activities of the fund and provides suggestions to enhance the pool. The fair value of the pool is the same as the value of the pool shares.

As of June 30, 2023, all pool holdings were in cash and cash equivalents with a weighted-average maturity of 39 days. The pool is managed in a "Rule 2(a)-7 like" manner and is reported at amortized cost pursuant to Rule 2(a)-7 under the Investment Company Act (ICA) of 1940 and also issues a publicly available financial report that includes financial statements and required supplemental information for the MLGIP. This report can be obtained in writing: Maryland Local Government Investment Pool; c/o PNC Institutional Investments Group; One East Pratt Street; Baltimore, Maryland, 21202; by calling 1-800-492-5160 or the website, [www.mlgip.com](http://www.mlgip.com). As of June 30, 2023 the Town had total investments in MLGIP of \$3,689,843, which have been reflected as pooled cash and cash equivalents.

**TOWN OF MOUNT AIRY, MARYLAND**

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023

**2. Deposits and investments (continued):**

Restricted non-pooled cash and cash equivalents as of June 30, 2023 is comprised as follows:

	General Fund	Water and Sewer Fund
Bay restoration collections		\$ 58,530
Planning and zoning escrow and other deposits	\$ 525,786	
Unspent funding from American Rescue Plan	3,013,772	2,805,741
Police asset forfeiture	12,646	
	\$ 3,552,204	\$ 2,864,271

*Custodial credit risks:*

Deposits in financial institutions, reported as components of cash and cash equivalents and certificates of deposit, had a bank balance of \$14,085,272 as of June 30, 2023, \$13,585,272 of which was exposed to custodial credit risk and was uninsured. This amount was fully collateralized by securities pledged and held by a financial institution, not in the Town's name.

*Interest rate risk:*

The investment policy of the Town specifies that the majority of investments be on a short-term basis; however, a portion of the portfolio can contain investments with longer maturities, up to five years. Certificates of deposit fall into the category that the holding period is to up to five years. Maturities of certificates of deposit held at June 30, 2023 are provided in the schedule above.

*Credit risk:*

The Town's formal investment policy follows the Maryland State Finance and Procurement Code Ann. § 6-222 (the Code). The Code authorizes the Town to invest in obligations of the United States and related agencies, repurchase agreements of United States obligations, certain bankers' acceptances, bonds and commercial paper with the highest letter and numerical rating by at least one nationally recognized statistical rating organization, money market mutual funds operated in accordance with Rule 2A-7 of the ICA of 1940 and any investment portfolio created under the MLGIP.

## *TOWN OF MOUNT AIRY, MARYLAND*

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

#### **2. Deposits and investments (continued):**

##### *Concentration of credit risk:*

The Town's formal investment policy limits the amount of concentration in the following investments: 100% in U.S. treasury obligations, U.S. government agency and U.S. government-sponsored instrumentalities, collateralized certificates of deposit and MLGIP. As of June 30, 2023, the Town had no concentration of credit risk.

#### **3. Change in accounting estimate:**

Following a comprehensive review of information provided by granting agencies, it was determined the Town needed to revise its method of estimating the deferred inflow of resources related to grants receivable. The Town no longer applies the 60-day measurement focus to reimbursement-based grant revenue. As a result of this change in estimate, the Town reported an additional \$833,255 in grant revenue for fiscal year 2023. This change had a one-time impact on the General Fund in the current year, but does not have any impact on the government-wide statements of financial position or activities.

#### **4. Leases receivable:**

The Town has entered into two communication tower lease agreements, with monthly rental payments ranging from \$2,139 to \$4,006. Each agreement has various consecutive renewal options at the lessee's discretion, which extend the lease terms to July 2035 and May 2043, respectively. These renewal options have been included in the lease receivable as of June 30, 2023. The current renewal periods expire between May 2023 and July 2025. Lease revenues generated for the year ended June 30, 2023 were \$54,880, all of which were recognized in the Water and Sewer Fund.

The Town entered into a three-year lease for a retail property during May 2019, which was extended for another three years in May 2022 at \$1,400 per month. Lease revenue generated for this property for the year ended June 30, 2023 was \$16,339, all of which was recognized in the General Fund. The cost of the leased property, presented in buildings and improvements, was \$38,311 with accumulated depreciation of \$4,853 as of June 30, 2023.

The leases receivable are measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 1.92%.

**TOWN OF MOUNT AIRY, MARYLAND**

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023

**5. Capital assets and depreciation:**

A summary of governmental activities follows:

	Balance July 1, 2022	Increases	Decreases	Transfers	Balance June 30, 2023
Governmental activities:					
Non-depreciable assets:					
Construction in progress	\$ 1,219,649	\$ 1,951,670		\$ (109,578)	\$ 3,061,741
Land and land rights	3,606,571	413,620			4,020,191
Total non-depreciable assets	<u>4,826,220</u>	<u>2,365,290</u>		<u>(109,578)</u>	<u>7,081,932</u>
Depreciable assets:					
Buildings and improvements	6,014,406	8,480			6,022,886
Equipment	4,238,746	126,928	\$ 22,979	5,000	4,347,695
Infrastructure	40,041,019	4,331,841		104,578	44,477,438
Vehicles	1,125,388	90,000			1,215,388
Total depreciable assets	<u>51,419,559</u>	<u>4,557,249</u>	<u>22,979</u>	<u>109,578</u>	<u>56,063,407</u>
Total capital assets	<u>56,245,779</u>	<u>6,922,539</u>	<u>22,979</u>	<u>-</u>	<u>63,145,339</u>
Accumulated depreciation:					
Buildings and improvements	1,477,549	135,580			1,613,129
Equipment	1,961,816	228,041	9,524		2,180,333
Infrastructure	24,337,544	1,236,223			25,573,767
Vehicles	761,547	132,450			893,997
Total accumulated depreciation	<u>28,538,456</u>	<u>1,732,294</u>	<u>9,524</u>		<u>30,261,226</u>
Total capital assets, net	<u>\$ 27,707,323</u>	<u>\$ 5,190,245</u>	<u>\$ 13,455</u>	<u>\$ -</u>	<u>\$ 32,884,113</u>

**TOWN OF MOUNT AIRY, MARYLAND**

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023

**5. Capital assets and depreciation (continued):**

Depreciation expense for the year ended June 30, 2023 charged to governmental activities was as follows:

General government	\$ 130,673
Public safety	125,184
Public works	1,329,300
Parks and recreation	140,039
Economic development	7,098
	<u>\$ 1,732,294</u>

A summary of business-type activities follows:

	Balance July 1, 2022	Increases	Decreases	Transfers	Balance June 30, 2023
Business-type activities:					
Non-depreciable assets:					
Construction in progress	\$ 3,063,876	\$ 2,011,243		\$ (3,432,226)	\$ 1,642,893
Land and land rights	1,438,848				1,438,848
Total non-depreciable assets	4,502,724	2,011,243		(3,432,226)	3,081,741
Depreciable assets:					
Buildings and improvements	23,748,518	980,658		2,411,851	27,141,027
Equipment	625,153				625,153
Infrastructure	24,640,630	794,682	\$ 10,693	1,020,375	26,444,994
Vehicles	485,621	75,256	36,431		524,446
Total depreciable assets	49,499,922	1,850,596	47,124	3,432,226	54,735,620
Total capital assets	54,002,646	3,861,839	47,124	-	57,817,361
Accumulated depreciation:					
Buildings and improvements	11,976,077	654,217			12,630,294
Equipment	516,352	29,252			545,604
Infrastructure	11,016,944	704,513	5,707		11,715,750
Vehicles	341,737	29,037	36,431		334,343
Total accumulated depreciation	23,851,110	1,417,019	42,138		25,225,991
Total capital assets, net	\$ 30,151,536	\$ 2,444,820	\$ 4,986	\$ -	\$ 32,591,370

Depreciation expense for the year ended June 30, 2023 charged to business-type activities for the Water and Sewer Fund totaled \$1,417,019.

**TOWN OF MOUNT AIRY, MARYLAND**

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023

**6. Right to use leased asset:**

The following is a summary of changes in right to use leased asset for the year ended June 30, 2023:

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Right-to-use asset, police station		\$ 134,451		\$ 134,451
Less accumulated amortization		(3,496)		(3,496)
Right-to-use asset, net		\$ 130,955		\$ 130,955

**7. Long-term liabilities:**

Bonds payable as of June 30, 2023 consisted of the following:

CDA, Infrastructure Bonds 2012: \$5,339,431 authorized and issued. Remaining principal to be repaid in annual installments through May 2032 ranging from \$267,000 to \$341,000 with semi-annual interest payments at remaining interest rates ranging from 2.53% to 3.42%.	\$ 2,711,800
CDA, Infrastructure Bonds 2012 Refunding: \$1,664,165 authorized and issued. Remaining principal to be repaid in annual installments through May 2032 ranging from \$83,500 to \$106,500 with semi-annual interest payments at remaining interest rates ranging from 2.53% to 3.42%.	844,500
Total bonds payable	\$ 3,556,300

All bonds payable are secured by the credit and taxing authority of the Town.

The Town entered into a lease agreement effective June 15, 2023 for their police station building requiring 36 monthly payments of \$3,984. There is a variable component to the lease for the Town's proportionate share of the building's annual property taxes, insurance premiums and common area maintenance. The lease liability is measured at a discount rate of 4.49%, the Town's incremental borrowing rate. As a result of the lease, the Town has recorded a right-to-use asset with a net book value of \$130,955 at June 30, 2023. The right to use asset is discussed in more detail in Note 6.

**TOWN OF MOUNT AIRY, MARYLAND**

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023

**7. Long-term liabilities (continued):**

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

Type of long-term liability	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Due within one year
Governmental activities:					
Accrued compensated absences	\$ 124,864		\$ 15,660	\$ 109,204	\$ 8,604
Lease		\$ 134,451	3,496	130,955	42,984
Total governmental activities	<u>\$ 124,864</u>	<u>\$ 134,451</u>	<u>\$ 19,156</u>	<u>\$ 240,159</u>	<u>\$ 51,588</u>
Business-type activities:					
Bonds and loan payable:					
CDA, Infrastructure Bonds 2012	\$ 2,972,300		\$ 260,500	\$ 2,711,800	\$ 267,000
CDA, Infrastructure Bonds 2012 Refunding	926,000		81,500	844,500	83,500
	3,898,300		342,000	3,556,300	350,500
Bond premiums	30,409		3,041	27,368	3,041
Total bonds and loan payable	3,928,709		345,041	3,583,668	353,541
Accrued compensated absences	40,034	\$ 2,623		42,657	
Total business-type activities	<u>\$ 3,968,743</u>	<u>\$ 2,623</u>	<u>\$ 345,041</u>	<u>\$ 3,626,325</u>	<u>\$ 353,541</u>

Accrued compensated absences in governmental activities are liquidated from general revenues in the General Fund. Other long-term liabilities in business-type activities are liquidated from general revenues in the Water and Sewer Fund.

Interest and related costs incurred for business-type activities for the year ended June 30, 2023 was \$119,735, all of which was expensed.

**TOWN OF MOUNT AIRY, MARYLAND**

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023

**7. Long-term liabilities (continued):**

The principal and interest requirements to maturity of the bonds payable are as follows:

Years ending June 30	Business-type activities	
	Principal	Interest
2024	\$ 350,500	\$ 112,593
2025	357,800	103,726
2026	368,000	94,494
2027	380,500	84,816
2028-2032	2,099,500	220,061
	\$ 3,556,300	\$ 615,690

The principal and interest requirements to maturity of the lease payable are as follows:

Years ending June 30	Governmental activities	
	Principal	Interest
2024	\$ 42,984	\$ 4,824
2025	44,955	2,853
2026	43,016	808
	\$ 130,955	\$ 8,485

**8. Net position and fund balances:**

The following is a summary of the nonspendable fund balance in the General Fund as of June 30, 2023:

Inventory	\$ 105,353
Prepaid expenses	36,195
Notes receivable for business relief loan program	14,664
Lease receivable	287
	\$ 156,499

*TOWN OF MOUNT AIRY, MARYLAND*

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023

**8. Net position and fund balances (continued):**

Restricted net position in the governmental activities and restricted fund balance in the General Fund as of June 30, 2023 is limited to:

Police asset forfeitures - funds must be spent in accordance with guidelines imposed by the budget of the Office of the State's Attorney for Frederick County, Maryland.	\$ 12,646
American Rescue Plan funding - funds must be spent in compliance with funding requirements.	<u>1,371,625</u>
	<u>\$ 1,384,271</u>

The committed fund in the General Fund as June 30, 2023 is limited to the center street improvements of \$72,260.

The following is a summary of General Fund assigned fund balances as of June 30, 2023:

Capital improvements	\$ 3,459,693
Park reserve	501,226
Sidewalk improvements	9,745
Street and road repair	<u>7,026</u>
	<u>\$ 3,977,690</u>

Water and Sewer Fund has restricted net position of \$42,099 related to American Rescue Plan funding. These funds must be spent in compliance with funding requirements.

**TOWN OF MOUNT AIRY, MARYLAND**

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023

**8. Net position and fund balances (continued):**

Designations of portions of the unrestricted net position are established to indicate tentative plans for financial resource utilization in future periods. The unrestricted net position of the proprietary fund at June 30, 2023 is as follows:

Designated:	
Water system expansion	\$ 172,234
Well system capital improvement	1,616,529
Treatment plant expansion	<u>2,179,224</u>
Total designated	3,967,987
Undesignated	<u>358,545</u>
	<u><u>\$ 4,326,532</u></u>

**9. Pension plans:**

The Town is a participating employer in the Maryland State Retirement and Pension System (the System) - Employees' Pension System and the Maryland State Retirement and Pension System - Law Enforcement Officers' Pension System. Both are defined benefit pension plans (the Plan).

*General information about the pension plans:*

Employees' pension system:

**Plan description** - Town employees that work a minimum of 500 regular hours, excluding overtime, are provided with pensions through the Maryland State Retirement and Pension System, a cost-sharing multiple-employer defined benefit pension plan administered by the State Retirement Agency (the Agency). Responsibility for the System's administration and operation is vested in a 15-member Board of Trustees. The System issues a publicly available financial report that can be obtained at: <https://sra.maryland.gov/annual-financial-reports>.

**Benefits provided** - The Plan provides retirement allowances and other benefits to participants and their beneficiaries. All Plan benefits are specified by the State Personnel and Pensions Article of the Annotated Code of Maryland. The Plan provides retirement, disability and death benefits.

## *TOWN OF MOUNT AIRY, MARYLAND*

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

#### 9. Pension plans (continued):

##### *General information about the pension plans:*

##### Employees' pension system:

For individuals who are members of the pension systems on or before June 30, 2011, retirement benefits equal 1.2% of average final compensation (AFC) for the three highest consecutive years as an employee multiplied by the number of years of creditable service accrued prior to July 1, 1998 plus 1.8% of the (AFC) for the three highest consecutive years as an employee multiplied by the number of years of creditable service accrued on or after July 1, 1998. Members are eligible for full service pension allowances upon accumulating 30 years of eligibility service regardless of age. Absent 30 years of eligibility service, members must meet one of the following conditions to be eligible for full service pension allowances: 1) age 62, and five years of eligibility service; 2) age 63, and four years of eligibility service; 3) age 64, and three years of eligibility service or 4) age 65 or older, and two years of eligibility service. Members are eligible for early service pension allowances upon attaining age 55 with at least 15 years of eligibility of service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 62. The maximum reduction for these members is 42%.

For individuals who are members of the pension systems on or after July 1, 2011, retirement benefits equal 1.5% of (AFC) for the five highest consecutive years as an employee multiplied by the number of years of creditable service accrued on or after July 1, 2011. Members are eligible for full service pension allowances when their combined age and eligibility service equals at least 90 years or they attain age 65 after 10 years of eligibility service. Members are eligible for early service pension allowances upon attaining age 60 with at least 15 years of eligibility of service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 65. The maximum reduction for these members is 30%.

All Plan employees are eligible for accidental disability benefits regardless of length of service as long as the accident occurred in the course of their job performance. Accidental disability benefits are equal to the sum of an annuity determined as the actuarial value of the members' accumulated contributions and two-thirds (66.7%) of their AFC. Five years of service is required for ordinary disability benefits. Ordinary disability benefits are equal to the full service pension allowance if the member is at least age 62 on the date of retirement. Otherwise, the benefit is equal to the full service pension benefit computed as though the member had continued to accrue service credits until age 62 without any change in the rate of earnable compensation.

## *TOWN OF MOUNT AIRY, MARYLAND*

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

#### 9. Pension plans (continued):

##### *General information about the pension plans:*

##### Employees' pension system:

To be eligible for death benefits, the member must have either accumulated one year of eligibility service prior to the date of death or died in the line of duty. Death benefits equal the member's annual earnable compensation on the date of death, plus accumulated contributions and interest. Under certain circumstances, surviving spouses who were named sole primary beneficiaries may elect to receive either the aforementioned lump sum payment, or a monthly allowance.

**Contributions** - Members are required to contribute 7.00% of their wages under the Plan. The Town is required to make a contribution which is established by annual actuarial valuations using the Individual Entry Age Normal Cost method with projection and other actuarial assumptions adopted by the Board of Trustees. The Town's required contribution rate for the year ended June 30, 2023 was 10.93% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$175,515 for the year ended June 30, 2023.

##### Law Enforcement Officers' Pension System (LEOPS):

**Plan description** - Effective July 1, 2018, the Town was accepted into the Maryland State Retirement and Pension System's Law Enforcement Officers' Pension System (LEOPS), a cost-sharing multiple-employer defined benefit pension plan administered by the Agency. All sworn police officers of the Town participating in the Employees' Pension System at that time were transferred to LEOPS as of July 1, 2018. The Town received a credit of \$862,061 from LEOPS to transfer these employees, which will be amortized in level installments over a 25-year term.

Law enforcement officers are provided with pensions through the Maryland State Retirement and Pension System (System) municipal pool, a cost-sharing multiple-employer defined benefit pension plan administered by the Agency. Responsibility for the System's administration and operation is vested in a 15-member Board of Trustees. The System issues a publicly available financial report that can be obtained at: <https://sra.maryland.gov/annual-financial-reports>.

**Benefits provided** - The LEOPS plan provides retirement, disability and death benefits. Full service pension allowances equal 2.0% of AFC for the five highest consecutive years as an employee, up to a maximum benefit of 65% of AFC (32.5 years of credit). LEOPS members are eligible for full service retirement allowances upon attaining age 50 or upon accumulating 25 years of eligibility service regardless of age. Allowances for members who fail to make all required contributions are reduced by the actuarial equivalent of the total unpaid contributions, plus interest to the date of retirement. LEOPS members are not eligible for early service retirement allowances.

## *TOWN OF MOUNT AIRY, MARYLAND*

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

#### 9. Pension plans (continued):

*General information about the pension plans:*

##### Law Enforcement Officers' Pension System (LEOPS):

LEOPS members are eligible for ordinary disability retirement allowances upon completing five years of eligibility service. Ordinary disability retirement allowances for LEOPS members subject to retirement plan provisions equal the greater of the normal service retirement allowance or 25% of AFC. Ordinary disability retirement allowances for LEOPS members subject to pension plan provisions equal the full service pension allowance if the member is at least age 50 on the date of retirement. Otherwise, the allowances equal full service pension allowances computed as though the member had continued to work until age 50 without any change in the rate of earnable compensation.

LEOPS members are eligible for accidental disability benefits regardless of length of service as long as the accident occurred in the course of their job performance. Accidental disability allowances equal the sum of an annuity determined as the actuarial value of the members' accumulated contributions, and two-thirds (66.7%) of AFC. Allowances may not exceed the members' AFC.

LEOPS members accumulating at least one year of eligibility service are eligible for ordinary death benefits equaling the members' annual earnable compensation at the time of death, plus accumulated contributions. To be eligible for special death benefits, LEOPS members in service must have accumulated at least two years of eligibility service prior to the date of death or died in the line of duty. The special death benefit provided upon death for LEOPS members in service, but not in performance of duty equals 50% of the applicable ordinary disability allowance. The special death benefit provided upon death in the performance of duty equals 66.67% of the applicable ordinary disability allowance.

**Contributions** - LEOPS members are required to contribute 7.00% of their wages under LEOPS. The Town is required to make a contribution, which is established by annual actuarial valuations using the Individual Entry Age Normal Cost method with projection and other actuarial assumptions adopted by the Board of Trustees. The Town's required contribution rate for the year ended June 30, 2023 was 36.20% of covered payroll, less amortization of the new entrant credit of \$71,659, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the LEOPS from the Town were \$84,370 for the year ended June 30, 2023.

**TOWN OF MOUNT AIRY, MARYLAND**

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023

**9. Pension plans (continued):**

*Pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions:*

At June 30, 2023, the Town reported a liability of \$2,411,462 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 that date. The Town's proportion of the net pension liability was based on the Town's share of contributions to the pension plan relative to the contributions of all participating employers, actuarially determined. At June 30, 2022, the Town's proportion was 0.0121%, which was an increase of 0.0004% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Town recognized pension expense of \$594,503. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience		\$ 162,086
Changes of assumptions	\$ 258,317	16,140
Net difference between projected and actual earnings on pension plan investments	3,038	
Changes in Town's proportionate share of contributions	685,782	107,891
Town contributions subsequent to the measurement date	259,885	
 Total	 \$ 1,207,022	 \$ 286,117

The Town reported \$259,885 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that 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 for the years ending June 30:

2024	\$ 233,589
2025	177,275
2026	55,811
2027	198,602
2028	(4,257)
	\$ 661,020

**TOWN OF MOUNT AIRY, MARYLAND**

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023

**9. Pension plans (continued):**

*Pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions:*

Actuarial assumptions - The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.25% general, 2.75% wage
Salary increases	2.75% to 11.25%, including wage inflation
Investment rate of return	6.80%, net of pension plan investment expense, including inflation
Mortality	Fully generational - Pub-2010/MP2018

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study of the System for the period 2014-2018 after the completion of the June 30, 2018 valuations. Assumptions from the experience study including investment return, inflation, COLA increases, mortality rates, retirement rates, withdrawal rates, disability rates and rates of salary increase were adopted by the Board for first use in the actuarial valuation as of June 30, 2019. New economic assumptions (investment return, inflation, wage inflation and COLA increases) were adopted by the Board for the June 30, 2021 valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocations and best estimates of arithmetic real rates of return for each major asset class 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	34%	6.0%
Private equity	16%	8.4%
Rate sensitive	21%	1.2%
Credit opportunity	8%	4.9%
Real assets	15%	5.2%
Absolute return	6%	3.5%
	<u>100%</u>	

**TOWN OF MOUNT AIRY, MARYLAND**

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023

**9. Pension plans (continued):**

*Pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions:*

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

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

	1% decrease (5.80%)	Current discount rate (6.80%)	1% increase (7.80%)
Town's proportionate share of the net pension liability	\$ 3,699,951	\$ 2,411,462	\$ 1,342,316

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

**10. Other postemployment benefits plan (OPEB):**

*General information about the OPEB plan:*

Plan description and benefits provided - The Town has a single-employer health insurance postretirement benefit plan. For employees hired prior to January 1, 2013, the plan provides retiree medical coverage for life for eligible participants. The coverage consists of a Medicare Supplemental Medical plan and Medicare D Rx plan. This coverage is free for the retiree. Employees electing no health coverage and Medicare D Rx plan at time of retirement may be enrolled in a healthcare reimbursement account at no cost to the retiree.

**TOWN OF MOUNT AIRY, MARYLAND**

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023

**10. Other postemployment benefits plan (OPEB) (continued):**

*General information about the OPEB plan:*

Spouses of retired employees are also covered. However, the retiree pays the difference between the cost of individual coverage and the cost of husband and wife coverage.

To be eligible for this retiree medical plan:

- Employees hired before June 30, 2009: the active participant must retire after age 65 with 20 or more years of service, or if under age 65, after 30 or more years of service.
- Employees hired after July 1, 2009 and before January 1, 2013: the active participant must retire after age 65 with 30 or more years of service.
- The plan is closed to employees hired on or after January 1, 2013.

For employees who retired prior to March 1, 2003, the plan provides retiree medical coverage for life for participant. In addition, special consideration is given for prescription and medical reimbursements.

Membership of the plan consisted of 14 participants, 9 of which are active plan members and 5 are retirees receiving benefits as of June 30, 2023.

The plan is unfunded, with premium reimbursement payments made by the Town directly to the retirees on a pay-as-you-go basis. For the year ended June 30, 2023, the Town reimbursed premium costs of \$14,120 to the retirees. There are no retiree contributions to the plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

*Total OPEB liability:*

The Town's total OPEB liability of \$856,224 was measured at June 30, 2022 and was determined by an actuarial valuation as of May 1, 2022.

Actuarial assumptions and other inputs - The total OPEB liability in the May 1, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified:

Healthcare cost trend rate	Initially 6.00%, decreasing to 4.64% in 2050, ultimately leveling off at 3.94% in 2075
Inflation	2.50%
Retirees' coverage election	100%
Mortality	Fully generational - Pub-2010/MP2019

The discount rate of 3.69% for the June 30, 2022 calculation was based on the municipal bond index as of June 30, 2022.

**TOWN OF MOUNT AIRY, MARYLAND**

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023

**10. Other postemployment benefits plan (OPEB) (continued):**

*Changes in the total OPEB liability:*

	Total OPEB liability
Balance at June 30, 2022	\$ 1,158,247
Changes for the year:	
Service cost	33,243
Interest	22,079
Experience losses	3,380
Changes in assumptions	(340,740)
Benefit payments	(19,985)
Net changes	(302,023)
Balance at June 30, 2023	\$ 856,224

Changes of assumptions and other inputs reflect a change in the discount rate from 1.92% for June 30, 2022 to 3.69% for June 30, 2023.

Sensitivity of the total OPEB liability to changes in the discount rate - The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.69%) or one-percentage-point higher (4.69%) than the current discount rate:

	1% decrease (2.69%)	Current discount rate (3.69%)	1% increase (4.69%)
Total OPEB Liability	\$ 1,026,730	\$ 856,224	\$ 716,323

**TOWN OF MOUNT AIRY, MARYLAND**

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023

**10. Other postemployment benefits plan (OPEB) (continued):**

*Changes in the total OPEB liability:*

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates - The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rates (see actuarial assumptions and other inputs for healthcare cost trend rates):

	1% decrease (2.94%)	Current healthcare cost trend rate (3.94%)	1% increase (4.94%)
Total OPEB liability	\$ 714,350	\$ 856,224	\$ 1,036,673

*OPEB expense, deferred outflows of resources and deferred inflows of resources related to OPEB:*

For the year ended June 30, 2023, the Town recognized OPEB expense of \$(53,424). At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 2,957	\$ 320,474
Changes of assumptions	134,738	510,027
Town contributions subsequent to the measurement date	14,120	
Total	\$ 151,815	\$ 830,501

**TOWN OF MOUNT AIRY, MARYLAND**

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023

**10. Other postemployment benefits plan (OPEB) (continued):**

*OPEB expense, deferred outflows of resources and deferred inflows of resources related to OPEB:*

The Town reported \$14,120 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as reductions in OPEB expense as follows for the years ending June 30:

2024	\$ (102,572)
2025	(102,572)
2026	(102,572)
2027	(102,572)
2028	(102,572)
Thereafter	<u>(179,946)</u>
	<u>\$ (692,806)</u>

**11. Deferred compensation plan:**

The Town offers a defined contribution plan created in accordance with IRC Section 457(b). The plan permits all full-time employees to defer a portion of their salary until future years. The employee's contribution is fully vested at the contribution date. Employees can defer the lesser of \$22,500, and up to an additional \$7,500 catch-up for employees age 50 or over, or 100% of their includable salaries over the plan year. Town did not make any contributions to the 457(b) plan for the year ended June 30, 2023, since there was no Town's employee meeting the eligibility requirements.

All amounts of compensation deferred under the plan and all income attributable to those amounts are held in trust for the exclusive benefit of participants and their beneficiaries. The assets will not be diverted to any other purpose. The plan administrator, The International City Management Association Retirement Corporation, is the trustee of the investments.

**12. Commitments and contingencies:**

The Town participates in a number of federal, state and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Town may be required to reimburse the grantor government. As of June 30, 2023, significant amounts of grant expenditures have not been audited by the appropriate grantor government, but the Town believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual funds or the overall financial position of the Town.

**TOWN OF MOUNT AIRY, MARYLAND**

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023

**12. Commitments and contingencies (continued):**

The Town has active construction projects and is committed under the following contracts for major projects as of June 30, 2023:

Project	Type of project	Contract amount	Amount of contract not incurred at June 30, 2023
Governmental activities:			
South Main Street roundabout	Construction	\$ 1,559,185	\$ 1,559,185
Summit Ridge playground	Purchase	136,426	136,426
Rails to Trails engineering	Construction	44,000	37,320
Business-type activities:			
Water meter replacement project	Purchase	1,252,643	80,097
Water meter replacement project	Installation	500,000	500,000
Prospect Road water main project	Construction	152,728	32,591

For the South Main Street roundabout project for governmental activities and all projects listed under the proprietary fund activities above, the Town is using the Coronavirus State and Local Fiscal Recovery Funds under the American Rescue Plan Act funding received.

The Town received a grant from the Department of Natural Resources Program Open Space (POS) for \$574,373 to assist with the acquisition of an inactive railroad right of way corridor that will be used for public recreation. In the event the property ceases to be used for public recreation the Town is required to replace the converted property with another property or pay back the greater of the grant funds received or the appraised value of the converted property for a new use. In addition, they are required to return any future POS grants associated with this property.

Under federal court order, the Environmental Protection Agency was ordered to implement a Chesapeake Bay clean up. The State of Maryland established a stormwater management fee program to fund projects to direct nitrogen away from streams that feed into the Chesapeake Bay. This program will be implemented through a National Pollutant Discharge Elimination System (NPDES) permit for Carroll County, Maryland (County).

**TOWN OF MOUNT AIRY, MARYLAND**

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023

**12. Commitments and contingencies (continued):**

In October 2014, the Town along with seven other municipalities entered into a cost-sharing of stormwater mitigation project with the County to comply with NPDES requirements. The agreement was renewed again in October 2021 through 2029 until the new Sixth Generation Permit is issued. In the renewed agreement, the annual amount for each municipality was calculated based on \$35,000 per impervious acre based on total number of impervious acres that are required to be restored/mitigated by the permit over the period of this project and increase increments of 5% annually. From the Town's share of this project, the Town is required to pay 20% and the County is covering the remaining 80%. Under the agreement terms, the Town's portion for these costs was \$49,686 which were capitalized as construction in progress for the year ended June 30, 2023.

Future costs under this agreement that will be going to future Town projects for the years ending June 30 are as follows:

2024	\$ 52,170
2025	54,779
2026	57,518
2027	60,394
2028	63,413
2029	<u>66,584</u>
	<u>\$ 354,858</u>

**13. Risk management:**

The Town is exposed to various risks of loss related to torts; theft of, or damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Town is a member in the Local Government Insurance Trust (LGIT), a public entity risk pool that is owned and directed by local governments (participants) that subscribe to its insurance coverages. LGIT provides the Town's general, automobile, employee, health, police and public officials' legal liability insurance coverage. The LGIT is managed by a Board of Trustees and a contract administration company. The trustees are elected by a majority vote of the participants with each participant having one vote. The Town does not exercise any control over the LGIT's operations. The maximum coverage under the liability pool of the LGIT is \$1,000,000 per claim. The Town also participates in an excess liability pool, which has maximum coverage of \$2,000,000. Premiums are charged to the Town, with no provision made for claim liability in addition to premiums, unless an assessment is made by the Trust. There have been no assessments during the year ended June 30, 2023, and the amount of settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

## *TOWN OF MOUNT AIRY, MARYLAND*

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

#### **14. Voluntary remediations:**

Prior to purchase of the CSX property related to the Rails to Trails – West of Main project, the Town became aware of environmental issues related to the property due to elevated levels of arsenic and poly-aromatic hydrocarbons in the property that are based on criteria established by the Maryland Department of the Environment (MDE). The Town obtained an estimate for the remediation costs from a consultant prior to the land purchase. The Town is voluntarily remediating the environmental issues and their development plan is being monitored by the County. To comply with the MDE requirements, the Town contracted with a company to perform the environmental remediations for total costs of \$726,456 and another company who performed required continuous monitoring of dust control for total costs of \$51,389 for the year ended June 30, 2023. These remediation steps were part of phase one and were completed subsequent to year end, and the Town is waiting on MDE's inspection of the completed remediation phase. The phase two of this project is being considered to address the bad soils on the steep slopes. Management has concluded there was no obligation that would require recognition of the pollution remediation liability as of June 30, 2023, and the project is expected to be completed and recognized as a capital asset during 2024.

The MDE has done several testing of Per- and Polyfluorinated Substances (PFAS) levels at water systems across the state. In December 2022, the MDE notified the Town of high levels of PFAS and their recommendation to start addressing the PFAS levels at several Town's water stations. The Environmental Protection Agency (EPA) is expected to issue PFAS limit levels for compliance soon. The Town has started self-monitoring the PFAS level in February 2023, and will voluntarily address the PFAS remediation. The Town, through the help of an outsourced engineering firm, has submitted a state grant application for \$4.2 million to help perform engineering and construction to remediate the PFAS at several water stations and is waiting on the State's approval. The Town is working on a design proposal for the PFAS remediation and then will follow with construction and necessary steps to address PFAS remediation during 2024.

#### **15. Subsequent events:**

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through October 31, 2023, the date the financial statements were available to be issued.

**TOWN OF MOUNT AIRY, MARYLAND**

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2023  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

	Original budget	Final budget	Actual	Variance
<b>Revenues:</b>				
Taxes	\$ 4,444,711	\$ 4,444,711	\$ 4,697,231	\$ 252,520
Licenses and permits	198,990	198,990	171,220	(27,770)
Intergovernmental	5,222,461	4,179,912	4,629,781	449,869
Charges for services	201,900	201,900	79,711	(122,189)
Income:				
Rental	16,800	16,800	16,339	(461)
Interest	55,000	55,000	75,341	20,341
Miscellaneous	65,000	40,000	20,568	(19,432)
<b>Total revenues</b>	<b>10,204,862</b>	<b>9,137,313</b>	<b>9,690,191</b>	<b>552,878</b>
<b>Expenditures:</b>				
General government	954,730	960,730	974,882	(14,152)
Planning and zoning	294,030	276,530	231,198	45,332
Public safety:				
Police	1,822,656	1,748,426	1,496,422	252,004
Contributions to Volunteer Fire Company	223,001	223,001	228,101	(5,100)
Public works:				
Highways and streets	619,090	619,090	481,250	137,840
Solid waste collection	674,385	674,385	660,897	13,488
Parks and recreation	415,160	389,760	324,034	65,726
Economic development	172,060	172,060	180,446	(8,386)
Miscellaneous	549,665	549,665	493,229	56,436
Capital outlays	5,033,776	3,392,376	3,530,156	(137,780)
<b>Total expenditures</b>	<b>10,758,553</b>	<b>9,006,023</b>	<b>8,600,615</b>	<b>405,408</b>
<b>Excess of revenues over expenditures</b>	<b>(553,691)</b>	<b>131,290</b>	<b>1,089,576</b>	<b>958,286</b>
<b>Other financing sources:</b>				
Lease liability issued			134,451	134,451
Proceeds from sale of capital assets			7,500	7,500
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>141,951</b>	<b>141,951</b>
<b>Net changes in fund balances</b>	<b>(553,691)</b>	<b>131,290</b>	<b>1,231,527</b>	<b>1,100,237</b>
<b>Fund balances:</b>				
Beginning of year	6,040,311	6,040,311	6,040,311	-
<b>End of year</b>	<b>\$ 5,486,620</b>	<b>\$ 6,171,601</b>	<b>\$ 7,271,838</b>	<b>\$ 1,100,237</b>

*Notes to schedule for budgets and budgetary analysis:*

The Town adopts an annual budget for the General and Water and Sewer Funds on a basis consistent with accounting principles generally accepted in the United States of America. All appropriations lapse at the end of the budget year to the extent they have not been expended or lawfully encumbered. Budget amendments require approval of the Mayor and Council, and there were several budget amendments approved by the Mayor and Council during the year ended June 30, 2023. Both original and final budgets of the General Fund have been included in the presentation of the Town's required supplementary information.

**TOWN OF MOUNT AIRY, MARYLAND**

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
MARYLAND STATE RETIREMENT AND PENSION SYSTEM  
LAST 9 FISCAL YEARS \*  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Town's proportion of the net pension liability	0.0121%	0.0116%	0.0106%	0.0080%	0.0066%	0.0052%	0.0056%	0.0058%	0.0050%
Town's proportionate share of the net pension liability	\$ 2,411,462	\$ 1,743,850	\$ 2,400,924	\$ 1,650,813	\$ 1,375,898	\$ 1,134,768	\$ 1,332,726	\$ 1,206,943	\$ 886,407
Town's covered payroll	\$ 2,062,355	\$ 2,014,780	\$ 2,052,759	\$ 1,826,173	\$ 1,527,621	\$ 1,331,268	\$ 1,290,022	\$ 1,258,076	\$ 1,163,955
Town's proportionate share of the net pension liability as a percentage of its covered payroll	116.93%	86.55%	116.96%	90.40%	90.07%	85.24%	103.31%	95.94%	76.15%
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%	68.78%	71.87%

\* The amounts presented were determined as of the end of the prior fiscal year. This schedule will eventually cover the ten most recent fiscal years; however, this is the information available as of the implementation of GASB No. 68.

Note to schedule:

Changes of assumptions - In addition to the significant assumptions and noted changes listed below, in 2016 adjustments were also made to COLA, withdrawal and disability rates and rates of salary increases.

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Mortality table	Pub-2010/ MP2018	Pub-2010/ MP2018	Pub-2010/ MP2018	Pub-2010/ MP2018	RP-2014	RP-2014	RP-2014	RP-2014	RP-2010
Investment return	6.80%	6.80%	7.40%	7.40%	7.45%	7.50%	7.55%	7.55%	7.65%
Inflation	2.25%	2.25%	2.60%	2.60%	2.60%	2.65%	2.70%	2.70%	2.90%

***TOWN OF MOUNT AIRY, MARYLAND***

SCHEDULE OF TOWN CONTRIBUTIONS  
MARYLAND STATE RETIREMENT AND PENSION SYSTEM  
LAST 10 FISCAL YEARS  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

Year	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Town's covered payroll	Contributions as a percentage of covered payroll
2023	\$ 259,885	\$ (259,885)		\$ 2,036,828	12.8%
2022	275,067	(275,067)		2,062,355	13.3%
2021	256,136	(256,136)		2,014,780	12.7%
2020	227,762	(227,762)		2,052,759	11.1%
2019	164,356	(164,356)		1,826,173	9.0%
2018	130,765	(130,765)		1,527,621	8.6%
2017	108,765	(108,765)		1,331,268	8.2%
2016	110,039	(110,039)		1,290,022	8.5%
2015	122,411	(122,411)		1,258,076	9.7%
2014	116,396	(116,396)		1,163,955	10.0%

Note to schedule:

The Town began contributing to the Law Enforcement Officers' Pension System for uniformed police officers in fiscal year 2020.

**TOWN OF MOUNT AIRY, MARYLAND**

SCHEDULE OF CHANGES IN THE TOWN'S TOTAL OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
LIABILITY AND RELATED RATIOS  
LAST 6 FISCAL YEARS \*  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

	2023	2022	2021	2020	2019	2018
<b>Total OPEB liability:</b>						
Service cost	\$ 33,243	\$ 52,738	\$ 40,794	\$ 54,142	\$ 52,633	\$ 50,814
Interest	22,079	30,248	31,823	49,286	46,336	40,561
Experience (gains) losses	3,380	(9,002)	(3,087)	(459,256)	(8,969)	
Changes of assumptions or other inputs	(340,740)	(141,172)	161,706	20,188	(11,092)	(199,064)
Benefit payments	(19,985)	(17,149)	(13,841)	(10,745)	(12,231)	(21,200)
<b>Net changes in total OPEB liability</b>	<b>(302,023)</b>	<b>(84,337)</b>	<b>217,395</b>	<b>(346,385)</b>	<b>66,677</b>	<b>(128,889)</b>
<b>Total OPEB liability:</b>						
Beginning of year	1,158,247	1,242,584	1,025,189	1,371,574	1,304,897	1,433,786
<b>End of year</b>	<b>\$ 856,224</b>	<b>\$ 1,158,247</b>	<b>\$ 1,242,584</b>	<b>\$ 1,025,189</b>	<b>\$ 1,371,574</b>	<b>\$ 1,304,897</b>
<b>Covered employee payroll</b>	<b>\$ 753,189</b>	<b>\$ 718,827</b>	<b>\$ 694,638</b>	<b>\$ 735,155</b>	<b>\$ 873,724</b>	<b>\$ 877,763</b>
Total OPEB liability as a percentage of covered employee payroll	113.68%	161.13%	178.88%	139.45%	156.98%	148.66%

\* The amounts presented were determined as of the end of the prior fiscal year. This schedule will eventually cover the ten most recent fiscal years; however, this is the information available as of the implementation year of GASB No. 75.

Note to schedule:

Changes of assumptions - Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2023	3.69%
2022	1.92%
2021	2.45%
2020	3.13%
2019	3.62%
2018	3.58%
2017	2.85%

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay future OPEB obligations.