



YEAR ENDED JUNE 30, 2024



**Brown Plus**

ACCOUNTANTS + ADVISORS

# **TOWN OF MOUNT AIRY, MARYLAND**

YEAR ENDED JUNE 30, 2024

## TABLE OF CONTENTS

	Page
Independent auditor's report	1-2
Required supplementary information:	
Management's discussion and analysis (unaudited)	3-11
Basic financial statements:	
Government-wide financial statements:	
Statement of net position	12-13
Statement of activities	14
Fund financial statements:	
Balance sheet – governmental funds	15
Reconciliation of the balance sheet – governmental funds to the statement of net position	16
Statement of revenues, expenditures and changes in fund balances – governmental funds	17
Reconciliation of the statement of revenues, expenditures and changes in fund balances – governmental funds to the statement of activities	18
Statement of net position – proprietary funds	19-20
Statement of revenues, expenses and changes in fund net position – proprietary funds	21
Statement of cash flows – proprietary funds	22-23
Notes to financial statements	24-51
Required supplementary information (unaudited):	
Budgetary comparison schedule – general fund	52
Schedule of the Town's proportionate share of the net pension liability	53
Schedule of Town contributions	54
Schedule of changes in the Town's total other postemployment benefits (OPEB) liability and related ratios	55

## 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, 2024 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, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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 3 through 11 and 52 through 55, 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 Plus*

Westminster, Maryland  
October 23, 2024

# **TOWN OF MOUNT AIRY, MARYLAND**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2024 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, 2024. 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 2024 by \$73,342,197 (total net position). Of this amount, \$38,649,342 was for governmental activities and \$34,692,855 was for business-type activities. Further, the amount of net position that was unrestricted at year end was \$10,048,190; \$6,218,489 for governmental activities, and \$3,829,701 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 \$691,781, and business-type activities (the Water & Sewer Fund) increased by \$1,316,522 resulting in a \$2,008,303 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, 2024, the total liabilities, deferred inflows of resources, and fund balances for governmental funds were \$10,555,117. This is an increase of \$635,068 from Fiscal Year 2023.
- At the close of Fiscal Year 2024, the Town's governmental fund reported an ending fund balance of \$8,603,655, an increase of \$1,331,817 from Fiscal Year 2023. This information may be reviewed on the Statement of Revenues, Expenditures, and Changes in Fund Balance.
- The Town received its final disbursement in the amount of \$456 from the American Rescue Plan Act (ARPA) in early August 2023, for a total disbursement of \$9,322,024. At June 30, 2024, the Town has spent a total of \$7,729,578 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 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 \$13 million. Of this amount, \$1,712,929 was the remaining ARPA funds not disbursed by the end of Fiscal Year 2024. 28% of this amount is in investments with the Maryland Local Government Investment Pool earning an interest rate of 5.35% at June 30, 2024. 13% of this amount 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 3 – Deposits and Investments.

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

### MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

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 2024:
  - The Maryland Department of Natural Resources Local Parks and Playground Infrastructure Grant in the amount of \$32,723 for the Rails to Trails, West of Main walking trail construction.
  - The Maryland Department of Natural Resources Program Open Space Grant in the amount of \$104,162 partially funded the Rails to Trails, West of Main walking trail amenities.
  - The Maryland Department of Natural Resources Local Parks and Playground Infrastructure Grant in the amount of \$50,000 partially funded the Windy Ridge Hiker-Biker Trail.
  - The Maryland Department of Natural Resources Local Parks and Playground Infrastructure Grant in the amount of \$7,285 for the installation of a food forest located at the Community Garden.
  - The Maryland Department of Natural Resources Program Open Space Grant in the amount of \$100,955 partially funded the Summit Ridge Park playground upgrade.
  - The Mainstreet Improvement Program Grant in the amount of \$7,218 funded the “Mount Airy’s Gone to the Bird” art project, and various art murals along Mainstreet.
  - The Mount Airy Police Department (MAPD) received \$3,572 from the Motor Vehicle Administration for an Impaired & Aggressive Driving Grant, Occupant Protection Grant, Pedestrian Enforcement Grant and Speed Enforcement Grant.
  - The Historical Society of Mount Airy Maryland provided the Town with a donation of \$10,000. Additionally, A Preservation Maryland Grant was obtained in the amount of \$10,000. The grant and the donation combined partially funded the concept designs for the Flat Iron Building.
- The General Fund ended Fiscal Year 2024 with a right-to-use leased asset of \$87,971 and corresponding lease liability for the Police Station located at 205 Center Street, Suite 203. 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.
- The Water and Sewer Fund ended Fiscal Year 2024 with a \$1,140,767 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 \$1,472,246. Water and sewer service charges were increased in Fiscal Year 2024 to address the growing operating funding shortfall.
- The Town’s Water and Sewer Fund long-term liability balance including compensated absences was \$3,267,488 a net decrease of \$358,837 from Fiscal Year 2024. 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 \$59,537 for Enhanced Nutrient Removal (ENR) operating and maintenance expenses. This was a decrease of \$14,700 from Fiscal Year 2023. 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.

# **TOWN OF MOUNT AIRY, MARYLAND**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2024 Unaudited**

### **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 lists 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.

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, 2024 Unaudited

#### **GOVERNMENT WIDE FINANCIAL ANALYSIS**

The following is selected information as of June 30, 2024, 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 2024			Fiscal Year 2023		
	Governmental	Business-Type	Total	Governmental	Business-Type	Total
<b>Assets</b>						
Current & Other Assets	\$ 10,643,088	\$ 6,292,268	\$ 16,935,356	\$ 10,051,004	\$ 9,048,122	\$ 19,099,126
Capital Assets	\$ 32,418,207	\$ 34,093,282	\$ 66,511,489	\$ 32,884,113	\$ 32,591,370	\$ 65,475,483
<b>Total Assets</b>	<b>\$ 43,061,295</b>	<b>\$ 40,385,550</b>	<b>\$ 83,446,845</b>	<b>\$ 42,935,117</b>	<b>\$ 41,639,492</b>	<b>\$ 84,574,609</b>
<b>Deferred Outflows of Resources</b>	<b>\$ 1,158,863</b>	<b>\$ 223,437</b>	<b>\$ 1,382,300</b>	<b>\$ 1,178,297</b>	<b>\$ 180,540</b>	<b>\$ 1,358,837</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 44,220,158</b>	<b>\$ 40,608,987</b>	<b>\$ 84,829,145</b>	<b>\$ 44,113,414</b>	<b>\$ 41,820,032</b>	<b>\$ 85,933,446</b>
<b>Liabilities</b>						
Current Liabilities	\$ 1,960,101	\$ 1,126,808	\$ 3,086,909	\$ 2,575,561	\$ 3,258,251	\$ 5,833,812
Long-Term Liabilities	\$ 2,636,232	\$ 3,712,969	\$ 6,349,201	\$ 2,733,425	\$ 3,995,616	\$ 6,729,041
<b>Total Liabilities</b>	<b>\$ 4,596,333</b>	<b>\$ 4,839,777</b>	<b>\$ 9,436,110</b>	<b>\$ 5,308,986</b>	<b>\$ 7,253,867</b>	<b>\$ 12,562,853</b>
<b>Deferred Inflows of Resources</b>	<b>\$ 974,483</b>	<b>\$ 1,076,355</b>	<b>\$ 2,050,838</b>	<b>\$ 846,867</b>	<b>\$ 1,189,832</b>	<b>\$ 2,036,699</b>
<b>Net Position</b>						
Net Investment in Capital Assets	\$ 32,418,207	\$ 30,863,154	\$ 63,281,361	\$ 32,843,648	\$ 29,007,702	\$ 61,851,350
Restricted	\$ 12,646	\$ -	\$ 12,646	\$ 1,384,271	\$ 42,099	\$ 1,426,370
Unrestricted	\$ 6,218,489	\$ 3,829,701	\$ 10,048,190	\$ 3,729,642	\$ 4,326,532	\$ 8,056,174
<b>Total Net Position</b>	<b>\$ 38,649,342</b>	<b>\$ 34,692,855</b>	<b>\$ 73,342,197</b>	<b>\$ 37,957,561</b>	<b>\$ 33,376,333</b>	<b>\$ 71,333,894</b>

The Town's total net position increased by 3% (\$73,342,197 compared to \$71,333,894). Total assets decreased by 1% (\$83,446,845 compared to \$84,574,609). 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 decreased by 25% (\$9,436,110 compared to \$12,562,853). This decrease from the previous fiscal year was largely due to current liabilities. 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.

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, which are offered to employees after retirement such as a Medicare supplement plan. The accrued liability for other postemployment benefits is the liability for those benefits that have already been accrued for past and current, eligible retired employees.

# TOWN OF MOUNT AIRY, MARYLAND

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2024 Unaudited

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

	Fiscal Year 2024			Fiscal Year 2023		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
<b>Revenue</b>						
Program Revenues						
Charges for Services	\$ 143,816	\$ 2,701,312	\$ 2,845,128	\$ 126,486	\$ 2,574,782	\$ 2,701,268
Operating Grants and Contributions	\$ 846,312	\$ 59,537	\$ 905,849	\$ 803,267	\$ 74,237	\$ 877,504
Capital Grants and Contributions	\$ 517,581	\$ 2,359,387	\$ 2,876,968	\$ 5,419,606	\$ 3,024,181	\$ 8,443,787
General Revenues						
Taxes						
Income Taxes	\$ 2,661,393		\$ 2,661,393	\$ 2,413,567		\$ 2,413,567
Real Property Taxes	\$ 2,225,854		\$ 2,225,854	\$ 2,134,729		\$ 2,134,729
Personal Property Tax	\$ 133,336		\$ 133,336	\$ 145,780		\$ 145,780
Grants, Contributions, and Franchise Fees						
not Restricted to Specific Programs	\$ 965,909		\$ 965,909	\$ 1,003,573		\$ 1,003,573
Connection Charges		\$ 25,400	\$ 25,400		\$ 11,400	\$ 11,400
Interest Income and Rent	\$ 217,157	\$ 123,879	\$ 341,036	\$ 91,680	\$ 107,413	\$ 199,093
Miscellaneous	\$ 17,201		\$ 17,201	\$ 15,082		\$ 15,082
<b>Total Revenues</b>	<b>\$ 7,728,559</b>	<b>\$ 5,269,515</b>	<b>\$ 12,998,074</b>	<b>\$ 12,153,770</b>	<b>\$ 5,792,013</b>	<b>\$ 17,945,783</b>
<b>Expenses</b>						
General Government	\$ 1,292,044		\$ 1,292,044	\$ 1,172,082		\$ 1,172,082
Planning & Zoning	\$ 322,234		\$ 322,234	\$ 324,307		\$ 324,307
Public Safety	\$ 1,958,638		\$ 1,958,638	\$ 2,032,732		\$ 2,032,732
Public Works	\$ 2,634,821		\$ 2,634,821	\$ 2,560,885		\$ 2,560,885
Parks and Recreation	\$ 624,188		\$ 624,188	\$ 599,550		\$ 599,550
Economic Development	\$ 204,853		\$ 204,853	\$ 231,875		\$ 231,875
Water & Sewer Services		\$ 3,952,993	\$ 3,952,993		\$ 3,673,419	\$ 3,673,419
	<b>\$ 7,036,778</b>	<b>\$ 3,952,993</b>	<b>\$ 10,989,771</b>	<b>\$ 6,921,431</b>	<b>\$ 3,673,419</b>	<b>\$ 10,594,850</b>
<b>Changes in Net Position</b>	<b>\$ 691,781</b>	<b>\$ 1,316,522</b>	<b>\$ 2,008,303</b>	<b>\$ 5,232,339</b>	<b>\$ 2,118,594</b>	<b>\$ 7,350,933</b>
Net Position at Beginning of Year	\$ 37,957,561	\$ 33,376,333	\$ 71,333,894	\$ 32,725,222	\$ 31,257,739	\$ 63,982,961
<b>Net Position - End of Year</b>	<b>\$ 38,649,342</b>	<b>\$ 34,692,855</b>	<b>\$ 73,342,197</b>	<b>\$ 37,957,561</b>	<b>\$ 33,376,333</b>	<b>\$ 71,333,894</b>

### Governmental activities

For the fiscal year ended June 30, 2024, revenues from governmental activities totaled \$7,728,559 which is a 36% decrease from the previous year. Most of the governmental general revenue came from income taxes (34%), and real property taxes (29%). A large decrease can be observed in the capital grants and contributions category. This decrease is due to higher contributed capital of \$3,287,524 recognized in the previous fiscal year from new roads, sidewalks, storm drains and parking lots that were deeded to Town, and higher spending of ARPA funds of \$1,505,488 in the previous fiscal year.

Expenses from governmental activities totaled \$7,036,778. The largest component of expenses, \$2,634,821 (37%), was from Public Works. Public Safety came in next highest at \$1,958,638 (28%), which are comparable to the prior year.

# **TOWN OF MOUNT AIRY, MARYLAND**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2024 Unaudited**

### Business-type activities

Water and Sewer charges for service made up 51% of the total business-type revenue, with the next highest being capital grants and contributions at 45%. The increase in charges for services is a result of an increase in rates. The reduction of capital grants is due to higher contributed capital in previous year of \$1,671,750 that is offset by more spending of ARPA projects of \$1,006,956 in the current year.

Expenses increased by 8%. The largest increase was \$89,481 more spent on wastewater treatment plant repairs and maintenance followed by a \$55,801 increase in chemical and related supplies. The Town continues to invest in the infrastructure of the water and sewer system, which resulted in a \$55,227 increase in depreciation expense.

### **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.

In reviewing the Balance Sheet – Governmental Funds, as of the end of Fiscal Year 2024, the Town's governmental funds reported ending fund balance of \$8,603,655, of which \$4,177,577, or 49%, is unassigned. \$4,180,780 or 49%, 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 \$72,533, which consists of Center Street Improvements. \$12,646 of the Town's funds are restricted; this is money in the police adjudicated fund, and lastly \$160,119 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 \$3,829,701. 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 17 times during the year as approved by the Town Council. Five of the amendments were for capital projects and one was for operating costs. Budget amendments for the General Fund capital projects included: Rails to Trails, West of Main walking trail, the Train Station heat pump replacement and adding grant and donation funds received for the Flat Iron Building concept designs. Budget amendments for the Water and Sewer capital projects included: Well Exploration and Development to increase Well #9's appropriations and a new pump for Sewer Station #3. The budget amendment for Water and Sewer operating costs was for sewer maintenance and repair. Finally, near the end of the fiscal year the council approved six amendments reducing costs and related anticipated grant revenue for capital projects that did not move forward as planned in the fiscal year, three to reduce operating expenses, one to reduce operating revenue and one to reallocate the grant funding and expenses for the Community Garden food forest from the capital budget to the operating budget.

# **TOWN OF MOUNT AIRY, MARYLAND**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2024 Unaudited**

### **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 \$413,067 more in revenues than expected. The large positive variance in taxes was due to income taxes. The Town budgeted conservatively at about \$100,000 lower than the prior year income tax revenue and the current year income tax revenue increased by \$244,816. The other large positive variance of \$150,819 was in interest revenue due to higher interest rates on investments with the Maryland Local Government Investment Pool. Total expenses came in \$963,536 less than expected, the largest variance is from capital outlays. Several General Fund capital projects and purchases in the roads and parks and recreation departments were delayed or did not move forward before the end of the fiscal year. The police department expenses were \$177,588 less than budgeted primarily in the areas of salaries and related benefits and less spent on maintenance and repairs.

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, 2024, can be found in the Notes to Basic Financial Statements, Note 5. Governmental activities capital assets total \$32,418,207 (net of accumulated depreciation), and the business-type activities total \$34,093,282. 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 heat pump system was installed at the Train Station at a cost of \$10,440
  - o A new server was installed at Town Hall at a cost of \$9,845
  - o A new ductless mini split system was installed in the elevator room at Town Hall at a cost of \$5,690
  
- Police Department
  - o A new vehicle was purchased at a cost of \$45,750
  - o Upfitting of three police vehicles at a cost of \$115,486
  - o A new Speed Alert Radar Sign was purchased at a cost of \$5,194
  - o A new K-9 was donated to the Town by MAPD Officer Christopher Ebberts. The K-9, Paisley, is valued at \$10,500

# **TOWN OF MOUNT AIRY, MARYLAND**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2024 Unaudited**

### General Fund

- Roads Department
  - o The Annual Sidewalk Project consisted of replacing sidewalks on Conestoga Court, Robinwood Drive, Merridale Boulevard and Prospect Road at Main Street at a cost of \$11,825
  - o The Annual Road Paving Project consisted of widening and repaving Prospect Road, and patching various locations in Town at a cost of \$739,913
  
- Parks Department
  - o A new ductless heat pump split system was installed at the Caboose at a cost of \$5,850
  - o The trail capping and paved walking path on Rails to Trails, West of Main was completed at a cost of \$848,224
  - o New playground equipment – All-Inclusive Playground Phase III – Watkins Park at a cost of \$48,542
  - o New playground equipment - Summit Ridge Park at a cost of \$136,426
  - o Fencing – Addition to existing fencing at Summit Ridge Park at a cost of \$9,572
  - o The hiker biker trail at Windy Ridge Park was completed at a cost of \$51,638

### Water & Sewer Fund

- o Two Wilo submersible mixers were purchased for the WWTP at a cost of \$16,224
- o A VFD blower drive was purchased for the WWTP at a cost of \$8,961
- o A new blower was purchased for the WWTP at a cost of \$19,253
- o A new Wilo backwash pump was purchased for the WWTP at a cost of \$8,330
- o A new vertical non-clog pump was purchased for Sewer Station #3 at a cost of \$48,956
- o A new ductless HVAC system was installed at Water Station #4 at a cost of \$8,763
- o A new nitrate removal system was installed at Water Station #4 at a cost of \$223,158
- o The Prospect Road water main replacement project was completed at a cost of \$1,972,116

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.

- o Land was deeded to the Town by LDG Ridgeville, LLC for a storm water management facility in the Twin Ridge Professional Park. This land is valued at \$2,800
- o An easement was given to the Town from LDG Ridgeville, LLC for access to a storm water management facility. This easement is valued at \$58,994

### **Debt**

At year end, the Town's Water and Sewer Department had \$3,230,128 in outstanding debt, compared to \$3,583,668 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 \$87,971 as of June 30, 2024.

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

# **TOWN OF MOUNT AIRY, MARYLAND**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2024**

**Unaudited**

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

The tax rate for Fiscal Year 2025 will increase by .03 (cents) to .1962 (cents) per \$100 of assessed value. The increase in taxes is being implemented so the operating budget can sustain a debt payment for the land acquisition and construction of a new permanent police station. Additionally, this increase will allow the Town to continue to provide the same level of services to citizens given the rising cost of operating the Town, while also maintaining the future financial health of the Town.

The Homestead Tax Cap will remain at 3% for Fiscal Year 2025. The 3% cap will increase homeowners taxable assessed value from the value that was "frozen" since Fiscal Year 2000. It is a 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. The primary focus will be acquiring land and building a permanent police station. Additional projects included on the list of possibilities include connecting Center Street from downtown to Watkins Park (MD Route 808 to MD Route 27), and design for the future of the Flat Iron Building, just to name a couple. Careful consideration of funding will remain a top component in prioritizing projects. Efforts to obtain grants will continue to be a focus of Town staff in future years.

As of June 30, 2024, the Town is committed to construction projects for: the South Main Street roundabout in the amount of \$1,559,185 and the design of a PFAS treatment system in the amount of \$149,410. The majority of funding for the South Main Street roundabout project will come from the American Rescue Plan Act funding the Town received. Additionally, the design and implementation of the PFAS treatment system will be funded with no interest forgivable loans received from the Drinking Water State Revolving Fund.

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 2024, the amount remaining in the General Fund reserves totaled \$4,180,780; Water & Sewer Fund reserves totaled \$3,777,292. 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.

### **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, 2024

	Governmental activities	Business-type activities	Total
<b>Assets:</b>			
Current assets:			
Pooled cash and cash equivalents	\$ 3,480,380	\$ 409,503	\$ 3,889,883
Non-pooled cash and cash equivalents	4,109,984	1,856,415	5,966,399
Non-pooled cash and cash equivalents, restricted	1,529,352	519,885	2,049,237
Certificate of deposit		1,800,238	1,800,238
Accounts receivable	38,151		38,151
Taxes receivable	373,332		373,332
Lease receivable	13,878	38,593	52,471
Notes receivable	11,316		11,316
Due from other governments	791,418		791,418
Inventory	104,828	40,576	145,404
Unbilled services		762,885	762,885
Internal balances	4,000	(4,000)	-
Prepaid expenses and deposits	43,713	10,239	53,952
	<u>10,500,352</u>	<u>5,434,334</u>	<u>15,934,686</u>
Total current assets			
Noncurrent assets:			
Capital assets:			
Construction in progress	2,164,947	2,311,290	4,476,237
Land and land rights	4,081,985	1,438,848	5,520,833
Buildings and improvements	6,044,866	27,218,948	33,263,814
Equipment	5,434,627	625,153	6,059,780
Infrastructure	45,229,177	28,642,811	73,871,988
Vehicles	1,330,218	524,446	1,854,664
	<u>64,285,820</u>	<u>60,761,496</u>	<u>125,047,316</u>
Less accumulated depreciation	31,867,613	26,668,214	58,535,827
	<u>32,418,207</u>	<u>34,093,282</u>	<u>66,511,489</u>
Net property and equipment			
Certificate of deposit	54,765		54,765
Lease receivable		857,934	857,934
Right-to-use leased asset, net of accumulated amortization	87,971		87,971
	<u>32,560,943</u>	<u>34,951,216</u>	<u>67,512,159</u>
Total noncurrent assets			
	<u>43,061,295</u>	<u>40,385,550</u>	<u>83,446,845</u>
<b>Total assets</b>			
<b>Deferred outflows of resources:</b>			
Deferred amounts from:			
Pensions	1,056,801	187,007	1,243,808
Other postemployment benefits	102,062	36,430	138,492
	<u>1,158,863</u>	<u>223,437</u>	<u>1,382,300</u>
<b>Total deferred outflows of resources</b>			
	<u>\$ 44,220,158</u>	<u>\$ 40,608,987</u>	<u>\$ 84,829,145</u>
<b>Total assets and deferred outflows of resources</b>			

See notes to basic financial statements.

# TOWN OF MOUNT AIRY, MARYLAND

## STATEMENT OF NET POSITION JUNE 30, 2024

	Governmental activities	Business-type activities	Total
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 315,271	\$ 183,057	\$ 498,328
Accrued:			
Payroll and related benefits	83,169	23,311	106,480
Interest payable		17,761	17,761
Current portion of:			
Lease	44,955		44,955
Bonds payable (net of premiums)		360,841	360,841
Payable from restricted assets:			
Accounts payable and accrued expenses	315	105,275	105,590
Due to other governments		57,980	57,980
Refundable deposits	265,682		265,682
Unearned revenues	1,250,709	378,583	1,629,292
Total current liabilities	1,960,101	1,126,808	3,086,909
Noncurrent liabilities:			
Accrued compensated absences	112,384	37,360	149,744
Net pension liability	1,945,228	508,820	2,454,048
Total other postemployment benefits liability	535,604	297,502	833,106
Lease	43,016		43,016
Bonds payable (net of premiums)		2,869,287	2,869,287
Total noncurrent liabilities	2,636,232	3,712,969	6,349,201
<b>Total liabilities</b>	<b>4,596,333</b>	<b>4,839,777</b>	<b>9,436,110</b>
<b>Deferred inflows of resources:</b>			
Deferred amounts from:			
Leases	13,616	835,057	848,673
Pensions	404,966	38,356	443,322
Other postemployment benefits	555,901	202,942	758,843
<b>Total deferred inflows of resources</b>	<b>974,483</b>	<b>1,076,355</b>	<b>2,050,838</b>
<b>Net position:</b>			
Net investment in capital assets	32,418,207	30,863,154	63,281,361
Restricted	12,646		12,646
Unrestricted	6,218,489	3,829,701	10,048,190
<b>Total net position</b>	<b>38,649,342</b>	<b>34,692,855</b>	<b>73,342,197</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 44,220,158</b>	<b>\$ 40,608,987</b>	<b>\$ 84,829,145</b>

See notes to basic financial statements.

# TOWN OF MOUNT AIRY, MARYLAND

## STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2024

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	\$ 1,292,044	\$ 62,531	\$ 4,683	\$ 10,500	\$ (1,214,330)		\$ (1,214,330)
Planning and zoning	322,234	56,137			(266,097)		(266,097)
Public safety	1,958,638	3,400	158,920		(1,796,318)		(1,796,318)
Public works	2,634,821	6,200	660,286	191,956	(1,776,379)		(1,776,379)
Parks and recreation	624,188	15,548		315,125	(293,515)		(293,515)
Economic development	204,853		22,423		(182,430)		(182,430)
<b>Total governmental activities</b>	<b>7,036,778</b>	<b>143,816</b>	<b>846,312</b>	<b>517,581</b>	<b>(5,529,069)</b>		<b>(5,529,069)</b>
Business-type activities, water and sewer services	3,952,993	2,701,312	59,537	2,359,387		\$ 1,167,243	1,167,243
<b>Total primary government</b>	<b>\$ 10,989,771</b>	<b>\$ 2,845,128</b>	<b>\$ 905,849</b>	<b>\$ 2,876,968</b>	<b>(5,529,069)</b>	<b>1,167,243</b>	<b>(4,361,826)</b>
<b>General revenues:</b>							
Taxes:							
Income					2,661,393		2,661,393
Real estate					2,225,854		2,225,854
Personal property					133,336		133,336
Grants, contributions and franchise fees not restricted to specific programs					965,909		965,909
Connection charges						25,400	25,400
Interest income and rents					217,157	123,879	341,036
Miscellaneous					17,201		17,201
<b>Total general revenues</b>					<b>6,220,850</b>	<b>149,279</b>	<b>6,370,129</b>
<b>Changes in net position</b>					<b>691,781</b>	<b>1,316,522</b>	<b>2,008,303</b>
<b>Net position:</b>							
Beginning of year					37,957,561	33,376,333	71,333,894
<b>End of year</b>					<b>\$ 38,649,342</b>	<b>\$ 34,692,855</b>	<b>\$ 73,342,197</b>

See notes to basic financial statements.

**TOWN OF MOUNT AIRY, MARYLAND**

BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2024

	General Fund	Total governmental funds
<b>Assets:</b>		
Pooled cash and cash equivalents	\$ 3,480,380	\$ 3,480,380
Non-pooled cash and cash equivalents	4,109,984	4,109,984
Non-pooled cash and cash equivalents, restricted	1,529,352	1,529,352
Certificate of deposit	54,765	54,765
Accounts receivable	38,151	38,151
Taxes receivable	373,332	373,332
Lease receivable	13,878	13,878
Notes receivable	11,316	11,316
Due from other governments	791,418	791,418
Inventory	104,828	104,828
Due from other funds	4,000	4,000
Prepaid expenses and deposits	43,713	43,713
<b>Total assets</b>	<b><u>\$ 10,555,117</u></b>	<b><u>\$ 10,555,117</u></b>
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 315,271	\$ 315,271
Accrued payroll and related benefits	83,169	83,169
Unearned revenues	1,250,709	1,250,709
Payable from restricted assets:		
Accounts payable and accrued expenses	315	315
Refundable deposits	265,682	265,682
<b>Total liabilities</b>	<b><u>1,915,146</u></b>	<b><u>1,915,146</u></b>
<b>Deferred inflows of resources:</b>		
Deferred amounts from:		
Leases	13,616	13,616
Unavailable revenue	22,700	22,700
<b>Total deferred inflows of resources</b>	<b><u>36,316</u></b>	<b><u>36,316</u></b>
<b>Fund balances:</b>		
Nonspendable	160,119	160,119
Restricted	12,646	12,646
Committed	72,533	72,533
Assigned	4,180,780	4,180,780
Unassigned	4,177,577	4,177,577
<b>Total fund balances</b>	<b><u>8,603,655</u></b>	<b><u>8,603,655</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 10,555,117</u></b>	<b><u>\$ 10,555,117</u></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, 2024

<b>Total fund balances, governmental funds</b>	<b>\$ 8,603,655</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.	22,700
Capital assets used in governmental activities are not available financial resources and, therefore, are not reported in the fund financial statements.	32,418,207
Right-to-use leased assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.	87,971
Lease liabilities are not payable in the current period and, therefore, are reported as expenditures in the period during which the lease period occurs.	(87,971)
Net pension liability and related deferred amounts in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	(1,293,393)
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.	(989,443)
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>(112,384)</u>
<b>Total net position of governmental activities</b>	<b><u><u>\$ 38,649,342</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, 2024

	<u>General Fund</u>	<u>Total governmental funds</u>
<b>Revenues:</b>		
Taxes	\$ 5,132,633	\$ 5,132,633
Licenses and permits	162,469	162,469
Intergovernmental	2,137,177	2,137,177
Charges for services	96,975	96,975
Income:		
Rental	16,338	16,338
Interest	200,819	200,819
Miscellaneous	21,904	21,904
<b>Total revenues</b>	<b><u>7,768,315</u></b>	<b><u>7,768,315</u></b>
<b>Expenditures:</b>		
General government	940,273	940,273
Planning and zoning	243,030	243,030
Public safety:		
Police	1,551,822	1,551,822
Contributions to volunteer fire company	223,778	223,778
Public works:		
Highways and streets	577,789	577,789
Solid waste collection	668,343	668,343
Parks and recreation	347,618	347,618
Economic development	163,600	163,600
Miscellaneous	532,284	532,284
Capital outlays	1,187,961	1,187,961
<b>Total expenditures</b>	<b><u>6,436,498</u></b>	<b><u>6,436,498</u></b>
<b>Excess of revenues over expenditures</b>	<b><u>1,331,817</u></b>	<b><u>1,331,817</u></b>
<b>Net changes in fund balances</b>	<b>1,331,817</b>	<b>1,331,817</b>
<b>Fund balances:</b>		
Beginning of year	<u>7,271,838</u>	<u>7,271,838</u>
<b>End of year</b>	<b><u><u>\$ 8,603,655</u></u></b>	<b><u><u>\$ 8,603,655</u></u></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, 2024

<b>Net changes in fund balances, total governmental funds</b>	<b>\$ 1,331,817</b>
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>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.</p>	
Capital outlays	1,187,961
Depreciation expense	(1,683,923)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales and trade-ins) is to decrease net position.</p>	
	(1,773)
<p>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.</p>	
	72,294
<p>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.</p>	
	(112,050)
<p>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:</p>	
Accrued compensated absences	(3,180)
Deferred outflows of resources relating to:	
Pensions	(13,095)
Other postemployment benefits	(6,339)
Net pension liability	49,875
Total other postemployment benefits liability	14,147
Deferred inflows of resources relating to:	
Pensions	(187,804)
Other postemployment benefits	43,851
	(126,986)
<b>Changes in net position of governmental activities</b>	<b>\$ 691,781</b>

See notes to basic financial statements.

**TOWN OF MOUNT AIRY, MARYLAND**

STATEMENT OF NET POSITION – PROPRIETARY FUNDS  
JUNE 30, 2024

	Water and Sewer Fund	Total proprietary funds
<b>Assets:</b>		
Current assets:		
Pooled cash and cash equivalents	\$ 409,503	\$ 409,503
Non-pooled cash and cash equivalents	1,856,415	1,856,415
Non-pooled cash and cash equivalents, restricted	519,885	519,885
Certificate of deposit	1,800,238	1,800,238
Unbilled services	762,885	762,885
Inventory	40,576	40,576
Prepaid expenses and deposits	10,239	10,239
Lease receivable	38,593	38,593
	<u>5,438,334</u>	<u>5,438,334</u>
Total current assets		
Noncurrent assets:		
Capital assets:		
Construction in progress	2,311,290	2,311,290
Land and land rights	1,438,848	1,438,848
Buildings and improvements	27,218,948	27,218,948
Equipment	625,153	625,153
Infrastructure	28,642,811	28,642,811
Vehicles	524,446	524,446
	<u>60,761,496</u>	<u>60,761,496</u>
Less accumulated depreciation	26,668,214	26,668,214
	<u>34,093,282</u>	<u>34,093,282</u>
Net property and equipment		
Lease receivable	857,934	857,934
	<u>34,951,216</u>	<u>34,951,216</u>
Total noncurrent assets		
<b>Total assets</b>	<b><u>40,389,550</u></b>	<b><u>40,389,550</u></b>
<b>Deferred outflows of resources:</b>		
Deferred amounts from:		
Pensions	187,007	187,007
Other postemployment benefits	36,430	36,430
	<u>223,437</u>	<u>223,437</u>
<b>Total deferred outflows of resources</b>		
<b>Total assets and deferred outflows of resources</b>	<b><u>\$ 40,612,987</u></b>	<b><u>\$ 40,612,987</u></b>

See notes to basic financial statements.

**TOWN OF MOUNT AIRY, MARYLAND**

STATEMENT OF NET POSITION – PROPRIETARY FUNDS  
JUNE 30, 2024

	<u>Water and Sewer Fund</u>	<u>Total proprietary funds</u>
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 183,057	\$ 183,057
Accrued:		
Payroll and related benefits	23,311	23,311
Interest payable	17,761	17,761
Due to other funds	4,000	4,000
Unearned revenues	378,583	378,583
Current portion of bonds payable (net of premiums)	360,841	360,841
Payable from restricted assets:		
Accounts payable and accrued expenses	105,275	105,275
Due to other governments	<u>57,980</u>	<u>57,980</u>
Total current liabilities	<u>1,130,808</u>	<u>1,130,808</u>
Noncurrent liabilities:		
Accrued compensated absences	37,360	37,360
Net pension liability	508,820	508,820
Total other postemployment benefits liability	297,502	297,502
Bonds payable (net of premiums)	<u>2,869,287</u>	<u>2,869,287</u>
Total noncurrent liabilities	<u>3,712,969</u>	<u>3,712,969</u>
<b>Total liabilities</b>	<b><u>4,843,777</u></b>	<b><u>4,843,777</u></b>
<b>Deferred inflows of resources:</b>		
Deferred amounts from:		
Leases	835,057	835,057
Pensions	38,356	38,356
Other postemployment benefits	<u>202,942</u>	<u>202,942</u>
<b>Total deferred inflows of resources</b>	<b><u>1,076,355</u></b>	<b><u>1,076,355</u></b>
<b>Net position:</b>		
Net investment in capital assets	30,863,154	30,863,154
Unrestricted	<u>3,829,701</u>	<u>3,829,701</u>
<b>Total net position</b>	<b><u>34,692,855</u></b>	<b><u>34,692,855</u></b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b><u>\$ 40,612,987</u></b>	<b><u>\$ 40,612,987</u></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, 2024

	<u>Water and Sewer Fund</u>	<u>Total proprietary funds</u>
<b>Operating revenues:</b>		
Charges for services	\$ 2,628,664	\$ 2,628,664
Other revenues	<u>72,648</u>	<u>72,648</u>
<b>Total operating revenues</b>	<b><u>2,701,312</u></b>	<b><u>2,701,312</u></b>
<b>Operating expenses:</b>		
Depreciation	1,472,246	1,472,246
Insurance	68,199	68,199
Other administrative expenses	58,257	58,257
Payroll taxes and fringe benefits	274,435	274,435
Repairs and maintenance	637,860	637,860
Salaries and wages	709,829	709,829
Supplies and materials	311,711	311,711
Utilities	<u>309,542</u>	<u>309,542</u>
<b>Total operating expenses</b>	<b><u>3,842,079</u></b>	<b><u>3,842,079</u></b>
<b>Operating loss</b>	<b><u>(1,140,767)</u></b>	<b><u>(1,140,767)</u></b>
<b>Nonoperating revenues (expenses):</b>		
Connection charges	25,400	25,400
Intergovernmental	2,418,924	2,418,924
Interest income	69,005	69,005
Rental income	54,874	54,874
Interest expense and fiscal charges	<u>(110,914)</u>	<u>(110,914)</u>
<b>Total nonoperating revenues (expenses)</b>	<b><u>2,457,289</u></b>	<b><u>2,457,289</u></b>
<b>Changes in net position</b>	<b>1,316,522</b>	<b>1,316,522</b>
<b>Net position:</b>		
Beginning of year	<u>33,376,333</u>	<u>33,376,333</u>
<b>End of year</b>	<b><u>\$ 34,692,855</u></b>	<b><u>\$ 34,692,855</u></b>

See notes to basic financial statements.

**TOWN OF MOUNT AIRY, MARYLAND**

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2024

	<u>Water and Sewer Fund</u>	<u>Total proprietary funds</u>
<b>Cash flows from operating activities:</b>		
Inflows, cash received from customers	\$ 2,717,091	\$ 2,717,091
Outflows, cash paid to:		
Suppliers	1,673,258	1,673,258
Employees	720,272	720,272
	<u>2,393,530</u>	<u>2,393,530</u>
<b>Net cash provided by operating activities</b>	<b><u>323,561</u></b>	<b><u>323,561</u></b>
<b>Cash flows provided by non-capital financing activities, inflows, cash received from other government</b>	<b><u>59,537</u></b>	<b><u>59,537</u></b>
<b>Cash flows from capital and related financing activities:</b>		
Inflows:		
Connection fees received	25,400	25,400
Lease payments received	72,467	72,467
American Rescue Plan grant funding	2,290	2,290
	<u>100,157</u>	<u>100,157</u>
Outflows:		
Interest paid	112,392	112,392
Purchase of capital assets	2,849,152	2,849,152
Payments on long-term debt	353,540	353,540
	<u>3,315,084</u>	<u>3,315,084</u>
<b>Net cash used by capital and related financing activities</b>	<b><u>(3,214,927)</u></b>	<b><u>(3,214,927)</u></b>
<b>Cash flows from investing activities:</b>		
Inflows, interest received	51,412	51,412
Outflows, purchase of certificates of deposit	27,535	27,535
<b>Net cash provided by investing activities</b>	<b><u>23,877</u></b>	<b><u>23,877</u></b>
<b>Net decrease in cash and cash equivalents</b>	<b><u>(2,807,952)</u></b>	<b><u>(2,807,952)</u></b>
<b>Cash and cash equivalents:</b>		
Beginning of year	5,593,755	5,593,755
<b>End of year</b>	<b><u>\$ 2,785,803</u></b>	<b><u>\$ 2,785,803</u></b>

See notes to basic financial statements.

**TOWN OF MOUNT AIRY, MARYLAND**

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (CONTINUED)  
YEAR ENDED JUNE 30, 2024

	<u>Water and Sewer Fund</u>	<u>Total proprietary funds</u>
<b>Reconciliation of cash and cash equivalents to the statement of net position:</b>		
Current assets:		
Pooled cash and cash equivalents	\$ 409,503	\$ 409,503
Non-pooled cash and cash equivalents	1,856,415	1,856,415
Non-pooled cash and cash equivalents, restricted	<u>519,885</u>	<u>519,885</u>
<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 2,785,803</u></b>	<b><u>\$ 2,785,803</u></b>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>		
Operating loss	\$ (1,140,767)	\$ (1,140,767)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	1,472,246	1,472,246
(Increase) decrease in assets and deferred outflows of resources:		
Lease receivable	36,261	36,261
Accounts receivable	7,572	7,572
Unbilled services	(50,007)	(50,007)
Inventory	(25,108)	(25,108)
Prepaid expenses	2,719	2,719
Deferred amounts from:		
Pensions	(49,881)	(49,881)
Other postemployment benefits	6,984	6,984
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable and accrued expenses	82,569	82,569
Accrued payroll and related benefits	(5,146)	(5,146)
Due to other governments	(550)	(550)
Accrued compensated absences	(5,297)	(5,297)
Net pension liability	92,461	92,461
Total other postemployment benefits liability	(8,971)	(8,971)
Unearned revenues	21,953	21,953
Deferred amounts from:		
Leases	(55,071)	(55,071)
Pensions	(30,599)	(30,599)
Other postemployment benefits	<u>(27,807)</u>	<u>(27,807)</u>
<b>Net cash provided by operating activities</b>	<b><u>\$ 323,561</u></b>	<b><u>\$ 323,561</u></b>

See notes to basic financial statements.

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

### **NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024**

#### **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.

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.

# **TOWN OF MOUNT AIRY, MARYLAND**

## **NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024**

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

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

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.

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.

# **TOWN OF MOUNT AIRY, MARYLAND**

## **NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024**

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

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

##### Proprietary funds:

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.

#### *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.

# TOWN OF MOUNT AIRY, MARYLAND

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

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

#### *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.

#### *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

#### *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.

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

### **NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024**

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

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

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.

##### *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.

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

### **NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024**

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

##### *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.

##### *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.

# **TOWN OF MOUNT AIRY, MARYLAND**

## **NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024**

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

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

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.

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, 2024 were \$0.1662 and \$0.41, respectively, per \$100 assessed property value.

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

### **NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024**

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

##### *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.

##### *New GASB pronouncements:*

The GASB issued pronouncements prior to the year ended June 30, 2024 that has an effective date that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following Statements 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.

GASB Statement No. 102, *Certain Risk Disclosures*, will be effective for the Town as of July 1, 2025. The objective of this Statement is to provide financial statement users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact.

GASB Statement No. 103, *Financial Reporting Model Improvements*, will be effective for the Town as of July 1, 2026. The objective of this Statement is to improve key components of the financial reporting model used in decision making and assessing a government's accountability.

#### **2. Adoption of new GASB pronouncement:**

Effective July 1, 2023, the Town implemented GASB Statement No. 100, *Accounting Changes and Error Corrections*. The objective of this Statement is to enhance accounting and financial requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. The Statement requires that changes in accounting principles and error corrections be reported retroactively by restating prior periods, changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and changes in accounting estimates be reported prospectively by recognizing the change in the current period.

The Statement has no impact on the Town's financial statements.

**TOWN OF MOUNT AIRY, MARYLAND**

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2024

**3. Deposits and investments:**

The deposits held as of June 30, 2024 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	8,015,336
Certificates of deposit	0.25% - 1.54%	11/12/2024 - 6/28/2026	1,855,003
Investments, Maryland Local			
Government Investment Pool	AAAm/5.35%	N/A	<u>3,889,883</u>
Total deposits and investments			<u><u>\$ 13,760,522</u></u>
Reconciliation to statement of net position:			
Current assets:			
Pooled cash and cash equivalents			\$ 3,889,883
Non-pooled cash and cash equivalents:			
Unrestricted			5,966,399
Restricted			2,049,237
Certificate of deposit			1,800,238
Noncurrent assets, certificate of deposit			<u>54,765</u>
			<u><u>\$ 13,760,522</u></u>

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.

**TOWN OF MOUNT AIRY, MARYLAND**

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2024

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

As of June 30, 2024, all pool holdings were in cash and cash equivalents with a weighted-average maturity of 41 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. As of June 30, 2024, the Town had total investments in MLGIP of \$3,889,883, which have been reflected as pooled cash and cash equivalents.

Restricted non-pooled cash and cash equivalents as of June 30, 2024 is comprised as follows:

	General Fund	Water and Sewer Fund
Bay restoration collections		\$ 57,980
Planning and zoning escrow and other deposits	\$ 265,682	
Unspent funding from American Rescue Plan	1,251,024	461,905
Police asset forfeiture	12,646	
	\$ 1,529,352	\$ 519,885

*Custodial credit risks:*

Deposits in financial institutions, reported as components of cash and cash equivalents and certificates of deposit, had a bank balance of \$10,140,739 as of June 30, 2024, \$9,640,739 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, 2024 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 2(a)-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, 2024**

#### **3. 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, 2024, the Town had no concentration of credit risk.

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

The Town has entered into two communication tower lease agreements, with monthly rental payments ranging from \$2,203 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, 2024. The current renewal periods expire between July 2025 and May 2028. Lease revenues generated for the year ended June 30, 2024 were \$54,874, 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, 2024 was \$16,338, 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 \$5,619 as of June 30, 2024.

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, 2024

**5. Capital assets and depreciation:**

A summary of governmental activities follows:

	Balance July 1, 2023	Increases	Decreases	Transfers	Balance June 30, 2024
Governmental activities:					
Non-depreciable assets:					
Construction in progress	\$ 3,061,741	\$ 543,341		\$ (1,440,135)	\$ 2,164,947
Land and land rights	4,020,191	61,794			4,081,985
Total non-depreciable assets	7,081,932	605,135		(1,440,135)	6,246,932
Depreciable assets:					
Buildings and improvements	6,022,886	16,130		5,850	6,044,866
Equipment	4,347,695	171,537	\$ 33,009	948,404	5,434,627
Infrastructure	44,477,438	269,858		481,881	45,229,177
Vehicles	1,215,388	161,235	46,405		1,330,218
Total depreciable assets	56,063,407	618,760	79,414	1,436,135	58,038,888
Total capital assets	63,145,339	1,223,895	79,414	(4,000)	64,285,820
Accumulated depreciation:					
Buildings and improvements	1,613,129	136,345			1,749,474
Equipment	2,180,333	243,523	31,520		2,392,336
Infrastructure	25,573,767	1,210,446			26,784,213
Vehicles	893,997	93,609	46,016		941,590
Total accumulated depreciation	30,261,226	1,683,923	77,536		31,867,613
Total capital assets, net	\$ 32,884,113	\$ (460,028)	\$ 1,878	\$ (4,000)	\$ 32,418,207

Depreciation expense for the year ended June 30, 2024 charged to governmental activities was as follows:

General government	\$ 129,904
Public safety	79,107
Public works	1,303,295
Parks and recreation	164,512
Economic development	7,105
	\$ 1,683,923

**TOWN OF MOUNT AIRY, MARYLAND**

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2024

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

A summary of business-type activities follows:

	Balance July 1, 2023	Increases	Decreases	Transfers	Balance June 30, 2024
Business-type activities:					
Non-depreciable assets:					
Construction in progress	\$ 1,642,893	\$ 2,859,671		\$ (2,191,274)	\$ 2,311,290
Land and land rights	1,438,848				1,438,848
Total non-depreciable assets	<u>3,081,741</u>	<u>2,859,671</u>		<u>(2,191,274)</u>	<u>3,750,138</u>
Depreciable assets:					
Buildings and improvements	27,141,027	101,724	\$ 23,803		27,218,948
Equipment	625,153				625,153
Infrastructure	26,444,994	8,763	6,220	2,195,274	28,642,811
Vehicles	524,446				524,446
Total depreciable assets	<u>54,735,620</u>	<u>110,487</u>	<u>30,023</u>	<u>2,195,274</u>	<u>57,011,358</u>
Total capital assets	<u>57,817,361</u>	<u>2,970,158</u>	<u>30,023</u>	<u>4,000</u>	<u>60,761,496</u>
Accumulated depreciation:					
Buildings and improvements	12,630,294	673,466	23,803		13,279,957
Equipment	545,604	24,370			569,974
Infrastructure	11,715,750	734,920	6,220		12,444,450
Vehicles	334,343	39,490			373,833
Total accumulated depreciation	<u>25,225,991</u>	<u>1,472,246</u>	<u>30,023</u>		<u>26,668,214</u>
Total capital assets, net	<u>\$ 32,591,370</u>	<u>\$ 1,497,912</u>	<u>\$ -</u>	<u>\$ 4,000</u>	<u>\$ 34,093,282</u>

Depreciation expense for the year ended June 30, 2024 charged to business-type activities for the Water and Sewer Fund totaled \$1,472,246.

For the year ended June 30, 2024, \$4,000 was transferred from the General Fund to the Water and Sewer Fund to report capital expenditures in the correct fund. The Water and Sewer Fund will reimburse the General Fund for the engineering services provided and is reported as due to/from other funds.

**TOWN OF MOUNT AIRY, MARYLAND**

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2024

**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, 2024:

	Balance July 1, 2023	Increases	Decreases	Balance June 30, 2024
Right-to-use asset, police station	\$ 134,451			\$ 134,451
Less accumulated amortization	(3,496)	\$ (42,984)		(46,480)
Right-to-use asset, net	\$ 130,955	\$ (42,984)		\$ 87,971

**7. Long-term liabilities:**

Bonds payable as of June 30, 2024 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 \$272,800 to \$341,000 with semi-annual interest payments at remaining interest rates ranging from 2.58% to 3.42%.

\$ 2,444,800

CDA, Infrastructure Bonds 2012 Refunding:

\$1,664,165 authorized and issued. Remaining principal to be repaid in annual installments through May 2032 ranging from \$85,000 to \$106,500 with semi-annual interest payments at remaining interest rates ranging from 2.58% to 3.42%.

761,000

Total bonds payable

\$ 3,205,800

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, with an option to extend the contract for an additional 36 months in 6 month increments. 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 \$87,971 at June 30, 2024. 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, 2024**

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

The following is a summary of changes in long-term liabilities for the year ended June 30, 2024:

Type of long-term liability	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024	Due within one year
Governmental activities:					
Accrued compensated absences	\$ 109,204	\$ 3,180		\$ 112,384	
Lease	130,955		\$ 42,984	87,971	\$ 44,955
<b>Total governmental activities</b>	<b>\$ 240,159</b>	<b>\$ 3,180</b>	<b>\$ 42,984</b>	<b>\$ 200,355</b>	<b>\$ 44,955</b>
Business-type activities:					
Bonds and loan payable:					
CDA, Infrastructure Bonds 2012	\$ 2,711,800		\$ 267,000	\$ 2,444,800	\$ 272,800
CDA, Infrastructure Bonds 2012 Refunding	844,500		83,500	761,000	85,000
	3,556,300		350,500	3,205,800	357,800
Bond premiums	27,368		3,040	24,328	3,041
<b>Total bonds and loan payable</b>	<b>3,583,668</b>		<b>353,540</b>	<b>3,230,128</b>	<b>360,841</b>
Accrued compensated absences	42,657		5,297	37,360	
<b>Total business-type activities</b>	<b>\$ 3,626,325</b>		<b>\$ 358,837</b>	<b>\$ 3,267,488</b>	<b>\$ 360,841</b>

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, 2024 was \$110,914, all of which was expensed.

**TOWN OF MOUNT AIRY, MARYLAND**

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2024

**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
2025	\$ 357,800	\$ 103,726
2026	368,000	94,494
2027	380,500	84,816
2028	393,500	71,803
2029	405,500	58,345
2030-2032	1,300,500	89,912
	<u>\$ 3,205,800</u>	<u>\$ 503,096</u>

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

Years ending June 30	Governmental activities	
	Principal	Interest
2025	\$ 44,955	\$ 2,853
2026	43,016	808
	<u>\$ 87,971</u>	<u>\$ 3,661</u>

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

The following is a summary of the nonspendable fund balance in the General Fund as of June 30, 2024:

Inventory	\$ 104,828
Prepaid expenses and deposits	43,713
Notes receivable for business relief loan program	11,316
Lease receivable	262
	<u>\$ 160,119</u>

Restricted net position in the governmental activities and restricted fund balance in the General Fund is limited to \$12,646 for the police asset forfeitures as of June 30, 2024. These funds must be spent in accordance with guidelines imposed by the budget of the Office of the State's Attorney for Frederick County, Maryland.

The committed fund balance in the General Fund as of June 30, 2024 is limited to the Center Street improvements of \$72,533.

**TOWN OF MOUNT AIRY, MARYLAND**

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2024

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

The following is a summary of General Fund assigned fund balances as of June 30, 2024:

Capital improvements	\$ 3,649,921
Park reserve	508,012
Sidewalk improvements	9,819
Street and road repair	<u>13,028</u>
	<u><u>\$ 4,180,780</u></u>

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, 2024 is as follows:

Designated:	
Water system expansion	\$ 68,089
Well system capital improvement	1,535,366
Treatment plant expansion	<u>2,173,837</u>
Total designated	3,777,292
Undesignated	<u>52,409</u>
	<u><u>\$ 3,829,701</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, 2024**

#### **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.

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, 2024 was 11.32% 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 \$195,073 for the year ended June 30, 2024.

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

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

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

*General information about the pension plans:*

##### 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.

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.

## TOWN OF MOUNT AIRY, MARYLAND

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

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

*General information about the pension plans:*

Law Enforcement Officers' Pension System (LEOPS):

**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, 2024 was 36.91% 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 \$119,797 for the year ended June 30, 2024.

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

At June 30, 2024, the Town reported a liability of \$2,454,048 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2023, the Town's proportion was 0.0107%, which was a decrease of 0.0014% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the Town recognized pension expense of \$371,328. At June 30, 2024, 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	\$ 86,252	\$ 115,588
Changes of assumptions	183,983	6,544
Net difference between projected and actual earnings on pension plan investments	233,808	
Changes in Town's proportionate share of contributions	424,895	321,190
Town contributions subsequent to the measurement date	314,870	
	\$ 1,243,808	\$ 443,322
Total		

**TOWN OF MOUNT AIRY, MARYLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2024**

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

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

The Town reported \$314,870 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ending June 30:

2025	\$ 195,347
2026	73,883
2027	216,674
2028	13,812
2029	<u>(14,100)</u>
	<u>\$ 485,616</u>

Actuarial assumptions - The total pension liability in the June 30, 2023 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, 2023 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.

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

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

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

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

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:

Asset class	Target allocation	Long-term expected real rate of return
Public equity	34%	6.9%
Private equity	16%	8.6%
Rate sensitive	20%	2.6%
Credit opportunity	9%	5.6%
Real assets	15%	5.4%
Absolute return	6%	4.4%
	100%	

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.

## TOWN OF MOUNT AIRY, MARYLAND

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

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

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

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 1% lower or 1% higher:

	1% decrease (5.80%)	Current discount rate (6.80%)	1% increase (7.80%)
Town's proportionate share of the net pension liability	\$ 3,638,858	\$ 2,454,048	\$ 1,470,862

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.

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 12 participants, 7 of which are active plan members and 5 are retirees receiving benefits as of June 30, 2024.

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

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

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

*General information about the OPEB plan:*

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, 2024, the Town reimbursed premium costs of \$16,378 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 \$833,106 was measured at June 30, 2023 and was determined by an actuarial valuation as of May 1, 2023.

Actuarial assumptions and other inputs - The total OPEB liability in the May 1, 2023 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 7.50%, decreasing to 4.54% in 2050, ultimately leveling off at 4.04% in 2075
Inflation	2.60%
Retirees' coverage election	100%
Mortality	Fully generational - Pub-2010/MP2021

The discount rate of 3.86% for the June 30, 2023 calculation was based on the municipal bond index as of June 30, 2023.

*Changes in the total OPEB liability:*

	Total OPEB liability
Balance at June 30, 2023	\$ 856,224
Changes for the year:	
Service cost	19,009
Interest	31,182
Experience gains	(57,246)
Changes in assumptions	(872)
Benefit payments	(15,191)
Net changes	(23,118)
Balance at June 30, 2024	\$ 833,106

## TOWN OF MOUNT AIRY, MARYLAND

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

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

*Changes in the total OPEB liability:*

Changes of assumptions and other inputs reflect a change in the discount rate from 3.69% for June 30, 2023 to 3.86% for June 30, 2024, updates to the healthcare cost trend assumption based on the 2024 Getzen model released by the Society of Actuaries, and updated mortality assumption to incorporate the most recent mortality improvement scale published by the Society of Actuaries.

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 1% lower or 1% higher than the current discount rate:

	1% decrease (2.86%)	Current discount rate (3.86%)	1% increase (4.86%)
Total OPEB Liability	\$ 988,464	\$ 833,106	\$ 709,013

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 1% lower or 1% higher than the current healthcare cost trend rates (see actuarial assumptions and other inputs for healthcare cost trend rates):

	1% decrease (3.04%)	Current healthcare cost trend rate (4.04%)	1% increase (5.04%)
Total OPEB liability	\$ 712,551	\$ 833,106	\$ 988,506

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

For the year ended June 30, 2024, the Town recognized OPEB expense of \$(65,075). At June 30, 2024, 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	\$ 2,534	\$ 325,871
Changes of assumptions	119,580	432,972
Town contributions subsequent to the measurement date	16,378	
Total	\$ 138,492	\$ 758,843

**TOWN OF MOUNT AIRY, MARYLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2024**

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

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

The Town reported \$16,378 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, 2025. 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:

2025	\$ (114,195)
2026	(114,195)
2027	(114,195)
2028	(114,198)
2029	(102,566)
Thereafter	<u>(77,380)</u>
	<u><u>\$ (636,729)</u></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 \$23,000, 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, 2024, 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, 2024, 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, 2024

**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, 2024:

<u>Project</u>	<u>Type of project</u>	<u>Contract amount</u>	<u>Amount of contract not incurred at June 30, 2024</u>
Governmental activities:			
South Main Street roundabout	Construction	\$ 1,559,185	\$ 1,559,185
Business-type activities:			
Design of PFAS Treatment System	Services	236,557	149,410

The South Main Street roundabout project for governmental activities will be paid using the Coronavirus State and Local Fiscal Recovery Funds under the American Rescue Plan Act funding received.

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).

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 \$52,170 which were capitalized as construction in progress for the year ended June 30, 2024.

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

2025	\$ 54,779
2026	57,518
2027	60,394
2028	63,413
2029	<u>66,584</u>
	<u><u>\$ 302,688</u></u>

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

### **NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024**

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

The Maryland Department of Environment (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 of the Town's water stations. During 2024, the Environmental Protection Agency (EPA) issued final ruling for PFAS limit levels. The Town started self-monitoring the PFAS level in February 2023, and will continue to address the PFAS levels on four out of the five Town's water stations to comply with EPA requirements. The Town has engaged an outsourced engineering firm to work on the design phase of the PFAS remediation project and also to continue water monitoring for all the Town's water stations.

In October 2023, the Town received funding notification from MDE for Drinking Water State Revolving Fund (DWSRF) for \$4,128,560 for the Town's PFAS remediation project (water stations 1 and 3). In October 2024, the Town received a second funding notification from MDE for \$4,336,700 for the Town's estimated PFAS remediation costs for water stations 2 and 5, the Twin Arch Mobile Home Park water supply project and a 20-year financial management plan. Per MDE, the loan proceeds will be forgiven 10 years after the closing date of the loan, and there are no interest or administrative fees charged during that period.

As of June 30, 2024, the Town has incurred qualifying PFAS remediation costs of \$346,223 that will be eligible for reimbursement from MDE upon loan closing. The Town's engineers are working on the final design for the PFAS project and when that is completed and approved by the State, the Town will proceed with the construction bids and necessary steps to address PFAS remediation in 2025 and beyond.

#### **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, 2024, and the amount of settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

#### **14. Subsequent events:**

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through October 23, 2024, 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, 2024 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

	Original budget	Final budget	Actual	Variance
<b>Revenues:</b>				
Taxes	\$ 4,665,782	\$ 4,665,782	\$ 5,132,633	\$ 466,851
Licenses and permits	196,200	196,200	162,469	(33,731)
Intergovernmental	3,406,864	2,189,402	2,137,177	(52,225)
Charges for services	179,100	202,064	96,975	(105,089)
Income:				
Rental	16,800	16,800	16,338	(462)
Interest	50,000	50,000	200,819	150,819
Miscellaneous	50,000	35,000	21,904	(13,096)
<b>Total revenues</b>	<b>8,564,746</b>	<b>7,355,248</b>	<b>7,768,315</b>	<b>413,067</b>
<b>Expenditures:</b>				
General government	1,037,021	1,037,021	940,273	96,748
Planning and zoning	295,129	295,129	243,030	52,099
Public safety:				
Police	2,023,410	1,729,410	1,551,822	177,588
Contributions to Volunteer Fire Company	220,378	220,378	223,778	(3,400)
Public works:				
Highways and streets	604,104	604,104	577,789	26,315
Solid waste collection	706,941	706,941	668,343	38,598
Parks and recreation	370,828	393,792	347,618	46,174
Economic development	179,670	179,670	163,600	16,070
Miscellaneous	545,762	545,762	532,284	13,478
Capital outlays	3,588,289	1,687,827	1,187,961	499,866
<b>Total expenditures</b>	<b>9,571,532</b>	<b>7,400,034</b>	<b>6,436,498</b>	<b>963,536</b>
<b>Net changes in fund balances</b>	<b>(1,006,786)</b>	<b>(44,786)</b>	<b>1,331,817</b>	<b>1,376,603</b>
<b>Fund balances:</b>				
Beginning of year	7,271,838	7,271,838	7,271,838	-
<b>End of year</b>	<b>\$ 6,265,052</b>	<b>\$ 7,227,052</b>	<b>\$ 8,603,655</b>	<b>\$ 1,376,603</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, 2024. 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 10 FISCAL YEARS \* REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Town's proportion of the net pension liability	0.0107%	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	\$ 2,454,048	\$ 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	\$ 2,036,828	\$ 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	120.48%	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	73.81%	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.

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.

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Mortality table	Pub-2010/MP2018	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%	6.80%	7.40%	7.40%	7.45%	7.50%	7.55%	7.55%	7.65%
Inflation	2.25%	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
2024	\$ 314,870	\$ (314,870)		\$ 2,241,977	14.0%
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%

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 7 FISCAL YEARS \*  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

	2024	2023	2022	2021	2020	2019	2018
<b>Total OPEB liability:</b>							
Service cost	\$ 19,009	\$ 33,243	\$ 52,738	\$ 40,794	\$ 54,142	\$ 52,633	\$ 50,814
Interest	31,182	22,079	30,248	31,823	49,286	46,336	40,561
Experience (gains) losses	(57,246)	3,380	(9,002)	(3,087)	(459,256)	(8,969)	
Changes of assumptions or other inputs	(872)	(340,740)	(141,172)	161,706	20,188	(11,092)	(199,064)
Benefit payments	(15,191)	(19,985)	(17,149)	(13,841)	(10,745)	(12,231)	(21,200)
<b>Net changes in total OPEB liability</b>	<b>(23,118)</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	856,224	1,158,247	1,242,584	1,025,189	1,371,574	1,304,897	1,433,786
<b>End of year</b>	<b>\$ 833,106</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>\$ 611,563</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	136.23%	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, healthcare trend rate and mortality tables each period

	2024	2023	2022	2021	2020	2019	2018
Mortality table	Pub-2010/MP2021	Pub-2010/MP2019	Pub-2010/MP2019	Pub-2010/MP2019	Pub-2010/MP2018	RP-2014/MP2014	RP-2014/MP2014
Discount rate	3.86%	3.69%	1.92%	2.45%	3.13%	3.62%	3.58%
Healthcare Trend Rate				4.70%, increasing to 5.20% by 2030, decreasing to 4.00% in 2075	4.70%, increasing to 5.20% by 2030, decreasing to 4.00% in 2075	5.50% decreasing to 4.20%	5.40% decreasing to 5.30%
	7.50% decreasing to 4.04%	6.00% decreasing to 3.94%	6.00% decreasing to 3.94%				

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