

TOWN OF WESTERNPORT, MARYLAND

FINANCIAL REPORT

JUNE 30, 2022

TOWN OF WESTERNPORT, MARYLAND
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INDEPENDENT AUDITOR'S REPORT

Town of Westernport
Westernport, MD 21562

Report on the Audit of the Financial Statements

Opinions

I have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Westernport, Maryland, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Westernport, Maryland's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Westernport, Maryland, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows, thereof for the year end then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Town of Westernport, Maryland and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 arise substantial doubt about the Town of Westernport, Maryland'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

My 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 my 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 and Government 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatements 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 Town of Westernport, Maryland'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 my judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Westernport, Maryland's ability to continue as a going concern for a reasonable period of time.

I am 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 I 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 - 9 and 35 to 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

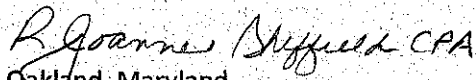
Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Westernport, Maryland's basic financial statements. The accompanying combining statement of net position – proprietary fund is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining statement of net position – proprietary fund is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated February 9, 2023, on my consideration of the Town of Westernport, Maryland's internal control over financial reporting and on my test of its compliance with certain provisions of laws, regulation, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Westernport, Maryland's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Town of Westernport, Maryland's internal control over financial reporting and compliance.


Oakland, Maryland
February 9, 2023

TOWN OF WESTERNPORT, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2022

Our discussion and analysis of the financial performance of the Town of Westernport, Maryland provides an overview of the Town's financial activities for the fiscal year ended June 30, 2022. We encourage readers to use the following information in conjunction with the basic financial statements and the accompanying notes to the financial statements as referred to in the table of contents.

Financial Highlights

- At June 30, 2022, the assets of the Town of Westernport, Maryland exceeded the liabilities by \$22,464,197. Unrestricted net position was \$848,722.
- Net position increased by \$933,040 from June 30, 2021 to June 30, 2022. The increase is primarily attributed to Cares Act Funds received.
- The fund balance of the governmental funds increased by \$367,398 from \$2,930,095 at June 30, 2021 to \$3,297,493 at June 30, 2022. This is attributed to the excess of revenues over expenditures.
- The total debt of the Town of Westernport, Maryland decreased by \$8,332.
- The unassigned fund balance for the general fund was \$3,098,994 at June 30, 2022.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to the basic financial statements this report contains other supplementary information.

Government-wide financial statements. The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, in a format that is comparable to a private-sector business.

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

The Statement of Activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e. uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general administrative services, public safety (police and fire), public works (maintenance and streets), and recreation (parks). The business-type activities of the Town include water, sewer and garbage operations.

TOWN OF WESTERNPORT, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2022

The Statement of Net Position and the Statement of Activities are prepared using the full accrual basis of accounting. The full accrual basis of accounting recognizes revenue when earned and expenditures are recognized when incurred.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: 1) governmental funds, and 2) proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains two individual governmental funds. Information is presented separately in the governmental balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and special revenue fund.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. The Town maintains one enterprise fund that is used to report the same functions presented as business-type activities in the government-wide financial statements; specifically, water, sewer, and garbage.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for water, sewer, and garbage, which are considered to be major funds of the Town.

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

Government-wide Financial Analysis

The Town's total net position as of June 30, 2022 was \$22,464,197. The largest portion of net assets is the net investment in capital assets, in the amount of \$21,363,057. Restricted net position in the amount of \$10,478 is restricted to use for eligible activities as stipulated by the Cares Act, \$170,057 is restricted to street paving, \$11,994 restricted for the fire department and \$59,889 is restricted for Bay Restoration fees due to the State of

TOWN OF WESTERNPORT, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2022

Maryland. The unrestricted portion is \$848,722. At the end of the current fiscal year net assets reflected a positive balance for the Town as a whole. The following is a condensed statement of net position:

	Condensed Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2021	2022	2021	2022	2021	2022
Current and Other Assets	3,598,294	3,582,007	(1,248,092)	(1,573,998)	2,350,202	2,008,009
Capital Assets	1,730,033	1,802,492	26,000,312	26,884,962	27,730,345	28,687,454
Total Assets	5,328,327	5,384,499	24,752,220	25,310,964	30,080,547	30,695,463
Long-term Liabilities	610,360	322,899	7,416,455	7,194,831	8,026,815	7,517,730
Other Liabilities	127,053	244,162	395,522	409,485	522,575	653,647
Total Liabilities	737,413	567,061	7,811,977	7,604,316	8,549,390	8,171,377
Net Position						
Invested in Capital Assets						
net of related debt	1,691,738	1,550,990	18,722,542	19,812,067	20,414,280	21,363,057
Restricted	713,911	192,529	40,286	59,889	754,197	252,418
Unrestricted	2,185,265	3,073,919	(1,822,585)	(2,225,197)	362,680	848,722
Total Net Position	4,590,914	4,817,438	16,940,243	17,646,759	21,531,157	22,464,197

The change in net position for the year was favorable when combining the governmental activities and the business-type entities in the amount of \$933,040. The prior year change in net assets was unfavorable when combining the governmental activities and the business type activities by \$381,376. The breakdown of the two reports a increase in net assets in the business-type entity in the amount of \$706,516 and an increase in the governmental activities in the amount of \$226,524. The net increase in the business-type entity includes depreciation expense in the amount of \$1,008,786. The unfavorable change from the prior year is attributed to depreciation. The following is a condensed statement of changes in net position:

TOWN OF WESTERNPORT, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2022

Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2022	2021	2022	2021	2022
Revenues						
Program Revenues:						
General Revenues:						
Property Taxes	398,410	401,963			398,410	401,963
Income Taxes	133,294	106,817			133,294	106,817
Franchise Taxes	21,621	36,509			21,621	36,509
Highway User Tax	91,601	109,321			91,601	109,321
Licenses and Permits	3,085	4,181			3,085	4,181
Charges for Services			1,176,105	1,285,063	1,176,105	1,285,063
Grants	8,978	850,279	476,104	1,588,006	485,082	2,438,285
Investment Income	6,549	4,080	2,966	2,814	9,515	6,894
Miscellaneous Revenue	21,122	52,595	10,475		31,597	52,595
Total Revenue	684,660	1,565,745	1,665,650	2,875,883	2,350,310	4,441,628
Expenses:						
General Government	198,396	198,288			198,396	198,288
Public Safety	27,334	28,510			27,334	28,510
Street Department	365,516	989,487			365,516	989,487
Recreation and Parks	45,737	44,714			45,737	44,714
Water			1,118,632	1,274,304	1,118,632	1,274,304
Sewer			606,408	580,686	606,408	580,686
Garbage			142,008	133,301	142,008	133,301
Interest on Long-Term Debt			152,558	173,994	152,558	173,994
Miscellaneous	68,015	78,222	7,082	7,082	75,097	85,304
Total Expenses	704,998	1,339,221	2,026,688	2,169,367	2,731,686	3,508,588
Increase in Net Position	(20,338)	226,524	(361,038)	706,516	(381,376)	933,040
Net Position, July 1,	4,611,252	4,590,914	17,301,281	16,940,243	21,912,533	21,531,157
Net Position, June 30,	4,590,914	4,817,438	16,940,243	17,646,759	21,531,157	22,464,197

TOWN OF WESTERNPORT, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2022

FUND FINANCIAL STATEMENTS FINANCIAL ANALYSIS

Governmental funds – The fund financial statements provide information on the financial position and results of operation for two different funds. In contrast to the government-wide financial statements the governmental funds balance sheet reports only the current assets and liabilities. The total fund balances at June 30, 2022 were \$3,297,493 an increase of \$367,398 from the prior year. The unassigned fund balance total is \$3,098,994 in the general fund. The restricted fund balance is \$186,505 in the general fund and \$11,994 in the Special Revenue Fund. The statement of revenues, expenditures and changes in fund balances governmental funds reports the detail on the revenues and expenditures for the two funds. The primary source of operating revenue is derived from taxes. Taxes include real estate taxes, personal property taxes, local income taxes and franchise taxes. Deferred inflows of resources totaled \$84,331 at June 30, 2022, a decrease of \$3,349 from the prior year.

Proprietary funds – The Town's proprietary fund statements provide the same type of information found in the governmental-wide financial statements, only in more detail. The total unrestricted net position of the proprietary funds at the end of the year reported a deficit of \$2,225,197. The net investment in capital assets was \$19,812,067 and restricted net position was \$59,889. Overall the net position was \$17,646,759.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Town did not amend the budget for the fiscal year ended June 30, 2022. The actual revenue exceeded the budgeted revenue by \$996,386. The actual expenditures were more than the budgeted expenditures by \$626,329. The overall budget variance was favorable in the amount of \$370,057. The variances are primarily attributed to Cares Act Funds received and spent that was not budgeted.

CAPITAL ASSETS

The Town's investment in capital assets consists of land, buildings, equipment, infrastructure, parks, site costs, work in progress and vehicles. The net investment in capital assets at June 30, 2022 totaled \$28,687,454. The following table summarizes the Town's capital assets:

Summary of Capital Assets
(Net of Depreciation)

	Governmental Activities	Business-Type Activities
Land	\$ 70,033	\$ 5,486
Buildings	647,964	
Equipment & Vehicles	132,512	
Infrastructure	614,650	26,744,525
Parks	319,544	
Site Costs - Moran Manor	17,789	
Closing Costs		134,951
	<u>\$ 1,802,492</u>	<u>\$ 26,884,962</u>

TOWN OF WESTERNPORT, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2022

LONG-TERM DEBT

At June 30, 2022 the Town had debt outstanding totaling \$7,324,397. The governmental activities had debt outstanding in the amount of \$251,502 and the business-type activities had \$7,072,895 outstanding at year end. The notes payable increased from the prior year in the amount of \$8,332.

ECONOMIC FACTORS AND NEXT YEARS' BUDGET AND RATES

The Mayor and Commissioners of the Town of Westernport expect to continue to see cash flow reduction. The Mayor and Commissioners have started addressing this issue by reducing personnel expenses, and increasing water rates, with goals to improve the customer base by adding the City of Piedmont as a water customer.

The Town of Westernport has completed the Phase IV Water project and Lincoln Drive Sewer Rehabilitation. Phases V -VII Water project has started with construction to begin in the fall of 2023. The new water and sewer system will decrease both systems' operation and maintenance costs.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Honorable Mayor Judy Hamilton or Clerk Treasurer Renee Morris at PO Box 266, Westernport, MD 21562. Email the town at townhall@townofwesternport.us

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

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalent	\$ 444,123	\$ 772,609	\$ 1,216,732
Restricted Cash		59,889	59,889
Accounts Receivable, net of allowance for doubtful accounts	50,547	178,530	229,077
Internal Receivable	2,864,644	(2,864,644)	-
Taxes Receivable, net of allowance for doubtful accounts	84,331		84,331
Investments	138,362		138,362
Total Current Assets	<u>3,582,007</u>	<u>(1,853,616)</u>	<u>1,728,391</u>
Capital Assets:			
Non-depreciable	70,033	5,486	75,519
Depreciable, net of accumulated depreciation	<u>1,732,459</u>	<u>26,879,476</u>	<u>28,611,935</u>
Total Capital Assets, net of accumulated depreciation	<u>1,802,492</u>	<u>26,884,962</u>	<u>28,687,454</u>
Non-current Assets:			
Due from UPRC, net of allowance for doubtful accounts		840	840
Notes Receivable		218,889	218,889
Total Non-current Assets	<u>-</u>	<u>219,729</u>	<u>219,729</u>
TOTAL ASSETS	<u>\$ 5,384,499</u>	<u>\$ 25,251,075</u>	<u>\$ 30,635,574</u>
LIABILITIES			
Current Liabilities			
Accounts Payable and Accrued Expenses	\$ 193,920	\$ 106,435	\$ 300,355
Salaries and Benefits Payable	6,065	18,846	24,911
Bay Restoration Fees Payable		34,143	34,143
Accrued Interest Payable	198	22,781	22,979
Current Portion of Long-Term Debt	<u>43,979</u>	<u>218,826</u>	<u>262,805</u>
Total Current-Liabilities	<u>244,162</u>	<u>401,031</u>	<u>645,193</u>
Noncurrent-Liabilities:			
UPRC Judgment Payable		92,411	92,411
Pension Obligation	115,376	256,805	372,181
Long-Term Debt, net of current portion	<u>207,523</u>	<u>6,854,069</u>	<u>7,061,592</u>
Total Noncurrent Liabilities	<u>322,899</u>	<u>7,203,285</u>	<u>7,526,184</u>
TOTAL LIABILITIES	<u>567,061</u>	<u>7,604,316</u>	<u>8,171,377</u>
NET POSITION			
Net Investment in Capital Assets	1,550,990	19,812,067	21,363,057
Restricted	192,529	59,889	252,418
Unrestricted	<u>3,073,919</u>	<u>(2,225,197)</u>	<u>848,722</u>
TOTAL NET POSITION	<u>\$ 4,817,438</u>	<u>\$ 17,646,759</u>	<u>\$ 22,464,197</u>

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

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

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total
PRIMARY GOVERNMENT							
Governmental Activities:							
General Government	\$ 198,288		\$ 850,279		\$ 651,991	\$ -	\$ 651,991
Public Safety	28,510				(28,510)		(28,510)
Street Department	328,669				(328,669)		(328,669)
Recreation and Parks	44,714				(44,714)		(44,714)
Miscellaneous	78,222				(78,222)		(78,222)
	678,403		850,279		171,876		171,876
Business-type Activities							
Water, Sewer, Garbage	2,169,367	\$ 1,285,063		\$ 927,188		\$ 42,884	42,884
Total Business-type Activities	2,169,367	1,285,063		927,188		42,884	42,884
TOTAL PRIMARY GOVERNMENT	<u>\$ 2,847,770</u>	<u>\$ 1,285,063</u>	<u>\$ 850,279</u>	<u>\$ 927,188</u>	<u>171,876</u>	<u>42,884</u>	<u>214,760</u>
Revenues:							
Taxes:							
Property Taxes					401,963		401,963
Income Taxes					106,817		106,817
Franchise Taxes					36,509		36,509
Highway User Tax					109,321		109,321
Licenses and Permits					4,181		4,181
Investment Income					4,080	2,814	6,894
Miscellaneous Revenues					52,595		52,595
Transfer					(660,818)	660,818	-
Total General Revenues					54,648	663,632	718,280
CHANGES IN NET POSITION					226,524	706,516	933,040
NET POSITION, JULY 1, 2021					4,590,914	16,940,243	21,531,157
NET POSITION, JUNE 30, 2022					<u>\$ 4,817,438</u>	<u>\$ 17,646,759</u>	<u>\$ 22,464,197</u>

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

TOWN OF WESTERNPORT, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and Cash equivalents	\$ 432,129	\$ 11,994	\$ 444,123
Accounts Receivable	50,547		50,547
Taxes Receivable	84,331		84,331
Investments	138,362		138,362
Internal Receivables	2,864,644		2,864,644
TOTAL ASSETS	\$ 3,570,013	\$ 11,994	\$ 3,582,007
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable and Accrued Expenses	\$ 194,118		\$ 194,118
Salaries and Benefits Payable	6,065		6,065
TOTAL LIABILITIES	200,183		200,183
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	84,331		84,331
TOTAL DEFERRED INFLOWS OF RESOURCES	84,331		84,331
FUND BALANCES			
Restricted	186,505	\$ 11,994	198,499
Unassigned	3,098,994		3,098,994
TOTAL FUND BALANCES	3,285,499	11,994	3,297,493
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 3,570,013	\$ 11,994	\$ 3,582,007

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

TOWN OF WESTERNPORT, MARYLAND
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2022

Total Fund Balances - Governmental Funds	\$	3,297,493
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds -		
Governmental capital assets, net of accumulated depreciation		1,802,492
Accounts receivable for taxes not collected within 60 days after year end are reported as deferred inflows of resources in the governmental funds -		
Unavailable revenue - property taxes		84,331
Long-term pension obligation are not due and payable in the current period, and therefore are not reported as liabilities in the funds		
		(115,376)
Long-term liabilities are not due and payable in the current period, and therefore are not reported as liabilities in the funds		
Long-term Debt		<u>(251,502)</u>
Total Net Position - Governmental Activities	\$	<u><u>4,817,438</u></u>

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

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

	General Fund	Special Revenue Fund	Total
Revenues			
Taxes	\$ 491,278	\$ 20,851	\$ 512,129
Licenses and Permits	40,690		40,690
Intergovernmental Revenue	959,600		959,600
Miscellaneous Revenues	52,595		52,595
Investment income	4,080		4,080
TOTAL REVENUES	1,548,243	20,851	1,569,094
EXPENDITURES			
Current:			
General Government	181,029		181,029
Public Safety	5,000	23,510	28,510
Parks, Recreation & Culture	1,438		1,438
Public Works	232,076		232,076
Debt	43,723		43,723
Miscellaneous	74,515		74,515
Capital Outlay	229,587		229,587
TOTAL EXPENDITURES	767,368	23,510	790,878
Excess of Revenues Over Expenditures	780,875	(2,659)	778,216
OTHER FINANCING SOURCES (USES)			
Transfer	(660,818)		(660,818)
Loan Proceeds	250,000		250,000
TOTAL OTHER FINANCING SOURCES (USES)	(410,818)		(410,818)
Net Change in Fund Balances	370,057	(2,659)	367,398
FUND BALANCE - JULY 1, 2021	2,915,442	14,653	2,930,095
FUND BALANCE - JUNE 30, 2022	<u>\$ 3,285,499</u>	<u>\$ 11,994</u>	<u>\$ 3,297,493</u>

The accompanying notes are an integral part of the financial statements

TOWN OF WESTERNPORT, MARYLAND
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES ANDS CHANGES IN FUND BALANCE TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Total Net Changes in Fund Balance - Governmental Funds	\$ 367,398
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives. Depreciation expense \$157,128 and capital outlays \$229,587.	72,459
Repayment of note proceeds is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of position.	36,793
Loan Proceeds	(250,000)
Decrease in long-term pension obligation	3,223
Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in governmental funds - Deferred inflows of resources - Property Taxes Decreased	(3,349)
Total change in net position of governmental activities	<u>\$ 226,524</u>

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

TOWN OF WESTERNPORT, MARYLAND
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2022

ASSETS

Current Assets:	
Cash	\$ 772,609
Restricted Cash	59,889
Accounts Receivable	178,530
Total Current Assets	<u>1,011,028</u>
Capital Assets:	
Non-depreciable	5,486
Depreciable, net of accumulated depreciation	26,879,476
Total Capital Assets, net of accumulated depreciation	<u>26,884,962</u>
Non-current Assets:	
Due from UPRC, net of allowance for doubtful accounts	840
Notes Receivable	218,889
Total Non-current Assets	<u>219,729</u>
TOTAL ASSETS	<u><u>\$ 28,115,719</u></u>

LIABILITIES

Current Liabilities:	
Accounts Payable	\$ 106,435
Salaries and Benefits Payable	18,846
Bay Restoration Fees Payable	34,143
Accrued Interest Payable	22,781
Due to Other Funds	2,864,644
Current Portion of Long-term Debt	227,280
Total Current Liabilities	<u>3,274,129</u>
Noncurrent Liabilities:	
UPRC Judgment Payable	92,411
Pension Obligation	256,805
Notes Payable, less current portion	6,845,615
Total Noncurrent Liabilities	<u>7,194,831</u>
TOTAL LIABILITIES	<u>10,468,960</u>

NET POSITION

Net Position:	
Net Investment in Capital Assets	19,812,067
Restricted	59,889
Unrestricted	(2,225,197)
Total Net Position	<u>17,646,759</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 28,115,719</u></u>

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

Town of Westernport, Maryland
Statement of Revenues, Expenses and Changes In Net Position
Proprietary Fund
For the Year Ended June 30, 2022

	Water	Sewer	Garbage	Total
Operating Revenues	\$ 862,155	\$ 277,772	\$ 145,136	\$ 1,285,063
Operating Expenses				
Automobile expense	55,419			55,419
Advertising and promotion	295	71		366
Depreciation	681,356	327,430		1,008,786
Insurance	6,327	5,807		12,134
Payroll taxes and benefits	22,289	13,076		35,365
Office Expense	11,216	48	65	11,329
Professional fees	4,960	3,979		8,939
Purification	42,912			42,912
Repairs and Maintenance	61,635	1,517		63,152
Salaries and wages	237,809	104,233		342,042
Operating	1,552	123,430	133,236	258,218
Supplies	23,821	233		24,054
Travel	7,038			7,038
Donation	50,000			50,000
Utilities	67,675	862		68,537
Total Operating Expenses	1,274,304	580,686	133,301	1,988,291
Operating Income (Loss)	(412,149)	(302,914)	11,835	(703,228)
NON-OPERATING REVENUE (EXPENSES)				
Administrative fees	(5,601)	(1,481)		(7,082)
Interest Income	51	2,763		2,814
Interest expense	(173,819)	(175)		(173,994)
Total Non-operating Revenues (Expenses)	(179,369)	1,107	-	(178,262)
Income (loss) before contributions	(591,518)	(301,807)	11,835	(881,490)
Fund Transfer	660,818			660,818
Capital Contributions - grants	927,188			927,188
Change in Net Position	996,488	(301,807)	11,835	706,516
TOTAL NET POSITION- JULY 1, 2021	7,725,842	9,191,470	22,931	16,940,243
TOTAL NET POSITION - JUNE 30, 2022	\$ 8,722,330	\$ 8,889,663	\$ 34,766	\$ 17,646,759

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

Town of Westernport, Maryland
Statement of Cash Flows
Proprietary Fund
For The Year Ended June 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from Customers and Users	\$ 1,247,266
Payments to Vendors	(607,495)
Payments to Employees	(375,192)
Net Cash Provided by Operating Activities	<u>264,579</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Transfer from Other Fund	660,818
Net Cash Received from Other Funds	<u>297,264</u>
Net Cash Provided by Noncapital Financing Activities	958,082

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Purchase of Capital Assets	(1,893,436)
Principal Paid on Loans	(204,875)
Grants Received for Capital Improvements	1,009,327
Interest Paid on Loans	(172,764)
Bay Restoration Fees	(835)
Administrative Fees	(7,082)
Net Cash Used by Capital and Related Financing Activities	<u>(1,269,665)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	<u>51</u>
Net Cash Provided by Investing Activities	<u>51</u>

Net Change in Cash	(46,953)
Cash and Cash Equivalents, July 1, 2021	<u>879,451</u>
Cash and Cash Equivalents June 30, 2022	<u><u>\$ 832,498</u></u>

Reconciliation of Operating Income to Net Cash Provided

By Operating Activities	
Operating Income (loss)	\$ (703,228)
Adjustments not Affecting Cash	
Depreciation	1,008,786
(Increase) Decrease in Current Assets:	
Accounts Receivable	(37,797)
Increase (decrease) in Current Liabilities:	
Accounts Payable	(5,397)
Salaries and Benefits Payable	2,215
Net Cash Provided by Operating Activities	<u><u>\$ 264,579</u></u>

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

TOWN OF WESTERNPORT, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SIGNIFICANT ACCOUNTING POLICES

Financial Reporting Entity

The Town of Westernport, Maryland, was incorporated in 1858, under the provisions of the laws of the State of Maryland. The Town operates under a Mayor/Commissioners form of government and provides the following services: general government, public safety, public works, parks and recreation. The basic financial statements include the departments, agencies, and other organizational units over which the Mayor and Commissioners exercise oversight responsibility. In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in GASB Statements No. 14 and No. 39. Based on those criteria, there are no component units.

The accounting policies of the Town conform to generally accepted account principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in the Statement of Auditing Standards of the American Institute of Certified Public Accountants.

Basis of Presentation

The Town's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide financial statements -

The government-wide financial statements report information on all the nonfiduciary activities of the primary government. Government activities, which are normally 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 statement of net position presents the financial condition of the governmental and business-type activities of the Town at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Town's governmental activities and for the business-type activities of the Town. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program 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 of the Town. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Town.

TOWN OF WESTERNPORT, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SIGNIFICANT ACCOUNTING POLICES (continued)

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/from on the Governmental Fund Balance Sheet and the Proprietary Fund Statement of Net Position. All interfund transactions between governmental funds are eliminated on the government-wide statements.

Fund Financial Statements - During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each proprietary and governmental fund was a major fund and is presented in a separate column.

Fund Accounting

The accounts of the Town are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, deferred inflows of resources and fund equity, revenues and expenses or expenditures. The following funds are used by the Town:

Governmental Fund Types - The Town utilizes two governmental fund types, the General Fund and Special Revenue Fund. The General Fund is the general operating fund of the Town. All financial resources, except those required to be accounted for in another fund, are accounted for in the fund. The Special Revenue Fund is used to record financial transactions relating to the fire department. The fire department receives ten cents of each \$1.50 of real estate taxes collected by the Town.

Proprietary Fund Type - The Town utilizes one proprietary fund type, the Water, Sewer and Garbage Fund. This fund is used to account for the operations which are financed and operated in a manner similar to private businesses. The intent is that the costs (expenses, including depreciation) of providing the services to the general public on a continuing basis is to be financed or recovered primarily through user charges. Therefore, all revenues and expenses relating to providing water, sewer, and garbage services are accounted for in these funds.

Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets, all liabilities and deferred inflow of resources associated with the operation of the Town are included on the statement of net position. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

TOWN OF WESTERNPORT, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SIGNIFICANT ACCOUNTING POLICES (continued)

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current liabilities and deferred inflow of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (e.g. revenues and other financing sources) and uses (e.g. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the proprietary funds are accounted for on a flow of economic resources measurement focus. All assets, all liabilities and deferred inflow of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (e.g. revenues) and decreases (e.g. expenses) in net total position. The statement of cash flows provides information about how the Town finances and meets the cash flow needs of its proprietary funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers property taxes as available if they are collected within 60 days after year-end. Penalties and interest and miscellaneous revenues are recorded when received in cash since they are generally not measurable until actually collected. Expenditures are recorded when the related fund liability is incurred.

The proprietary funds are accounted for on a flow of economic resources measurement and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses

TOWN OF WESTERNPORT, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SIGNIFICANT ACCOUNTING POLICES (continued)

in the accounting period in which they are incurred and become measureable. All GASB pronouncements are followed in the proprietary fund. FASB, APB Opinions and ARB's issued on or before November 30, 1989 are followed to the extent they do not contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989 that are developed for business entities are followed to the extent that they do not contradict GASB.

In addition to liabilities, the statement of financial position 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Budgets and Budgetary Accounting

The Town follows these procedures in establishing the budgetary data reflected in the financial statements: The Mayor submits to the Town Commissioners a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and anticipated revenues. A public hearing is conducted to obtain taxpayer comments, and the budget is adopted in the form of an ordinance. Formal budgetary integration is employed as a management control device during the year for the General Fund. The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP). Budget amounts are as originally adopted and no amendments were made to the original appropriations which were approved.

Cash and Cash Equivalents

For financial statement purposes, the Town considers all short-term, highly liquid investments with an original maturity of three months or less to be cash and cash equivalents.

TOWN OF WESTERNPORT, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SIGNIFICANT ACCOUNTING POLICES (continued)

Investments

In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain 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.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported on the government-wide statement of net position under business-type activities and on the statement of net position – proprietary funds.

All capital assets are capitalized at cost (or estimated historical cost). When a capital asset is disposed or retired, the cost and related accumulated depreciation is removed from the books with any gain or loss reflected as income. The Town maintains a capitalization threshold of \$500. Public domain (infrastructure) general fixed assets including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are capitalized along with other general fixed assets. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Sewers	30 - 50
Pumping Stations	25 - 50
Machinery and Equipment	5 - 25
Dams and Reservoirs	100
Filtration Plant	10 - 50
Meters and Meter Boxes	25
Distribution Mains	50
Fire Hydrants	33.5
Infrastructure	20
Sidewalks/Paving/Floodwalls	20
Parks and Recreations Areas	20

TOWN OF WESTERNPORT, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SIGNIFICANT ACCOUNTING POLICES (continued)

Due To/From Other Funds

"Due from" other funds are considered "available spendable resources". The amount due to the General Fund represents expenditures paid by the General Fund on behalf of the Proprietary Funds.

Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net position. Interfund balances have no set repayment schedule and are generally not expected to be repaid within one year. The interfund balance as of June 30, 2022 was \$2,864,644. The entire balance is due from the proprietary fund to the general fund. The funds were used to operate the water and sewer system.

Compensated Absences

Annual leave is earned on a calendar year basis. Any unused annual leave at December 31st is forfeited thus all compensated absences at June 30th are current liabilities. Employees are paid any unused annual leave that has not been forfeited upon separation of employment.

Sick leave is accrued based on length of employment. The Town does not reimburse employees for the unused accumulated sick leave upon separation of employment.

Equity Classifications

Government-wide financial statements – Equity is classified as net position and displayed in three components: 1) Net investment in capital assets, this component consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvements of those assets. 2) Restricted net position, this component consists of net position with restrictions placed on the use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments or law through constitutional provisions or enabling legislation. 3) Unrestricted net position, this component consists of all other net position that do not meet the definition of restricted or net investment in capital assets.

TOWN OF WESTERNPORT, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SIGNIFICANT ACCOUNTING POLICES (continued)

Fund Financial Statements – Governmental fund equity is classified as fund balance.

Governmental Fund Financial Statements - In the fund financial statements, governmental funds report fund balances as nonspendable, restricted, committed, assigned or unassigned. Nonspendable – Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted – Amounts that can be spent only for specific purposes because of the Town's state or federal laws, or externally imposed conditions by grantors or creditors. Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (passed motion) of the government's highest level of decision-making authority. Assigned – Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Mayor and Town Council are the body authorized to establish a policy and assign amounts to specific purposes. Unassigned – All amounts not included in other spendable classifications. Proprietary fund equity is classified the same as in the government-wide statements.

Restricted Resources

The Town's policy is to first apply restricted resources for expenses incurred where both restricted and unrestricted are available. In governmental funds, the Town's policy is to first apply the expenditure toward the restricted fund balance and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned fund balances.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Town, these revenues are for services (water, sewer and garbage) provided by the Proprietary Fund to the general public. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund. Revenues and expenses not meeting this definition are reported as non-operating.

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

TOWN OF WESTERNPORT, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 2 – PROPERTY TAX

The Town property taxes are levied each July 1 on the assessed valuations established by the State. Property taxes are due on July 1 and become delinquent after October 1 and attach as an enforceable lien on the property. All taxes not paid are in arrears after the last day of March and are turned over to the official of Allegany County for the sale of delinquent property. The real estate tax rate assessed for the year ended June 30, 2022 to finance general government services was \$.60 per \$100 of assessed valuation. The personal property tax rate for the year ended June 30, 2022 was \$.15 per \$100 of assessed valuation.

NOTE 3 – CASH AND INVESTMENTS

Deposit Policy

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 of America unless such an investment is expressly prohibited by law.

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 Federal Deposit Insurance Corporation (FDIC) and balances exceeding FDIC limits be secured by collateral. 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 June 30, 2022 the carrying amount of the Town's deposits was \$1,276,621 and the bank balance was \$1,222,171. Of the bank balances, \$851,628 was insured by FDIC and \$370,543 was secured by collateral. Restricted cash in the amount of \$59,889 at June 30, 2022 consisted of bay restoration fees collected and payable to the State of Maryland.

Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town's policy is to invest in securities backed by the federal government. 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 increase risk of adverse interest rate changes. The Town's policy is to limit its interest rate risk by primarily investing in government securities. Concentration of credit risk is

TOWN OF WESTERNPORT, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 3 – CASH AND INVESTMENTS (continued)

the risk that loss attributed to the magnitude of the Town's investments in a single user. The Town's limits its concentration risk by investing in United States Treasury instruments.

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant other unobservable inputs.

The Town has the following recurring fair value measurements as of June 30, 2022: Fixed income securities in the amount of \$47,566. In addition the investments include cash of \$90,796. The cash balance was insured by the FDIC.

NOTE 4 – ACCOUNTS RECEIVABLE

The Town's accounts receivable at June 30, 2022 consisted of:

	Governmental Activities	Business-type Activities	Total
Taxes	\$ 84,331		\$ 84,331
Intergovernmental	50,547		50,547
Charge for Services		\$ 178,530	178,530
	\$ 134,878	\$ 178,530	\$ 313,408

The Town records reflect past due utility billings from the Upper Potomac River Commission. The past due billings total \$58,525 however \$57,685 has been estimated to be uncollectible. The net amount due from Upper Potomac River Commission is \$840.

The Town has computed an allowance for doubtful accounts for charge for services accounts receivable based on historical information. The allowance for doubtful accounts at June 30, 2022 was \$19,837.

At June 30, 2022 deferred inflows of resources for unavailable revenue reported in the general fund was \$84,331.

**TOWN OF WESTERNPORT, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 5 – CAPITAL ASSETS

The following is a summary of the changes in fixed asset accounts for the year ended June 30, 2022:

	<u>Balance</u>			<u>Balance</u>
<u>Governmental Activities</u>	<u>June 30, 2021</u>	<u>Additions</u>	<u>Dispositions</u>	<u>June 30, 2022</u>
Capital Assets not depreciated:				
Land	\$ 31,513	\$ 38,520		\$ 70,033
Capital Assets, being depreciated:				
Buildings	860,500	\$ 188,067		1,048,567
Equipment	759,891			759,891
Infrastructure	2,196,615	3,000		2,199,615
Parks and Recreation	1,024,816			1,024,816
Site Costs	177,895			177,895
Total Capital Assets, being depreciated	5,019,717	191,067		5,210,784
Less Accumulated Depreciation for:				
Buildings	386,027	17,259		403,286
Equipment	588,446	39,249		627,695
Infrastructure	1,524,621	57,344		1,581,965
Parks & Recreation	661,997	43,276		705,273
Site Costs	160,106			160,106
Total Accumulated Depreciation	3,321,197	157,128		3,478,325
Total Capital Assets, net	1,698,520	33,939		1,732,459
Governmental Activities Capital Assets, net	1,730,033	72,459		1,802,492
Business Activities				
Capital Assets not depreciated:				
Land	5,486			5,486
Total Capital Assets not depreciated	5,486			5,486
Capital assets, being depreciated or amortized				
Closing costs	176,022			176,022
Buildings	1,705			1,705
Infrastructure	39,520,694	1,893,437		41,414,131
Machinery & Equipment	304,650			304,650
Total Capital Assets, being depreciated	40,003,071	1,893,437		41,896,508
Less Accumulated Depreciation for:				
Closing costs	35,202	5,867		41,069
Buildings	105,748	104,043		209,791
Infrastructure	13,562,668	897,184		14,459,852
Machinery & Equipment	304,627	1,693		306,320
Total Accumulated Depreciation	14,008,245	1,008,787		15,017,032
Business Activities Capital Assets, net	26,000,312	884,650		26,884,962
Total Capital Assets, net	\$ 27,730,345	\$ 957,109	\$ -	\$ 28,687,454

TOWN OF WESTERNPORT, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 6 – NOTES RECEIVABLE

Notes receivable in the proprietary fund of \$218,889 is receivable from the Allegany County Commissioners for one half of the Water Treatment Plant Rehabilitation loan that originated in 1992. The note receivable interest rate varies with the General Obligation Refunding Bonds Series 2015.

NOTE 7 – LONG-TERM DEBT

Long-term debt in the governmental funds consists of the following:

Note payable due to Maryland Appalachian Housing Fund – Original loan was in the amount of \$177,895 in 1985 to finance site preparation costs for Moran Manor Nursing Home and Senior Housing Project. The loan is interest free and requires payments annually in the amount of \$7,412 beginning June 1, 1995. The balance at June 30, 2022 was \$14,825. The note matures in July 2022. The loan is unsecured. The debt requirement for the subsequent year is \$14,825.

Note payable to First United Bank & Trust – Original loan in the amount of \$48,000 for the purchase of a truck. The note, including annual interest of 4.48%, is repaid in monthly payments of \$1,427. The note matures December 2022. The balance at June 30, 2022 was \$6,936. The note is secured by a truck. The debt requirements for the subsequent year is \$6,936.

Note payable to First United Bank & Trust – Original loan in the amount of \$250,000 for the purchase of real estate with improvements. The note, including interest of 2.62%, is repaid in 59 monthly payments of \$2,374 and one irregular payment of estimated at \$135,642. The note matures July 29, 2026. The note is secured by the real estate and improvements. The unpaid balance at June 30, 2022 was \$229,741. The debt requirements for the subsequent year is \$22,218.

Long-term debt in the proprietary funds consist of the following:

Note Payable to State of Maryland – Original note of \$500,000 was used to finance the Route 135 sewer project. The note, including annual interest of 1.2%, is repaid in annual payments of \$31,014. The note matured February 2022.

Note Payable to United States Department of Agriculture (USDA) – The original note of \$130,000 was used to upgrade the filter plant. The 40 year loan requires quarterly payments of \$1,485 commencing on September 29, 2012. The annual interest rate is 3.375%. The balance at June 30, 2022 was \$110,023. The note matures on June 28, 2052. The loan is secured by the water filter plant. The debt requirement for the subsequent year is \$2,020.

TOWN OF WESTERNPORT, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 7 – LONG-TERM DEBT (continued)

Bond Payable to United States Department of Agriculture (USDA) – The original bond of \$600,000 was used to improve the water system. Annual interest in the amount of \$12,000 was due on August 28, 2018 and 2019. Thereafter the 40 year bond requires quarterly payments of \$5,656 commencing on November 28, 2019. The annual interest rate is 2%. The balance at June 30, 2022 was \$570,100. The note matures on August 28, 2057. The loan is secured by the water system. The debt requirement for the subsequent year is \$11,261.

Note Payable to Maryland Department of Environment – The original note of \$833,750 was to upgrade the water distribution system and water meters. The 30 year loan requires an annual payment of \$32,289 commencing on February 1, 2015. The balance at June 30, 2022 was \$606,548. The annual interest rate is .8%. The note matures on February 1, 2043. The loan is secured by the water distribution system and water meters. The loan balance does not include loan forgiveness in the amount of \$1,047,079 that the Administration may demand full repayment if the Town does not fully comply per the loan agreement. The debt requirement for the subsequent year is \$27,314.

Note Payable to Maryland Department of Environment – The original note of \$812,000 was to upgrade the Water Distribution System. The 30 year loan requires an annual payment of \$32,395 commencing February 1, 2015. The annual interest rate is 1%. The balance at June 30, 2022 was \$636,893. The note matures on February 1, 2044. The loan is secured by the water distribution system. The debt requirement for the subsequent year is \$25,028.

Note Payable to Maryland Department of Environment – The original note of \$1,394,000 was to upgrade the Water Distribution System. The 30 year loan requires an annual payment of \$43,320. The annual interest rate is 0.6%. The balance at June 30, 2022 was \$1,302,166. The note matures on February 1, 2046. The loan is secured by the water distribution plant. The debt requirement for the subsequent year is \$53,203.

General Obligation Refunding Bonds, Series 2015 – During the fiscal year ended June 30, 2015 the Town issued Bonds in the aggregate principal amount of \$4,340,000. Proceeds of the bonds were used for redeeming certain outstanding debt obligations of the Town, paying the costs of issuing the bonds and paying the premium for municipal bond insurance. The bonds are general obligations of the Town, to which full faith and credit and unlimited taxing power of the Town are pledged for payment. It is anticipated that the debt service on the Bonds will be paid from the fees and rates collected from the Town's water production and sewer facilities. The Town completed the refunding to reduce its total debt payments over the next 30 years by \$260,900 and to obtain an economic gain (difference between the present values of the old and new debt payment) of \$223,951. The balance at June 30, 2022 was \$3,740,000. The unamortized bond premium was \$107,165 at June 30, 2022. The bond premium amortization for the

TOWN OF WESTERNPORT, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 7 – LONG-TERM DEBT (continued)

subsequent year is \$4,660. The maturities, amounts, interest rates and yields are as follows:

<u>Maturity Date</u>	<u>Principal</u>		
<u>The first of December</u>	<u>Amounts</u>	<u>Interest Rates - %</u>	<u>Yield - %</u>
2022	100,000	2.375	2.41
2023	100,000	2.5	2.59
2024	105,000	2.625	2.74
2030	705,000	4	3.23
2032	275,000	4	3.33
2035	455,000	4	3.5
2045	2,000,000	4	3.72

Total interest expense for the fiscal year was \$175,436.

The summary of changes in long-term debt are summarized as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>June 30, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2022</u>
Governmental Activities:				
Maryland Appalachian Housing Fund	\$ 14,825			\$ 14,825
First United Bank & Trust	23,470	\$ 250,000	\$ (36,793)	236,677
Total Governmental Activities	38,295	250,000	(36,793)	251,502
Business-type Activities:				
Maryland Department of Environment	633,646		(27,100)	606,546
Maryland Department of Environment	662,611		(25,718)	636,893
United States Department of Agriculture	112,204		(2,180)	110,024
United States Department of Agriculture	581,143		(11,042)	570,101
General Obligation Refunding Bonds, Series 2015	3,840,000		(100,000)	3,740,000
Premium on General Obligation Refunding Bonds	111,824		(4,658)	107,166
Maryland Department of Environment - Rt 135 Sewer	29,177		(29,177)	
Maryland Department of Environment Phase III	1,307,165		(5,000)	1,302,165
Total Business-type activities	7,277,770	-	(204,875)	7,072,895
Total Long-term Debt	\$ 7,316,065	\$ 250,000	\$ (241,668)	\$ 7,324,397

TOWN OF WESTERNPORT, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 7 – LONG-TERM DEBT (continued)

The debt requirements are:

Fiscal Year Ended	Governmental	Business-Type		Total
	Principal	Principal	Interest	
2023	43,979	218,826	174,790	437,595
2024	22,806	220,095	167,964	410,865
2025	23,410	224,773	184,869	433,052
2026	23,635	122,376	181,081	327,092
2027	137,672	123,583	174,472	435,727
2027-2031		1,339,576	655,630	1,995,206
2032-2036		1,394,961	560,044	1,955,005
2037-2041		697,678	454,955	1,152,633
2042-2046		2,385,907	273,862	2,659,769
2047-2051		114,473	23,779	138,252
2052-2057		123,481	4,834	128,315
	\$ 251,502	\$ 6,965,729	\$ 2,856,280	\$ 10,073,511

NOTE 8 – PENSION PLAN

On April 8, 1973, the Mayor and Town Commissioners approved and administers a single-employer unfunded defined benefit pension plan for retired employees with a minimum twenty years of service on their sixty-second birthdate. The plan is closed to new entrants. Full pension is calculated as follows: 30 years or more of service – monthly benefit is \$650; 25 – 29 years – monthly benefit is \$600; and 20 -24 years of service – monthly benefit is \$550.

Three retired employees were paid benefits totaling \$16,997 for the fiscal year ended June 30, 2022. Two retired employees were paid benefits totaling \$13,750 during the fiscal year ended June 30, 2021. Two retired employees were paid benefits totaling \$12,600 for the fiscal year ended June 30, 2020; two retired employees were paid benefits totaling \$13,200 for the fiscal year ended June 30, 2019; five retired employees were paid benefits totaling \$24,100 for the fiscal year ended June 30, 2018; six retired employees were paid benefits totaling \$35,250 for the fiscal year ended June 30, 2017; \$40,200 for the fiscal year ended June 30, 2016; \$40,200 for the fiscal year ended June 30, 2015; \$40,200 for the fiscal year ended June 30, 2014; \$40,200 for the fiscal year ended June 30, 2013; \$ 39,100 for the fiscal year ended June 30, 2012; \$36,800 for the fiscal year ended June 30, 2011 and \$33,000 for the fiscal year ended June 30, 2010. The Town does not fund the pension liability and funds the pension benefits under this plan monthly as they become due. There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 73. The pension expense recognized during the fiscal year was \$17,219. The required benefit payments for June 30, 2023 are estimated to be \$19,800.

TOWN OF WESTERNPORT, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 8 – PENSION PLAN (continued)

The Town has obtained an actuarial valuation of its pension plan on July 1, 2021. The annual covered payroll was \$150,391. The estimated unfunded pension obligation at June 30, 2022 is \$372,181. The unfunded pension obligation decreased by \$10,397 from the prior year balance of \$382,578. There are no assets accumulated in a trust to pay related benefits. The mortality assumptions are based on the RP 2000 mortality table, gender specific, fully generational with projection scale AA. The experience studies on which significant assumptions are based are dated July 1, 2021.

The discount rate applied in the measurement of the collective total pension liability is 5.5%, based on the 20 year general obligation bond rates over the life of the plan.

The number of inactive employees currently receiving benefits is 3 and active employees eligible not receiving benefits is 3.

NOTE 9 – DEFERRED COMPENSATION PLAN

On January 1, 2004, the Town established a deferred compensation plan in accordance with Internal Revenue Code Section 457. This plan, available to all employees, permits them to defer a portion of their wages until future years. The Town contributes to the plan for those employees that opt to participate. The defined contribution plan is serviced through Variable Annuity Life Insurance Company. In compliance with Internal Revenue Code Section 457(g), all assets and income of the plan is held in trust for the exclusive benefit of participants and their beneficiaries. Accordingly, in accordance with Governmental Accounting Standards Board Statement No. 32, "Accounting and Financial Reporting for the Internal Revenue Code 457 Deferred Compensation Plan," the investments designated for compensation benefits are not reflected in the Town's financial statements. The Town made contributions of \$3,700 and employees contributed \$4,740 to the deferred compensation plan for the year ending June 30, 2022. No contribution requirements are set forth in the plan for the employer or employees.

TOWN OF WESTERNPORT, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 10 – RISK OF LOSS

The Town is exposed to risks of loss from lawsuits, medical insurance claims, worker's compensation claims and property damage claims. Risks of loss from lawsuits are retained by the Town. Risks of loss from medical and property damage claims have been transferred to the Town's insurance carrier through the purchase of set premium insurance. The risk of loss for worker's compensation claims is insured under a retrospectively rated policy. Premiums are based on the ultimate cost of the experience to date of the Town. No additional amounts were required to be accrued at June 30, 2022 to reflect the amount required for the year then ended. The Town has opted not to contribute to the Maryland Unemployment Insurance Fund on a quarterly basis. The Town reimburses the Maryland Unemployment Insurance Fund for unemployment benefits paid on behalf of the Town. The Town depends economically on property and income taxes.

NOTE 11– RESTRICTED NET POSITION

At June 30, 2022, the Town had restricted net position totaling \$192,529 in the governmental activities and \$59,889 in the proprietary fund.

Funds from Columbia Gas are restricted for street paving in the amount of \$170,057. Funds in the amount of \$11,994 are restricted for the fire department. Funds in the amount of \$10,478 are restricted to use for eligible activities as stipulated by the Cares Act.

The restricted funds in the proprietary fund consist of Bay Restoration fees due to the State of Maryland.

NOTE 12 – BUDGET VARIANCE

The actual revenue for the General Fund was more than the budgeted revenue by \$996,386. The favorable variance is primarily attributed to grant funds that were not budgeted. The budgeted expenditures were less than the actual expenditures by \$626,329. The overall favorable variance was \$370,057.

NOTE 13 – DEFICIT IN UNRESTRICTED NET POSITION

The business-type activities have a deficit in the unrestricted net position. The overall net position for the business-type activities and the Town overall is favorable.

TOWN OF WESTERNPORT, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Original Budget	Actual	Variance
Revenues			
Taxes	\$ 441,520	\$ 491,278	\$ 49,758
Licenses and Permits	3,140	40,690	37,550
Intergovernmental	140,600	959,600	819,000
Interest		4,080	4,080
Other	216,597	52,595	(164,002)
Total Revenues	801,857	1,548,243	746,386
Expenditures			
General Government	169,663	181,029	(11,366)
Public Safety		5,000	(5,000)
Public Works	369,663	232,076	137,587
Debt Service	175,606	43,723	131,883
Recreation and Culture		1,438	(1,438)
Miscellaneous	76,925	74,515	2,410
Capital Outlay	10,000	229,587	(219,587)
Total Expenditures	801,857	767,368	34,489
Excess of Revenue over Expenditures		780,875	780,875
Other Financing Sources (Uses)			
Transfers		(660,818)	(660,818)
Loan Proceeds		250,000	250,000
Total Other Financing Sources (Uses)		(410,818)	(410,818)
Net Change in Fund Balance		370,057	\$ 370,057
Fund Balances, July 1, 2021	2,915,442	2,915,442	
Fund Balances, June 30, 2022	\$ 2,915,442	\$ 3,285,499	

Town of Westernport, Maryland
Schedules of Required Pension-Related Supplementary Information
June 30, 2022

Schedule of the Town's Net Pension Liability

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Town's net pension liability	\$ 372,181	\$ 382,578	\$ 464,435	\$ 449,620	\$ 434,256	\$ 427,203	\$ 416,567	\$ 410,882	Not Available	Not Available
Town's covered payroll	\$ 150,391	\$ 169,506	\$ 145,829	\$ 145,829	\$ 170,940	\$ 184,612	\$ 184,612	\$ 148,981	Not Available	Not Available
Town's net pension liability as a percentage of its covered payroll	247.75%	225.70%	318.47%	308.32%	254.04%	231.40%	225.64%	275.79%		

Schedule of the Town's Pension Plan Contributions - Last 10 Fiscal Years

Required contributions	\$ 16,997	\$ 13,750	\$ 12,600	\$ 13,200	\$ 24,100	\$ 35,250	\$ 40,200	\$ 40,200	Not Available	Not Available
Contribution paid	\$ 16,997	\$ 13,750	\$ 12,600	\$ 13,200	\$ 24,100	\$ 35,250	\$ 40,200	\$ 40,200	Not Available	Not Available
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Not Available	Not Available
Town's covered payroll	\$ 150,391	\$ 169,506	\$ 145,829	\$ 145,829	\$ 170,940	\$ 184,612	\$ 184,612	\$ 148,981	Not Available	Not Available
Contributions as a percentage of covered payroll	11.30%	8.11%	8.64%	9.05%	14.10%	19.09%	21.78%	26.98%		

The above schedule is presented to illustrate the requirement for specific information for 10 years; however until a full 10-year trend is compiled, information is only presented for those years for which information is available.

R. Joanne Sheffield, CPA
PO Box 664
Oakland, MD 21550
301-334-1516

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Mayor and Council
Town of Westernport
Westernport, Maryland

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Westernport, Maryland, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Westernport, Maryland's basic financial statements and have issued my report thereon dated February 9, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Town of Westernport, Maryland's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Westernport, Maryland's internal control. Accordingly, I do not express an opinion on the effectiveness of the Town of Westernport, Maryland's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify a certain deficiency in internal control that I consider to be a significant deficiency as follows: The absence of appropriate segregation of duties consistent with appropriate control objectives. The size of the Town does not

allow for the segregation of duties causing a deficiency in the internal control design. The lack of segregation of duties could adversely affect the Town's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The internal control system should be reviewed to determine if duties could be segregated.

Report on Compliance and Other Matters

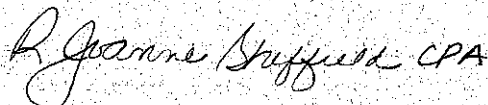
As part of obtaining reasonable assurance about whether the Town of Westernport, Maryland's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Westernport, Maryland's Response to Findings

The Town will review the internal controls and determine if duties can be segregated. *Government Auditing Standards* requires the auditor to perform limited procedures on the Town of Westernport, Maryland's response to the finding identified in my audit and described above. The Town of Westernport, Maryland's response was not subjected to the other auditing procedures applied in the audit of financial statements and, accordingly, I express no opinion of the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Oakland, MD
February 9, 2023

Town of Westernport, Maryland
Combining Statement of Net Position - Proprietary Fund
June 30, 2022

ASSETS

Current Assets:				
Cash	Water	Sewer	Garbage	Total
Restricted Cash	\$ 605,374	\$ 152,686	\$ 14,549	\$ 772,609
Accounts Receivable		59,889		59,889
Total Current Assets	127,628	34,359	16,543	178,530
	733,002	246,934	31,092	1,011,028
Capital Assets:				
Non-depreciable	5,411	75		5,486
Depreciable, net of accumulated depreciation	17,985,781	8,884,839	8,856	26,879,476
Total Capital Assets, net of accumulated depreciation	17,991,192	8,884,914	8,856	26,884,962
Non-current Assets:				
Due from UPRC, net of allowance for doubtful accounts		840		840
Notes Receivable		218,889		218,889
Total Non-current Assets		219,729		219,729
TOTAL ASSETS	\$ 18,724,194	\$ 9,351,577	\$ 39,948	\$ 28,115,719

LIABILITIES

Current Liabilities:				
Accounts Payable	\$ 31,683	\$ 63,609	\$ 11,143	\$ 106,435
Salaries and Benefits Payable	18,846			18,846
Bay Restoration Fees Payable		34,143		34,143
Accrued Interest Payable	22,781			22,781
Due to Other Funds	2,598,855	271,751	(5,962)	2,864,644
Current Portion of Long-term Debt	218,826			218,826
Total Current Liabilities	2,890,991	369,503	5,181	3,265,675
Noncurrent Liabilities:				
UPRC Judgment Payable		92,411		92,411
Pension Obligation	256,805			256,805
Notes Payable, less current portion	6,854,069			6,854,069
Total Noncurrent Liabilities	7,110,874	92,411		7,203,285
TOTAL LIABILITIES	10,001,865	461,914	5,181	10,468,960

NET POSITION

Net Position:				
Net Investment in Capital Assets	10,918,297	8,825,025	8,856	19,752,178
Restricted		59,889		59,889
Unrestricted	(2,195,968)	4,749	25,911	(2,165,308)
Total Net Position	8,722,329	8,889,663	34,767	17,646,759
TOTAL LIABILITIES AND NET POSITION	\$ 18,724,194	\$ 9,351,577	\$ 39,948	\$ 28,115,719