



YEAR ENDED JUNE 30, 2025



Brown Plus

ACCOUNTANTS + ADVISORS

TOWN OF MOUNT AIRY, MARYLAND

YEAR ENDED JUNE 30, 2025

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Independent Auditor's Report

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

Opinions

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of the Town of Mount Airy, Maryland, (the Town) as of and for the year ended June 30, 2025 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, 2025, 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

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 12 and 54 through 58, 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.



Westminster, Maryland
October 30, 2025

TOWN OF MOUNT AIRY, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2025

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, 2025. 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 2025 by \$73,368,948 (total net position). Of this amount, \$39,153,571 was for governmental activities and \$34,215,377 was for business-type activities. Further, the amount of net position that was unrestricted at year end was \$10,956,328; \$7,171,043 for governmental activities and \$3,785,285 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 \$504,229, and business-type activities (the Water and Sewer Fund) decreased by \$477,478, resulting in a \$26,751 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, 2025, the total liabilities, deferred inflows of resources, and fund balances for governmental funds were \$16,047,764. This is an increase of \$5,492,647 from Fiscal Year 2024.
- At the close of Fiscal Year 2025, the Town's governmental fund reported an ending fund balance of \$9,667,597, an increase of \$1,063,942 from Fiscal Year 2024. This information may be reviewed on the Statement of Revenues, Expenditures and Changes in Fund Balance.
- The Town has utilized a total of \$7,939,613 of the \$9,322,024 allocated from the American Rescue Plan Act (ARPA) for several projects. These projects include the storm sewer cured-in-place lining, the Rails to Trails - West of Main trail capping and construction, the South Main Street roundabout, the water meter replacement and installation, several water main replacements, various infiltration capital projects and the upgrade of the water and wastewater treatment plant laboratory. The remaining funds will be used to continue funding the South Main Street roundabout project and the water main replacement at Rockwell and Bellview Avenue.
- The Town of Mount Airy ended the fiscal year with funds on deposits in investments, checking accounts and savings accounts totaling more than \$14 million. Of this amount \$1,484,231 was the remaining ARPA funds not disbursed by the end of Fiscal Year 2025. 69% of this amount is in investments with the Maryland Local Government Investment Pool, earning an interest rate of 4.30% at June 30, 2025. 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, 2025

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 2025:
 - The Maryland Department of Natural Resources Local Parks and Playground Infrastructure Grant in the amount of \$14,448 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 \$41,340 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 \$1,060 for the installation of a food forest located at the Community Garden.
 - The Mainstreet Improvement Program Grant in the amount of \$36,742 for operating costs related to the Mainstreet streetscape improvements and events.
 - The Mount Airy Police Department (MAPD) received \$4,646 from the Motor Vehicle Administration for an Impaired & Aggressive Driving Grant, Occupant Protection Grant, Pedestrian Enforcement Grant, and Speed Enforcement Grant. Additionally, the MAPD received \$1,495 from the Patrick Leahy Bulletproof Vest Partnership.
 - The Maryland Department of Housing and Community Development Strategic Demolition grant in the amount of \$150,000 partially funded the detailed design for the Flat Iron Building.
- The Town raised the tax from .1662 (cents) to .1962 (cents) per \$100 of assessed value. The increase in taxes was implemented so the operating budget can sustain a debt payment for the land acquisition, design and construction of a permanent police station, and is reported in the Capital Project Fund.
- In May 2025, the Town closed on the issuance of the 2025 CDA Infrastructure Bond in the amount of \$4,500,413. The proceeds from this issuance will be used for land acquisition, design and construction of a permanent police station and is reported in the Capital Project Fund.
- The Water and Sewer Fund ended Fiscal Year 2025 with a \$966,103 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 \$1,527,936.
- The Town's Water and Sewer Fund long-term liability balance, including compensated absences, was \$2,916,498, a net decrease of \$350,990 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 \$51,807 for Enhanced Nutrient Removal (ENR) operating and maintenance expenses. This was a decrease of \$7,730 from Fiscal Year 2024. 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.
- The Town is currently involved in a class action lawsuit concerning contamination from PFAS substances, which has led to significant settlements from the 3M Company. At the close of Fiscal Year 2025, the Town received \$151,825. These settlement funds will be used to reimburse the costs incurred thus far for water system testing, as well as the design and construction of treatment systems for PFAS remediation. This information can be reviewed in the Notes to Basic Financial Statements, Note 13 – Commitments and contingencies.

TOWN OF MOUNT AIRY, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2025

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 types, 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 Funds are General Fund and the Capital Projects 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, 2025 Unaudited

GOVERNMENT WIDE FINANCIAL ANALYSIS

The following is selected information as of June 30, 2025, 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 2025			Fiscal Year 2024		
	Governmental	Business-Type	Total	Governmental	Business-Type	Total
Assets						
Current & Other Assets	\$ 16,090,780	\$ 6,201,206	\$ 22,291,986	\$ 10,643,088	\$ 6,292,268	\$ 16,935,356
Capital Assets	\$ 32,099,508	\$ 33,299,380	\$ 65,398,888	\$ 32,418,207	\$ 34,093,282	\$ 66,511,489
Total Assets	\$ 48,190,288	\$ 39,500,586	\$ 87,690,874	\$ 43,061,295	\$ 40,385,550	\$ 83,446,845
Deferred Outflows of Resources	\$ 1,432,990	\$ 262,605	\$ 1,695,595	\$ 1,158,863	\$ 223,437	\$ 1,382,300
Total Assets and Deferred Outflows of Resources	\$ 49,623,278	\$ 39,763,191	\$ 89,386,469	\$ 44,220,158	\$ 40,608,987	\$ 84,829,145
Liabilities						
Current Liabilities	\$ 2,099,872	\$ 1,123,331	\$ 3,223,203	\$ 1,960,101	\$ 1,126,808	\$ 3,086,909
Long-Term Liabilities	\$ 7,563,370	\$ 3,459,443	\$ 11,022,813	\$ 2,636,232	\$ 3,712,969	\$ 6,349,201
Total Liabilities	\$ 9,663,242	\$ 4,582,774	\$ 14,246,016	\$ 4,596,333	\$ 4,839,777	\$ 9,436,110
Deferred Inflows of Resources	\$ 806,465	\$ 965,040	\$ 1,771,505	\$ 974,483	\$ 1,076,355	\$ 2,050,838
Net Position						
Net Investment in Capital Assets	\$ 31,969,882	\$ 30,430,092	\$ 62,399,974	\$ 32,418,207	\$ 30,863,154	\$ 63,281,361
Restricted	\$ 12,646	\$ -	\$ 12,646	\$ 12,646	\$ -	\$ 12,646
Unrestricted	\$ 7,171,043	\$ 3,785,285	\$ 10,956,328	\$ 6,218,489	\$ 3,829,701	\$ 10,048,190
Total Net Position	\$ 39,153,571	\$ 34,215,377	\$ 73,368,948	\$ 38,649,342	\$ 34,692,855	\$ 73,342,197

The Town's total net position increased by less than 1% (\$73,418,248 compared to \$73,342,197). Total assets increased by 5% (\$87,690,874 compared to \$83,446,845). The capital assets include land, easements, buildings, infrastructure, equipment, vehicles and construction in progress. The current and other assets include cash and cash equivalents, taxes receivable, lease receivable, accounts receivable, notes receivable, unbilled services, inventory, intergovernmental receivables and bonds proceeds receivables.

The Town's total liabilities increased by 50% (\$14,196,716 compared to \$9,436,110). This increase from the previous fiscal year was primarily due to the Town closing on the issuance of the 2025 CDA Infrastructure bond for land acquisition, design and construction of a permanent police station. 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 governmental activities. Followed by unearned revenues in both governmental activities and business-type activities for ARPA funds and bond proceeds receivables 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, 2025 Unaudited

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

	Fiscal Year 2025			Fiscal Year 2024		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenue						
Program Revenues						
Charges for Services	\$ 243,203	\$ 2,919,583	\$ 3,162,786	\$ 143,816	\$ 2,701,312	\$ 2,845,128
Operating Grants and Contributions	\$ 1,048,097	\$ 51,807	\$ 1,099,904	\$ 846,312	\$ 59,537	\$ 905,849
Capital Grants and Contributions	\$ 277,283	\$ 261,600	\$ 538,883	\$ 517,581	\$ 2,359,387	\$ 2,876,968
General Revenues						
Taxes						
Income Taxes	\$ 2,957,015		\$ 2,957,015	\$ 2,661,393		\$ 2,661,393
Real Property Taxes	\$ 2,711,420		\$ 2,711,420	\$ 2,225,854		\$ 2,225,854
Personal Property Tax	\$ 118,859		\$ 118,859	\$ 133,336		\$ 133,336
Grants, Contributions, and Franchise Fees						
not Restricted to Specific Programs	\$ 1,011,306		\$ 1,011,306	\$ 965,909		\$ 965,909
Connection Charges			\$ -		\$ 25,400	\$ 25,400
Interest Income and Rent	\$ 282,123	\$ 190,615	\$ 472,738	\$ 217,157	\$ 123,879	\$ 341,036
Miscellaneous	\$ 65,637	\$ 151,825	\$ 217,462	\$ 17,201		\$ 17,201
Total Revenues and Transfers	\$ 8,714,943	\$ 3,575,430	\$ 12,290,373	\$ 7,728,559	\$ 5,269,515	\$ 12,998,074
Expenses						
General Government	\$ 1,400,861		\$ 1,400,861	\$ 1,292,044		\$ 1,292,044
Planning & Zoning	\$ 388,998		\$ 388,998	\$ 322,234		\$ 322,234
Public Safety	\$ 2,512,019		\$ 2,512,019	\$ 1,958,638		\$ 1,958,638
Public Works	\$ 2,923,232		\$ 2,923,232	\$ 2,634,821		\$ 2,634,821
Parks and Recreation	\$ 726,964		\$ 726,964	\$ 624,188		\$ 624,188
Economic Development	\$ 239,542		\$ 239,542	\$ 204,853		\$ 204,853
Interest on long-term debt	\$ 19,098		\$ 19,098			
Water & Sewer Services		\$ 4,052,908	\$ 4,052,908		\$ 3,952,993	\$ 3,952,993
	\$ 8,210,714	\$ 4,052,908	\$ 12,263,622	\$ 7,036,778	\$ 3,952,993	\$ 10,989,771
Changes in Net Position	\$ 504,229	\$ (477,478)	\$ 26,751	\$ 691,781	\$ 1,316,522	\$ 2,008,303
Net Position at Beginning of Year	\$ 38,649,342	\$ 34,692,855	\$ 73,342,197	\$ 37,957,561	\$ 33,376,333	\$ 71,333,894
Net Position - End of Year	\$ 39,153,571	\$ 34,215,377	\$ 73,368,948	\$ 38,649,342	\$ 34,692,855	\$ 73,342,197

Governmental activities

For the fiscal year ended June 30, 2025, revenues from governmental activities totaled \$8,714,943, which is a 13% increase from the previous year. Most of the governmental general revenue came from income taxes (34%), and real property taxes (31%). Both tax revenue increases from the prior year were primarily a result of tax rate increases. An increase can be observed in the operating grants and contributions category. This is due to an increase in the amount of highway user revenue and state aid for police protection funding received. There was a decrease in capital grants and contributions due to a reduction in the amount of grants the Town received for parks and recreation capital projects compared to the prior year.

TOWN OF MOUNT AIRY, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2025

Unaudited

Expenses from governmental activities totaled \$8,210,714. The largest component of expenses, \$2,923,232 (36%), was from Public Works, which is comparable to the prior year. Public Safety came in next highest at \$2,512,019 (31%), the increase from last year was primarily due to bond issuance costs and additional salary costs.

Business-type activities

Water and Sewer charges for service made up 82% of the total business-type revenue, with the next highest being capital grants and contributions at 7%, followed by miscellaneous at 4%. The increase in service charges is due to the completion of the metering infrastructure project, which now provides an accurate measurement of usage. Additionally, it includes a full year of increased rates resulting from the water and sewer rate increase that took effect in January 2024. The increase in miscellaneous revenue comes from proceeds received from the class-action lawsuit regarding contamination from PFAS substances that the Town is involved in. There was a decrease in capital grants and contributions compared to the previous year, primarily due to the use of ARPA funding throughout the year. Many of our significant ARPA-funded projects were completed in earlier years, and only a small amount of funding remains for water and sewer infrastructure projects.

Expenses increased by 3%. The largest increases were \$63,174 loss from disposal of old meters, \$55,861 spent on electricity and utilities for the water and sewer department, followed by a \$43,116 increase in employee benefits. The Town continues to invest in the infrastructure of the water and sewer system, which resulted in a \$55,690 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 2025, the Town's governmental funds reported an ending fund balance of \$14,038,384, of which \$5,034,050, or 36%, is unassigned. \$4,389,717 or 31%, 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 \$74,619, which consists of Center Street Improvements. \$4,383,433 of the Town's funds are restricted; of this amount \$12,646 is money in the police adjudicated fund, the remaining amount of \$4,370,787 are the proceeds from the 2025 CDA Infrastructure bond the Town obtained for land acquisition, design and construction of a permanent police station, and lastly \$156,565 is listed as non-spendable funds and represents inventory, notes 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 \$3,785,285. 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.

TOWN OF MOUNT AIRY, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2025

Unaudited

BUDGET AMENDMENTS ANALYSIS

The original budget for the Town was amended 13 times during the year, as approved by the Town Council. Six of the amendments were for capital project costs. Budget amendments for the General Fund capital projects included: Rails to Trails, West of Main walking trail; Rails to Trails, East of Main Walking Trail and Police Vehicles and Upfitting. Budget amendments for the Water and Sewer capital projects included: Water and Wastewater Treatment Plant Laboratory Upgrade, Water Main Replacement and a reallocation of funding from Inflow and Infiltration to Water System Capital Improvements and Purchases for Water Station #1, Wells 2 and 4 Feed Cable and Conduit Upgrade. 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, and one to reduce operating expenses.

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 \$411,186 more in revenues than expected. The large positive variance in taxes was due to income taxes. The Town budgeted conservatively at about \$40,000 lower than the prior year's income tax revenue, and the current year's income tax revenue increased by \$346,234, primarily due to an increase in the tax rate. The other large positive variance of \$94,967 was in licenses and permits; this is due to the final permit fees received from the Shiny Shell Carwash. Total expenses came in \$1,091,048 less than expected; the largest variance is from capital outlays. Several General Fund capital projects 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 \$255,674 less than budgeted, primarily in the areas of salaries and related benefits. The expenses for the highways and streets department were \$92,799 over budget, primarily due to increased snow removal costs during severe weather events in 2025. The expenses for contributions to the Volunteer Fire Company were \$54,400 over budget, due to pass through of fire safety fees collected.

The Town is showing a large negative variance of \$4,500,000 under other financing sources and a negative net transfer variance of \$118,164. This is due to the permanent police station project funding and expenses being included in the General Fund budget. This project meets the requirements for the Capital Project Fund presentation; however, the Town did not adopt a separate budget for the Capital Project Fund for Fiscal Year 2025. The actual bond issuance proceeds, costs and premiums of \$4,500,413, and the net transfer to cover the capital outlay costs spent in FY2025 for the police station project were recognized in the Capital Project Fund for the year ended June 30, 2025.

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 2025 for an additional three-year term.

TOWN OF MOUNT AIRY, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2025

Unaudited

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, 2025, can be found in the Notes to Basic Financial Statements, Note 4. Governmental activities capital assets total \$32,099,508 (net of accumulated depreciation), and the business-type activities total \$33,299,380. 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 LED Lighting Upgrade at the Town Hall at a cost of \$26,549
 - o New HVAC Units installed in the basement of Town hall at a cost of \$18,580
 - o New HVAC Unit installed at the Department of Public Works main building at a cost of \$15,090
 - o Town Hall phase 1, part 1 security upgrades were completed at a cost of \$28,890
- Police Department
 - o A used vehicle was purchased at a cost of \$25,000
 - o Two new vehicles were purchased at a cost of \$90,158
 - o Two portable radios were purchased at a cost of \$8,627
- Roads Department
 - o A new sidewalk handrail was installed at the corner of Prospect Road and South Main Street at a cost of \$12,775
 - o Storm Water Management Pond Improvements were made in Nottingham at a cost of \$18,094
 - o The Annual Road Paving Project consisted of repaving in the Village of Tall Oaks and Nottingham, as well as patching various locations in Town at a cost of \$671,394
 - o A handicap parking pad was installed in the parking lot located at North Main Street and Prospect Road at a cost of 7,370
 - o Land – Bartgis Property – Area A, South Main Street for the Roundabout at a cost of \$10,000

Water and Sewer Fund

- The laboratory at the WWTP was upgraded at a cost of \$59,029
- Two new Heliflow blowers were purchased for the WWTP at a cost of \$48,862
- A new Wilo submersible mixer and frame were purchased for the WWTP at a cost of \$11,184
- New fencing was installed around Water Tower #1 at a cost of \$30,010.50
- New Feed Cable and Conduit was installed at Water Station #1 for Wells 2 and 4 at a cost of \$237,821
- New Sensus AMI Meters were installed throughout Town at a cost of \$1,925,018
- Two new fire hydrants were installed at a cost of \$9,209

TOWN OF MOUNT AIRY, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2025

Unaudited

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.

- Land was deeded to the Town by Dennis Subdivision for open space. This land is valued at \$400

Debt

At year end the Town's General Fund had \$4,500,413 in outstanding debt. In May 2025, the Town closed on the issuance of the 2025 CDA infrastructure bond. This is a 20-year bond with an interest rate of 4.889%. The proceeds of this bond will be used for the land acquisition, design and construction of a permanent police station.

At year end, the Town's Water and Sewer Department had \$2,869,288 in outstanding debt, compared to \$3,230,128 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 \$43,016 as of June 30, 2025.

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

Economic Factors and Next Year's Budgets and Rates

The Tax Rate for Fiscal Year 2026 will remain the same as Fiscal Year 2025 at .1962 (cents) per \$100 of assessed value. Additionally, the Homestead Tax Cap will remain at 3%. 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.

The Town continues to take a conservative approach in our forecast for projected tax revenue for the upcoming fiscal year. This practice helps ensure financial stability and allows the Town to adapt to potential economic fluctuations or changes in revenue trends.

Looking ahead, the Town of Mount Airy is committed to maintaining a strong financial foundation through prudent budgeting, responsible debt management and strategic use of grants and state funding programs. The Town plans to initiate a comprehensive water and sewer rate study to address ongoing operating losses within the Water and Sewer Fund and to ensure adequate funding for future capital needs. The study will evaluate the full cost of providing water and sewer services, including operations, maintenance, debt service and long-term infrastructure replacement. Preliminary findings indicate that adjustments to user rates may be necessary to restore the Water and Sewer Fund to a self-supporting position and to build reserves for upcoming system improvements, including PFAS remediation and the continued upkeep of essential infrastructure. The Town remains committed to maintaining fair and equitable rates while ensuring the reliability, sustainability and long-term fiscal health of its utility system and overall financial operations.

Many General Fund capital projects are being considered for next year and beyond. Projects on the list of possibilities include connecting Center Street from downtown to Watkins Park (MD Route 808 to MD Route 27), continuing the Rails to Trails walking path to improve the pedestrian connectivity, final design and construction for the rehabilitation 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 and other revenue sources will continue to be a focus of Town staff in future years.

TOWN OF MOUNT AIRY, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2025

Unaudited

As of June 30, 2025, the Town is committed to construction projects for: the South Main Street roundabout in the amount of \$2,108,676; purchase of land for the permanent police station in the amount of \$877,500; town hall upgrades in the amount of 41,030; design of a PFAS treatment system in the amount of \$228,994 and water main replacement at Rockwell and Bellview Avenue in the amount of \$268,000. The majority of funding for the South Main Street roundabout project will come from the American Rescue Plan Act funding the Town received. The purchase of land for the permanent police station will be funded with proceeds from the 2025 CDA Infrastructure Bond. 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 relies upon the reserve funds that were built up over the years from surplus funds and permit fees. These are used to fund capital projects. At the end of Fiscal Year 2025, the amount remaining in the General Fund reserves totaled \$4,389,717; Water and Sewer Fund reserves totaled \$3,730,347. As the Town builds out existing subdivisions and new building construction in the approved pipeline of projects, deposits from permit fees are nearing their 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, 2025

	Governmental activities	Business-type activities	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 8,451,224	\$ 4,185,179	\$ 12,636,403
Cash and cash equivalents, restricted	1,466,890	361,105	1,827,995
Accounts receivable	41,564	1,863	43,427
Taxes receivable	513,136	-	513,136
Lease receivable	14,966	41,020	55,986
Notes receivable	10,016	-	10,016
Due from other governments	947,292	-	947,292
Inventory	103,085	30,965	134,050
Unbilled services	-	804,678	804,678
Internal balances	55,934	(55,934)	-
Prepaid expenses and deposits	43,464	15,416	58,880
Total current assets	11,647,571	5,384,292	17,031,863
Noncurrent assets:			
Capital assets:			
Construction in progress	2,667,302	789,428	3,456,730
Land and land rights	4,092,385	1,438,848	5,531,233
Buildings and improvements	6,133,975	27,316,658	33,450,633
Equipment	5,443,254	634,362	6,077,616
Infrastructure	45,938,811	30,252,516	76,191,327
Vehicles	1,359,200	524,446	1,883,646
	65,634,927	60,956,258	126,591,185
Less accumulated depreciation	33,535,419	27,656,878	61,192,297
Net property and equipment	32,099,508	33,299,380	65,398,888
Bond proceeds receivable	4,370,787	-	4,370,787
Lease receivable	29,406	816,914	846,320
Right-to-use leased asset, net of accumulated amortization	43,016	-	43,016
Total noncurrent assets	36,542,717	34,116,294	70,659,011
Total assets	48,190,288	39,500,586	87,690,874
Deferred outflows of resources:			
Deferred amounts from:			
Pensions	1,347,835	229,570	1,577,405
Other postemployment benefits	85,155	33,035	118,190
Total deferred outflows of resources	1,432,990	262,605	1,695,595
Total assets and deferred outflows of resources	\$ 49,623,278	\$ 39,763,191	\$ 89,386,469

See notes to basic financial statements.

TOWN OF MOUNT AIRY, MARYLAND

STATEMENT OF NET POSITION JUNE 30, 2025

	Governmental activities	Business-type activities	Total
Liabilities:			
Current liabilities:			
Accounts payable and accrued expenses	\$ 238,544	\$ 327,479	\$ 566,023
Accrued:			
Payroll and related benefits	99,535	30,772	130,307
Interest payable	19,098	16,222	35,320
Current portion of:			
Lease	43,016	-	43,016
Bonds payable (including bond premiums)	144,426	371,041	515,467
Payable from restricted assets:			
Accounts payable and accrued expenses	19	85,000	85,019
Due to other governments	81,009	59,103	140,112
Refundable deposits	272,015	-	272,015
Unearned revenues	1,202,210	233,714	1,435,924
Total current liabilities	2,099,872	1,123,331	3,223,203
Noncurrent liabilities:			
Accrued compensated absences	120,326	47,210	167,536
Net pension liability	2,548,107	615,185	3,163,292
Total other postemployment benefits liability	538,950	298,801	837,751
Bonds payable (including bond premiums)	4,355,987	2,498,247	6,854,234
Total noncurrent liabilities	7,563,370	3,459,443	11,022,813
Total liabilities	9,663,242	4,582,774	14,246,016
Deferred inflows of resources:			
Deferred amounts from:			
Leases	44,376	779,985	824,361
Pensions	284,682	12,571	297,253
Other postemployment benefits	477,407	172,484	649,891
Total deferred inflows of resources	806,465	965,040	1,771,505
Net position:			
Net investment in capital assets	31,969,882	30,430,092	62,399,974
Restricted	12,646	-	12,646
Unrestricted	7,171,043	3,785,285	10,956,328
Total net position	39,153,571	34,215,377	73,368,948
Total liabilities, deferred inflows of resources and net position	\$ 49,623,278	\$ 39,763,191	\$ 89,386,469

See notes to basic financial statements.

TOWN OF MOUNT AIRY, MARYLAND

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2025

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
Primary government:							
Governmental activities:							
General government	\$ 1,400,861	\$ 27,522	\$ 39	\$ 150,400	\$ (1,222,900)	\$ -	\$ (1,222,900)
Planning and zoning	388,998	146,291	-	-	(242,707)	-	(242,707)
Public safety	2,512,019	55,375	240,078	-	(2,216,566)	-	(2,216,566)
Public works	2,923,232	3,000	745,382	70,035	(2,104,815)	-	(2,104,815)
Parks and recreation	726,964	11,015	-	56,848	(659,101)	-	(659,101)
Economic development	239,542	-	62,598	-	(176,944)	-	(176,944)
Interest on long-term debt	19,098	-	-	-	(19,098)	-	(19,098)
Total governmental activities	8,210,714	243,203	1,048,097	277,283	(6,642,131)	-	(6,642,131)
Business-type activities, water and sewer services	4,052,908	2,919,583	51,807	261,600	-	(819,918)	(819,918)
Total primary government	\$ 12,263,622	\$ 3,162,786	\$ 1,099,904	\$ 538,883	(6,642,131)	(819,918)	(7,462,049)
General revenues:							
Taxes:							
Income					2,957,015	-	2,957,015
Real estate					2,711,420	-	2,711,420
Personal property					118,859	-	118,859
Grants, contributions and franchise fees not restricted to specific programs					1,011,306	-	1,011,306
Interest income and rents					282,123	190,615	472,738
Miscellaneous					65,637	151,825	217,462
Total general revenues					7,146,360	342,440	7,488,800
Changes in net position					504,229	(477,478)	26,751
Net position:							
Beginning of year					38,649,342	34,692,855	73,342,197
End of year					\$ 39,153,571	\$ 34,215,377	\$ 73,368,948

See notes to basic financial statements.

TOWN OF MOUNT AIRY, MARYLAND

**BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2025**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total governmental funds</u>
Assets:			
Cash and cash equivalents	\$ 8,451,224	\$ -	\$ 8,451,224
Cash and cash equivalents, restricted	1,466,890	-	1,466,890
Accounts receivable	41,564	-	41,564
Taxes receivable	513,136	-	513,136
Lease receivable	44,372	-	44,372
Notes receivable	10,016	-	10,016
Bond proceeds receivable	-	4,370,787	4,370,787
Due from other governments	947,292	-	947,292
Inventory	103,085	-	103,085
Due from other funds	55,934	-	55,934
Prepaid expenses and deposits	43,464	-	43,464
Total assets	<u>\$ 11,676,977</u>	<u>\$ 4,370,787</u>	<u>\$ 16,047,764</u>
Liabilities:			
Accounts payable and accrued expenses	\$ 238,544	\$ -	\$ 238,544
Accrued payroll and related benefits	99,535	-	99,535
Due to other governments	81,009	-	81,009
Unearned revenues	1,202,210	-	1,202,210
Payable from restricted assets:			
Accounts payable and accrued expenses	19	-	19
Refundable deposits	272,015	-	272,015
Total liabilities	<u>1,893,332</u>	<u>-</u>	<u>1,893,332</u>
Deferred inflows of resources:			
Deferred amounts from:			
Leases	44,376	-	44,376
Unavailable revenue	71,672	-	71,672
Total deferred inflows of resources	<u>116,048</u>	<u>-</u>	<u>116,048</u>
Fund balances:			
Nonspendable	156,565	-	156,565
Restricted	12,646	4,370,787	4,383,433
Committed	74,619	-	74,619
Assigned	4,389,717	-	4,389,717
Unassigned	5,034,050	-	5,034,050
Total fund balances	<u>9,667,597</u>	<u>4,370,787</u>	<u>14,038,384</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,676,977</u>	<u>\$ 4,370,787</u>	<u>\$ 16,047,764</u>

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, 2025

Total fund balances, governmental funds	\$ 14,038,384
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.	71,672
Capital assets used in governmental activities are not available financial resources and, therefore, are not reported in the fund financial statements.	32,099,508
Right-to-use leased assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.	43,016
Lease liabilities are not payable in the current period and, therefore, are reported as expenditures in the period during which the lease period occurs.	(43,016)
Net pension liability and related deferred amounts in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	(1,484,954)
Bond payable is not due and payable in the current period and, therefore, are not reported in the governmental funds.	(4,294,111)
Bond issuance premium provide current available financial resources; however, are not due and payable in the current period and, therefore, not reported in the fund financial statements.	(206,302)
Accrued interest payable is not reported in the governmental funds, but is included in the government wide financial statement of net position.	(19,098)
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.	(931,202)
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>(120,326)</u>
Total net position of governmental activities	<u><u>\$ 39,153,571</u></u>

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, 2025

	General Fund	Capital Projects Fund	Total governmental funds
Revenues:			
Taxes	\$ 5,738,322	\$ -	\$ 5,738,322
Licenses and permits	264,152	-	264,152
Intergovernmental	2,224,421	-	2,224,421
Charges for services	84,807	-	84,807
Income:			
Rental	16,226	-	16,226
Interest	265,897	-	265,897
Miscellaneous	71,746	-	71,746
Total revenues	8,665,571	-	8,665,571
Expenditures:			
General government	1,045,247	-	1,045,247
Planning and zoning	302,578	-	302,578
Public safety:			
Police	1,835,502	-	1,835,502
Contributions to volunteer fire company	286,812	-	286,812
Public works:			
Highways and streets	756,979	-	756,979
Solid waste collection	709,745	-	709,745
Parks and recreation	403,969	-	403,969
Economic development	195,663	-	195,663
Miscellaneous	630,492	-	630,492
Debt issuance costs	-	143,563	143,563
Capital outlays	1,330,656	104,227	1,434,883
Total expenditures	7,497,643	247,790	7,745,433
Excess (deficiency) of revenues over expenditures	1,167,928	(247,790)	920,138
Other financing sources (uses):			
Proceeds from:			
Bond issuance	-	4,294,111	4,294,111
Bond premium	-	206,302	206,302
Proceeds from sale of capital assets	14,178	-	14,178
Net transfers	(118,164)	118,164	-
Total other financing sources (uses)	(103,986)	4,618,577	4,514,591
Net changes in fund balances	1,063,942	4,370,787	5,434,729
Fund balances:			
Beginning of year	8,603,655	-	8,603,655
End of year	\$ 9,667,597	\$ 4,370,787	\$ 14,038,384

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, 2025

Net changes in fund balances, total governmental funds	\$ 5,434,729
<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	1,434,883
Depreciation expense	(1,753,982)
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.</p>	
	(4,500,413)
<p>Interest expense in the statement of activities differs from the amount reported in the governmental funds because accrued interest is recognized as incurred in the government-wide statements but only when due in the fund financial statements.</p>	
	(19,098)
<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>	
	400
<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>	
	48,972
<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	(7,942)
Deferred outflows of resources relating to:	
Pensions	291,034
Other postemployment benefits	(16,907)
Net pension liability	(602,879)
Total other postemployment benefits liability	(3,346)
Deferred inflows of resources relating to:	
Pensions	120,284
Other postemployment benefits	78,494
	78,494
Changes in net position of governmental activities	\$ 504,229

See notes to basic financial statements.

TOWN OF MOUNT AIRY, MARYLAND

STATEMENT OF NET POSITION – PROPRIETARY FUNDS
JUNE 30, 2025

	Water and Sewer Fund	Total proprietary funds
Assets:		
Current assets:		
Cash and cash equivalents	\$ 4,185,179	\$ 4,185,179
Cash and cash equivalents, restricted	361,105	361,105
Accounts receivable	1,863	1,863
Unbilled services	804,678	804,678
Inventory	30,965	30,965
Prepaid expenses and deposits	15,416	15,416
Lease receivable	41,020	41,020
Total current assets	5,440,226	5,440,226
Noncurrent assets:		
Capital assets:		
Construction in progress	789,428	789,428
Land and land rights	1,438,848	1,438,848
Buildings and improvements	27,316,658	27,316,658
Equipment	634,362	634,362
Infrastructure	30,252,516	30,252,516
Vehicles	524,446	524,446
	60,956,258	60,956,258
Less accumulated depreciation	27,656,878	27,656,878
Net property and equipment	33,299,380	33,299,380
Lease receivable	816,914	816,914
Total noncurrent assets	34,116,294	34,116,294
Total assets	39,556,520	39,556,520
Deferred outflows of resources:		
Deferred amounts from:		
Pensions	229,570	229,570
Other postemployment benefits	33,035	33,035
Total deferred outflows of resources	262,605	262,605
Total assets and deferred outflows of resources	\$ 39,819,125	\$ 39,819,125

See notes to basic financial statements.

TOWN OF MOUNT AIRY, MARYLAND

STATEMENT OF NET POSITION – PROPRIETARY FUNDS
JUNE 30, 2025

	<u>Water and Sewer Fund</u>	<u>Total proprietary funds</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	\$ 327,479	\$ 327,479
Accrued:		
Payroll and related benefits	30,772	30,772
Interest payable	16,222	16,222
Due to other funds	55,934	55,934
Unearned revenues	233,714	233,714
Current portion of bonds payable (net of premiums)	371,041	371,041
Payable from restricted assets:		
Accounts payable and accrued expenses	85,000	85,000
Due to other governments	59,103	59,103
Total current liabilities	<u>1,179,265</u>	<u>1,179,265</u>
Noncurrent liabilities:		
Accrued compensated absences	47,210	47,210
Net pension liability	615,185	615,185
Total other postemployment benefits liability	298,801	298,801
Bonds payable (net of premiums)	2,498,247	2,498,247
Total noncurrent liabilities	<u>3,459,443</u>	<u>3,459,443</u>
Total liabilities	<u>4,638,708</u>	<u>4,638,708</u>
Deferred inflows of resources:		
Deferred amounts from:		
Leases	779,985	779,985
Pensions	12,571	12,571
Other postemployment benefits	172,484	172,484
Total deferred inflows of resources	<u>965,040</u>	<u>965,040</u>
Net position:		
Net investment in capital assets	30,430,092	30,430,092
Unrestricted	3,785,285	3,785,285
Total net position	<u>34,215,377</u>	<u>34,215,377</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 39,819,125</u>	<u>\$ 39,819,125</u>

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, 2025

	Water and Sewer Fund	Total proprietary funds
Operating revenues:		
Charges for services	\$ 2,814,774	\$ 2,814,774
Other revenues	104,809	104,809
Total operating revenues	2,919,583	2,919,583
Operating expenses:		
Depreciation	1,527,936	1,527,936
Insurance	79,488	79,488
Other administrative expenses	58,777	58,777
Payroll taxes and fringe benefits	336,695	336,695
Repairs and maintenance	595,557	595,557
Salaries and wages	706,554	706,554
Supplies and materials	212,784	212,784
Utilities	367,895	367,895
Total operating expenses	3,885,686	3,885,686
Operating loss	(966,103)	(966,103)
Nonoperating revenues (expenses):		
Intergovernmental	51,807	51,807
Interest income	133,322	133,322
Loss on disposal of assets	(65,237)	(65,237)
Rental income	57,293	57,293
Interest expense and fiscal charges	(101,985)	(101,985)
Miscellaneous	151,825	151,825
Total nonoperating revenues (expenses)	227,025	227,025
Net loss before capital contributions	(739,078)	(739,078)
Capital contributions	261,600	261,600
Changes in net position	(477,478)	(477,478)
Net position:		
Beginning of year	34,692,855	34,692,855
End of year	\$ 34,215,377	\$ 34,215,377

See notes to basic financial statements.

TOWN OF MOUNT AIRY, MARYLAND

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (CONTINUED) YEAR ENDED JUNE 30, 2025

	Water and Sewer Fund	Total proprietary funds
Cash flows from operating activities:		
Inflows:		
Cash received from customers	\$ 2,870,686	\$ 2,870,686
Lease payments received	57,690	57,690
	2,928,376	2,928,376
Outflows, cash paid to:		
Suppliers	1,665,883	1,665,883
Employees	689,243	689,243
	2,355,126	2,355,126
Net cash provided by operating activities	573,250	573,250
Cash flows provided by non-capital financing activities, inflows, cash received from other government	51,807	51,807
Cash flows from capital and related financing activities:		
Inflows:		
Capital contributions, connection fees received	121,600	121,600
Cash received from class action lawsuit	151,825	151,825
	273,425	273,425
Outflows:		
Interest paid	103,524	103,524
Purchase of capital assets	590,693	590,693
Payments on long-term debt	360,840	360,840
	1,055,057	1,055,057
Net cash used by capital and related financing activities	(781,632)	(781,632)
Cash flows from investing activities:		
Inflows:		
Interest received	116,818	116,818
Redemption of certificates of deposit	1,800,238	1,800,238
	1,917,056	1,917,056
Net cash provided by investing activities	1,917,056	1,917,056
Net increase in cash and cash equivalents	1,760,481	1,760,481
Cash and cash equivalents:		
Beginning of year	2,785,803	2,785,803
End of year	\$ 4,546,284	\$ 4,546,284

See notes to basic financial statements.

TOWN OF MOUNT AIRY, MARYLAND

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (CONTINUED) YEAR ENDED JUNE 30, 2025

	Water and Sewer Fund	Total proprietary funds
Reconciliation of cash and cash equivalents to the statement of net position:		
Current assets:		
Cash and cash equivalents	\$ 4,185,179	\$ 4,185,179
Cash and cash equivalents, restricted	361,105	361,105
Cash and cash equivalents, end of year	\$ 4,546,284	\$ 4,546,284
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (966,103)	\$ (966,103)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	1,527,936	1,527,936
Rental income	74,169	74,169
(Increase) decrease in assets and deferred outflows of resources:		
Lease receivable	38,593	38,593
Accounts receivable	(1,863)	(1,863)
Unbilled services	(41,793)	(41,793)
Inventory	9,611	9,611
Prepaid expenses and deposits	(5,177)	(5,177)
Deferred amounts from:		
Pensions	(42,563)	(42,563)
Other postemployment benefits	3,395	3,395
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable and accrued expenses	(32,497)	(32,497)
Accrued payroll and related benefits	7,461	7,461
Due to other governments	1,123	1,123
Accrued compensated absences	9,850	9,850
Net pension liability	106,365	106,365
Total other postemployment benefits liability	1,299	1,299
Unearned revenues	(5,241)	(5,241)
Deferred amounts from:		
Leases	(55,072)	(55,072)
Pensions	(25,785)	(25,785)
Other postemployment benefits	(30,458)	(30,458)
Net cash provided by operating activities	\$ 573,250	\$ 573,250

See notes to basic financial statements.

TOWN OF MOUNT AIRY, MARYLAND

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

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, 2025

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 funds:

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.

Capital Projects Fund – The Capital Projects Fund accounts for financial resources used for the acquisition and construction of major capital facilities funded by debt issuances, grants and General Fund appropriations. This fund includes costs for the construction of the police department building.

TOWN OF MOUNT AIRY, MARYLAND

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

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

Basic financial statements - fund financial statements:

Proprietary funds:

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

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

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

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

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.

TOWN OF MOUNT AIRY, MARYLAND

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

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

Basis of accounting:

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

Cash and cash equivalents:

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

Unbilled services:

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

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.

TOWN OF MOUNT AIRY, MARYLAND

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

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

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 and 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.

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.

TOWN OF MOUNT AIRY, MARYLAND

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

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

Right-to-use leased asset:

Right-to-use leased asset used in governmental fund type operations are not financial resources and, therefore, 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.

Accrued compensated absences:

The Town permits employees to accumulate unused vacation time to a maximum of 200 hours, earned equally from each pay based on the employee's length of service, only after one year of service. Upon termination from employment, an employee will be paid for annual vacation leave accumulated to the date of separation up to 200 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 50 hours for police department employees and 40 hours for the rest of the Town employees, 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. A liability for compensated absences is recognized as benefits are earned by employees and it is more likely than not that the leave will be used for time off or otherwise paid in cash or settled through noncash means.

Bond premiums and issuance costs:

In the government-wide and proprietary fund financial statements, bond premiums are added to the carrying amount of the related bonds and are amortized over the terms of the respective bonds using a method that approximates the effective interest method. The unamortized portion of bond premiums is presented as an addition to bonds payable. Bond issuance costs, excluding amounts prepaid for bond insurance, are expensed as incurred.

TOWN OF MOUNT AIRY, MARYLAND

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

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

Bond premiums and issuance costs:

In the governmental funds financial statements, bond premiums are recognized during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources. Issuance costs are reported as debt service expenditures. Lastly, debt service payments are considered expenditures in the period due.

Net position and fund balances:

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

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

Restricted - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

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

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

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

Restricted fund balance - This category represents amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government) through constitutional provisions or by enabling legislation.

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

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

Unassigned fund balance - This category represents amounts that are available for any purpose.

TOWN OF MOUNT AIRY, MARYLAND

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

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

Net position and fund balances:

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.

Connection charges:

Connection charges are fees paid to the Town, normally when applying for a building permit, to help offset the capital costs of new treatment facilities, major water distribution lines, sanitary sewer capacity expansion improvements, etc. These connection charges represent nonexchange transactions for the water and sewer fund and are recognized as capital contributions in the financial statements.

Interfund activity:

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

On fund financial statements, interfund loans are classified as due to/from other funds. On the statement of net position the amounts due between governmental and business-type activities are presented as internal balances.

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.

TOWN OF MOUNT AIRY, MARYLAND

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

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

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 assessed per \$100 assessed property value were as follows for the year ended June 30, 2025:

	Carroll County	Frederick County
Real property tax	\$ 0.1962	\$ 0.1962
Business property tax	\$ 0.4100	\$ 0.4900

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, 2025 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. 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, 2025. 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.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, will be effective for the Town as of July 1, 2025. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets to be presented by major class, including: lease assets, intangible right-to-use assets, subscription assets and other intangible assets, as well as additional disclosures related for capital assets held for sale.

TOWN OF MOUNT AIRY, MARYLAND

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

2. Adoption of new GASB pronouncement:

Effective July 1, 2024, the Town implemented GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to update the recognition and measurement guidance for compensated absences, including vacation, sick leave and similar benefits. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

The adoption of this Statement did not result in a change to the Town's previously reported liability for compensated absences. Accordingly, no adjustment of beginning net position was required in connection with the implementation of this standard. The Town's accounting policies for compensated absences continue to recognize a liability for leave that is attributable to services already rendered, accumulated, and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability is measured using the active pay rates as of the financial statement date.

3. Deposits and investments:

The deposits held as of June 30, 2025 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	14,464,098
Investments, Maryland Local			
Government Investment Pool	AAAm/4.30%	N/A	-
Total deposits and investments			\$ 14,464,398
Reconciliation to statement of net position:			
Current assets:			
Cash and cash equivalents			\$ 12,636,403
Cash and cash equivalents, restricted			1,827,995
			\$ 14,464,398

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, 2025

3. Deposits and investments (continued):

As of June 30, 2025, all pool holdings were in cash and cash equivalents with a weighted-average maturity of 48 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, 2025, the Town had total investments in MLGIP of zero dollars, which have been reflected as cash and cash equivalents.

Restricted cash and cash equivalents as of June 30, 2025 is comprised as follows:

	<u>General Fund</u>	<u>Water and Sewer Fund</u>
Bay restoration collections	\$ -	\$ 59,103
Planning and zoning escrow and other deposits	272,015	-
Unspent funding from American Rescue Plan	1,182,229	302,002
Police asset forfeiture	12,646	-
	<u>\$ 1,466,890</u>	<u>\$ 361,105</u>

Custodial credit risks:

Deposits in financial institutions, reported as components of cash and cash equivalents had a bank balance of \$4,522,377 as of June 30, 2025, \$4,272,377 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. Remaining certificates of deposit matured during 2025 and investment balances were transferred to MLGIP as of June 30, 2025.

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, 2025

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, 2025, the Town had no concentration of credit risk.

4. Capital assets and depreciation:

A summary of governmental activities follows:

	Balance July 1, 2024	Increases	Decreases	Transfers	Balance June 30, 2025
Governmental activities:					
Non-depreciable assets:					
Construction in progress	\$ 2,164,947	\$ 510,982	\$ -	\$ (8,627)	\$ 2,667,302
Land and land rights	4,081,985	10,400	-	-	4,092,385
Total non-depreciable assets	<u>6,246,932</u>	<u>521,382</u>	<u>-</u>	<u>(8,627)</u>	<u>6,759,687</u>
Depreciable assets:					
Buildings and improvements	6,044,866	89,109	-	-	6,133,975
Equipment	5,434,627	-	-	8,627	5,443,254
Infrastructure	45,229,177	709,634	-	-	45,938,811
Vehicles	1,330,218	115,158	86,176	-	1,359,200
Total depreciable assets	<u>58,038,888</u>	<u>913,901</u>	<u>86,176</u>	<u>8,627</u>	<u>58,875,240</u>
Total capital assets	<u>64,285,820</u>	<u>1,435,283</u>	<u>86,176</u>	<u>-</u>	<u>65,634,927</u>
Accumulated depreciation:					
Buildings and improvements	1,749,474	138,570	-	-	1,888,044
Equipment	2,392,336	260,714	-	-	2,653,050
Infrastructure	26,784,213	1,256,851	-	-	28,041,064
Vehicles	941,590	97,847	86,176	-	953,261
Total accumulated depreciation	<u>31,867,613</u>	<u>1,753,982</u>	<u>86,176</u>	<u>-</u>	<u>33,535,419</u>
Total capital assets, net	<u>\$ 32,418,207</u>	<u>\$ (318,699)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,099,508</u>

TOWN OF MOUNT AIRY, MARYLAND

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

4. Capital assets and depreciation (continued):

Depreciation expense for the year ended June 30, 2025 charged to governmental activities was as follows:

General government	\$ 125,730
Public safety	83,952
Public works	1,347,855
Parks and recreation	194,860
Economic development	1,585
	<u>\$ 1,753,982</u>

A summary of business-type activities follows:

	Balance July 1, 2024	Increases	Decreases	Transfers	Balance June 30, 2025
Business-type activities:					
Non-depreciable assets:					
Construction in progress	\$ 2,311,290	\$ 403,156	\$ -	\$ (1,925,018)	\$ 789,428
Land and land rights	1,438,848	-	-	-	1,438,848
Total non-depreciable assets	3,750,138	403,156	-	(1,925,018)	2,228,276
Depreciable assets:					
Buildings and improvements	27,218,948	119,074	21,364	-	27,316,658
Equipment	625,153	9,209	-	-	634,362
Infrastructure	28,642,811	267,832	583,145	1,925,018	30,252,516
Vehicles	524,446	-	-	-	524,446
Total depreciable assets	57,011,358	396,115	604,509	1,925,018	58,727,982
Total capital assets	60,761,496	799,271	604,509	-	60,956,258
Accumulated depreciation:					
Buildings and improvements	13,279,957	651,991	19,301	-	13,912,647
Equipment	569,974	13,701	-	-	583,675
Infrastructure	12,444,450	828,295	519,971	-	12,752,774
Vehicles	373,833	33,949	-	-	407,782
Total accumulated depreciation	26,668,214	1,527,936	539,272	-	27,656,878
Total capital assets, net	\$ 34,093,282	\$ (728,665)	\$ 65,237	\$ -	\$ 33,299,380

Depreciation expense for the year ended June 30, 2025 charged to business-type activities for the Water and Sewer Fund totaled \$1,527,936.

TOWN OF MOUNT AIRY, MARYLAND

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

5. Leases receivable:

The Town has entered into two communication tower lease agreements, with monthly rental payments ranging from \$2,269 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, 2025. The current renewal periods expire between July 2025 and May 2028. Lease revenues generated for the year ended June 30, 2025 were \$57,293, 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 has been extended twice through May 2028 at \$1,400 per month. Lease revenue generated for this property for the year ended June 30, 2025 was \$16,226, 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 \$6,385 as of June 30, 2025.

The leases receivable are measured as the present value of the future minimum rent payments expected to be received, discounted using the Town’s estimated incremental borrowing rate at the commencement of the lease, which ranges from 1.92% to 4.88%.

6. Right-to-use leased asset:

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 \$43,016 at June 30, 2025.

The following is a summary of changes in right-to-use leased asset for the year ended June 30, 2025:

	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025
Right-to-use asset, police station	\$ 134,451	\$ -	\$ -	\$ 134,451
Less accumulated amortization	(46,480)	(44,955)	-	(91,435)
Right-to-use asset, net	\$ 87,971	\$ (44,955)	\$ -	\$ 43,016

TOWN OF MOUNT AIRY, MARYLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025**

7. Long-term liabilities:

Bonds payable as of June 30, 2025 consisted of the following:

Governmental activities bonds payable, CDA, Infrastructure Bonds 2025: \$4,294,111 authorized and issued. Remaining principal to be repaid in annual installments through April 2045 ranging from \$134,111 to \$320,000 with semi-annual interest payments at the effective interest rate of 4.889%.	\$ 4,294,111
Business-type activities bonds payable CDA, Infrastructure Bonds 2012: \$5,339,431 authorized and issued. Remaining principal to be repaid in annual installments through May 2032 ranging from \$281,000 to \$341,000 with semi-annual interest payments at the effective interest rate of 2.957%.	\$ 2,172,000
CDA, Infrastructure Bonds 2012 Refunding: \$1,664,165 authorized and issued. Remaining principal to be repaid in annual installments through May 2032 ranging from \$87,000 to \$106,500 with semi-annual interest payments at the effective interest rate of 2.957%.	<u>676,000</u>
Total business-type activities bonds payable	<u>2,848,000</u>
Total bonds payable	<u><u>\$ 7,142,111</u></u>

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

In May 2025, the City closed on the issuance of the 2025 CDA Infrastructure Bond for the construction of the police station. Although the bond was legally issued prior to year end, the bond was not drawn upon by June 30, 2025. Accordingly, the government-wide financial statements reflect a bonds payable liability and corresponding receivable for the bond proceeds. In the capital projects fund financial statements, a receivable and related other financing source are recognized for the year ended June 30, 2025.

TOWN OF MOUNT AIRY, MARYLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025**

7. Long-term liabilities (continued):

The following is a summary of changes in long-term liabilities for the year ended June 30, 2025:

Type of long-term liability	Balance July 1, 2024	Additions	Reductions	Balance June 30, 2025	Due within one year
Governmental activities:					
Bonds payable:					
CDA, Infrastructure Bonds 2025	\$ -	\$ 4,294,111	\$ -	\$ 4,294,111	\$ 134,111
Bond premiums	-	206,302	-	206,302	10,315
Total bonds payable	-	4,500,413	-	4,500,413	144,426
Accrued compensated absences	112,384	7,942	-	120,326	-
Lease	87,971	-	44,955	43,016	43,016
Total governmental activities	\$ 200,355	\$ 4,508,355	\$ 44,955	\$ 4,663,755	\$ 187,442
Business-type activities:					
Bonds payable:					
CDA, Infrastructure Bonds 2012	\$ 2,444,800	\$ -	\$ 272,800	\$ 2,172,000	\$ 281,000
CDA, Infrastructure Bonds 2012 Refunding	761,000	-	85,000	676,000	87,000
	3,205,800	-	357,800	2,848,000	368,000
Bond premiums	24,328	-	3,040	21,288	3,041
Total bonds payable	3,230,128	-	360,840	2,869,288	371,041
Accrued compensated absences	37,360	9,850	-	47,210	-
Total business-type activities	\$ 3,267,488	\$ 9,850	\$ 360,840	\$ 2,916,498	\$ 371,041

Interest and related costs incurred and charged to expense for governmental activities and business-type activities for the year ended June 30, 2025 were \$19,098 and \$101,985, respectively.

TOWN OF MOUNT AIRY, MARYLAND

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

7. Long-term liabilities (continued):

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

Years ending June 30	Governmental activities		Business-type activities	
	Principal	Interest	Principal	Interest
2026	\$ 134,111	\$ 223,671	\$ 368,000	\$ 94,494
2027	140,000	215,488	380,500	84,816
2028	140,000	208,236	393,500	71,803
2029	150,000	200,984	405,500	58,345
2030	160,000	193,214	419,500	44,477
2031-2035	915,000	834,757	881,000	45,435
2036-2040	1,170,000	572,908	-	-
2041-2045	1,485,000	237,762	-	-
	<u>\$ 4,294,111</u>	<u>\$ 2,687,020</u>	<u>\$ 2,848,000</u>	<u>\$ 399,370</u>

The lease payable presented in the governmental activities has future principal and interest requirements of \$43,016 and \$808, respectively, for the year ending June 30, 2026.

8. Net position and fund balances:

The following is a summary of the nonspendable fund balance in the General Fund as of June 30, 2025:

Inventory	\$ 103,085
Prepaid expenses and deposits	43,464
Notes receivable for business relief loan program	<u>10,016</u>
	<u>\$ 156,565</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, 2025. 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 Capital Project Fund has a restricted fund balance of \$4,370,787 related to bond proceeds that are restricted for the police station project.

The committed fund balance in the General Fund as of June 30, 2025 is limited to the Center Street improvements of \$74,619.

TOWN OF MOUNT AIRY, MARYLAND

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

8. Net position and fund balances (continued):

The following is a summary of General Fund assigned fund balances as of June 30, 2025:

Capital improvements	\$ 3,844,552
Park reserve	519,241
Sidewalk improvements	9,893
Street and road repair	<u>16,031</u>
	<u><u>\$ 4,389,717</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, 2025 is as follows:

Designated:	
Water system expansion	\$ 995
Well system expansion	1,474,565
Well system capital improvement	6,268
Treatment plant expansion	<u>2,248,519</u>
Total designated	3,730,347
Undesignated	<u>54,938</u>
	<u><u>\$ 3,785,285</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, 2025

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, 2025 was 11.97% 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 \$212,175 for the year ended June 30, 2025.

TOWN OF MOUNT AIRY, MARYLAND

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

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, 2025

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, 2025 was 38.07% 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 \$174,997 for the year ended June 30, 2025.

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

At June 30, 2025, the Town reported a liability of \$3,163,292 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, 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, 2024, the Town's proportion was 0.0120%, which was an increase of 0.0013% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the Town recognized pension expense of \$443,571. At June 30, 2025, 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	\$ 318,132	\$ 75,610
Changes of assumptions	209,591	-
Net difference between projected and actual earnings on pension plan investments	218,173	-
Changes in Town's proportionate share of contributions	444,337	221,643
Town contributions subsequent to the measurement date	387,172	-
 Total	 \$ 1,577,405	 \$ 297,253

TOWN OF MOUNT AIRY, MARYLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025**

9. Pension plans (continued):

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

The Town reported \$387,172 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, 2026. 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:

2026	\$ 209,128
2027	351,919
2028	149,057
2029	121,145
2030	<u>61,731</u>
	<u>\$ 892,980</u>

Actuarial assumptions - The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.5% general, 3.0% wage
Salary increases	3.0% to 22.5%, including wage inflation
Investment rate of return	6.80%, net of pension plan investment expense, including inflation
Mortality	Fully generational - Pub-2010/MP2021

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study of the System for the period 2018-2023 after the completion of the June 30, 2023 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, 2024.

TOWN OF MOUNT AIRY, MARYLAND

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

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%	6.0%
Private equity	16%	8.5%
Rate sensitive	20%	2.4%
Credit opportunity	9%	5.4%
Real assets	15%	5.5%
Absolute return	6%	3.9%
	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.

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	\$ 4,597,356	\$ 3,163,292	\$ 1,967,901

TOWN OF MOUNT AIRY, MARYLAND

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

9. Pension plans (continued):

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

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, 2025.

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, 2025, the Town reimbursed premium costs of \$11,657 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.

TOWN OF MOUNT AIRY, MARYLAND

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

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

Total OPEB liability:

The Town's total OPEB liability of \$837,751 was measured at June 30, 2024 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 3.97% for the June 30, 2024 calculation was based on the municipal bond index as of June 30, 2024.

Changes in the total OPEB liability:

	<u>Total OPEB liability</u>
Balance at June 30, 2024	<u>\$ 833,106</u>
Changes for the year:	
Service cost	14,016
Interest	31,660
Experience gains	(10,798)
Changes in assumptions	(15,233)
Benefit payments	<u>(15,000)</u>
Net changes	<u>4,645</u>
Balance at June 30, 2025	<u>\$ 837,751</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.86% for June 30, 2024 to 3.97% for June 30, 2025.

TOWN OF MOUNT AIRY, MARYLAND

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

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

Changes in the total OPEB liability:

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 (2.97%)	Current discount rate (3.97%)	1% increase (4.97%)
Total OPEB Liability	\$ 991,001	\$ 837,751	\$ 714,930

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	\$ 712,924	\$ 837,751	\$ 998,545

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

For the year ended June 30, 2025, the Town recognized OPEB expense of \$72,348. At June 30, 2025, 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	\$ 2,111	\$ 282,660
Changes of assumptions	104,422	367,231
Town contributions subsequent to the measurement date	11,657	-
Total	\$ 118,190	\$ 649,891

TOWN OF MOUNT AIRY, MARYLAND

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

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

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

The Town reported \$11,657 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, 2026. 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:

2026	\$ (119,402)
2027	(119,402)
2028	(119,405)
2029	(107,769)
2030	(67,220)
Thereafter	<u>(10,160)</u>
	<u><u>\$ (543,358)</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 \$23,500, up to an additional \$7,500 catch-up for employees age 50 or over, and a special catch-up contribution of \$11,250 for employees age 60 to 63, or 100% of their includable salaries over the plan year. The Town did not make any contributions to the 457(b) plan for the year ended June 30, 2025, since there was no Town 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. Interfund activity:

Interfund transfers are indicative of funding for capital projects of Town operations. For the year ended June 30, 2025, \$118,164 was transferred from the General Fund to the Capital Project Fund, for current year capital and related expenditures for the police station construction project.

As of June 30, 2025, the Water and Sewer Fund owes \$55,934 to the General Fund for operational costs, which will be reimbursed subsequent to year end.

13. 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, 2025, 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, 2025

13. Commitments and contingencies (continued):

The Town has active construction projects and is committed under the following contracts for major projects as of June 30, 2025:

Project	Type of project	Contract amount	Amount of contract not incurred at June 30, 2025
Governmental activities:			
South Main Street roundabout	Construction	\$ 2,108,676	\$ 2,108,676
Purchase of land for police building	Construction	975,000	877,500
Townhall upgrades	Services	61,990	41,030
Business-type activities:			
Design of PFAS Treatment System	Services	492,111	228,994
Water main extension (Rockwell and Bellview Ave)	Construction	353,000	268,000

The South Main Street roundabout project for governmental activities and the water main extension (Rockwell and Bellview Ave) 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 \$54,779 which were capitalized as construction in progress for the year ended June 30, 2025.

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

2026	\$ 57,518
2027	60,394
2028	63,413
2029	66,584
	<u>66,584</u>
	<u>\$ 247,909</u>

TOWN OF MOUNT AIRY, MARYLAND

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

13. 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 a 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, 2025, the Town has incurred qualifying PFAS remediation costs of \$595,952 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 2026 and beyond.

The Town, as an eligible Public Water System, is involved in the class action lawsuits related to contamination from PFAS substances that have resulted in significant settlements from major manufacturers. These settlement funds are reimbursements for the Town's incurred costs related to water system testing, design and construction of treatment systems and PFAS remediation efforts. The Town received the initial settlement amount of \$151,825 during the year ended June 30, 2025. Subsequent to year end, during September 2025 and October 2025, the Town received the second and third settlement installments of \$347,075 and \$87,505, respectively. The total settlement award will be paid in installments through calendar year 2033; however, the total amount for this gain contingency is unknown as of the financial statement date.

14. 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, 2025, and the amount of settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

15. Subsequent events:

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through October 30, 2025, 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, 2025
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

	Original budget	Final budget	Actual	Variance
Revenues:				
Taxes	\$ 5,439,070	\$ 5,439,070	\$ 5,738,322	\$ 299,252
Licenses and permits	169,185	169,185	264,152	94,967
Intergovernmental	3,747,657	2,266,625	2,224,421	(42,204)
Charges for services	158,505	158,505	84,807	(73,698)
Income:				
Rental	16,800	16,800	16,226	(574)
Interest	193,200	193,200	265,897	72,697
Miscellaneous	11,000	11,000	71,746	60,746
Total revenues	<u>9,735,417</u>	<u>8,254,385</u>	<u>8,665,571</u>	<u>411,186</u>
Expenditures:				
General government	1,141,973	1,141,973	1,045,247	96,726
Planning and zoning	302,681	302,681	302,578	103
Public safety:				
Police	2,091,176	2,091,176	1,835,502	255,674
Contributions to Volunteer Fire Company	232,412	232,412	286,812	(54,400)
Public works:				
Highways and streets	664,180	664,180	756,979	(92,799)
Solid waste collection	724,944	724,944	709,745	15,199
Parks and recreation	430,790	430,790	403,969	26,821
Economic development	214,275	214,275	195,663	18,612
Miscellaneous	641,081	641,081	630,492	10,589
Debt service:				
Principal	123,800	-	-	-
Interest	224,711	-	-	-
Capital outlays	4,693,779	2,145,179	1,330,656	814,523
Total expenditures	<u>11,485,802</u>	<u>8,588,691</u>	<u>7,497,643</u>	<u>1,091,048</u>
Excess (deficiency) of revenues over expenditures	<u>(1,750,385)</u>	<u>(334,306)</u>	<u>1,167,928</u>	<u>1,502,234</u>
Other financing sources (uses):				
Bond issuance	4,500,000	4,500,000	-	(4,500,000)
Proceeds from sale of capital assets	-	-	14,178	14,178
Net transfers	-	-	(118,164)	(118,164)
Total other financing sources (uses)	<u>4,500,000</u>	<u>4,500,000</u>	<u>(103,986)</u>	<u>(4,603,986)</u>
Net changes in fund balances	<u>2,749,615</u>	<u>4,165,694</u>	<u>1,063,942</u>	<u>(3,101,752)</u>
Fund balances:				
Beginning of year	8,603,655	8,603,655	8,603,655	-
End of year	<u>\$ 11,353,270</u>	<u>\$ 12,769,349</u>	<u>\$ 9,667,597</u>	<u>\$ (3,101,752)</u>

(continued)

TOWN OF MOUNT AIRY, MARYLAND

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2025 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

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 Mayor and Council during the year ended June 30, 2025. Both original and final budgets of the General Fund have been included in the presentation of the Town's required supplementary information.

The Town's police station construction project met the requirements for the Capital Project Fund presentation as of and for the year ended June 30, 2025; however, the Town did not adopt a separate budget for the Capital Project Fund for fiscal year 2025. The budgeted amounts related to the police station construction project are included in the General Fund's budget, including the bond issuance of \$4,500,000 that is shown as a negative variance. The actual bond issuance costs and premiums of \$4,500,413 were recognized in the Capital Project Fund for the year ended June 30, 2025. Additionally, the negative net transfer variance of \$118,164 is related to the activity recognized in the Capital Project Fund during 2025.

The negative budget variance for public works is mostly related to underbudgeted amounts for snow removal costs of \$88,588. Due to inclement weather during 2025, the Town incurred higher costs than the budgeted amounts. The negative budget variance for contributions to the Volunteer Fire Company is a pass through of fire safety fees collected.

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)**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Town's proportion of the net pension liability	0.0120%	0.0107%	0.0121%	0.0116%	0.0106%	0.0080%	0.0066%	0.0052%	0.0056%	0.0058%
Town's proportionate share of the net pension liability	\$ 3,163,292	\$ 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
Town's covered payroll	\$ 2,241,977	\$ 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
Town's proportionate share of the net pension liability as a percentage of its covered payroll	141.09%	120.48%	116.93%	86.55%	116.96%	90.40%	90.07%	85.24%	103.31%	95.94%
Plan fiduciary net position as a percentage of the total pension liability	72.08%	73.81%	76.27%	81.84%	70.72%	72.34%	71.18%	69.38%	65.79%	68.78%

* The amounts presented were determined as of the end of the prior fiscal year.

Note to schedule:

Changes of assumptions - Significant assumptions by year are noted below:

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Mortality table	Pub-2010/MP2021	Pub-2010/MP2018	Pub-2010/ MP2018	Pub-2010/ MP2018	Pub-2010/ MP2018	Pub-2010/ MP2018	RP-2014	RP-2014	RP-2014	RP-2014
Investment return	6.80%	6.80%	6.80%	6.80%	7.40%	7.40%	7.45%	7.50%	7.55%	7.55%
Inflation	2.50%	2.25%	2.25%	2.25%	2.60%	2.60%	2.60%	2.65%	2.70%	2.70%

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
2025	\$ 387,172	\$ (387,172)	\$ -	\$ 2,420,462	16.0%
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%

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 8 FISCAL YEARS *
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability:								
Service cost	\$ 14,016	\$ 19,009	\$ 33,243	\$ 52,738	\$ 40,794	\$ 54,142	\$ 52,633	\$ 50,814
Interest	31,660	31,182	22,079	30,248	31,823	49,286	46,336	40,561
Experience (gains) losses	(10,798)	(57,246)	3,380	(9,002)	(3,087)	(459,256)	(8,969)	-
Changes of assumptions or other inputs	(15,233)	(872)	(340,740)	(141,172)	161,706	20,188	(11,092)	(199,064)
Benefit payments	(15,000)	(15,191)	(19,985)	(17,149)	(13,841)	(10,745)	(12,231)	(21,200)
Net changes in total OPEB liability	4,645	(23,118)	(302,023)	(84,337)	217,395	(346,385)	66,677	(128,889)
Total OPEB liability:								
Beginning of year	833,106	856,224	1,158,247	1,242,584	1,025,189	1,371,574	1,304,897	1,433,786
End of year	\$ 837,751	\$ 833,106	\$ 856,224	\$ 1,158,247	\$ 1,242,584	\$ 1,025,189	\$ 1,371,574	\$ 1,304,897
Covered employee payroll	\$ 616,346	\$ 611,563	\$ 753,189	\$ 718,827	\$ 694,638	\$ 735,155	\$ 873,724	\$ 877,763
Total OPEB liability as a percentage of covered employee payroll	135.92%	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

	2025	2024	2023	2022	2021	2020	2019	2018
Mortality table	Pub-2010/MP2021	Pub-2010/MP2021	Pub-2010/MP2019	Pub-2010/MP2019	Pub-2010/MP2019	Pub-2010/MP2018	RP-2014/MP2014	RP-2014/MP2014
Discount rate	3.97%	3.86%	3.69%	1.92%	2.45%	3.13%	3.62%	3.58%
Healthcare Trend Rate	7.50% decreasing to 4.04%	7.50% decreasing to 4.04%	6.00% decreasing to 3.94%	6.00% decreasing to 3.94%	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%

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