

Audited
Financial
Statements

June 30,
2023

**The Mayor and
Council of Sharpsburg**

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INDEPENDENT AUDITOR'S REPORT

The Mayor and Council of Sharpsburg
Sharpsburg, Maryland

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of The Mayor and Council of Sharpsburg (Town), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise The Mayor and Council of Sharpsburg's basic financial statements 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 The Mayor and Council of Sharpsburg, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Mayor and Council of Sharpsburg, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Mayor and Council of Sharpsburg's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 The Mayor and Council of Sharpsburg's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Mayor and Council of Sharpsburg'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 8 and pages 25 through 26 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally 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.

Smith Elliott Kearns + Company, LLC

Hagerstown, Maryland
November 29, 2023

THE MAYOR AND COUNCIL OF SHARPSBURG

Management's Discussion and Analysis

The Mayor and Council of Sharpsburg (Town) provides the following information as an introduction, overview, and analysis of the Town's financial statements for the year ended June 30, 2023. Readers should also review the basic financial statements on pages 9 to 24 to further enhance their understanding of the Town's financial performance.

FINANCIAL HIGHLIGHTS – GOVERNMENT - WIDE FINANCIAL STATEMENTS

The assets of the Town exceeded its liabilities at the close of the most recent fiscal year (2023) by \$1,090,369. Of the combined net position of the governmental activities, \$324,421 may be used to meet the Town's ongoing obligations to citizens and creditors.

USING THIS ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can first understand the Town as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial conditions.

The Statement of Net Position and Statement of Activities (referred to collectively as the government-wide statements) provide information about the activities as an entire operating entity, presenting both an aggregate view of the Town's finances and a longer-term view of those assets and liabilities. Major fund statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending.

REPORTING ON THE TOWN OF SHARPSBURG AS A WHOLE

Statement of Net Position and Statement of Activities

The government-wide statements answer the question "How did the Town as a whole perform financially during FY 2023". They are prepared on the accrual basis of accounting, much the same way as for a private enterprise. This basis of accounting includes all assets and liabilities and takes into account all of the reporting year's revenues and expenses regardless of when the cash was received or paid.

- ***The Statement of Net Position.*** This statement (page 9) reports all assets and liabilities of the Town as of June 30, 2023. The difference between total assets and total liabilities is reported as "net position". Increases in net position generally indicate an improvement in financial position while decreases may indicate a deterioration of financial position.
- ***The Statement of Activities.*** This statement (page 10) serves the purpose of the traditional income statement. It provides consolidated reporting of the results of all activities of the Town for the year ended June 30, 2023.

Changes in net position are recorded in the period in which the underlying event takes place, which may differ from the period in which cash is received or disbursed. The Statement of Activities displays the expense of the Town's various programs net of related revenues, as well as a separate presentation of revenues available for general purposes.

THE MAYOR AND COUNCIL OF SHARPSBURG

Management's Discussion and Analysis

A more detailed explanation of these statements is found in Note 1 on pages 15 to 20 in the Notes to Financial Statements.

REPORTING ON THE TOWN OF SHARPSBURG'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

These statements provide financial position and results of the Town's major fund. A fund is an accounting entity created to account for a specific activity or purpose. The General Fund is the Town's only fund and its only major fund. The creation of some funds is mandated by law and others are created by management to demonstrate financial compliance with budgetary or legal requirements. Funds are classified into three broad categories: governmental funds, proprietary funds, and fiduciary funds.

- ***Governmental Funds.*** Governmental funds are used to account for "governmental-type" activities. Unlike the government-wide financial statements, governmental fund statements use a "flow of financial resources" measurement focus. That is to say, the operating statement of a governmental fund attempts to answer the question "Are there more or less resources that can be spent in the near future as a result of events and transactions of the reporting period?" Increases in spendable resources are reported in the operating statement as "revenues" or "other financing sources." Decreases in spendable resources are reported as "expenditures" or "other financing uses." We describe the differences between governmental funds and governmental activities (reported in the Statement of Net Position and the Statement of Activities) in reconciliations presented with the governmental fund financial statements on pages 12 and 14.

The Town of Sharpsburg maintains one governmental fund. The governmental fund financial statements, on pages 11 and 13, display the General Fund, which is the only governmental fund of the Town. The General Fund is also considered to be a major fund.

- ***Proprietary Funds.*** The Town does not maintain any proprietary funds.
- ***Fiduciary Funds.*** The Town does not maintain any fiduciary funds.

OTHER INFORMATION

Notes to the Basic Financial Statements

The notes provide additional and explanatory data. They are an integral part of the basic financial statements.

Required Supplementary Information

In addition to the basic financial statements and notes, this report also contains required supplementary information (RSI). RSI includes budgetary schedules for the General Fund. This data is on pages 25 to 26 of this report.

THE MAYOR AND COUNCIL OF SHARPSBURG
Management's Discussion and Analysis

THE TOWN OF SHARPSBURG AS A WHOLE

The following table presents condensed information on net position at June 30, 2023 and 2022.

	Governmental Activities	
	2023	2022
Assets		
Current and other assets	\$ 399,693	\$ 527,283
Capital assets	708,543	627,132
TOTAL ASSETS	\$ 1,108,236	\$ 1,154,415
Liabilities		
Current liabilities	\$ 17,867	\$ 28,211
Total Liabilities	17,867	28,211
Net Position		
Net investment in capital assets	708,543	627,132
Restricted - Hotel/Motel tax	32,768	64,241
Restricted - Highway user revenues	24,637	15,766
Unrestricted	324,421	419,065
Total Net Position	1,090,369	1,126,204
TOTAL LIABILITIES AND NET POSITION	\$ 1,108,236	\$ 1,154,415

For governmental activities, the net position reflects the retroactive reporting of reportable capital assets acquired prior to July 1, 2003, except that, as allowed by GASB Statement No. 34, infrastructure assets acquired before July 1, 2003 are not reflected in capital assets or net position. The Town of Sharpsburg uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The Town's net position from governmental activities decreased 3% from \$1,126,204 to \$1,090,369. Net investment in capital assets increased due to capital asset purchases of \$120,361 offset by depreciation of \$38,950. Unrestricted net position decreased \$94,644 which is due to a negative change in net position, and an increase in net position restricted for highway user revenues, offset by a decrease in net position restricted for hotel/motel use. The Town receives Hotel/Motel tax funds from Washington County and has not yet expended \$32,768 of the funds to date on their intended purpose of tourist attractions, economic development and to support cultural and recreational projects in Washington County. The Town receives highway user revenues from the State of Maryland and has not yet expended \$24,637 of the funds to date on their intended purpose of construction, reconstruction, or maintenance of roads or streets, and debt service on bonds or other debt issues for such costs, or to establish and maintain footpaths, bridle paths, horse trails and bicycle trails.

THE MAYOR AND COUNCIL OF SHARPSBURG
Management's Discussion and Analysis

The following table presents condensed information on the changes in net position for the years ended June 30, 2023 and 2022.

	Governmental Activities	
	2023	2022
REVENUES		
Program Revenues		
Charges for services	\$ 1,647	\$ 1,384
Operating grants	26,216	68,000
General Revenues		
Property taxes	174,872	166,348
Other taxes and fees	168,660	177,093
ARPA Coronavirus State and Local Fiscal Recovery Funds	93,750	93,750
Investment earnings	10,923	758
Miscellaneous income	17,844	11,376
Total Revenues	<u>493,912</u>	<u>518,709</u>
EXPENSES		
General government	147,731	129,412
Public works	84,691	95,125
Waste collection and disposal	57,751	48,838
Recreation and culture	130,236	58,418
Non-departmental expenses	109,338	79,340
Total Expenses	<u>529,747</u>	<u>411,133</u>
CHANGE IN NET POSITION	<u>\$ (35,835)</u>	<u>\$ 107,576</u>

GOVERNMENTAL ACTIVITIES – CHANGE IN NET POSITION

Net position decreased \$35,835 for the year ended June 30, 2023. Revenues decreased from the prior year and expenses increased from the prior year, which resulted in total current year expenses exceeding total revenue. The decrease in revenues was primarily driven by the decrease in operating grants received.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND FINANCIAL STATEMENTS

The focus of the Town's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, fund balance is generally a good indicator of net resources available for spending at the end of the fiscal year, subject to any stated restrictions on its use.

As of the end of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$368,807, a decrease of \$116,028. Of this total amount, \$311,402 constitutes the unassigned fund balance, which is available for spending at the government's discretion.

MAYOR AND COUNCIL OF SHARPSBURG

Management's Discussion and Analysis

BUDGETARY HIGHLIGHTS

The Town's General Fund has a net overall unfavorable budget variance of \$44,160. Total expenditures had a favorable budget variance of \$7,627, or 1% of total budgeted expenditures of \$619,441. This was mainly due to the Town incurring less costs for maintenance, mowing and street lighting expenditures for public works, operating expenditures for recreation and culture, and supplies and other operating expenditures for general government. Total revenues had an unfavorable budget variance of \$51,787, or 9% of total budgeted revenues of \$547,573. This was mainly due to the Town receiving less grants for the Pocket Park and community playground than expected.

CAPITAL ASSET AND DEBT ADMINISTRATION – GOVERNMENT-WIDE STATEMENT

Capital Asset Activity

The Town's investment in capital assets for its governmental activities as of June 30, 2023, amounted to \$708,543 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, infrastructure, and park facilities. In fiscal year 2023, the Town purchased one plot of land for \$6,130, security cameras for the playground for \$7,923, a new audio system, work station and television for council meetings for \$25,795 total, fencing for \$17,496, park improvements for \$18,755, slide replacements for the park for \$1,738 and renovations for the Town Hall bathroom for \$10,509 total.

Additional information on the Town's capital assets can be found in the notes, on page 23 in this report.

Debt Administration

The Town has no long-term debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town intends to remain conservative with expenditures in fiscal year 2024. The Mayor and Council anticipate that the economic conditions present in fiscal year 2023 will continue through fiscal year 2024. However, they will not be receiving any more American Rescue Plan funding. Therefore, the fiscal year 2024 budget will remain relatively consistent with last year's budget, with the exception of the American Rescue Plan revenue and related expenditures.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with an overview of the Town's finances. If you have any questions or need additional financial information, please contact the Mayor, Town of Sharpsburg, P.O. Box 368, Sharpsburg, MD 21782.

THE MAYOR AND COUNCIL OF SHARPSBURG
Statement of Net Position
June 30, 2023

	Governmental Activities
ASSETS	
Current Assets	
Cash	\$ 82,754
Cash equivalents - Maryland Local Government Investment Pool	293,473
Receivables	
Due from other governmental agencies	18,677
Other receivables	4,789
	<hr/>
Total Current Assets	399,693
	<hr/>
Noncurrent Assets	
Capital assets not being depreciated	219,166
Capital assets net of accumulated depreciation	489,377
	<hr/>
Total Noncurrent Assets	708,543
	<hr/>
TOTAL ASSETS	\$ 1,108,236
	<hr/> <hr/>
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 13,171
Accrued payroll taxes	4,696
	<hr/>
Total Liabilities	17,867
	<hr/>
NET POSITION	
Net investment in capital assets	708,543
Restricted - Hotel/motel tax	32,768
Restricted - Highway user revenues	24,637
Unrestricted	324,421
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Total Net Position	1,090,369
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TOTAL LIABILITIES AND NET POSITION	\$ 1,108,236
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THE MAYOR AND COUNCIL OF SHARPSBURG
Statement of Activities
Year Ended June 30, 2023

	Expenses	Program Revenues			Net (Expense)
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and in Net Position
					Governmental Activities
PROGRAM ACTIVITIES					
Governmental Activities					
General government	\$ 147,731	\$ 1,647	\$ -	\$ -	\$ (146,084)
Public works	84,691	-	-	-	(84,691)
Waste collection and disposal	57,751	-	-	-	(57,751)
Recreation and culture	130,236	-	26,216	-	(104,020)
Non-departmental	109,338	-	-	-	(109,338)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 529,747	\$ 1,647	\$ 26,216	\$ -	(501,884)
General Revenues					
Taxes					
Property taxes, levied for general purposes					174,872
Income taxes					86,284
Highway taxes					57,872
Hotel/Motel tax					19,039
Coronavirus State and Local Fiscal Recovery Funds					93,750
Franchise fees					5,465
Investment earnings					10,923
Contributions					7,160
Miscellaneous					10,684
Total General Revenues					466,049
Change in Net Position					(35,835)
NET POSITION - BEGINNING OF YEAR					1,126,204
NET POSITION - END OF YEAR					\$ 1,090,369

THE MAYOR AND COUNCIL OF SHARPSBURG
Balance Sheet – Governmental Fund
June 30, 2023

	General Fund
ASSETS	
Current Assets	
Cash	\$ 82,754
Cash equivalents - Maryland Local Government	
Investment Pool	293,473
Receivables	
Due from other governmental agencies	18,677
Other receivables	<u>4,789</u>
TOTAL ASSETS	<u>\$ 399,693</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	
Current Liabilities	
Accounts payable	\$ 13,171
Accrued payroll taxes	<u>4,696</u>
Total Liabilities	<u>17,867</u>
Deferred Inflows of Resources	
Unavailable tax revenues	<u>13,019</u>
Fund Balances	
Restricted - Hotel/motel tax	32,768
Restricted - Highway user revenues	24,637
Unassigned	<u>311,402</u>
Total Fund Balances	<u>368,807</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 399,693</u>

THE MAYOR AND COUNCIL OF SHARPSBURG
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2023

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 368,807

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds. Capital assets consist of:

Capital assets	1,567,057	
Accumulated depreciation	<u>(858,514)</u>	708,543

Certain taxes and other receivables are not received within 60 days of year-end not available to pay current period expenditures and therefore are not reported in the fund financial statement, but are reported in the governmental activities in the Statement of Net Position.

13,019

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 1,090,369

THE MAYOR AND COUNCIL OF SHARPSBURG
Statement of Revenues, Expenditures and Change in Fund Balances -
Governmental Fund
Year Ended June 30, 2023

	General Fund
REVENUES	
Local property taxes and interest, net of discounts	\$ 174,872
Licenses and permits	1,647
Grants and shared taxes	284,642
Other revenue	<u>34,625</u>
Total Revenues	<u>495,786</u>
EXPENDITURES	
General government	129,630
Public works	73,513
Waste collection and disposal	57,751
Recreation and culture	121,221
Non-departmental	109,338
Capital outlay	<u>120,361</u>
Total Expenditures	<u>611,814</u>
Net Change in Fund Balance	(116,028)
FUND BALANCES - BEGINNING OF YEAR	<u>484,835</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 368,807</u></u>

THE MAYOR AND COUNCIL OF SHARPSBURG
Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2023

NET CHANGE IN FUND BALANCE GOVERNMENTAL FUNDS \$ (116,028)

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

Depreciation expense on capital assets is reported in the government-wide statement of activities, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds. (38,950)

Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital asset additions recorded in the current period. 120,361

Because some taxes will not be collected for several months after the Town's fiscal year end, they are not considered "available" revenues in the governmental funds. Unavailable tax revenues changed by this amount this year. (1,218)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (35,835)

THE MAYOR AND COUNCIL OF SHARPSBURG
Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity

The primary government is The Mayor and Council of Sharpsburg, Maryland, referred to herein as the Town.

The accompanying financial statements are presented as of June 30, 2023 and for the year then ended and have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to local governments. The Governmental Accounting Standards Board (the GASB) is the standard setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the *GASB's Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification).

Reporting Entity

The accompanying financial statements comply with the provisions of the GASB in that the financial statements include all organizations, activities, functions and component units for which the Town (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the Town's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the Town.

Based on the foregoing, the Town's financial reporting entity includes all funds, and boards and commissions that are part of the primary government. There are no component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Town has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Balances

Governmental funds classify fund balance based on the relative strength of the spending constraints placed on the purpose for which resources can be used. The classifications are as follows:

Nonspendable

This classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually requires to be maintained intact. This classification includes items such as prepaid amounts and inventories.

Restricted

This classification includes amounts where the constraints placed on the use of resources are externally imposed by creditors, grantors, contributors or imposed by law through constitutional provisions or enabling legislation.

Committed

This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town. Once an amount is committed, it cannot be used for any other purpose unless changed by the same type of formal action used to initially constrain the funds.

Assigned

For the General Fund, this classification includes amounts intended to be used for specific purposes that do not meet the criteria to be classified as Restricted or Committed. The assignment of fund balance cannot result in a negative unassigned fund balance.

Unassigned

This classification represents the portion of spendable fund balance that has not been categorized as Restricted, Committed or Assigned. A negative Unassigned fund balance may occur in any fund when there is an over expenditure of Restricted or Committed fund balance. In this case, any assigned fund balance (and unassigned fund balance in the general fund) would be eliminated prior to reporting a negative unassigned fund balance.

When fund balance resources are available for a specific purpose in multiple classifications, the Town's policy is to use restricted resources first and then apply unrestricted resources in the following order: Committed, Assigned and Unassigned. Committed or Assigned resources would only be used upon specific authorization by the Mayor and Council.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Taxpayer-assessed income, gross receipts, and sales taxes are considered “measurable” when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

The Town reports the following major governmental fund:

The General Fund is the general operating fund of the Town. It is used to account for all financial resources.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the Town to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

THE MAYOR AND COUNCIL OF SHARPSBURG
Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Real Estate and Property Taxes

The Town's tax levy date for real estate taxes is July 1 of each year. These taxes are due July 1 with interest accruing beginning October 1. If tax bills are not paid by the last day of March, the County Treasurer begins the process to sell the delinquent taxpayer's property.

The tax levy date for personal property taxes is July 1 of each year.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$500 and a useful life greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. GASB requires the Town to report and depreciate new infrastructure assets acquired after July 1, 2003. Therefore, infrastructure assets acquired prior to July 1, 2003 are not included in capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	15-20
Buildings and furnishings	5-40
Equipment	5-10
Infrastructure	20-40

Concentrations of Credit Risk

The Town's receivables consist of amounts due for property taxes, franchise fees, and taxes collected by Washington County and the State of Maryland. The Town has the legal right to place a lien on properties for unpaid taxes.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

The Town provides credit in the normal course of business to its customers and performs ongoing credit evaluations of those customers. Trade accounts receivable are recorded net of an allowance for expected losses. Receivables are generally due thirty (30) days after billed. The Town considers allowances for doubtful accounts based on factors surrounding the credit risk of specific customers, historical trends, projection of trends, and other information. Management of the Town periodically reviews the collectability of accounts receivable, and those accounts which are considered not collectable are written off as bad debts. Based on management's review, an allowance for doubtful accounts is not considered necessary.

Investments

The Town participates in the State of Maryland Local Government Investment Pool (MLGIP). Investments are stated at fair value based on quoted market values. At June 30, 2023, all investments are cash equivalents.

Taxes

The Town's general fund does not pay federal, state, or local taxes, except social security taxes.

Rate of Town Taxes

Real estate tax \$.35 per \$100 of assessable base
Personal property tax \$.875 per \$100 of assessable base

Deferred Outflows and Inflows of Resources

In addition to assets, the statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The Town does not have any items that qualify for reporting in this category.

In addition to liabilities, the statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Town has one item that qualifies for reporting in this category at the fund level: unavailable tax revenues.

THE MAYOR AND COUNCIL OF SHARPSBURG
Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

In the government-wide financial statements, net position is classified in the following three categories:

Net Investment in Capital Assets

Consists of capital assets grouped into one component of net position. Accumulated depreciation and the outstanding balances of debt, accounts payable, and retainage payable that are attributable to the acquisition, construction or improvement of these assets reduce the category. Net investment in capital assets as of June 30, 2023 consists of the following:

	Government Wide Activities
Capital assets	\$ 1,567,057
Accumulated depreciation	<u>(858,514)</u>
Net investment in capital assets	<u>\$ 708,543</u>

Restricted

Consists of components of net position with constraints placed on the use by external groups such as creditors, grantors, contributors, regulations of other governments, law through constitutional provisions or enabling legislation. As of June 30, 2023, restrictions of net position are related to the Hotel/Motel tax that must be used for tourism, economic development, and cultural and recreational projects, and highway user revenues that must be used for the construction, reconstruction, or maintenance of roads or streets, and debt service on bonds or other debt issues for such costs, or to establish and maintain footpaths, bridle paths, horse trails and bicycle trails.

Unrestricted

Consists of all other components of net position that do not meet the definition of “net investment in capital assets” or “restricted”.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to use restricted resources first, then unrestricted resources as they are needed.

THE MAYOR AND COUNCIL OF SHARPSBURG
Notes to Financial Statements

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

General governmental revenues and expenditures accounted for in the General Fund are controlled by a formal budgetary accounting system in accordance with legal requirements that govern the Town's operations.

The annual budgets are adopted on a basis consistent with generally accepted accounting principles, except that a transfer from unappropriated surplus is sometimes budgeted as a revenue item. All annual appropriations lapse at the fiscal year end.

There is no approved Capital Projects Fund budget. The Town budgets for projects in the General Fund.

Each year, the Mayor and Town Treasurer get together informally and discuss the budget. The Town Treasurer proposes a budget to the Mayor, who reviews and finalizes a proposed budget. A public hearing to present the budget is held where concerns proposed by citizens are discussed and the Mayor and Council approve the budget by the end of June.

The Town's budget is comprised of the current Operating Budget. The current Operating Budget is based upon estimated revenues and expenditures of operation for the ensuing fiscal year. The Mayor and Council review the Operating Budget in regular public meetings. The Town Treasurer reviews the budget on a monthly basis. All expenditures are approved by the Mayor. Significant changes from the budget are discussed by the Mayor and Council.

During the fiscal year ended June 30, 2023, the Town overspent the budgeted expenditures of the general fund, but the excess expenditures are not expected to result in any negative implications to the Town.

NOTE 3 CASH AND CASH EQUIVALENTS

At June 30, 2023, the carrying amount of the Town's deposits was \$82,754. The related bank balance totaled \$102,774.

Following is a schedule of the Town's deposits by financial institution at June 30, 2023:

Jefferson Security Bank	<u>\$ 102,774</u>
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Included in the Town's cash and cash equivalents balance is restricted cash totaling \$57,405, which consists of \$32,768 restricted for hotel/motel use and \$24,637 restricted for use of highway user revenues toward eligible expenditures.

THE MAYOR AND COUNCIL OF SHARPSBURG
Notes to Financial Statements

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk, however, State law requires that deposits be insured or collateralized. As of June 30, 2023, none of the Town's deposits of \$102,774 were exposed to custodial credit risk.

The Town has no formal investment policy. It is the Town's policy to follow the rules as set forth by State statute.

As of June 30, 2023, the Town had the following investments which are all cash and cash equivalents:

<u>Investment Type</u>	<u>Fair Value</u>
Maryland Local Government Investment Pool	<u>\$ 293,473</u>

The Mayor and Council have agreed to participate in the State of Maryland Local Government Investment Pool (MLGIP) established by Article 95 Section 22G of the Annotated Code of Maryland. The fund is administered by the State Treasurer who invests the funds in accordance with the provisions set forth in Section 6-222 of the State Finance and Pronouncement Article of the Annotated Code of Maryland. MLGIP carries a Standard & Poors rating of AAA.

Significant policies that relate to MLGIP are as follows:

- MLGIP seeks to maintain a constant unit value of \$1.00 per unit. Unit value is computed using the amortized cost method.
- The maximum allowable maturity of any individual security is 13 months.
- All securities in the MLGIP are valued daily on an amortized cost basis. The MLGIP is valued weekly using current market rates for the individual securities held in the pool.
- The yield of the MLGIP is calculated daily and is based on an amortized cost basis.
- Net investment income is accrued daily.
- All participants in the MLGIP receive individual statements for each of their accounts. Statements can be received daily, monthly, quarterly, or upon request.
- Participation in the MLGIP is strictly voluntary.

THE MAYOR AND COUNCIL OF SHARPSBURG
Notes to Financial Statements

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Credit Risk

Investments of the Town, including the MLGIP, are exposed to various risks, such as interest rate, market, currency and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment assets reported in the financial statements.

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023
GOVERNMENTAL ACTIVITIES				
Capital Assets, Not Being Depreciated				
Land	\$ 172,979	\$ 6,130	\$ -	\$ 179,109
Construction in progress	8,042	40,057	8,042	40,057
	<u>181,021</u>	<u>46,187</u>	<u>8,042</u>	<u>219,166</u>
Capital Assets Being Depreciated				
Land improvements	404,479	37,989	-	442,468
Buildings and furnishings	529,640	10,509	-	540,149
Equipment	82,359	33,718	-	116,077
Infrastructure	249,197	-	-	249,197
Total Capital Assets Being Depreciated	<u>1,265,675</u>	<u>82,216</u>	<u>-</u>	<u>1,347,891</u>
Total Capital Assets	<u>1,446,696</u>	<u>128,403</u>	<u>8,042</u>	<u>1,567,057</u>
Accumulated Depreciation For				
Land improvements	(324,783)	(11,178)	-	(335,961)
Buildings and furnishings	(326,945)	(13,536)	-	(340,481)
Infrastructure	(95,613)	(9,671)	-	(105,284)
Equipment	(72,223)	(4,565)	-	(76,788)
Total Accumulated Depreciation	<u>(819,564)</u>	<u>(38,950)</u>	<u>-</u>	<u>(858,514)</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET				
	<u>\$ 627,132</u>	<u>\$ 89,453</u>	<u>\$ 8,042</u>	<u>\$ 708,543</u>

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

Governmental Activities	
General government	\$ 18,101
Public works	11,178
Recreation and culture	9,671
	<u>\$ 38,950</u>

THE MAYOR AND COUNCIL OF SHARPSBURG
Notes to Financial Statements

NOTE 5 RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has joined the Local Government Insurance Trust (LGIT), a public entity risk pool currently operating as a common risk management and insurance program for certain State of Maryland local governments. The Town makes an annual payment to LGIT for its property, general liability and public official insurance coverage.

Since the solvency of LGIT is guaranteed and backed by the full faith and credit of the member governments, there could be assessments for excess expenses incurred by LGIT.

The Town carries commercial insurance for workers' compensation and employees bond. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The Mayor and Council of Sharpsburg
Schedule of Revenues and Expenditures – Budget and Actual – General Fund
Year Ended June 30, 2023 (Unaudited)

	Original/Final Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES			
Local Property Taxes and Interest			
Real property and interest	\$ 160,000	164,546	\$ 4,546
Personal property	25,000	15,165	(9,835)
	<u>185,000</u>	<u>179,711</u>	<u>(5,289)</u>
Less Discounts Allowed	-	(4,839)	(4,839)
	<u>185,000</u>	<u>174,872</u>	<u>(10,128)</u>
Licenses and Permits			
Traders	300	202	(98)
Planning and zoning	700	1,445	745
	<u>1,000</u>	<u>1,647</u>	<u>647</u>
Grants and Shared Taxes			
State of Maryland			
Highway tax	55,400	59,090	3,690
Income tax	80,000	86,284	6,284
ARPA Coronavirus State and Local Fiscal Recovery Funds	93,750	93,750	-
Maryland Heritage Areas Program			
Grant	-	11,216	11,216
Washington County			
Grant in lieu of tax on financial corporations	263	263	-
Grant for Memorial Day parade event	10,000	5,000	(5,000)
Grant for Pocket Park projects	34,000	10,000	(24,000)
Hotel/Motel tax	16,000	19,039	3,039
	<u>289,413</u>	<u>284,642</u>	<u>(4,771)</u>
Other Revenue			
Cable TV franchise fees	6,100	5,465	(635)
Interest	160	10,923	10,763
Other income	64,900	10,421	(54,479)
Contributions	-	7,160	7,160
Memorial Day parade	1,000	656	(344)
	<u>72,160</u>	<u>34,625</u>	<u>(37,535)</u>
TOTAL REVENUES	<u>\$ 547,573</u>	<u>\$ 495,786</u>	<u>\$ (51,787)</u>

The Mayor and Council of Sharpsburg
Schedule of Revenues and Expenditures – Budget and Actual – General Fund
Year Ended June 30, 2023 (Unaudited)

(Continued)

	Original/Final Budget	Actual	Variance with Final Budget - Positive (Negative)
EXPENDITURES			
General Government			
Legislative			
Town Council			
MD Municipal League	\$ 5,000	\$ 4,823	\$ 177
Clerk to Council			
Salaries	42,000	46,096	(4,096)
Payroll taxes	3,213	3,788	(575)
Supplies and operating expenditures	49,100	10,092	39,008
	<u>99,313</u>	<u>64,799</u>	<u>34,514</u>
Legal and Accounting Fees			
	<u>19,000</u>	<u>18,340</u>	<u>660</u>
Municipal Buildings			
Utilities	7,000	10,157	(3,157)
Repairs and maintenance	6,500	17,208	(10,708)
Cleaning service	4,000	5,151	(1,151)
Contracts	7,000	10,627	(3,627)
	<u>24,500</u>	<u>43,143</u>	<u>(18,643)</u>
Other			
Other operating expenditures	31,500	3,348	28,152
	<u>31,500</u>	<u>3,348</u>	<u>28,152</u>
Total General Government	<u>174,313</u>	<u>129,630</u>	<u>44,683</u>
Public Works			
Streets, Roadways and Alleys			
Maintenance	60,000	45,151	14,849
Street lighting	15,000	14,697	303
Mowing contract	25,000	13,665	11,335
	<u>100,000</u>	<u>73,513</u>	<u>26,487</u>
Total Public Works	<u>100,000</u>	<u>73,513</u>	<u>26,487</u>
Waste Collection and Disposal			
	<u>61,000</u>	<u>57,751</u>	<u>3,249</u>
Recreation and Culture			
Operating expenditures	165,300	80,386	84,914
Special events	4,000	22,748	(18,748)
Memorial Day fund	20,000	18,087	1,913
	<u>189,300</u>	<u>121,221</u>	<u>68,079</u>
Total Recreation and Culture	<u>189,300</u>	<u>121,221</u>	<u>68,079</u>
Non-Departmental			
Advertising	600	63	537
Bank charges	28	28	-
Donations	10,000	24,230	(14,230)
Water rebates	80,000	80,920	(920)
Insurance and workers' compensation	4,200	4,097	103
	<u>94,828</u>	<u>109,338</u>	<u>(14,510)</u>
Total Non-Departmental	<u>94,828</u>	<u>109,338</u>	<u>(14,510)</u>
Capital Outlay			
	<u>-</u>	<u>120,361</u>	<u>(120,361)</u>
Total Expenditures	<u>619,441</u>	<u>611,814</u>	<u>7,627</u>
NET CHANGE IN FUND BALANCE	<u>\$ (71,868)</u>	<u>\$ (116,028)</u>	<u>\$ (44,160)</u>