

TOWN OF WESTERNPORT, MARYLAND

FINANCIAL REPORT

JUNE 30, 2023

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, 2023, 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, 2023, 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

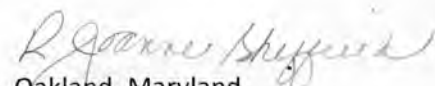
Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards 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 schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are 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 schedule of expenditures of federal awards are 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 July 1, 2024, 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
July 1, 2024

TOWN OF WESTERNPORT, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2023

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, 2023. 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, 2023, the assets of the Town of Westernport, Maryland exceeded the liabilities by \$22,776,932. Unrestricted net position was \$1,043,536.
- Net position increased by \$312,735 from June 30, 2022 to June 30, 2023. The increase is primarily attributed to Cares Act Funds received.
- The fund balance of the governmental funds increased by \$511,078 from \$3,297,493 at June 30, 2022 to \$3,808,571 at June 30, 2023. This is attributed to the excess of revenues over expenditures.
- The total debt of the Town of Westernport, Maryland increased by \$287,706.
- The unassigned fund balance for the general fund was \$3,433,175 at June 30, 2023.

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, 2023

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, 2023 was \$22,776,932. The largest portion of net assets is the net investment in capital assets, in the amount of \$21,344,585. Restricted net position in the amount of \$180,468 is restricted to use for eligible activities as stipulated by the Cares Act, \$170,818 is restricted to street paving, \$12,055 restricted for the fire department and \$25,470 is restricted for Bay Restoration fees due to the State of

TOWN OF WESTERNPORT, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2023

Maryland. The unrestricted portion is \$1,043,536. 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	
	2023	2022	2023	2022	2023	2022
Current and Other Assets	4,083,265	3,582,007	(1,881,545)	(1,853,616)	2,201,720	1,728,391
Capital Assets	1,845,508	1,802,492	27,111,180	27,104,691	28,956,688	28,907,183
Total Assets	5,928,773	5,384,499	25,229,635	25,251,075	31,158,408	30,635,574
Long-term Liabilities	351,745	322,899	7,470,665	7,194,831	7,822,410	7,517,730
Other Liabilities	235,018	244,162	324,048	409,485	559,066	653,647
Total Liabilities	586,763	567,061	7,794,713	7,604,316	8,381,476	8,171,377
Net Position						
Invested in Capital Assets						
net of related debt	1,571,518	1,550,990	19,773,067	19,812,067	21,344,585	21,363,057
Restricted	363,341	192,529	25,470	59,889	388,811	252,418
Unrestricted	3,407,151	3,073,919	(2,363,615)	(2,225,197)	1,043,536	848,722
Total Net Position	5,342,010	4,817,438	17,434,922	17,646,759	22,776,932	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 \$312,735. The prior year change in net assets was favorable when combining the governmental activities and the business type activities by \$933,040. The breakdown of the two reports a decrease in net assets in the business-type entity in the amount of \$211,837 and an increase in the governmental activities in the amount of \$524,572. The net increase in the business-type entity includes depreciation expense in the amount of \$979,694. The following is a condensed statement of changes in net

TOWN OF WESTERNPORT, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2023

position:

	Changes in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
General Revenues:						
Property Taxes	416,328	401,963			416,328	401,963
Income Taxes	121,507	106,817			121,507	106,817
Franchise Taxes	22,350	36,509			22,350	36,509
Highway User Tax	148,155	109,321			148,155	109,321
Licenses and Permits	10,739	4,181			10,739	4,181
Charges for Services			1,301,622	1,285,063	1,301,622	1,285,063
Grants	974,794	850,279	101,206	1,588,006	1,076,000	2,438,285
Investment Income	3,135	4,080	4,209	2,814	7,344	6,894
Transfers	(489,555)		489,555		-	
Miscellaneous Revenue	47,290	52,595	21,159		68,449	52,595
Total Revenue	1,254,743	1,565,745	1,917,751	2,875,883	3,172,494	4,441,628
Expenses:						
General Government	267,979	198,288			267,979	198,288
Public Safety	74,672	28,510			74,672	28,510
Street Department	258,425	989,487			258,425	989,487
Recreation and Parks	42,976	44,714			42,976	44,714
Water			1,167,642	1,274,304	1,167,642	1,274,304
Sewer			615,204	580,686	615,204	580,686
Garbage			139,258	133,301	139,258	133,301
Interest on Long-Term Debt			201,883	173,994	201,883	173,994
Miscellaneous	86,119	78,222	5,601	7,082	91,720	85,304
Total Expenses	730,171	1,339,221	2,129,588	2,169,367	2,859,759	3,508,588
Increase in Net Position	524,572	226,524	(211,837)	706,516	312,735	933,040
Net Position, July 1,	4,817,438	4,590,914	17,646,759	16,940,243	22,464,197	21,531,157
Net Position, June 30,	5,342,010	4,817,438	17,434,922	17,646,759	22,776,932	22,464,197

TOWN OF WESTERNPORT, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2023

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, 2023 were \$3,808,571 an increase of \$511,078 from the prior year. The unassigned fund balance total is \$3,433,175 in the general fund. The restricted fund balance is \$363,341 in the general fund and \$12,055 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 \$83,655 at June 30, 2023, a decrease of \$676 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 \$2,363,615. The net investment in capital assets was \$19,773,067 and restricted net position was \$25,470. Overall the net position was \$17,434,922.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Town did not amend the budget for the fiscal year ended June 30, 2023. The actual revenue exceeded the budgeted revenue by \$966,181. The actual expenditures were less than the budgeted expenditures by \$157,262. The overall budget variance was favorable in the amount of \$511,017. 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, 2023 totaled \$28,956,688. The following table summarizes the Town's capital assets:

Summary of Capital Assets
(Net of Depreciation)

	Governmental Activities	Business-Type Activities
Land	\$ 196,587	\$ 87,974
Buildings	628,434	
Equipment & Vehicles	145,817	
Infrastructure	578,934	26,894,120
Parks	277,947	
Site Costs - Moran Manor	17,789	
Closing Costs		129,086
	<u>\$ 1,845,508</u>	<u>\$ 27,111,180</u>

TOWN OF WESTERNPORT, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2023

LONG-TERM DEBT

At June 30, 2023 the Town had debt outstanding totaling \$7,612,103. The governmental activities had debt outstanding in the amount of \$273,990 and the business-type activities had \$7,338,113 outstanding at year end. The notes payable increased from the prior year in the amount of \$287,706.

ECONOMIC FACTORS AND NEXT YEARS' BUDGET AND RATES

The Mayor and Commissioners of the Town of Westernport expect to see a small reduction in cash flow due to the Town of Piedmont going to their own water source. The Mayor and Commissioners have started addressing this issue by reducing expenses and controlling costs. Also the Town has upgraded the equipment in past years, so there should not be any large expenditures for equipment or vehicles this year.

The Town is getting ready to proceed with Phases V-VII Water Project. Bids have been accepted and construction should begin in the fall of 2024. Due to funding by loan and grant from MDE and hopefully from USDA. The Town will be forced to increase water rates again by approximately 20 – 25 %. The new water system will decrease operation and maintenance costs with 100% new lines and tanks. The Town of Westernport should be in good shape for the next 50 years.

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 Town Administrator, Laura Freeman Legge at PO Box 266, Westernport, MD 21562. Email the town at townclerk@townofwesternport.com.

TOWN OF WESTERNPORT, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalent	\$ 361,493	\$ 944,532	\$ 1,306,025
Restricted Cash	363,341	25,470	388,811
Accounts Receivable, net of allowance for doubtful accounts	25,200	168,647	193,847
Internal Receivable	3,242,720	(3,242,720)	-
Taxes Receivable, net of allowance for doubtful accounts	90,511		90,511
Total Current Assets	<u>4,083,265</u>	<u>(2,104,071)</u>	<u>1,979,194</u>
Capital Assets:			
Non-depreciable	196,587	87,974	284,561
Depreciable, net of accumulated depreciation	<u>1,648,921</u>	<u>27,023,206</u>	<u>28,672,127</u>
Total Capital Assets, net of accumulated depreciation	<u>1,845,508</u>	<u>27,111,180</u>	<u>28,956,688</u>
Non-current Assets:			
Due from UPRC, net of allowance for doubtful accounts		840	840
Notes Receivable		<u>221,686</u>	<u>221,686</u>
Total Non-current Assets	<u>-</u>	<u>222,526</u>	<u>222,526</u>
TOTAL ASSETS	<u><u>\$ 5,928,773</u></u>	<u><u>\$ 25,229,635</u></u>	<u><u>\$ 31,158,408</u></u>
LIABILITIES			
Current Liabilities			
Accounts Payable and Accrued Expenses	\$ 180,399	\$ 16,981	\$ 197,380
Salaries and Benefits Payable	10,478	27,023	37,501
Bay Restoration Fees Payable		25,470	25,470
Accrued Interest Payable	162	21,719	21,881
Current Portion of Long-Term Debt	43,979	232,855	276,834
Total Current-Liabilities	<u>235,018</u>	<u>324,048</u>	<u>559,066</u>
Noncurrent-Liabilities:			
UPRC Judgment Payable		92,410	92,410
Pension Obligation	121,734	272,997	394,731
Long-Term Debt, net of current portion	230,011	7,105,258	7,335,269
Total Noncurrent Liabilities	<u>351,745</u>	<u>7,470,665</u>	<u>7,822,410</u>
TOTAL LIABILITIES	<u>586,763</u>	<u>7,794,713</u>	<u>8,381,476</u>
NET POSITION			
Net Investment in Capital Assets	1,571,518	19,773,067	21,344,585
Restricted	363,341	25,470	388,811
Unrestricted	3,407,151	(2,363,615)	1,043,536
TOTAL NET POSITION	<u><u>\$ 5,342,010</u></u>	<u><u>\$ 17,434,922</u></u>	<u><u>\$ 22,776,932</u></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, 2023

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT							
Governmental Activities:							
General Government	\$ 267,979		\$ 850,915	\$ 123,879	\$ 706,815		\$ 706,815
Public Safety	74,672				(74,672)		(74,672)
Street Department	258,425				(258,425)		(258,425)
Recreation and Parks	42,976				(42,976)		(42,976)
Miscellaneous	86,119				(86,119)		(86,119)
	<u>730,171</u>		<u>850,915</u>	<u>123,879</u>	<u>244,623</u>		<u>244,623</u>
Business-type Activities							
Water, Sewer, Garbage	2,129,588	\$ 1,301,622		\$ 101,206		\$ (726,760)	(726,760)
Total Business-type Activities	<u>2,129,588</u>	<u>1,301,622</u>		<u>101,206</u>		<u>(726,760)</u>	<u>(726,760)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 2,859,759</u>	<u>\$ 1,301,622</u>	<u>\$ 850,915</u>	<u>\$ 225,085</u>	<u>244,623</u>	<u>(726,760)</u>	<u>(482,137)</u>
Revenues:							
Taxes:							
Property Taxes					416,328		416,328
Income Taxes					121,507		121,507
Franchise Taxes					22,350		22,350
Highway User Tax					148,155		148,155
Licenses and Permits					10,739		10,739
Investment Income					3,135	4,209	7,344
Miscellaneous Revenues					47,290	21,159	68,449
Transfers					(489,555)	489,555	-
Total General Revenues and Transfers					<u>279,949</u>	<u>514,923</u>	<u>794,872</u>
CHANGES IN NET POSITION					524,572	(211,837)	312,735
NET POSITION, JULY 1, 2022					4,817,438	17,646,759	22,464,197
NET POSITION, JUNE 30, 2023					<u>\$ 5,342,010</u>	<u>\$ 17,434,922</u>	<u>\$ 22,776,932</u>

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

TOWN OF WESTERNPORT, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and Cash equivalents	\$ 712,779	\$ 12,055	\$ 724,834
Accounts Receivable	25,200		25,200
Taxes Receivable	90,511		90,511
Internal Receivables	<u>3,242,720</u>		<u>3,242,720</u>
TOTAL ASSETS	<u><u>\$ 4,071,210</u></u>	<u><u>\$ 12,055</u></u>	<u><u>\$ 4,083,265</u></u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable and Accrued Expenses	\$ 180,561		\$ 180,561
Salaries and Benefits Payable	<u>10,478</u>		<u>10,478</u>
TOTAL LIABILITIES	<u>191,039</u>		<u>191,039</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	<u>83,655</u>		<u>83,655</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>83,655</u>		<u>83,655</u>
FUND BALANCES			
Restricted	363,341	\$ 12,055	375,396
Unassigned	<u>3,433,175</u>		<u>3,433,175</u>
TOTAL FUND BALANCES	<u>3,796,516</u>	<u>12,055</u>	<u>3,808,571</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u><u>\$ 4,071,210</u></u>	<u><u>\$ 12,055</u></u>	<u><u>\$ 4,083,265</u></u>

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, 2023

Total Fund Balances - Governmental Funds	\$ 3,808,571
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	1,845,508
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	83,655
Long-term pension obligation are not due and payable in the current period, and therefore are not reported as liabilities in the funds	(121,734)
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>(273,990)</u>
Total Net Position - Governmental Activities	<u>\$ 5,342,010</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, 2023

	General Fund	Special Revenue Fund	Total
Revenues			
Taxes	\$ 539,036	\$ 22,773	\$ 561,809
Licenses and Permits	33,089		33,089
Intergovernmental Revenue	1,122,949		1,122,949
Miscellaneous Revenues	27,772		27,772
Investment income	3,135		3,135
TOTAL REVENUES	1,725,981	22,773	1,748,754
EXPENDITURES			
Current:			
General Government	220,585		220,585
Public Safety	51,960	22,712	74,672
Parks, Recreation & Culture	1,380		1,380
Public Works	207,033		207,033
Debt	37,867		37,867
Miscellaneous	79,760		79,760
Capital Outlay	180,373		180,373
TOTAL EXPENDITURES	778,958	22,712	801,670
Excess of Revenues Over Expenditures	947,023	61	947,084
OTHER FINANCING SOURCES (USES)			
Transfer	(489,555)		(489,555)
Loan Proceeds	53,549		53,549
TOTAL OTHER FINANCING SOURCES (USES)	(436,006)		(436,006)
Net Change in Fund Balances	511,017	61	511,078
FUND BALANCE - JULY 1, 2022	3,285,499	11,994	3,297,493
FUND BALANCE - JUNE 30, 2023	\$ 3,796,516	\$ 12,055	\$ 3,808,571

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, 2023

Total Net Changes in Fund Balance - Governmental Funds	\$ 511,078
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 \$137,357 and capital outlays \$180,373.	43,016
Repayment of note proceeds is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of position.	31,062
Loan Proceeds	(53,549)
Increase in long-term pension obligation	(6,359)
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	<u>(676)</u>
Total change in net position of governmental activities	<u>\$ 524,572</u>

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

TOWN OF WESTERNPORT, MARYLAND
STATEMENT OF NET POSITION - PROPRIETARY FUND
AT JUNE 30, 2023

ASSETS				
	Water	Sewer	Garbage	Total
Current Assets:				
Cash	\$ 660,065	\$ 205,148	\$ 79,319	\$ 944,532
Restricted Cash		25,470		25,470
Accounts Receivable	117,519	33,983	17,145	168,647
Total Current Assets	777,584	264,601	96,464	1,138,649
Capital Assets:				
Non-depreciable	42,239	45,735		87,974
Depreciable, net of accumulated depreciation	18,043,856	8,970,494	8,856	27,023,206
Total Capital Assets, net of accumulated depreciation	18,086,095	9,016,229	8,856	27,111,180
Non-current Assets:				
Due from UPRC, net of allowance for doubtful accounts		840		840
Notes Receivable		221,686		221,686
Total Non-current Assets	-	222,526		222,526
TOTAL ASSETS	\$ 18,863,679	\$ 9,503,356	\$ 105,320	\$ 28,472,355
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 6,159		\$ 10,822	\$ 16,981
Salaries and Benefits Payable	17,864	\$ 9,159		27,023
Bay Restoration Fees Payable		25,470		25,470
Accrued Interest Payable	21,442	277		21,719
Due to Other Funds	2,886,171	304,948	51,601	3,242,720
Current Portion of Long-term Debt	220,095	12,760		232,855
Total Current Liabilities	3,151,731	352,614	62,423	3,566,768
Noncurrent Liabilities:				
UPRC Judgment Payable		92,410		92,410
Pension Obligation	272,997			272,997
Notes Payable, less current portion	6,628,079	477,179		7,105,258
Total Noncurrent Liabilities	6,901,076	569,589		7,470,665
TOTAL LIABILITIES	10,052,807	922,203	62,423	11,037,433
NET POSITION				
Net Position:				
Net Investment in Capital Assets	11,237,921	8,526,290	8,856	19,773,067
Restricted		25,470		25,470
Unrestricted	(2,427,049)	29,393	34,041	(2,363,615)
Total Net Position	8,810,872	8,581,153	42,897	17,434,922
TOTAL LIABILITIES AND NET POSITION	\$ 18,863,679	\$ 9,503,356	\$ 105,320	\$ 28,472,355

TOWN OF WESTERNPORT, MARYLAND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR YEAR ENDED JUNE 30, 2023

	Water	Sewer	Garbage	Total
Operating Revenues	\$ 887,316	\$ 266,917	\$ 147,389	\$ 1,301,622
Operating Expenses				
Automobile expense	5,656			5,656
Advertising and promotion	280			280
Depreciation	642,961	336,733		979,694
Insurance	6,811	6,807		13,618
Payroll taxes and benefits	55,865	10,028		65,893
Office Expense	9,002	32	18	9,052
Professional fees	6,549	37		6,586
Purification	53,519			53,519
Repairs and Maintenance	44,963	146		45,109
Salaries and wages	224,781	111,430		336,211
Operating	1,732	149,634	139,240	290,606
Supplies	23,730			23,730
Travel	6,028	50		6,078
Donation	1,201			1,201
Dues and Subscriptions	300			300
Utilities	84,264	307		84,571
Total Operating Expenses	<u>1,167,642</u>	<u>615,204</u>	<u>139,258</u>	<u>1,922,104</u>
Operating Income (Loss)	(280,326)	(348,287)	8,131	(620,482)
NON-OPERATING REVENUE (EXPENSES)				
Administrative fees	(5,601)			(5,601)
Interest Income	1,412	2,797		4,209
Other Income	21,159			21,159
Interest expense	<u>(180,658)</u>	<u>(21,225)</u>		<u>(201,883)</u>
Total Non-operating Revenues (Expenses)	<u>(163,688)</u>	<u>(18,428)</u>	<u>-</u>	<u>(182,116)</u>
Income (loss) Before Contributions and Transfers	(444,014)	(366,715)	8,131	(802,598)
Fund Transfer	443,895	45,660		489,555
Capital Contributions - grants	<u>88,661</u>	<u>12,545</u>		<u>101,206</u>
Change in Net Position	88,542	(308,510)	8,131	(211,837)
TOTAL NET POSITION- JULY 1, 2022	<u>8,722,330</u>	<u>8,889,663</u>	<u>34,766</u>	<u>17,646,759</u>
TOTAL NET POSITION - JUNE 30, 2023	<u><u>\$ 8,810,872</u></u>	<u><u>\$ 8,581,153</u></u>	<u><u>\$ 42,897</u></u>	<u><u>\$ 17,434,922</u></u>

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

TOWN OF WESTERNPORT, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR YEAR ENDED JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from Customers and Users	\$ 1,311,505
Payments to Vendors	(629,760)
Payments to Employees	(377,735)
Net Cash Provided by Operating Activities	<u>304,010</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Transfer from Other Fund	489,555
Net Cash Received from Other Funds	378,076
Net Cash Provided by Noncapital Financing Activities	<u>867,631</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Purchase of Capital Assets	(1,205,912)
Loan Proceeds	595,000
Principal Paid on Loans	(325,124)
Grants Received for Capital Improvements	101,206
Interest Paid on Loans	(186,444)
Bay Restoration Fees	(8,673)
Administrative Fees	(5,601)
Net Cash Used by Capital and Related Financing Activities	<u>(1,035,548)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	1,411
Net Cash Provided by Investing Activities	<u>1,411</u>

Net Change in Cash	137,504
Cash and Cash Equivalents, July 1, 2022	832,498
Cash and Cash Equivalents June 30, 2023	<u><u>\$ 970,002</u></u>

Reconciliation of Operating Income to Net Cash Provided

By Operating Activities	
Operating Income (loss)	\$ (620,482)
Adjustments not Affecting Cash	
Depreciation	979,694
(Increase) Decrease in Current Assets:	
Accounts Receivable	9,883
Increase (decrease) in Current Liabilities:	
Accounts Payable	(89,454)
Salaries and Benefits Payable	24,369
Net Cash Provided by Operating Activities	<u><u>\$ 304,010</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, 2023

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, 2023

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, 2023

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, 2023

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, 2023

NOTE 1 - SIGNIFICANT ACCOUNTING POLICES (continued)

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, 2023

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, 2023 was \$3,242,720. 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, 2023

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, 2023

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, 2023 to finance general government services was \$.60 per \$100 of assessed valuation. The personal property tax rate for the year ended June 30, 2023 was \$.15 per \$100 of assessed valuation.

NOTE 3 – CASH

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, 2023 the carrying amount of the Town's deposits was \$1,694,836 and the bank balance was \$1,698,098. Of the bank balances, \$574,077 was insured by FDIC and \$1,124,021 was secured by collateral. Restricted cash in the amount of \$25,470 at June 30, 2023 consisted of bay restoration fees collected and payable to the State of Maryland, \$180,468 restricted to eligible activities as stipulated by the Cares Act, \$170,818 restricted to paving and \$12,055 restricted for the fire department.

TOWN OF WESTERNPORT, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 4 – ACCOUNTS RECEIVABLE

The Town's accounts receivable at June 30, 2023 consisted of:

	Governmental Activities	Business-type Activities	Total
Taxes	\$ 90,511		\$ 90,511
Intergovernmental	25,200		25,200
Charge for Services		\$ 168,647	168,647
	\$ 115,711	\$ 168,647	\$ 284,358

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, 2023 was \$16,834.

At June 30, 2023 deferred inflows of resources for unavailable revenue reported in the general fund was \$83,655.

TOWN OF WESTERNPORT, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 5 – CAPITAL ASSETS

The following is a summary of the changes in fixed asset accounts for the year ended June 30, 2023:

	<u>Balance</u> <u>June 30, 2022</u>			<u>Balance</u> <u>June 30, 2023</u>
Governmental Activities		Additions	Dispositions	
Capital Assets not depreciated:				
Land	\$ 70,033	\$ 126,824		\$ 196,857
Capital Assets, being depreciated:				
Buildings	1,048,567			1,048,567
Equipment	759,891	53,548		813,439
Infrastructure	2,199,615			2,199,615
Parks and Recreation	1,024,816			1,024,816
Site Costs	177,895			177,895
Total Capital Assets, being depreciated	5,210,784	53,548	-	5,264,332
Less Accumulated Depreciation for:				
Buildings	403,286	17,117		420,403
Equipment	627,695	39,927		667,622
Infrastructure	1,581,965	38,716		1,620,681
Parks & Recreation	705,273	41,596		746,869
Site Costs	160,106			160,106
Total Accumulated Depreciation	3,478,325	137,356	-	3,615,681
Total Capital Assets, net	1,732,459	(83,808)	-	1,648,651
Governmental Activities Capital Assets, net	1,802,492	43,016	-	1,845,508
Business Activities				
Capital Assets not depreciated:				
Land	5,486	\$ 82,488		87,974
Total Capital Assets not depreciated	5,486	82,488	-	87,974
Capital assets, being depreciated or amortized				
Closing costs	176,022			176,022
Buildings	1,705			1,705
Infrastructure	41,414,131	114,637		41,528,768
Machinery & Equipment	304,650			304,650
Total Capital Assets, being depreciated	41,896,508	114,637	-	42,011,145
Less Accumulated Depreciation for:				
Closing costs	35,202	5,867		41,069
Buildings	105,748	104,043		209,791
Infrastructure	13,562,668	867,033		14,429,701
Machinery & Equipment	304,627	2,751		307,378
Total Accumulated Depreciation	14,008,245	979,694	-	14,987,939
Business Activities Capital Assets, net	27,893,749	(782,569)	-	27,111,180
Total Capital Assets, net	\$ 29,696,241	\$ (739,553)	\$ -	\$ 28,956,688

TOWN OF WESTERNPORT, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 6 – NOTES RECEIVABLE

Notes receivable in the proprietary fund of \$221,686 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, 2023 was \$14,825. The note matures in July 2023. 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%, was repaid in monthly payments of \$1,427. The note matured December 2022.

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 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, 2023 was \$207,057. The debt requirements for the subsequent year is \$22,806.

Note payable to First United Bank & Trust – Original loan in the amount of \$53,549 for the purchase of a truck. The note, including annual interest of 2.06%, is repaid in monthly payments of \$1,535. The note matures May 2026. The note is secured by the truck. The unpaid balance at June 30, 2023 is \$52,108. The debt requirement for the subsequent year is \$17,514.

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

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, 2023 was \$107,768. The note matures on June 28, 2052. The loan is secured by the water filter plant. The debt requirement for the subsequent year is \$3,664.

TOWN OF WESTERNPORT, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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, 2023 was \$558,836. The note matures on August 28, 2057. The loan is secured by the water system. The debt requirement for the subsequent year is \$11,487.

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, 2023 was \$579,234. 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 \$27,533.

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, 2023 was \$610,867. The note matures on February 1, 2044. The loan is secured by the water distribution system. The debt requirement for the subsequent year is \$25,278.

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, 2023 was \$1,248,963. The note matures on February 1, 2046. The loan is secured by the water distribution plant. The debt requirement for the subsequent year is \$53,523.

Note Payable to United States Department of Agriculture (USDA) – The original note of \$595,000 was used to upgrade the sewer system. The 40 year loan requires quarterly payments of \$4,844 commencing on June 23, 2023. The annual interest rate is 1.375%. The balance at June 30, 2023 was \$489,939. The note matures on March 23, 2063. The loan is a general obligation bond. The debt requirement for the subsequent year is \$12,852.

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

TOWN OF WESTERNPORT, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 7 – LONG-TERM DEBT (continued)

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, 2023 was \$3,640,000. The unamortized bond premium was \$102,506 at June 30, 2023. The bond premium amortization for the 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>
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 \$201,883.

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

	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023
Governmental Activities:				
Maryland Appalachian Housing Fund	\$ 14,825			\$ 14,825
First United Bank & Trust	236,677	\$ 53,549	\$ (31,061)	259,165
Total Governmental Activities	251,502	53,549	(31,061)	273,990
Business-type Activities:				
Maryland Department of Environment	606,546		(27,312)	579,234
Maryland Department of Environment	636,893		(26,026)	610,867
United States Department of Agriculture	110,024		(2,256)	107,768
United States Department of Agriculture	570,101		(11,265)	558,836
General Obligation Refunding Bonds, Series 2015	3,740,000		(100,000)	3,640,000
Premium on General Obligation Refunding Bonds	107,166		(4,660)	102,506
United States Department of Agriculture		595,000	(105,061)	489,939
Maryland Department of Environment Phase III	1,302,165		(53,202)	1,248,963
Total Business-type activities	7,072,895	595,000	(329,782)	7,338,113
Total Long-term Debt	\$ 7,324,397	\$ 648,549	\$ (360,843)	\$ 7,612,103

TOWN OF WESTERNPORT, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 7 – LONG-TERM DEBT (continued)

The debt requirements are:

Fiscal Year Ended	Governmental	Business-Type		Total
	Principal	Principal	Interest	
2024	\$ 55,145	\$ 218,122	\$ 167,965	\$ 441,232
2025	41,288	239,354	191,461	472,103
2026	40,776	135,585	188,968	365,329
2027	136,781	137,029	181,848	455,658
2028		138,356	180,481	318,837
2029-2033		1,692,393	657,251	2,349,644
2034-2038		1,196,600	560,423	1,757,023
2039-2043		771,477	454,975	1,226,452
2044-2048		2,377,616	271,728	2,649,344
2049-2053		213,526	19,834	233,360
2054-2058		218,055	5,157	223,212
	<u>\$ 273,990</u>	<u>\$ 7,338,113</u>	<u>\$ 2,880,091</u>	<u>\$ 10,492,194</u>

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 \$18,150 for the fiscal year ended June 30, 2023. 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, 2024 are estimated to be \$24,600.

TOWN OF WESTERNPORT, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 8 – PENSION PLAN (continued)

The Town has obtained an actuarial valuation of its pension plan on July 1, 2023. The annual covered payroll was \$150,391. The estimated unfunded pension obligation at June 30, 2023 is \$394,731. The unfunded pension obligation increased by \$22,550 from the prior year balance of \$372,181. There are no assets accumulated in a trust to pay related benefits. The mortality assumptions are based on the scale MD – 2021 mortality table, gender specific, fully generational with projection scale AA. The experience studies on which significant assumptions are based are dated July 1, 2023.

The discount rate applied in the measurement of the collective total pension liability is 4.5%, based on the 20 year general obligation bond rates over the life of the plan.

The number of inactive employees currently receiving benefits is 4 and active employees eligible not receiving benefits is 2.

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 \$3,640 and employees contributed \$4,680 to the deferred compensation plan for the year ending June 30, 2023. 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, 2023

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, 2023 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, 2023, the Town had restricted net position totaling \$363,341 in the governmental activities and \$25,470 in the proprietary fund.

Funds from Columbia Gas are restricted for street paving in the amount of \$170,818. Funds in the amount of \$12,055 are restricted for the fire department. Funds in the amount of \$180,468 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 \$966,181. The favorable variance is primarily attributed to grant funds that were not budgeted. The budgeted expenditures were more than the actual expenditures by \$157,262. The overall favorable variance was \$511,017.

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.

NOTE 14 – SHORT-TERM NOTE PAYABLE

Note payable to Manufactures and Traders Trust Company – General Obligation Interim Revolving Line of Credit for the interim financing of the Lincoln Drive Project in the amount of \$600,000. The term of the note was for nine months. The rate of interest per annum was a fixed rate of 3.386%. The loan was fully paid at June 30, 2023. The interest paid was \$19,703.

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, 2023

	Original Budget	Actual	Variance
Revenues			
Taxes	\$ 439,800	\$ 539,036	\$ 99,236
Licenses and Permits	36,500	33,089	(3,411)
Intergovernmental	211,000	1,122,949	911,949
Interest		3,135	3,135
Other	72,500	27,772	(44,728)
	<hr/>	<hr/>	<hr/>
Total Revenues	759,800	1,725,981	966,181
Expenditures			
General Government	224,500	220,585	3,915
Public Safety	40,000	51,960	(11,960)
Public Works	511,250	207,033	304,217
Debt Service	10,470	37,867	(27,397)
Recreation and Culture		1,380	(1,380)
Miscellaneous	100,000	79,760	20,240
Capital Outlay	50,000	180,373	(130,373)
	<hr/>	<hr/>	<hr/>
Total Expenditures	936,220	778,958	157,262
	<hr/>	<hr/>	<hr/>
Excess of Revenue over Expenditures	(176,420)	947,023	1,123,443
	<hr/>	<hr/>	<hr/>
Other Financing Sources (Uses)			
Transfers		(489,555)	(489,555)
Loan Proceeds		53,549	53,549
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)		(436,006)	(436,006)
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balance		511,017	\$ 511,017
	<hr/>	<hr/>	<hr/>
Fund Balances, July 1, 2022	3,285,499	3,285,499	
	<hr/>	<hr/>	
Fund Balances, June 30, 2023	\$ 3,109,079	\$ 3,796,516	
	<hr/>	<hr/>	

Town of Westernport, Maryland
Schedules of Required Pension-Related Supplementary Information
June 30, 2023

Schedule of the Town's Net Pension Liability

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Town's net pension liability	\$ 372,181	\$ 372,181	\$ 382,578	\$ 464,435	\$ 449,620	\$ 434,256	\$ 427,203	\$ 416,567	\$ 410,882	Not
Town's covered payroll	\$ 91,415	\$ 150,391	\$ 169,506	\$ 145,829	\$ 145,829	\$ 170,940	\$ 184,612	\$ 184,612	\$ 148,981	Available
Town's net pension liability as a percentage of its covered payroll	4.07133403	2.4747558	2.257017451	3.1847918	3.0832002	2.5404001	2.3140587	2.256446	2.757949	

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

Required contributions	\$ 18,150	\$ 16,997	\$ 13,750	\$ 12,600	\$ 13,200	\$ 24,100	\$ 35,250	\$ 40,200	\$ 40,200	Not
Contribution paid	\$ 18,150	\$ 16,997	\$ 13,750	\$ 12,600	\$ 13,200	\$ 24,100	\$ 35,250	\$ 40,200	\$ 40,200	Available
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Town's covered payroll	\$ 91,415	\$ 150,391	\$ 169,506	\$ 145,829	\$ 145,829	\$ 170,940	\$ 184,612	\$ 184,612	\$ 148,981	Not
Contributions as a percentage of covered payroll	19.85%	11.30%	8.11%	8.64%	9.05%	14.10%	19.09%	21.78%	26.98%	Available

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.

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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 Commissioners
Town of Westernport
Westernport, MD

I have audited, in accordance with the 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, the financial statements of the governmental activities, the 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, 2023, and the related notes to the financial statements, which collectively comprise the Town of Westernport, Maryland's basic financial statements and have issued our report thereon dated July 1, 2024.

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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Westernport, Maryland's internal control. Accordingly, I do not express an opinion on the effectiveness of 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 the 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 certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that I consider to be a significant deficiency 2023-001.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of the Westernport, Maryland's financial statements are free from 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 determination of financial statement amounts. 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 test disclosed an instance of noncompliance or other matter that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2023-001.

Town of Westernport, Maryland's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Westernport, Maryland's response to the findings identified in my audit and described in the accompanying schedule of findings and questioned costs. The Town of Westernport, Maryland's response was not subject to the other auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Oakland, Maryland
July 1, 2024

R. Joanne Sheffield, CPA
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301-334-1516

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Mayor and Commissioners
Town of Westernport
Westernport, Maryland

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

I have audited Town of Westernport, Maryland's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Town of Westernport, Maryland's major federal programs for the year ended June 30, 2023. Town of Westernport, Maryland's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In my opinion, the Town of Westernport, Maryland complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). My responsibility under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance 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 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 opinion on compliance for each major federal program. My audit does not provide a legal determination of Town of Westernport, Maryland's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of

laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Town of Westernport, Maryland 's federal programs.

Auditor's Responsibilities for the Audit of Compliance

My objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion of Town of Westernport, Maryland's compliance based on my audit. 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, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Town of Westernport, Maryland's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Town of Westernport, Maryland's compliance with compliance requirements referred to above and performing such other procedures as I considered necessary in the circumstances.
- Obtain an understanding of Town of Westernport, Maryland's internal control over compliance to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Town of Westernport, Maryland's internal control over compliance. Accordingly, no such opinion is expressed.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that I identified during the audit.

Other Matters

The results of my auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2023-001. My opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Town of Westernport, Maryland's response to the noncompliance findings identified in my compliance audit described in the accompanying schedule of findings and questioned costs. Town of Westernport,

Maryland response was not subject to the other auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

Report on Internal Control Over Compliance

My consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did not identify a certain deficiency in internal control over compliance that I considered to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. I consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a material weakness.

My audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Town of Westernport, Maryland's response to the internal control over compliance findings identified in my compliance audit described in the accompanying schedule of findings and questioned costs. Town of Westernport, Maryland's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Oakland, Maryland

July 1, 2024

TOWN OF WESTERPORT, MARYLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR FISCAL YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
Department of the Treasury Coronavirus State and Local Fiscal Recovery Funds	21.027	COVID-19	489,555
United States Department of Agriculture - Loan	10.780	Wastewater System Improvements	595,000
Total Expenditures of Federal Awards		\$	1,084,555

NOTE A - BASIS OF PRESENTATION

The schedule of expenditures of federal awards includes the federal activity of the Town of Westport, Maryland under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulation Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Westport, Maryland, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Town of Westport, Maryland.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C - INDIRECT COST RATE

The Town of Westport has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE D - FEDERAL LOANS

The Town was approved by the United States Department of Agriculture to receive a loan totaling \$595,000. The amount listed for this loan includes the loan proceeds used during the year. The balance owed at June 30, 2023 was \$489,939.

**TOWN OF WESTERNPORT, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of the Town of Westernport, Maryland.
2. One significant deficiency disclosed during the audit of the financial statements is reported in the 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.
3. No instances of noncompliance material to the financial statements of Town of Westernport, Maryland, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. One significant deficiency relating to the audit of the major federal award programs is reported in the Independent Auditor's Report on Compliance For Each Major Program and On Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for the Town of Westernport, Maryland expresses a unqualified opinion on a major program.
6. Audit findings that are required to be reported in accordance with the Uniform Guidance are reported in this schedule.
7. The programs tested as major programs included:
 - U.S. Department of Agriculture 10.780
 - Department of the Treasury 21.027
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. The Town of Westernport, Maryland did not qualify as a low-risk auditee.

**TOWN OF WESTERNPORT, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

FINDINGS - FINANCIAL STATEMENTS AUDIT

2023-001 Segregation of duties

Condition: Absence of appropriate segregation of duties consistent with appropriate control objectives.

Criteria: The size of the Town does not allow for the segregation of duties causing a deficiency in the internal control design.

Effect: 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.

Recommendation: The internal control system should be reviewed to determine if duties could be segregated.

Response: The Town will review the internal controls and determine if duties can be segregated.

**TOWN OF WESTERNPORT, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

**FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

2023-001 Segregation of duties

Condition: Absence of appropriate segregation of duties consistent with appropriate control objectives.

Criteria: The size of the Town does not allow for the segregation of duties causing a deficiency in the internal control design.

Effect: 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.

Recommendation: The internal control system should be reviewed to determine if duties could be segregated.

Response: The Town will review the internal controls and determine if duties can be segregated.

TOWN OF WESTERNPORT, MARYLAND
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2023

UNITED STATES DEPARTMENT OF AGRICULTURE
DEPARTMENT OF THE TREASURY

2022-001 Segregation of duties

Condition: Absence of appropriate segregation of duties consistent with appropriate control objectives.

Recommendation: The internal control system should be reviewed to determine if duties could be segregated.

Current Status: The Town continues to review the internal controls and segregates duties to the extent possible.

TOWN OF WESTERNPORT, MARYLAND
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2023

The individual responsible for implementing the corrective action listed below for the fiscal year ended June 30, 2023 audit findings for the Town of Westernport, Maryland is Laura Freeman Legge, Town Administrator. The contact information is townclerk@townofwesternport.com.

The anticipated date for completion of the corrective action listed below for the fiscal year ended June 30, 2023 is July 31, 2024.

Finding 2023-001 Segregation of duties – Absence of appropriate segregation of duties consistent with appropriate control objectives. The corrective action plan: The Town plans to review the internal controls and determine if duties can be segregated. An internal control checklist will be utilized to assist in determining how the Town can segregate duties to improve internal controls.