

**TOWN OF EDMONSTON, MARYLAND
FINANCIAL STATEMENTS
JUNE 30, 2022**

TOWN OF EDMONSTON

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Independent Auditor's Report

Honorable Mayor
Members of the Town Council
Town Manager
Town of Edmonston, Maryland

Opinion

We have audited the accompanying financial statements of the governmental activities and the major fund of the Town of Edmonston, Maryland (the "Town") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Town, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Edmonston as of June 30, 2022, and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (GAS). 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 of Edmonston and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 of Edmonston's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 generally accepted auditing standards 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 generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 of Edmonston's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, and the pension-related supplementary information on pages 4 through 9, 41 and 42, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Edmonston, Maryland's financial statements as a whole. The Schedule of Revenues-Budget and Actual and Schedule of Expenditures-Budget and Actual ("supplemental schedules") on pages 43 through 46 are not a required part of the basic financial statements. The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Hindley & Associates, LLC

October 20, 2022

**TOWN OF EDMONSTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

The following information includes our discussion and analysis of the financial performance of the Town of Edmonston and provides an overview of the Town's financial activities for the year ended June 30, 2022. Please read it in conjunction with the transmittal letter and the Town's financial statements.

Financial Highlights

- The Town of Edmonston continues to work diligently to reduce expenditures in all departments and continuously seeks to obtain new sources of revenue. We continue to apply for and receive new grants and have a reasonable degree of assurance of obtaining some if not all the grants. During the fiscal year, the Town received grant awards to design and construct 7 rain gardens for Hamilton Street. Other grants included a grant from the Maryland National Capital Park and Planning Commission to conduct an economic development strategic plan for the community; a beautification grant from the Maryland Department of Housing and Community Development for senior and low to moderate income homeowners to assist with improvements to the exterior of their homes; a beautification award to construct planters to beautify the Buchanan Street industrial park; and a grant to install streetlights on 47th Avenue.
- The State of Maryland Department of Assessments and Taxation certified the assessable base for the town of Edmonston increased from \$173,833,786 to 184,600,506 which allowed the Town to utilize the constant yield rate for property taxes not to increase for FY 2021-22. The property tax rate for FY21-22 reduced from \$.5489 to \$.5264.
- The Town continued to deal with the COVID pandemic during the fiscal year. The Town was closed to the public for several weeks, opening in June 2020 with a modified program for conducting all meetings virtually. The Edmonston Recreation Center remained closed until April 1, 2022. The Town Council continues to meet virtually. The Town received its first installment of the American Rescue Plan Act of 2021 during the fiscal year in the amount of \$734,293. The Mayor and Council sought public input for the use of the funds. Target projects include renovation of Town Hall and grants to residents for flood mitigation. Other projects that have been approved include purchasing a police cruiser, public works pickup and electronic reader board.
- The Town was successful with several grants during the year. They included a grant from the Maryland Department of Housing and Community Development in the amount of \$50,000 to provide funding for senior citizens and low-to-moderate income homeowners façade improvement funds. The Town received a Chesapeake Bay Trust grant in the amount of \$131,785 to construct 7 rain gardens and install permeable gutter on Hamilton Street. The Town is currently managing a \$279,260 Safe Routes to Schools grant to construct sidewalks on two streets in F22-23. The town was successful with a grant to bring a full-time intern on board

**TOWN OF EDMONSTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

to focus on environmental issues beginning August 2021. The grant is funded fully by the Chesapeake Bay Trust. The intern proposed an updated tree ordinance for the Town. In addition, she proposed to the Town Council conducting a tree inventory for the town. This was completed by Bartlett Tree Service in Spring 2022. The Town received A Community Development Block Grant in the amount of \$117,887 to construct sidewalks on one side of 4 streets on the East side of the Town. The Town received a grant from the Maryland National Capital Park & Planning Commission for conducting an economic development strategic plan for the Town. The University of Baltimore is conducting the study with anticipated completion November 2022. Other grants the Town received included the following: a \$5,000 grant from Maryland Beautiful to construct planters for the industrial park on Buchanan Street and to add benches and trash receptacles; Two projects were completed in FY21-22 with the close out of a \$66,698 grant from the Chesapeake Bay Trust for the construction of 3 rain gardens on Lafayette Street; and completion of a Community Development Block Grant to install 16 decorative light fixtures on Crittenden Street in the amount of \$126,607.

- Washington Suburban Sanitary District embarked on a 2-year program replacing and updating the Town's aging water pipes through their infrastructure renewal program. Construction will replace approximately 13,981 feet/2.65 miles of water main and will be completed by January 9, 2024.
- The Town continues to maintain surplus funds in an investment account. This ensures that future obligations are met during times of economic uncertainty. The reserve balance on June 30, 2022 was \$737,666.89. This represents 34% of the annual budget for FY21-22.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities are government-wide statements that provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements report the Town's operation in more detail than the government-wide statements by providing information about the Town's most significant funds and individual parts.

**TOWN OF EDMONSTON, MARYLAND
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Reporting the Town as a Whole

The Statement of the Net Position and the Statement of Activities

One of the most important questions asked about the Town’s finances is, “Is the Town as a whole, better off or worse off as a result of the year’s activities?” The statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps to answer this question. These statements include all assets and deferred outflows and liabilities and deferred inflows using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report changes in the Town’s net position. You can think of the Town’s net position (the difference between assets plus deferred outflows and liabilities plus deferred inflows) as one way to measure the Town’s financial health or position. Over time, increases or decreases in the Town’s net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, such as changes in the Town’s property tax base and the condition of the Town’s roads to assess the overall health of the Town.

In the Statement of Net Position and the Statement of Activities, we divide the Town into two kinds of activity:

- **Governmental Activity-** All of the Town’s basic services are reported here, including the police, general government, public works, fire, economic development, and recreation. Taxes, franchise fees, fines, and state and federal grants finance most of these activities.
- **Business-type Activity –** The Town currently has no business-type activities.

**TOWN OF EDMONSTON, MARYLAND
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Reporting the Town’s Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the Town as a whole. The Town’s government fund:

- Governmental funds- All 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 be converted to cash. The governmental fund statements provide a detailed short-term view of the Town’s general government operations and the basic service 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 reconciliation to the right of the fund financial statements.

The Town as a Whole

Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the Town’s taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants. Some of the individual line item revenues reported for each function are:

General Government	Rental License Fees
Public Safety	State Grants, Homeland Security Grant, and Vehicle Release Fees
Public Works	Highway User Revenues, Stormwater Management Payment, and Landfill Rebate Charges

All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted to a specific purpose.

**TOWN OF EDMONSTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Government-Wide Financial Information

The following is selected information as of June 30, 2022 and for the previous year ended provided for comparison purposes.

	<u>2021</u>	<u>2022</u>
Current assets	\$ 1,338,923	\$ 1,739,881
Capital assets	1,251,254	1,176,021
Total assets	2,590,177	2,915,902
Deferred outflows	52,714	103,755
Total assets and deferred outflows	2,642,891	3,019,657
Current liabilities	118,438	185,724
Long-term liabilities	698,230	689,137
Total liabilities	816,668	874,861
Deferred inflows	15,111	153,034
Net Position		
Net investment in capital assets	711,196	714,070
Restricted	-	-
Unrestricted	1,099,916	1,277,692
Total net position	1,811,112	1,991,762
Total liabilities, deferred inflows, and net position	2,642,891	3,019,657
Program revenues		
Charges for services	247,791	345,874
Grants and contributions	453,733	1,014,483
General revenues		
Income taxes	123,272	134,121
Property taxes	1,111,789	1,115,177
Other	-	-
Total general revenues	1,407,166	1,303,502
Transfers	-	-
Total revenues and transfers	2,108,690	2,663,859
Expenses		
General government	922,350	808,255
Public safety	816,769	977,852
Public works	578,343	675,508
Interest	21,126	21,594
Total expenses and transfers	2,338,588	2,483,209
Change in net position	(229,898)	180,650
Net position, beginning of year	2,041,010	1,811,112
Net position, end of year	1,811,112	1,991,762

**TOWN OF EDMONSTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Business-type Activities

The Town currently has no business-type activities.

The Town's Funds

The following schedule presents a summary of revenues and expenditures for the fiscal year ended June 30, 2022 and the increases and decreases in relation to the prior year.

	FY2022 Amount	Percent of Total	Increase (Decrease) From FY2021
	<u> </u>	<u> </u>	<u> </u>
Revenues			
Taxes	\$ 1,251,919	47%	\$ 23,492
Intergovernmental	1,014,483	38%	560,750
Licenses and permits	49,178	2%	(4,137)
Miscellaneous	342,048	13%	(77,017)
	<u>\$ 2,657,628</u>	<u>100%</u>	<u>\$ 503,088</u>
Expenditures			
General government	\$ 655,638	28%	\$ (232,080)
Public safety	919,392	39%	156,379
Public works	580,795	25%	104,201
Capital outlays	99,335	4%	(156,845)
Debt service	99,701	4%	11,697
	<u>\$ 2,354,861</u>	<u>100%</u>	<u>\$ (116,648)</u>

Budgetary Highlights

There were budgetary amendments during the year. At the regular Town Council meeting on June 8, 2022, both expenditures and revenues increased, and the final amendment was adopted by a majority of the Town Council.

**TOWN OF EDMONSTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Capital Asset and Debt Administration

Capital Assets

Major capital additions for the year included \$104,850 for building, equipment and infrastructure.

Debt

The Town added \$43,317 in long-term debt and retired \$63,680. At year-end, the outstanding balance was \$533,371.

Economic Factors and Next Year's Budget and Rates

The Town's business base continues to remain constant. There are 136 businesses operating in the Town of Edmonston. The Town is currently working with Maryland National Capital Park and Planning Commission on an economic development strategic plan. The plan will help the Town develop in the future and will be completed in the fall of 2022. Although the pandemic had an impact on the community, Edmonston did not see widespread delinquencies or shortfalls in Town revenues. The major impact was the closure of the Edmonston Recreation Center to rentals. As a result of a diverse business base, the Town saw a continued increase in the assessable tax base for FY21 -22. The valuation increase resulted in the Town exercising the constant rate for property taxes. The Property Tax Rate decreased from FY20-21 to FY21-22. The decrease was from \$.5489 per \$100 assessed value to \$.5264.

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 accountability for the money it receives. If you have questions about this report or need additional financial information, contact The Town Administrator at 5005 52nd Avenue, Edmonston, Maryland 20781.

TOWN OF EDMONSTON, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities	Total
ASSETS		
Current Assets		
Cash and cash equivalents - unrestricted	\$ 782,331	\$ 782,331
Investments	736,145	736,145
Accounts receivable - income taxes	61,974	61,974
Other accounts receivable	91,440	91,440
Parking tickets receivable	22,270	22,270
Red light fines receivable - net of allowances	45,721	45,721
Other assets	-	-
Total Current Assets	1,739,881	1,739,881
Noncurrent Assets		
Net capital assets	1,176,021	1,176,021
Total Noncurrent Assets	1,176,021	1,176,021
TOTAL ASSETS	2,915,902	2,915,902
DEFERRED OUTFLOWS OF RESOURCES	103,755	103,755
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 3,019,657	\$ 3,019,657
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	\$ 132,484	\$ 132,484
Current portion of long-term debt	53,240	53,240
Total Current Liabilities	185,724	185,724
Noncurrent Liabilities		
Compensated absences	49,106	49,106
Net pension liability	231,320	231,320
Loan payable - long-term	408,711	408,711
Total Noncurrent Liabilities	689,137	689,137
TOTAL LIABILITIES	874,861	874,861
DEFERRED INFLOWS OF RESOURCES	153,034	153,034
NET POSITION		
Net investment in capital assets	714,070	714,070
Unrestricted	1,277,692	1,277,692
TOTAL NET POSITION	1,991,762	1,991,762
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 3,019,657	\$ 3,019,657

The accompanying notes to these financial statements are an integral part of this statement.

**TOWN OF EDMONSTON, MARYLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

Functions/Programs	Expenses	Indirect Expenses	Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Position Primary Government	
				Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Primary Government							
Governmental Activities:							
General government	\$ 808,255	\$ -	\$ 76,678	\$ -	\$ -	\$ (731,577)	\$ (731,577)
Public safety	977,852	21,594	269,196	922,808	-	192,558	192,558
Public works	675,508	-	-	91,675	-	(583,833)	(583,833)
Interest expense	21,594	(21,594)	-	-	-	-	-
Total Governmental Activities	2,483,209	-	345,874	1,014,483	-	(1,122,852)	(1,122,852)
 Total Primary Government	 \$ 2,483,209	 \$ -	 \$ 345,874	 \$ 1,014,483	 \$ -	 \$ (1,122,852)	 \$ (1,122,852)
				General revenues:			
				Taxes			
						134,121	134,121
						1,115,177	1,115,177
						8,852	8,852
						2,345	2,345
						43,007	43,007
				Total General Revenues		1,303,502	1,303,502
				Transfers in (out)		-	-
				Change in Net Position		180,650	180,650
				Net Position, beginning of year		1,811,112	1,811,112
				Net Position, end of year		\$ 1,991,762	\$ 1,991,762

The accompanying notes to these financial statements are an integral part of this statement.

**TOWN OF EDMONSTON, MARYLAND
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022**

	General Fund	Total Governmental Funds
ASSETS		
Cash and cash equivalents - unrestricted	\$ 782,331	\$ 782,331
Cash and cash equivalents - restricted	-	-
Investments	736,145	736,145
Accounts receivable - income taxes	61,974	61,974
Other accounts receivable	91,440	91,440
Accounts receivable - parking tickets	22,270	22,270
Accounts receivable - red light fines	45,721	45,721
Other assets	-	-
TOTAL ASSETS	1,739,881	1,739,881
DEFERRED OUTFLOWS OF RESOURCES	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 1,739,881	\$ 1,739,881
LIABILITIES		
Accounts payable and accrued expenses	\$ 132,484	\$ 132,484
Amounts held in escrow	-	-
TOTAL LIABILITIES	132,484	132,484
DEFERRED INFLOWS OF RESOURCES	61,974	61,974
FUND BALANCES		
Restricted	-	-
Unassigned	1,545,423	1,545,423
TOTAL FUND BALANCES	1,545,423	1,545,423
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,739,881	\$ 1,739,881

**RECONCILIATION OF TOTAL GOVERNMENTAL
FUND BALANCE TO NET POSITION OF
GOVERNMENTAL ACTIVITIES
JUNE 30, 2022**

<i>Total Governmental Fund Balances</i>	\$ 1,545,423
Long-term liabilities, including loans payable and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(742,377)
Receivables pertaining to revenue that is not available in accordance with modified accrual accounting are reported as deferred inflows of resources in the funds.	61,974
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,176,021
Deferred outflows of resources pertaining to long-term liabilities are not reported in the funds.	103,755
Deferred inflows of resources pertaining to long-term liabilities are not reported in the funds.	(153,034)
Long-term receivables do not provide current resources and therefore are not reported in the funds.	-
<i>Net Position of Governmental Activities</i>	\$ 1,991,762

The accompanying notes to these financial statements are an integral part of this statement.

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

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

	General Fund	Total Governmental Funds	
REVENUES			
Taxes	\$ 1,251,919	\$ 1,251,919	
Licenses and permits	49,178	49,178	
Intergovernmental	1,014,483	1,014,483	
Miscellaneous	342,048	342,048	
Total Revenues	2,657,628	2,657,628	
EXPENDITURES			
Current Operations			
General government	655,638	655,638	
Public safety	919,392	919,392	
Public works	580,795	580,795	
Capital outlays	99,335	99,335	
Debt Service			
Principal	78,107	78,107	
Interest	21,594	21,594	
Total Expenditures	2,354,861	2,354,861	
Excess of revenues over (under) expenditures and other financing uses	302,767	302,767	
Other financing sources (uses)			
Proceeds from long-term debt	-	-	
Total other financing sources (uses)	-	-	
Excess of revenue and other financing sources over (under) expenditures and other financing uses	302,767	302,767	
Fund balance, beginning of year	1,242,656	1,242,656	
Fund balance, end of year	\$ 1,545,423	\$ 1,545,423	
			Net Change in Fund Balances - Total Governmental Funds
			\$ 302,767
			Repayment of debt principal is reported in governmental funds, however, in the statement of activities, it is recorded as a reduction in long-term debt.
			This is the amount of principal debt repayment.
			78,107
			Pension expense related to net pension liability does not require the use of current financial resources and therefore is not reported in the funds.
			(119,392)
			Proceeds from long-term debt are recorded as an other financing source in the funds, but not in the Statement of Activities. This is the amount of proceeds from long-term debt.
			-
			Differences in accounting for compensated absences between the accrual basis and the modified accrual basis.
			(11,830)
			Changes in deferred inflows of resources relating to income taxes do not use current resources and are not reported as a revenue in the funds.
			6,231
			Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.
			(75,233)
			Change in Net Position of Governmental Activities
			\$ 180,650

The accompanying notes to these financial statements are an integral part of this statement.

TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Town of Edmonston, Maryland is a municipal corporation governed by an elected mayor and an elected town council and provides the following services as authorized by its charter: public safety, public works and general administrative services. The Town's major sources of revenues are real estate taxes, income taxes and usage taxes.

The accounting policies of the Town of Edmonston conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

In evaluating how to define the Town of Edmonston, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set by the Governmental Accounting Standards Board. Component units are legally separate organizations for which the elected officials of the Town are financially accountable and a financial benefit or burden relationship exists. In addition, component units can be other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the Town's financial statements to be misleading. Based upon the application of criteria set by the Governmental Accounting Standards Board, there are no separate component units of the Town.

Basis of Presentation – Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The Town's funds are grouped into one broad fund category.

Governmental funds include the General Fund. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of Accounting

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Town, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities.

The Town has no business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting including the reclassification or elimination of internal activity (between or within funds). This is the same approach used in the preparation of the proprietary fund financial statements, if any, but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Separate financial statements are provided for governmental funds, proprietary funds, if any, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds, if any, are reported as separate columns in the fund financial statements.

The government-wide statement of activities presents a comparison between expenses, and program revenues for each segment of the business-type activities, if any, of the Town and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect costs are allocated to programs. 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 needed. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the Town. Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Fund Financial Statements

Fund financial statements report detailed information about the Town. The focus of governmental and enterprise financial statements, if any, is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds, if any, are aggregated and presented in a single column.

Governmental Funds

Town activities pertaining to general government, public safety, and public works are reported in the governmental funds. All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

The major governmental fund is:

- General Fund – This is the Town’s primary operating fund. It is used to account for all financial resources except for those required to be accounted for in another fund.

Revenue Recognition

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e. collectible within the current year or within two months of year-end and available to pay obligations of the current period). These include property taxes, franchise taxes, investment earnings, charges for services and intergovernmental revenues.

Some revenues, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, some revenues are recorded as receivables and deferred inflows of resources.

Other revenues, including licenses and permits, certain charges for services, and miscellaneous revenues, are recorded as revenue when received in cash because they are generally not measurable until actually received.

TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on long-term debt, which has not matured, are recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Cash and Cash Equivalents

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

Investments

Investments held at June 30, 2022 with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

Receivables

Receivables at June 30, 2022 consist of taxes, highway user revenue, fines, parking tickets, and franchise fees. Certain receivables are reduced to expected net realizable value by an allowance for doubtful accounts.

Inventory of Supplies

Inventories, if any, are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental type funds and expenses in the proprietary type funds, if any, when used.

Local Tax Reserve Fund

At June 30, 2022, the Town was advised by the State of Maryland that \$61,974 of the Local Tax Reserve Fund was allocable to the Town. The Town recorded receivable and deferred inflows of resources in the amount of \$61,974 in the fund financial statements. Changes in this amount have been reflected as current year income tax revenue in the government-wide financial statements in accordance with full accrual accounting.

TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Deferred Outflows and Inflows of Resources

A *deferred outflow of resources* represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Likewise, a *deferred inflow of resources* represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

As of June 30, 2022 the balance of deferred inflows of resources in the governmental fund financial statements consisted of income taxes of \$61,974. The balance of deferred outflows of resources in the government-wide statements consists of \$103,755 pertaining to the Maryland State Retirement System.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the Town as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. Infrastructure such as bridges, roads, curbs and gutters, streets, sidewalks, drainage systems and lighting systems are capitalized. The valuation bases for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated. Intangible assets are recognized if they are identifiable, and are amortized over their useful lives if they do not have indefinite useful lives.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 20 years.

Restricted Reserves

The Town uses restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Interest Expense

Interest is expensed as incurred except when interest is incurred during the construction period and is capitalized as part of the cost of the asset.

TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Compensated Absences

The Town allows its eligible employees to accrue up to 240 hours of vacation leave. Any amounts over this maximum are forfeited at the end of the next calendar year. Upon employee termination, the Town pays up to the 240 hour maximum for vacation time. All other amounts are forfeited. As of June 30, 2022, the liability for compensated absences is \$49,106. Vested annual leave is expensed in the appropriate fund. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

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 and liabilities, the disclosure of contingent assets and liabilities and the reported revenues, expenditures, and expenses. Actual results could vary from the estimates that were used.

Equity Classifications

Equity is classified as net position and is displayed in three components:

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings, and reduced or increased by deferred inflows and outflows attributable to the acquisition, construction or improvement of those assets.

Restricted net position – Consists of net position with constraints placed on their use either by 1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation and are reduced by liabilities and deferred inflows of resources related to those constraints.

Unrestricted net position – all other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

When both restricted and unrestricted resources are available for use, it is the Town’s policy to use restricted resources first and then unrestricted resources as needed.

TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

1. Non-Spendable Fund Balance – amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.
2. Restricted Fund Balance – amounts that can be spent only for specific purposes because of restrictions imposed externally by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by the Town Charter, Town Code or enabling legislation.
3. Committed Fund Balance – amounts that can be used only for specific purposes determined by a formal action by Town Council, the Town’s highest level of decision-making authority, ordinance or resolution.
4. Assigned Fund Balance – amounts that are constrained by the Town’s intent that they will be used for specific purposes but are neither restricted nor committed. Pursuant to the Town Charter, the Town Manager and the Town council are authorized to assign amounts for specific purposes.
5. Unassigned Fund Balance – all amounts not included in other spendable classifications.

The Town considers restricted fund balances to be spent for governmental expenditures first when both restricted and unrestricted resources are available. The Town also considers committed fund balances to spend first when other unrestricted fund balance classifications are available for use.

**TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

Budget Requirements, Accounting, and Reporting

Requirements for all funds:

Annual budgets are adopted for all Town funds. The Town Council may subsequently amend the budget and the budget was amended during fiscal year 2022. For day-to-day management control, expenditures may not exceed budget at the departmental level. The Town prepares an annual operating budget on a basis consistent with generally accepted accounting principles.

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposit Policies

Statutes authorize the Town to invest in certificates of deposit, repurchase agreements, passbooks, banker's acceptance, and other available bank investments provided that approved securities are pledged to secure those funds deposited in an amount equal to the amount of those funds. In addition, the Town can invest in direct debt securities of the United States unless such an investment is expressly prohibited by law and can invest in the State of Maryland Local Government Investment Pool.

The Town's deposits are insured by FDIC or collateralized with securities held by the Town, its agent, or by the pledging financial institution's trust department or agent in the name of the Town.

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned or the Town will not be able to recover collateral securities in the possession of an outside party. The Town's policy requires deposits to be insured by FDIC, and balances exceeding FDIC limits be secured by collateral valued at 102 percent of principal and accrued interest. Collateral is to be held by the Town, its agent, or by the pledging financial institution's trust department or agent in the name of the Town.

At year-end, the carrying amounts of the Town's deposits were \$782,331 and the bank balances totaled \$853,656. Of the bank balances, the entire amount was insured by Federal Depository Insurance Corporation (FDIC) or secured by a surety bond or collateralized with securities held in the Town's name. At year end, the Town's bank balances were not exposed to any custodial credit risk because all deposits were fully collateralized.

TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3 – DEPOSITS AND INVESTMENTS – continued

Investment Policies

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town has no policy regarding credit risk.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Town's policy provides that to the extent practicable, investments are matched with anticipated cash flows.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town has no policy regarding concentration of credit risk.

For investments, **custodial credit risk** is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities in the possession of an outside party. Town policy provides that investment collateral is held by a third party custodian with whom the Town has a current custodial agreement in the Town's name.

Generally, the Town's investing activities are managed by the Town Manager. Investing is performed in accordance with investment policies adopted by the Town Council complying with State Statutes and the Town Charter. Town funds may be invested in: 1) U.S. Treasury obligations; 2) U.S. Government Agency and U.S. Government-sponsored instrumentalities; 3) Repurchase agreements (master repurchase agreement required); 4) Collateralized certificates of deposit (only Maryland commercial banks) corporation, special district authority or political subdivision thereof, or in any fund or trust that invests only in the securities described in this paragraph; and 5) the Maryland Local Government Investment Pool.

Investments

The Town has invested at June 30, 2022, \$736,145 in the State of Maryland Local Government Investment Pool (MLGIP). The pool is under the administrative control of the State's Treasurer's Office. The Town's investments are shown by type, carrying amount, fair value, cost and level of risk assumed in holding the various accounts. Investments are carried at cost which approximates market. The fair value of MLGIP investments is determined daily. PNC is currently contracted to operate the Pool and may invest in any instrument permitted by Section 6-222 of the State Finance and Procurement Article. The Town's fair value position in the Pool is the same as the value of pool share.

**TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 3 – DEPOSITS AND INVESTMENTS – continued

As of June 30, 2022, the Town had the following investments:

<u>Types of Investments</u>	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings</u>
MLGIP	\$ 736,145	\$ 736,145	AAAm
Total Investments	<u>\$ 736,145</u>	<u>\$ 736,145</u>	

Note: Ratings are provided where applicable to indicate associated Credit Risk.

NOTE 4 – PROPERTY TAXES

Real estate and personal property taxes are levied based on the State of Maryland’s assessments.

Real estate taxes are levied on July 1 and are payable in two installments, October 1 and January 1, of the same year. After January 1, the Town charges both penalties and interest upon the unpaid balance. If the taxes remain unpaid the property is placed with Prince George’s County for tax sale the following May.

Personal property taxes are levied throughout the year when the assessment is received from the State of Maryland. The taxes are payable within 30 days after levy. Penalties and interest are charged on any unpaid taxes after the thirty days has expired.

The real and personal property tax rates during fiscal year 2022 were \$0.5264 and \$1.50 per \$100 of assessed value, respectively.

TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Not being depreciated:				
Land	\$ 100,803	\$ -	\$ -	\$ 100,803
Construction in progress	18,418	-	-	\$ 18,418
Subtotal	<u>119,221</u>	-	-	<u>119,221</u>
Depreciable capital assets:				
Buildings	227,727	-	-	227,727
Furniture & equipment	387,123	26,428	-	413,551
Vehicles	611,343	72,907	-	684,250
Infrastructure	2,034,741	-	-	2,034,741
Subtotal	<u>3,260,934</u>	<u>99,335</u>	-	<u>3,360,269</u>
Total capital assets	<u>3,380,155</u>	<u>99,335</u>	-	<u>3,479,490</u>
Accumulated depreciation:				
Buildings	148,414	6,686	-	155,100
Furniture & equipment	232,017	35,021	-	267,038
Vehicles	461,393	43,484	-	504,877
Infrastructure	1,287,077	89,377	-	1,376,454
Subtotal, accumulated depreciation	<u>2,128,901</u>	<u>174,568</u>	-	<u>2,303,469</u>
Net capital assets	<u>\$ 1,251,254</u>	<u>\$ (75,233)</u>	<u>\$ -</u>	<u>\$ 1,176,021</u>

Depreciation was charged to functions as follows:

Government activities:	
General government	\$ 21,395
Public safety	58,460
Public works	94,713
Total government activities depreciation expense	<u>\$ 174,568</u>

The Town has no material construction commitments as of June 30, 2022.

TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6 – ACCOUNTS RECEIVABLE

The Town has current and non-current receivables. Current receivables are amounts which are expected to be paid in 60 days. The current receivables total \$220,955 and consist of: \$61,974 for income taxes, \$91,440 for other accounts receivables, \$45,271 for red light fines, and \$22,270 for parking fines. Non-current receivables are amounts which are not expected to be paid in 60 days.

NOTE 7 – DEFERRED COMPENSATION PLANS

The Town offers a Deferred Compensation Plan to its employees in accordance with Section 457 of the Internal Revenue Code. The plan, available to all Town employees, permits employees to defer a portion of their salary until future years. Participation in the plan is optional and participants elect how their salary deferrals are invested. Investment options include the following: stock funds, bond funds, and money market accounts, including various risk alternatives. Deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The plan is administered by the ICMA Retirement Corporation (ICMA-RC). There were no contributions made for the year ended June 30, 2022. During the year ended June 30, 2022, there were no contributions by the Town or employees as there were no active participants in the plan as of June 30, 2022. ICMA-RC has the responsibility for investing the funds, maintaining detailed accounting records for the individual employee and the Town, and disbursing funds to plan participants.

In compliance with the Internal Revenue Code Section 457(g), all assets and income of the plan are held in trust for the exclusive benefit of participants and their beneficiaries. Accordingly, the fair value of the plan assets at June 30, 2022 is not reflected in the Town's financial statements.

TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8 – RETIREMENT PLAN

The Town participates in the Maryland State Pension System (the “System”) described below and qualifies as a Participating Governmental Unit (“PGU”). The State Retirement Agency (the “Agency”) is the Plan administrator and fiduciary. GASB No. 68 requires that a PGU recognize its proportionate share of the System’s net pension liability (i.e., unfunded pension liability) and pension expense. The Town’s proportionate share of the net pension liability is based on total System contributions and approximates \$231,320 as of the measurement date of June 30, 2021.

GASB No. 71 requires that contributions to the pension plan subsequent to the measurement date be recognized as a deferred outflow of resources. The Town’s fiscal 2022 contribution of \$34,869 is therefore recognized as a pension-related deferred outflow of resources. The presentation of the net pension liability and pension expense in accordance GASB 68 and GASB 71 required the restatement of the beginning net position.

During the year ended June 30, 2015, the Town elected to join the State of Maryland Alternate Contributory Pension Selection System (ACPS). The Plan is part of the Maryland State Retirement and Pension System (the State System), and is a cost-sharing multiple-employer public employee retirement system. The State System provides pension, death, and disability benefits to plan members and beneficiaries.

TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8 – RETIREMENT PLAN – continued

A. Description of Plans

The State of Maryland identifies multiple-employer defined benefit pension plans as cost-sharing plans.

On October 1, 1941, the Employees' Retirement System of the State of Maryland was established to provide retirement allowances and other benefits to State employees, elected and appointed officials and the employees of participating governmental units. Effective January 1, 1980, the Employees' Retirement System was essentially closed to new members and the Employees' Pension System was established.

The Employees' Pension System of the State of Maryland (Pension System) was established January 1, 1980. The Pension System covers employees hired after December 31, 1979, as well as Retirement System participants who have voluntarily joined the Pension System. The Employees Contributory Pension System of the State of Maryland (Contributory Pension System) was established July 1, 1998. The Town elected to participate in the Contributory Pension System effective May 1, 2005.

Under the terms of the Contributory Pension System, a member hired may retire with full benefits upon attaining age 60 or after completing 30 years of eligible service regardless of age. A member may retire with reduced benefits prior to attaining age 60 after completing 25 years of eligible service. A member terminating employment before attaining retirement age, but after completing five years of eligible service, becomes eligible for a vested retirement allowance upon age 60.

Under the terms of the Contributory Pension System, a member hired before July 1, 2011 may retire after 30 years of service regardless of age; at age 65 with two years of service; at age 64 with three years of service; at age 63 with four years of service; or at age 62 with at least five years of service. An employee hired before July 1, 2011 may also take early retirement with reduced benefits at age 55 with 15 years of service. A member hired before July 1, 2011 terminating employment before attaining retirement age, but after completing five years of eligible service, becomes eligible for a vested pension allowance upon reaching age 62. Members hired on or after July 1, 2011 may retire when their age and years of eligibility service totals 90 years or at age 65 with 10 years of eligibility service. Members hired on or after July 1, 2011 may retire with reduced benefits at age 60 with 15 years of eligibility service. A member hired on or after July 1, 2011 terminating employment before attaining retirement age, but after completing ten years of eligible service becomes eligible for a vested pension allowance upon reaching age 65.

TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8 – RETIREMENT PLAN – continued

On retirement from service, a member of any of these plans shall receive an annual service retirement allowance based on the member's average final compensation and years of creditable service multiplied by a factor. This factor varies from 1.2% to 2.0% per eligible service year, depending on employee/employer contributions and other plan-specific provisions. Early retirement, where available, is subject to provisions that reduce the benefit received.

Benefits under the two plans are established under the State Personnel and Pensions Article of the Annotated Code of Maryland.

Benefits are established under the State Personnel and Pensions Article of the Annotated Code of Maryland. The plan is administered by the Maryland State Retirement Agency.

The Maryland State Retirement Agency issues a comprehensive annual financial report that includes disclosures regarding: plan assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position. The pension plans' fiduciary net position has been determined on the same basis used by the pension plans. The pension plans' financial statements are prepared on the accrual basis of accounting and are prepared in accordance with principles generally accepted in the United States of America that apply to governmental accounting for fiduciary funds. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. Actual employer contributions billed to participating governmental units for the year ending June 30, 2021 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported in the Schedule of Employer Allocations. The contributions were not adjusted for differences between actuarially determined contributions and actual contributions by the State of Maryland. This report can be obtained from the agency's office as follows:

State Retirement and Pension System of Maryland
120 E. Baltimore Street, Suite 1601
Baltimore, Maryland 21202-1600

TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8 – RETIREMENT PLAN – continued

Funding Policy

Obligations to contribute to the plans are under the Annotated Code of Maryland. Members of the pension plan contribute 7% of annual compensation during employment. The required contribution rate is determined on an actuarially determined basis. During the year ended June 30, 2022 the Town contributed \$34,869. The Town contributed 100% of its required contribution for the year ended June 30, 2022. For members of the pension plan, full-service pension allowances equal 2% of average final compensation (AFC) up to a maximum benefit of 60% of AFC (30 years of credit).

Required contributions under the plans are not funded by both employee and Town contributions but are funded entirely by the Town. Contributions by the Town take place during the fiscal year and are based upon salaries for the preceding fiscal year. The Town contributions for the year ending June 30, 2022 are based on salaries for the year ending June 30, 2021. The contribution requirements of plan members of the reporting entity are established and may be amended by the Maryland State Pension System Board of Trustees, and contributions by the Town are authorized by the Town Council. The required and actual contributions for the fiscal years ending June 30th were as follows:

	Fiscal Year Ending June 30		
	2022	2021	2020
Retirement plan contributions	<u>\$ 34,869</u>	<u>\$ 34,277</u>	<u>\$ 18,860</u>

The Town contributed \$34,869 to the System for fiscal year 2022 which was actuarially determined based on statutory provisions. The Town has also recognized in Pension Expense its proportionate share of the System’s deferred inflows of resources (an increase in Pension Expense) attributable to the net difference between projected and actual investment earnings on pension plan assets and its proportionate share of the System’s deferred outflows of resources (a decrease in Pension Expense) attributable to changes in assumptions.

TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8 – RETIREMENT PLAN – continued

Required disclosures aggregate for the plan:

	<u>Maryland State Pension System</u>
Total pension liability	\$ 82,606,805,000
Total fiduciary net position	67,604,500,000
Town's proportionate share of total pension liabilities	231,320
Town's proportionate share of net pension liabilities	0.0015419%
Total pension assets	67,604,500,000
Measurement date of collective net pension liability	June 30, 2021
Date of actuarial valuation	June 30, 2021
Deferred outflows related to pensions	103,755
Deferred inflows related to pensions	153,034
Pension expense/expenditures for the period	119,392

Actuarial assumptions

The annual required contribution for the current year was determined as part of the actuarial valuation on July 1, 2020 rolled forward to June 30, 2021. The key assumptions used to perform the June 30, 2021 pension liability calculation for the System are as follows:

Actuarial Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Asset valuation method	5-year smoothed market; 20% collar
Inflation (b)	2.60% general, 3.10% wage
Salary Increases	3.10%
Discount Rate (a)	6.80%
Investment Rate of Return (b)	6.80%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2018 valuation pursuant to an experience study of the period July 1, 2014 to July 30, 2018.
Mortality	Public Sector 2010 Mortality Tables calibrated to MSRPS experience with generational projections using MP-2018 (2-dimensional) mortality improvement scale.

- (a) Discount rate at prior measurement date was 7.40%.
- (b) There were no benefit changes during the year. Adjustments to the roll-forward liabilities were made to reflect the following assumption changes in the 2021 valuation:
 - a. Investment return assumption decreased to 6.80%
 - b. Inflation assumption remained the same at 2.60%.

TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8 – RETIREMENT PLAN – continued

The components of the net pension liability for the System as of June 30, 2021, calculated in accordance with GASB Statement No. 67, are shown in the following table:

Total pension liability	\$ 82,606,805,000
Plan Fiduciary Net Position	<u>67,604,500,000</u>
Net Pension Liability	<u><u>\$ 15,002,305,000</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u><u>81.84%</u></u>

Investments

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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Pension System’s Board after considering input from the investment consultant(s) and actuary(s). For each major asset class that is included in the Pension System’s target asset allocation, these best estimates are summarized in the following table:

Asset Class	Target Allocations	Long-term Expected Real Rate of Return
Public equity	37%	4.7%
Private equity	13%	6.5%
Rate sensitive	19%	-0.4%
Credit opportunity	9%	2.6%
Real assets	14%	4.2%
Absolute return	8%	2.0%
Total	100%	

The above was the Pension System’s Board of Trustee’s adopted asset allocation policy and best estimate of geometric real rates of return for each major asset class as of June 30, 2021.

TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8 – RETIREMENT PLAN – continued

Discount Rate

A single discount rate of 6.80% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 6.8%. 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

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the System’s net pension liability and the Town’s proportionate share of the System’s net pension liability, calculated using a single discount rate of 6.80%, a single discount rate that is 1-percentage point lower (i.e., 5.80%), and a single discount rate that is 1-percentage point higher (i.e., 7.80%).

	1% Lower	Current Rate -	1% Higher
The System's Net Pension Liability	\$ 25,551,028,000	\$ 15,002,305,000	\$ 6,252,209,000
The Town's Proportionate Share of Net Pension Liability	\$ 393,970	\$ 231,320	\$ 96,403

TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8 – RETIREMENT PLAN – continued

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

At June 30, 2022, the Town reported a liability of \$231,320 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental units, actuarially determined. At June 30, 2021, the Town’s proportion was approximately 0.0015419 percent.

For the year ended June 30, 2022, the Town recognized pension expense of \$155,759. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Changes of assumptions	\$ 44,774	\$ 4,961
Differences in actual and expected experiences	-	17,730
Net difference between projected and actual earnings on pension plan investments	22,518	128,158
Changes in proportion and differences between employer contributions and share of contributions	2,185	2,185
Contributions subsequent to the measurement date	34,869	-
Total	\$103,755	\$153,034

The deferred outflows of resources of \$34,869 relating to contributions subsequent to the measurement date will be recognized as a reduction of the Town’s net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources are being amortized over a five-year period beginning in fiscal 2022. These unamortized amounts will be ratably recognized in pension expense over the next four years.

TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8 – RETIREMENT PLAN – continued

Net Pension Liability

The components of the Town’s proportionate share of the Pension System’s net pension liability as of the measurement date of June 30, 2021 were as follows:

Total pension liability	\$	1,273,711
Plan Fiduciary Net Position		1,042,391
Net Pension Liability	<u>\$</u>	<u>231,320</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		<u>81.84%</u>

NOTE 9 – LONG-TERM OBLIGATIONS

In October 2018, the Town entered into a lease purchase agreement for \$48,417 with Ford Motor Credit for a police vehicle. The interest is fixed at 6.70%. Quarterly principal and interest payments of \$3,418 are due through July 2022. The last payment that was due in July 2022 was paid early in June 2022. The remaining principal balance at June 30, 2022 is \$0.

On July 3, 2020, the Town entered into a lease purchase agreement for \$56,261 with First Government Lease for a 2020 Ford Interceptor Police Cruiser at a fixed rate of 3.00%. Quarterly principal and interest payments of \$2,230 are due through June, 2027. The remaining principal balance at June 30, 2022 is \$41,264.

On May 6, 2021, the Town entered into a lease purchase agreement for \$47,051 with First Government Lease for a 2021 Ford Explorer Police Cruiser at a fixed rate of 4.99%. Quarterly principal and interest payments of \$2,674 are due through June, 2026. The remaining principal balance at June 30, 2022 is \$38,661.

On September 24, 2020, the Town entered into a lease purchase agreement for \$95,227 with First Government Lease for body cameras, tasers and cruiser cameras at a fixed rate of 4.55%. Quarterly principal and interest payments of \$ 4,625 are due through September, 2027. The remaining principal balance at June 30, 2022 is \$76,335.

TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 9 – LONG-TERM OBLIGATIONS – continued

In July 2011, the Town issued \$650,000 in general obligation bonds to TD Bank, N.A., with a fixed interest rate of 2.50% per annum due July 31, 2028. The bonds, which are for street improvements and related construction, are payable in twice annual installments comprised of principal and interest, due July 31 and January 31 in the amount of approximately \$23,585, based upon an 18-year amortization period. The principal balance as of June 30, 2022 is \$262,500.

In July 2017, the Town reissued general obligation bonds held by TD Bank. In November 2019, the Town refinanced these bonds through the Maryland Department of Housing and Community Development, Community Development Administration Local Government Infrastructure Bonds. The bonds were issued at a premium of \$42,545. Semi-annual interest at 2% is due April 1 and October 1 each year through April 1, 2029. The balance of principal outstanding at June 30, 2022 is \$262,500. The balance of bond premiums at June 30, 2022 is \$39,885.

Through the refinancing, the Town was able to reduce the interest rate from 4.33% to 2%. The purpose of the refunding was to realize savings on debt service costs. The Town obtained an economic gain, that is the difference between the present value of the debt service streams for the refunding debt and the refunded debt, of \$41,384.

These bonds are backed by the full faith and credit of the Town and contain acceleration provisions that in the event of default the full amount outstanding including accrued interest may become due and payable immediately. Additionally, the trustee may intercept revenues due from the State (such as income taxes) to satisfy the debt of the Local Government Infrastructure Bonds. Defaults would be triggered by events such as bankruptcy or failure to pay principal and interest when due.

TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 9 – LONG-TERM OBLIGATIONS – continued

	<u>July 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2022</u>	<u>Amount Due Within 1 Year</u>
G.O. Bonds	\$ 295,000	\$ -	\$ 32,500	\$ 262,500	\$ 33,000
Bond premium	39,885	-	-	39,885	-
Copier lease 14	4,440	-	2,580	1,860	1,860
Vehicle leases	200,733	-	43,027	157,706	18,380
	<u>\$ 540,058</u>	<u>\$ -</u>	<u>\$ 78,107</u>	<u>\$ 461,951</u>	<u>\$ 53,240</u>

	<u>July 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2022</u>
Compensated Absences	<u>\$ 37,276</u>	<u>\$ 11,830</u>	<u>\$ -</u>	<u>\$ 49,106</u>

Debt service requirements pertaining to leases are as follows:

Year(s) Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 28,615	\$ 8,587	\$ 37,202
2024	30,427	7,688	38,115
2025	32,377	5,738	38,115
2026	34,476	3,640	38,115
2027	25,844	1,577	27,421
Thereafter	4,521	104	4,625
Total	<u>\$ 156,260</u>	<u>\$ 27,334</u>	<u>\$ 183,594</u>

Debt service requirements pertaining to bonds are as follows:

Year(s) Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 33,000	\$ 10,894	\$ 43,894
2024	34,500	9,524	44,024
2025	36,000	8,093	44,093
2026	37,500	6,598	44,098
2027	39,000	5,042	44,042
Thereafter	82,500	5,167	87,667
Total	<u>\$ 262,500</u>	<u>\$ 45,318</u>	<u>\$ 307,818</u>

TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 10 – CONCENTRATIONS

The Town derives most of its revenues, except grants, from its citizens. The Town provides various services to its residents. The Town is located in northern Prince George’s County, Maryland.

NOTE 11 – RISK MANAGEMENT

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

The Town has an insurance agreement with the Local Government Insurance Trust (LGIT), a public entity risk pool. LGIT provides the Town’s property, general, automobile, employee, health, police and public officials’ legal liability insurance coverage.

This is a total risk and cost sharing pool for all participants. In the event that the Trust’s General Fund falls into a deficit that cannot be satisfied by transfers from the Trust’s capital and surplus accounts, the Trustees shall determine a method to fund the deficit. The Trust agreement empowers the Trustees to assess an additional premium to each deficit-year participant. Debt issues could also be used to fund a deficit.

Premiums are charged to the Town’s General Fund, 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, 2022 and the amount of settlements has not exceeded coverage for each of the past three years.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Grants

The Town receives grants from time-to-time. Expenditures from certain grants are subject to audit by the grantor, and the Town is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of the Town’s management, no material refunds will be required as a result of disallowed expenditures.

NOTE 13 – FUND BALANCE REPORTING

Fund balances for the Town’s governmental funds consisted of the following as of June 30, 2022:

Unassigned Fund Balances

All remaining fund balances are unassigned. At June 30, 2022, this amount was \$1,545,423.

TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 14 – NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued the following statements:

Statement No. 87, *Leases*, issued June 2018, effective for financial statements for fiscal years beginning after June 15, 2021 (postponed 18 months by Statement No. 95).

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, issued June 2018, effective for reporting periods beginning after December 15, 2020 (postponed one year by Statement No. 95).

Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, issued August 2018, effective for reporting periods beginning after December 15, 2019 (postponed one year by Statement No. 95).

Statement No. 91, *Conduit Debt Obligations*, issued May 2019, effective for reporting periods beginning after December 15, 2021 (postponed one year by Statement No. 95).

Statement No. 92, *Omnibus 2020*, issued January 2020, effective for reporting periods beginning after June 15, 2021 (postponed one year by Statement No. 95).

Statement No. 93, *Replacement of Interbank Offered Rates*, issued March 2020, effective for reporting periods beginning after June 15, 2020 (postponed one year by Statement No. 95).

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, issued March 2020, effective for reporting periods beginning after June 15, 2022.

Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, issued May 2020, effective immediately.

Statement No. 96, *Subscription-Based Information Technology Arrangements*, issued May 2020, effective for reporting periods beginning after June 15, 2022.

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, issued June 2020, effective for reporting periods beginning after June 15, 2021.

Statement No. 98, *The Annual Comprehensive Financial Report*, issued October 2021, effective immediately.

TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 14 – NEW ACCOUNTING PRONOUNCEMENTS – continued

Statement No. 99, *Omnibus 2022*, issued April 2022, sections effective for reporting periods ending after June 15, 2022 and 2023.

Statement No. 100, *Accounting Changes and Error Corrections*, issued June 2022, effective for reporting periods beginning after June 15, 2023.

Statement No. 101, *Compensated Absences*, issued June 2022, effective for reporting periods beginning after December 15, 2023.

The Town will implement these statements as necessary as of their effective dates. The Town is still in the process of determining the effect of implementing these GASB statements.

**TOWN OF EDMONSTON, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES AND EXPENDITURES - UNAUDITED
BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2022**

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Revenues				
Taxes	\$ 1,235,859	\$ 1,205,811	\$ 1,251,919	\$ 46,108
Licenses and permits	57,950	53,552	49,178	(4,374)
Intergovernmental	736,261	997,964	1,014,483	16,519
Miscellaneous	489,715	294,203	342,048	47,845
Total Revenues	\$ 2,519,785	\$ 2,551,530	\$ 2,657,628	\$ 106,098
Expenditures				
General government	\$ 1,024,995	\$ 625,148	\$ 675,862	\$ (50,714)
Public safety	981,189	944,840	961,386	(16,546)
Public works	469,183	531,941	617,912	(85,971)
Debt service	44,418	94,833	99,701	(4,868)
Transfer to reserves	-	-	-	-
Total Expenditures	\$ 2,519,785	\$ 2,196,762	\$ 2,354,861	\$ (158,099)

Town of Edmonston, MD
SCHEDULES OF REQUIRED PENSION-RELATED
SUPPLEMENTARY INFORMATION

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY

	2022	2021	2020	2019	2018	2017	2016
Town's proportion (%) of collective net pension liability	0.0015419%	0.0008796%	0.0008601%	0.0008444%	0.0005959%	0.0006636%	0.0008261%
Town's proportionate share (\$) of collective net pension liability	\$ 231,320	\$ 198,810	\$ 177,410	\$ 177,174	\$ 128,849	\$ 156,568	\$ 171,675
Town's covered payroll(\$)	\$ 758,848	\$ 618,594	\$ 560,759	\$ 511,447	\$ 565,127	\$ 575,523	\$ 513,485
Town's proportionate share of collective net pension liability as a percentage of its covered-employee payroll	30.48%	32.14%	31.64%	34.64%	22.80%	27.20%	33.43%
Pension plan's fiduciary net position as a percentage of the total pension liability	81.84%	71.87%	72.34%	71.18%	69.38%	65.79%	68.78%

*This schedule is required to present information for 10 years; however, until a full 10-year trend is compiled, information is only present for those years available.

SCHEDULE OF THE TOWN'S PENSION PLAN CONTRIBUTIONS
Last 10 Fiscal Years

	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 34,869	\$ 34,277	\$ 18,860	\$ 17,663	\$ 16,268	\$ 12,128	\$ 13,387
Contributions in relation to the contractually required contribution	34,869	34,277	18,860	17,663	16,268	12,128	13,387
Contribution deficiency (excess)	-	-	-	-	-	-	-
Town's covered-employee payroll	758,848	618,594	560,759	511,447	565,127	575,523	513,485
Contributions as a percentage of covered-employee payroll	4.6%	5.5%	3.4%	3.5%	2.9%	2.1%	2.6%

*This schedule is required to present information for 10 years; however, until a full 10-year trend is compiled, information is only pre those years available.

TOWN OF EDMONSTON, MARYLAND
SCHEDULE OF REVENUES
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2022

	<u>Budget</u>	<u>Actual</u>	Variable Favorable (Unfavorable)
REVENUES			
Taxes			
Real estate	\$ 919,354	\$ 931,375	\$ 12,021
Personal property	172,359	183,802	11,443
Local income taxes	103,098	127,890	24,792
Admissions and amusement	11,000	8,852	(2,148)
Total Taxes	<u>1,205,811</u>	<u>1,251,919</u>	<u>46,108</u>
Licenses and Permits			
Traders licenses	34,250	31,575	(2,675)
Buildings and permits	1,500	1,010	(490)
State business licenses	2,000	3,898	1,898
Cable TV franchise fee	15,802	12,695	(3,107)
Total Licenses and Permits	<u>53,552</u>	<u>49,178</u>	<u>(4,374)</u>
Intergovernmental			
Highway user revenue	78,564	89,050	10,486
Police aid	33,954	32,612	(1,342)
Other grants	881,946	890,196	8,250
Disposal fee rebate	3,500	2,625	(875)
Total Intergovernmental	<u>997,964</u>	<u>1,014,483</u>	<u>16,519</u>
Miscellaneous			
Interest income	1,616	2,345	729
Cable TV equipment grant	7,147	7,929	782
Fines and forfeitures	167,549	232,191	64,642
Vehicle releases	39,306	37,005	(2,301)
Apartment/rental inspections	27,900	27,500	(400)
Miscellaneous	37,185	28,928	(8,257)
Asset liquidation	-	-	-
Rec. center rental	7,500	-	(7,500)
Carryover previous year	-	-	-
Donations	6,000	6,150	150
Total Miscellaneous	<u>294,203</u>	<u>342,048</u>	<u>47,845</u>
TOTAL REVENUES	<u>\$ 2,551,530</u>	<u>\$ 2,657,628</u>	<u>\$ 106,098</u>

TOWN OF EDMONSTON, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND - continued
YEAR ENDED JUNE 30, 2022

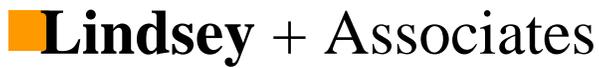
	<u>Budget</u>	<u>Actual</u>	<u>Variable Favorable (Unfavorable)</u>
EXPENDITURES			
General Government			
Accounting and auditing	\$ 6,000	\$ 5,850	\$ 150
Salaries	155,038	161,859	(6,821)
Supplies and equipment	17,236	28,012	(10,776)
Advertising	1,500	225	1,275
Bank charges	1,200	1,659	(459)
Capital expenditures	30,000	20,224	9,776
Community events	45,201	49,271	(4,070)
Consultants	2,000	1,181	819
Contract services	62,054	127,916	(65,862)
Contributions	9,500	9,500	-
Dues, training and conventions	18,921	20,575	(1,654)
Employee events	2,600	2,386	214
Grant expenditures	158,092	145,809	12,283
Insurance and bonds	5,200	4,743	457
Legal counsel	12,800	4,366	8,434
Medical/life insurance	20,334	20,120	214
Miscellaneous	18,677	22,265	(3,588)
Payroll taxes	11,860	12,911	(1,051)
Port towns contribution	3,750	-	3,750
Postage	1,645	1,036	609
Printing	11,700	9,494	2,206
Repairs and maintenance	1,500	1,789	(289)
State retirement	8,568	7,847	721
Telephone	12,732	13,169	(437)
Training	500	-	500
Uniforms	1,000	42	958
Utilities	4,040	2,961	1,079
Vehicle maintenance	-	652	(652)
Worker's compensation	1,500	-	1,500
Total General Government	\$ 625,148	\$ 675,862	\$ (50,714)

TOWN OF EDMONSTON, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND - continued
YEAR ENDED JUNE 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variable Favorable (Unfavorable)</u>
Public Safety			
Advertising	\$ 1,000	\$ 586	\$ 414
Accounting and auditing	6,000	5,600	400
Vehicle maintenance	19,526	21,560	(2,034)
Capital expenditures	48,221	41,994	6,227
Community events	6,000	5,456	544
Fuel	15,000	5,896	9,104
Medical/life insurance	76,235	86,173	(9,938)
Legal	3,500	915	2,585
Dues, training and conventions	8,300	6,912	1,388
Miscellaneous	5,000	3,299	1,701
Payroll taxes	37,748	42,749	(5,001)
Postage	2,500	891	1,609
Printing	1,500	2,872	(1,372)
Insurance and bonds	19,000	17,132	1,868
Contract service	59,070	63,447	(4,377)
Repairs and maintenance	3,000	3,409	(409)
Retirement	21,758	21,758	-
Salaries	513,438	541,494	(28,056)
Supplies and equipment	12,000	15,863	(3,863)
Telephone	15,540	13,559	1,981
Uniforms	11,304	10,091	1,213
Utilities	3,850	2,961	889
Workers compensation	55,350	46,769	8,581
Total Public Safety	<u>\$ 944,840</u>	<u>\$ 961,386</u>	<u>\$ (16,546)</u>

TOWN OF EDMONSTON, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND - continued
YEAR ENDED JUNE 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variable Favorable (Unfavorable)</u>
Public Works			
Insurance and Bonds	\$ 2,400	\$ 1,701	\$ 699
Capital expenditures	37,117	37,117	-
Consultants	4,460	4,460	-
Contract service	48,000	47,403	597
Fuel	4,200	1,766	2,434
Beautification	52,444	62,266	(9,822)
Medical/life insurance	16,782	18,131	(1,349)
Dues, training and conventions	75	75	-
Dump Fees	3,425	1,526	1,899
Miscellaneous	500	2,217	(1,717)
Mosquito control	1,000	-	1,000
Payroll taxes	8,009	8,639	(630)
Repairs and maintenance	8,185	86,197	(78,012)
State retirement	5,662	5,264	398
Salaries	104,688	110,582	(5,894)
Snow and ice removal	3,000	5,275	(2,275)
Street improvement	78,564	-	78,564
Street lighting	30,000	28,168	1,832
Supplies and equipment	11,791	27,861	(16,070)
Telephone	2,400	2,400	-
Trash/recycling contract	88,041	104,410	(16,369)
Tree maintenance	3,000	47,725	(44,725)
Uniforms	1,200	537	663
Vehicle maintenance	10,000	8,279	1,721
Workers compensation	6,998	5,913	1,085
Total Public Works	<u>531,941</u>	<u>617,912</u>	<u>(85,971)</u>
Total Expenditures before Debt Service and Transfer to Reserves	<u>2,101,929</u>	<u>2,255,160</u>	<u>(153,231)</u>
Debt Service	<u>94,833</u>	<u>99,701</u>	<u>(4,868)</u>
Transfer to Reserves	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$ 2,196,762</u>	<u>\$ 2,354,861</u>	<u>\$ (158,099)</u>



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October 20, 2022

Honorable Mayor
Members of the Town Council
Town Manager
Town of Edmonston, Maryland

We audited the financial statements of the governmental activities and each major fund of the Town of Edmonston, Maryland (the “Town”) for the year ended June 30, 2022, and have issued our report thereon dated October 20, 2022. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U. S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 16, 2022, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U. S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Town. Such consideration was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of the Town’s compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our test was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Town are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2022 except as may be explained in Note 1 to the financial statements. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in performing the audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We proposed adjustments to capital items. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representation from management that is included in the management representation letter dated October , 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationships and our responses were not a condition to our retention.

We have also provided the Town’s management with a letter dated October, 2022, pertaining to our audit findings and recommendations.

This information is intended solely for the use of the Mayor, Members of Town Council and the Town Manager and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Hindley & Associates, LLC

Lindsey + Associates

110 West Road
Suite 220
Towson, MD 21204

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October 20, 2022

Honorable Mayor
Members of the Town Council
Town Manager
Town of Edmonston, Maryland

In planning and performing our audit of the financial statements of the Town of Edmonston, Maryland (the “Town”) as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the Town’s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Town’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in the Town’s internal control to be material weaknesses:

Preparation of Financial Statements

In the current year as well as the prior year we noted no Town employee or officer has the technical background to prepare the financial statements, including the related notes to the financial statements, in accordance with generally accepted accounting principles.

As part of the audit, the Town's management has requested us to prepare a draft of the Town's financial statements, including related notes to the financial statements. The Town Manager performed a review of the financial statements. However, in order to provide improved oversight of the financial statement preparation services at an appropriate level and implement controls over the financial reporting process, we recommend the Town obtain and use one or both of the following publications in subsequent years when reviewing the financial statements: *Governmental Accounting, Auditing, and Financial Reporting Using the GASB 34 Model* available from the Government Finance Officers Association at www.gfoa.org or *Preparing Governmental Financial Statements Under GASBS No. 34* available from Thomson Tax & Accounting at www.ppc.thomson.com.

This communication is intended solely for the information and use of the Mayor, Town Council, Town Manager and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Kinney's Associates, LLC". The signature is written in dark ink and is positioned to the right of the "Very truly yours," text.