

**TOWN OF
WASHINGTON GROVE, MARYLAND
FINANCIAL STATEMENTS
JUNE 30, 2021**

TOWN OF WASHINGTON GROVE

TABLE OF CONTENTS

JUNE 30, 2021

	Page
INDEPENDENT AUDITOR’S REPORT	1 – 3
REQUIRED SUPPLEMENTARY INFORMATION	
• Management’s Discussion and Analysis	4 – 11
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
• Statement of Net Position	12
• Statement of Activities	13
Fund Financial Statements	
• Balance Sheet – Governmental Funds	14
• Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	15
NOTES TO BASIC FINANCIAL STATEMENTS	16 – 30
REQUIRED SUPPLEMENTARY INFORMATION	
• Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) – General Fund - unaudited	31
SUPPLEMENTAL SCHEDULES	
• Schedule of Revenues – Budget (non-GAAP basis) and Actual General Fund	32
• Schedule of Expenditures – Budget (non-GAAP basis) and Actual General Fund	33 – 36

Independent Auditor's Report

Honorable Mayor and Members of the Town Council
Town of Washington Grove, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Washington Grove, Maryland, as of and for the year ended June 30, 2021, and the related notes to the financial statements which collectively comprise the basic financial statements of the Town as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Washington Grove as of June 30, 2021, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information on pages 4 through 11 and 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Washington Grove, Maryland's financial statements as a whole. The schedule of revenues – budget and actual and the schedule of expenditures – budget and actual on pages 32 through 36 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of revenues – budget and actual and the schedule of expenditures – budget and actual are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Kindley & Associates, LLC

October 13, 2021

**TOWN OF WASHINGTON GROVE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

Our discussion and analysis of the financial performance of the Town of Washington Grove provides an overview of the Town's financial activities for the year ended June 30, 2021. Please read it in conjunction with the transmittal letter and the Town's financial statements.

Financial Highlights

The effects of the Coronavirus Pandemic which began in the winter of 2020, continued to be felt throughout fiscal year 2021. Though the impact on individuals was significant, the Town's financial situation was minimally impacted. Revenues were received as anticipated and expenses were within the normal range. The Town shifted to virtual meetings at minimal cost, and printing and postage expense evaporated with online distribution of the monthly Bulletin. In-person recreation activities were largely curtailed; however, a variety of creative virtual programs were imagined to help Town residents stay connected.

- **McCathran Hall Repairs and Maintenance:** The Town Office remained open by appointment for this period. There was no rental of McCathran Hall, and there were no meetings or other use by the public. There was no outside custodial service during this time, however required repairs and maintenance continued for the sprinkler/fire suppression system and the elevator.
- **McCathran Hall Pathway Lighting:** Three low voltage bollard lights were installed by Town maintenance along the pathway connecting the Main Hall to the Town Office. Total cost: \$636.
- **Road Resurfacing:** Resurfacing, including significant base repair, of Chestnut Road from Oak Street to Brown Street was completed by A.B. Veirs. Total cost: \$38,078.
- **Street Lights – LED Conversion:** In May 2020, the Town entered into a contract with PEPCO to replace the Town's existing screw-in induction street lights bulbs with screw-in LED bulbs. The installation of 95 LED bulbs was completed in October 2020. These LED bulbs will retain the same color and brightness as the induction bulbs, with an annual \$3,600 savings to the Town in energy and maintenance costs. Total cost for one-time conversion: \$5,341.
- **WSSC Refurbishes Sewer Main Lines and Laterals along Grove Avenue and Ridge Road:** This major project completed by WSSC in spring 2021, required hours of coordination and monitoring by volunteer Town officials, and significant monitoring and work by Maintenance Supervisor Steve Werts. Cost to the Town was primarily labor to return the Grove Avenue walkway to good condition. WSSC reimbursed the Town \$6,500 for trees lost during the project.
- **Tree Removal:** Sadly, the age and condition of the Town's white oaks necessitated a number of removals again this year. Total cost: \$28,250

**TOWN OF WASHINGTON GROVE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

- **Tree Pruning:** Pruning for safety continues, along with stump grinding to prepare areas for new trees. Total cost: \$6,000.
- **Woods Management:** Guided by the 2015 “Forest Stewardship Plan for Washington Grove,” the Woods Committee spent funds in six areas: contracted invasive plant control East Woods (\$11,252), contracted invasive plant control West Woods (\$5,000), public safety tree pruning (\$6,500), tree planting (\$850), deer management (\$138), and trail maintenance (three timber turnpikes -- \$6,610). Total cost: \$30,350.
- **Invasives Removal in Town Parks:** The program to remove invasives from parks in the residential area of Town began in earnest under contract with Invasive Plant Control. Total cost: \$3,627.
- **Tree Planting:** A total of 17 new trees were planted in the parks and residential areas this year. Total cost: \$7,595.
- **Park Benches:** An attractive bench design has been selected by the Forestry and Beautification Committee for use throughout Town. Three benches were installed in FY2021. Total cost: \$2,183.

As a result of the year’s activities, the Town’s net position increased by \$134,111. The combined fund balances of the Town increased by \$128,714.

Using This Annual Report

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

**TOWN OF WASHINGTON GROVE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

Reporting the Town as a Whole

The Statement of Net Position and the Statement of Activities

The Statement of Net Position and the Statement of Activities report information about the Town as a whole. These statements include all assets and deferred outflows and liabilities and deferred inflows using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

- Governmental activities — All of the Town's basic services are reported here, including the general administration, public works, and parks. Taxes and state and federal grants finance most of these activities.

Reporting the Town's Most Significant Funds

Fund Financial Statements

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

- Governmental funds — Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation to the side of the fund financial statements.

**TOWN OF WASHINGTON GROVE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

The Town as a Whole

Governmental Activities

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

General Government	Building Permit Fees
Public Works	Highway User Revenues, County Municipal Tax Duplication payment
Recreation & Culture	State Program Open Space

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

**TOWN OF WASHINGTON GROVE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

Governmental-Wide Financial Information

The following is selected information as of June 30, 2021, and June 30, 2020 for the years then ended.

	2021	2020
Current assets	\$ 1,173,242	\$ 1,022,809
Capital assets	1,280,449	1,292,610
Total assets	2,453,691	2,315,419
Deferred outflows	-	-
Total assets and deferred outflows	2,453,691	2,315,419
Current liabilities	33,272	28,988
Long-term liabilities	11,039	11,162
Total liabilities	44,311	40,150
Deferred inflows	-	-
Net position		
Net investment in capital assets	1,280,449	1,292,610
Restricted	-	-
Unrestricted	1,128,931	982,659
Total net position	2,409,380	2,275,269
Total liabilities, deferred inflows and net position	2,453,691	2,315,419
Program revenues		
Charges for services	6,798	17,044
Operating grants and contributions	75,111	81,620
General revenues		
Income taxes	201,803	166,935
Property taxes	279,652	293,275
Interest and investment earnings	4,087	12,771
Miscellaneous	12,369	5,725
Total general revenues	497,911	478,706
Total revenues and transfers	579,820	577,370
Expenses		
General government	166,190	173,956
Public works	102,121	101,476
Parks, lake & recreation	177,398	176,252
Total expenses and transfers	445,709	451,684
Change in net position	134,111	125,686
Net position, beginning of year	2,275,269	2,149,583
Net position, end of year	\$ 2,409,380	\$ 2,275,269

**TOWN OF WASHINGTON GROVE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

The Town's Funds

The following schedule presents a summary of general revenue and expenses for the fiscal year ended June 30, 2021, and percentage of increase or decrease in relation to the prior year.

	FY2021 Amount	Percent of Total	Increase (Decrease) From FY20
Revenues			
Taxes	\$ 464,054	83%	\$ 14,036
Intergovernmental	75,111	13%	(6,509)
Interest income	4,087	1%	(8,684)
Miscellaneous	19,167	3%	(3,602)
	<u>\$ 562,419</u>	<u>100%</u>	<u>\$ (4,759)</u>
Expenditures			
General government	\$ 145,831	34%	\$ (9,217)
Public works	66,234	15%	(3,555)
Parks, lake & recreation	160,008	37%	41
Capital outlays	61,293	14%	(23,609)
	<u>\$ 433,366</u>	<u>100%</u>	<u>\$ (36,340)</u>

General Fund Budgetary Highlights

Resolution No. 2021-09 authorizing budget transfers for the year ended June 30, 2021, was adopted by the Town Council on June 14, 2021. \$2,000 was transferred from Executive (Postage, Printing) to Finance (Supplies, Audit). \$1,000 was transferred from Miscellaneous (Retirement) to Insurance (Liability).

Capital Asset and Debt Administration

Capital Assets

Capital outlays totaling \$61,293 were made during the year ended June 30, 2021. These included resurfacing roads at a total cost of \$38,078, and converting the Town's street light bulbs from induction to LEDs at a cost of \$5,341. Seventeen new trees were planted in the Town's parks and residential areas at a cost of \$7,595, and twelve new trees were planted in the Town's forest preserve at a cost of \$850. Three park benches were installed in selected public areas throughout Town for \$2,183. Three bollard pathway lights were installed at McCathran Hall for \$636, and three timber turnpikes were constructed along wet trails in the East Woods for \$6,610.

**TOWN OF WASHINGTON GROVE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

Debt

The Town's only debt liability of \$339 due to the State of Maryland as a result of the 2015 *Comptroller of Maryland v. Wynne* case, was paid in full on May 26, 2021.

Economic Factors and Next Year's Budgets and Rates

The Town voted to decrease the property tax rate from \$0.2587/\$100 to the constant yield tax rate of \$0.2479/\$100 and voted to keep the dwelling tax at \$130 per dwelling per year. The tax rate on public utility operating property and business personal property will remain at \$0.70/\$100 assessed valuation. The Town's reserve at June 30, 2021 is in excess of \$1,050,000. If all projects are completed as planned in FY 2022, the Town's reserve will be reduced by about \$131,000. Projects for the coming year include street resurfacing and speed humps, robust tree planting efforts along with continuing invasive plant control, storm drainage remediation, and border identity improvements.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Treasurer at P.O. Box 216 or 206 Chesnut Avenue, Washington Grove, Maryland 20880.

TOWN OF WASHINGTON GROVE, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities	Total
ASSETS		
Current Assets		
Cash and cash equivalents - unrestricted	\$ 232,459	\$ 232,459
Investments	853,901	853,901
Accounts receivable	10,254	10,254
Accounts receivable - income taxes	76,628	76,628
Total Current Assets	1,173,242	1,173,242
Noncurrent Assets		
Net capital assets	1,280,449	1,280,449
Total Noncurrent Assets	1,280,449	1,280,449
TOTAL ASSETS	2,453,691	2,453,691
DEFERRED OUTFLOWS OF RESOURCES	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 2,453,691	\$ 2,453,691
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	\$ 33,272	\$ 33,272
Total Current Liabilities	33,272	33,272
Noncurrent Liabilities		
Compensated absences	11,039	11,039
Total Noncurrent Liabilities	11,039	11,039
TOTAL LIABILITIES	44,311	44,311
DEFERRED INFLOWS OF RESOURCES	-	-
NET POSITION		
Net investment in capital assets	1,280,449	1,280,449
Restricted	-	-
Unrestricted	1,128,931	1,128,931
TOTAL NET POSITION	2,409,380	2,409,380
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 2,453,691	\$ 2,453,691

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

TOWN OF WASHINGTON GROVE, MARYLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Total	
Primary Government						
Governmental Activities:						
General government	\$ 166,190	\$ 6,798	\$ 44,922	\$ -	\$ (114,470)	\$ (114,470)
Public works	102,121	-	30,189	-	(71,932)	(71,932)
Parks, lake & recreation	177,398	-	-	-	(177,398)	(177,398)
Total Governmental Activities	445,709	6,798	75,111	-	(363,800)	(363,800)
Total Primary Government	\$ 445,709	\$ 6,798	\$ 75,111	\$ -	\$ (363,800)	\$ (363,800)
			General revenues:			
			Taxes			
			Income taxes	201,803	201,803	
			Property taxes	279,652	279,652	
			Interest and investment earnings	4,087	4,087	
			Miscellaneous	12,369	12,369	
			Total General Revenues	497,911	497,911	
			Change in Net Position	134,111	134,111	
			Net Position, beginning of year	2,275,269	2,275,269	
			Net Position, end of year	\$ 2,409,380	\$ 2,409,380	

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

**TOWN OF WASHINGTON GROVE, MARYLAND
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021**

	<u>General Fund</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash and cash equivalents - unrestricted	\$ 232,459	\$ 232,459
Investments	853,901	853,901
Accounts receivable	10,254	10,254
Accounts receivable - income taxes	76,628	76,628
TOTAL ASSETS	<u>1,173,242</u>	<u>1,173,242</u>
DEFERRED OUTFLOWS OF RESOURCES		
	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,173,242</u>	<u>\$ 1,173,242</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 33,272	\$ 33,272
TOTAL LIABILITIES	<u>33,272</u>	<u>33,272</u>
DEFERRED INFLOWS OF RESOURCES	<u>76,628</u>	<u>76,628</u>
FUND BALANCES		
Unassigned	1,063,342	1,063,342
TOTAL FUND BALANCES	<u>1,063,342</u>	<u>1,063,342</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,173,242</u>	<u>\$ 1,173,242</u>

**RECONCILIATION OF TOTAL GOVERNMENTAL
FUND BALANCE TO NET POSITION OF
GOVERNMENTAL ACTIVITIES
JUNE 30, 2021**

<i>Total Governmental Fund Balances</i>	\$ 1,063,342
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,280,449
Long-term liabilities, including compensated absences are not due and payable in the current period and therefore are not reported in the funds.	(11,039)
Receivables pertaining to revenue that is not available in accordance with modified accrual accounting are reported as deferred inflows of resources in the funds.	<u>76,628</u>
<i>Net Position of Governmental Activities</i>	<u>\$ 2,409,380</u>

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

TOWN OF WASHINGTON GROVE, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Total Governmental Funds
REVENUES		
Taxes	\$ 464,054	\$ 464,054
Intergovernmental	75,111	75,111
Fines, licenses, permits	6,798	6,798
Interest income	4,087	4,087
Miscellaneous	12,369	12,369
Total Revenues	562,419	562,419
EXPENDITURES		
Current Operations		
General government	145,831	145,831
Public works	66,234	66,234
Parks, lake & recreation	160,008	160,008
Capital outlays	61,293	61,293
Debt service		
Principal (Note 10)	339	339
Interest	-	-
Total Expenditures	433,705	433,705
Excess of revenues over (under)		
 expenditures and other financing uses	128,714	128,714
Other financing sources (uses)		
Operating transfers in (out)	-	-
Total other financing sources (uses)	-	-
Excess of revenue and other financing		
 sources over (under) expenditures		
 and other financing uses	128,714	128,714
Fund balance, beginning of year	934,628	934,628
Fund balance, end of year	\$ 1,063,342	\$ 1,063,342

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

<i>Net Change in Fund Balances - Total Governmental Funds</i>	\$ 128,714
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(12,161)
Differences in accounting for compensated absences between modified accrual and accrual accounting.	(182)
Repayment of debt principal is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net position.	339
Increases in deferred inflows of resources relating to income taxes are not available to finance current period obligations and are not reported as revenue in the governmental funds.	17,401
<i>Change in Net Position of Governmental Activities</i>	\$ 134,111

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

TOWN OF WASHINGTON GROVE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Town was incorporated May 30, 1937, and is a municipal corporation governed by an elected mayor and an elected town council and provides the following services as authorized by its charter: streets, sanitation, recycling, health and social services, public park improvements and general administrative services. Its major sources of revenues are derived from real estate taxes, income taxes and usage taxes.

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

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

Basis of Presentation – Fund Accounting

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

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

TOWN OF WASHINGTON GROVE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of Accounting

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Town, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. The Town has no business-type activities.

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

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

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

TOWN OF WASHINGTON GROVE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Fund Financial Statements

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

Governmental Funds

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

The major governmental fund is:

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

Revenue Recognition

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

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

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

TOWN OF WASHINGTON GROVE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Expenditure Recognition

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

Allocations of costs, such as depreciation and amortization, are not recognized in the governmental activities.

Cash and Cash Equivalents

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

Investments

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

Receivables

Receivables at June 30, 2021, consist primarily of state income tax. Accounts receivable are deemed collectible in full.

Inventory of Supplies

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

Deferred Outflows and Inflows of Resources

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

As of June 30, 2021, the balance of deferred inflows of resources consisted of income taxes of \$76,628.

TOWN OF WASHINGTON GROVE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Local Tax Reserve Fund

At June 30, 2021, the Town was advised by the State of Maryland that \$76,628 of the Local Tax Reserve Fund was allocable to the Town. The Town recorded receivable and deferred inflows of resources in the amount of \$76,628 in the fund financial statements. Changes in this amount have been reflected as current year income tax revenue in the government-wide financial statements in accordance with full accrual accounting.

Capital Assets and Depreciation

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

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

Restricted Reserves

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

Interest Expense

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

TOWN OF WASHINGTON GROVE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Compensated Absences

The Town allows its eligible employees to accrue up to 160 hours of vacation leave. Any amounts over this maximum are forfeited at the end of the next calendar year. Upon employee termination, the Town pays up to the 160-hour maximum for vacation time. The Town also pays one fourth of accrued sick leave to a retiring employee but not to a terminated employee. All other amounts are forfeited. As of June 30, 2021, the liability for compensated absences is \$11,039.

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues, expenditures, and expenses. Actual results could vary from the estimates that were used.

Equity Classifications

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

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

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

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

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

TOWN OF WASHINGTON GROVE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Governmental Fund Balances

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

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

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

TOWN OF WASHINGTON GROVE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

Budget Requirements, Accounting, and Reporting

Requirements for all funds:

Annual budgets are adopted for all Town funds. The Town Council may subsequently amend the budget and the budget was amended during fiscal year 2021. For day-to-day management control, expenditures may not exceed budget at the department level. The budget deviates from GAAP because the budget includes a use of reserves as a budgeted revenue. Refer to Note 12 for a reconciliation between non-GAAP and GAAP.

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposit Policies

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

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

Deposits

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

At year-end, the carrying amounts of the Town's deposits were \$232,459 and the bank balances totaled \$237,138. Of the bank balances, the entire amount was insured by Federal Depository Insurance Corporation (FDIC). At year end, the Town's bank balances were not exposed to any custodial credit risk because all deposits were fully collateralized.

TOWN OF WASHINGTON GROVE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 – DEPOSITS AND INVESTMENTS - continued

Investment Policies

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

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

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

For investments, **custodial credit risk** is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities in the possession of an outside party. Town policy provides that 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.

Generally, the Town's investing activities are managed by the Town Treasurer. Investing is performed in accordance with investment policies adopted by the Town Council complying with State Statutes and the Town Charter. Town funds may be invested in: 1) U.S. Treasury obligations; 2) U.S. Government Agency and U.S. Government-sponsored instrumentalities; 3) Repurchase agreements (master repurchase agreement required); 4) Collateralized certificates of deposit (only Maryland commercial banks); and 5) Maryland Local Government Investment Pool.

Investments

The Town has invested at June 30, 2021, \$294,959 in the State of Maryland Local Government Investment Pool (MLGIP). The pool is under the administrative control of the State's Treasurer's Office. The Town's investments are shown by type, carrying amount, fair value, cost and level of risk assumed in holding the various accounts. Investments are carried at cost which approximates market. The fair value of MLGIP investments is determined daily. PNC Bank is currently contracted to operate the Pool and may invest in any instrument permitted by Section 6-222 of the State Finance and Procurement Article. The Town's fair value position in the Pool is the same as the value of pool share.

TOWN OF WASHINGTON GROVE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 – DEPOSITS AND INVESTMENTS - continued

As of June 30, 2021, the Town had the following investments:

<u>Types of Investments</u>	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings</u>
MLGIP	\$ 294,959	\$ 294,959	AAAm
Certificate of Deposit:			
WesBanco	102,651	102,651	BBB+
WesBanco	103,241	103,241	BBB+
TD Bank	105,855	105,855	AA-
TD Bank	146,895	146,895	AA-
Sandy Spring Bank	100,300	100,300	BBB+
Certificates of deposit	<u>\$ 558,942</u>	<u>\$ 558,942</u>	
Total Investments	<u>\$ 853,901</u>	<u>\$ 853,901</u>	

Note: Ratings are provided where applicable to indicate associated Credit Risk.
N/A indicates not applicable.

NOTE 4 - RECEIVABLES

Receivables are comprised of the following as of June 30, 2021:

Property taxes	\$ 1,140
Cable TV fees	1,513
Income taxes	76,628
Highway user	7,483
Dwelling tax	4
Public utility tax	114
	<u>\$ 86,882</u>

TOWN OF WASHINGTON GROVE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 – PROPERTY TAX

Real estate and personal property taxes are levied based on the State of Maryland’s assessments. Real estate taxes are levied on July 1 and are payable by October 1 of the same year. After October 1, the Town charges both penalties and interest upon the unpaid balance. If the taxes remain unpaid the property is placed with Montgomery County for tax sale the following May.

Personal property taxes are levied throughout the year when the assessment is received from the State of Maryland. The taxes are payable within 30 days after levy. Penalties and interest are charged on any unpaid taxes after the thirty days has expired. When taxes are overdue, a lien is placed against the property. The real and personal property tax rates during the year ended June 30, 2021, were \$0.2587 and \$0.70 per \$100 of assessed value, respectively.

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Not being depreciated:				
Land	\$ 780,009	\$ -	\$ -	\$ 780,009
Construction in progress	-	-	-	-
Subtotal	780,009	-	-	780,009
Depreciable capital assets:				
Roads	630,647	43,419	-	674,066
Buildings and improvements	1,046,611	636	-	1,047,247
Recreation facilities	349,873	17,238	-	367,111
Equipment	98,699	-	-	98,699
Subtotal	2,125,830	61,293	-	2,187,123
Total capital assets	2,905,839	61,293	-	2,967,132
Accumulated depreciation:				
Roads	434,158	29,881	-	464,039
Buildings and improvements	899,168	18,130	-	917,298
Recreation facilities	229,295	16,288	-	245,583
Equipment	50,608	9,155	-	59,763
Subtotal, accumulated depreciation	1,613,229	73,454	-	1,686,683
Net capital assets	\$ 1,292,610	\$ (12,161)	\$ -	\$ 1,280,449

TOWN OF WASHINGTON GROVE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION – continued

Depreciation was charged to functions as follows:

Government activities:	
General government	\$ 20,267
Public works	35,887
Parks	17,300
Total government activities depreciation expense	<u>\$ 73,454</u>

The Town has no material construction commitments as of June 30, 2021.

NOTE 7 – DEFERRED COMPENSATION PLAN

The Town provides retirement benefits for all of its full-time employees through a deferred compensation plan. All full-time employees are eligible to participate. Plan provisions and contribution requirements are established and may be amended by the Town council. The Town contributes up to five percent (5%) of an eligible employee's compensation per annum towards the plan and employees may make voluntary contributions of up to \$7,500 annually. During the year ended June 30, 2021, employees contributed \$0 to the plan and the Town contributed 100% of its required contribution in the amount of \$0. The Town currently has no employees participating in the plan.

Effective January 1, 1998, all amounts of compensation deferred under the plan, and all related income, are held in trust for the exclusive benefit of participants and their beneficiaries. The assets will not be diverted to any other purpose.

In compliance with the Internal Revenue Code Section 457(g), all assets and income of the plan are held in trust for the exclusive benefit of participants and their beneficiaries. Accordingly, the investments designated for compensation benefits are not reflected in the Town's financial statements.

The Plan Administrator, ICMA Retirement Corporation, is the trustee.

TOWN OF WASHINGTON GROVE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 – RISK MANAGEMENT

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

The Town has an insurance agreement with the Local Government Insurance Trust (LGIT), a public entity risk pool. LGIT provides the Town's property, general, automobile, and public officials' legal liability insurance coverage. The Town also has an agreement with Chesapeake Employers' Insurance (formerly Injured Worker's Insurance Fund) to provide a workers' compensation policy. The Town's health insurance is managed by Employers Association, Inc.

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

Premiums are charged to the Town's General Fund, with no provision made for claim liability in addition to premiums, unless an assessment is made by the Trust. There have been no assessments during the year ended June 30, 2021, and the amounts of settlements have not exceeded coverage for each of the past three years.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Grants

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

NOTE 10 – COMPTROLLER OF THE TREASURY OF MARYLAND V. WYNNE

In 2015, in *Comptroller of the Treasury of Maryland v. Wynne*, the Supreme Court invalidated a portion of Maryland's personal income tax scheme after determining that it inherently burdened the earnings of individuals who resided in one state but earned income in another.

In response, Maryland has enacted corrective legislation allowing a credit for Maryland residents against personal income tax for income taxed by other states. The Court had ruled that the failure of Maryland law to allow such a credit rendered Maryland's personal income tax scheme unconstitutional.

TOWN OF WASHINGTON GROVE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10 – COMPTROLLER OF THE TREASURY OF MARYLAND V. WYNNE
- continued

The original impact of the ruling on the Town was \$339 in total. During FY2021, the Comptroller’s Office stated repayment will be made in 80 withholdings over 20 years, beginning in May 2021. During FY2021, the Town paid off the entire amount owed. At June 30th, 2021 the balance was \$0.

	Balance June 30, 2020	Retired During Year	Balance June 30, 2021	Amount Due Within 1 Year
State of Maryland	\$ 339	\$ 339	\$ -	\$ -

NOTE 11 – CONCENTRATIONS

The Town derives most of its revenues from the citizens of the Town. The Town is located in Montgomery County, Maryland.

TOWN OF WASHINGTON GROVE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12 - DIFFERENCES BETWEEN GAAP AND BUDGET BASIS

The financial statements and notes conform to GAAP. The budget is prepared on a basis not consistent with GAAP. The budget deviates from GAAP because it includes use of reserves as a budgeted revenue. The reconciliation between the non-GAAP budget and GAAP follows:

Budgeted excess (deficiency) of revenues over (under) expenditures - non-GAAP basis	\$ -
Use of reserves	<u>(119,873)</u>
Budgeted excess (deficiency) of revenues over (under) expenditures - GAAP basis	<u><u>\$ (119,873)</u></u>

NOTE 13 – FUND BALANCE REPORTING

Fund balances for the Town’s governmental funds consisted of the following as of June 30, 2021:

Unassigned Fund Balances

All fund balances in the general fund are unassigned. At June 30, 2021, this amount was \$1,063,342.

TOWN OF WASHINGTON GROVE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 14 – NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued the following statements:

Statement No. 87, *Leases*, issued June 2018, effective for financial statements for fiscal years beginning after June 15, 2021.

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

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

Statement No. 91, *Conduit Debt Obligations*, issued May 2019, effective for reporting periods beginning after December 15, 2021.

Statement No. 92, *Omnibus 2020*, issued January 2020, effective for reporting periods beginning after June 15, 2021.

Statement No. 93, *Replacement of Interbank Offered Rates*, issued March 2020, effective for reporting periods beginning after June 15, 2020.

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

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

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

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

The Town will implement these statements as necessary as of their effective dates. While the Town is still in the process of determining the effect of implementing these GASB statements, they are not expected to have a material effect on the financial position of the Town.

**TOWN OF WASHINGTON GROVE, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2021**

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Revenues				
Income taxes	\$ 120,000	\$ 120,000	\$ 184,402	\$ 64,402
Property taxes	283,339	283,339	279,652	(3,687)
Fines, licenses and permits	7,525	7,525	6,798	(727)
Interest and investment earnings	7,558	7,558	4,087	(3,471)
Charges for services	9,250	9,250	-	(9,250)
Operating grants and contributions	30,000	30,000	30,189	189
Other revenues	44,922	44,922	44,922	-
Miscellaneous	1,600	1,600	12,369	10,769
Use of reserves	119,873	119,873	-	(119,873)
Total Revenues	\$ 624,067	\$ 624,067	\$ 562,419	\$ (61,648)
Expenditures				
General government	\$ 127,807	\$ 127,807	\$ 95,966	\$ 31,841
Public works	133,385	133,385	66,234	67,151
Parks, lake and recreation	308,650	308,650	160,008	148,642
Miscellaneous	54,225	54,225	49,865	4,360
Debt service (Note 10)	-	-	339	(339)
Capital outlay	-	-	61,293	(61,293)
Total Expenditures	\$ 624,067	\$ 624,067	\$ 433,705	\$ 190,362

SUPPLEMENTAL SCHEDULES

TOWN OF WASHINGTON GROVE, MARYLAND
SCHEDULE OF REVENUES - GENERAL FUND
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	Original budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes				
Taxes - Local Property				
Real estate	\$ 249,089	\$ 249,089	\$ 242,573	\$ (6,516)
Dwelling tax	29,250	29,250	29,208	(42)
Public utilities	5,000	5,000	6,437	1,437
Taxes - State Shared				
Income taxes	120,000	120,000	184,402	64,402
Delinquent taxes, penalties and interest	-	-	1,434	1,434
Total Taxes	<u>403,339</u>	<u>403,339</u>	<u>464,054</u>	<u>60,715</u>
Licenses and Permits				
Business	125	125	-	(125)
Other licenses and permits				
Other permits	400	400	530	130
Cable TV franchise fee	7,000	7,000	6,268	(732)
Total Licenses and Permits	<u>7,525</u>	<u>7,525</u>	<u>6,798</u>	<u>(727)</u>
Intergovernmental				
State Grants				
Highway and streets	30,000	30,000	30,189	189
County Grants				
Revenue sharing	44,922	44,922	44,922	-
Total Intergovernmental	<u>74,922</u>	<u>74,922</u>	<u>75,111</u>	<u>189</u>
Miscellaneous				
Recreation program user fees	7,750	7,750	-	(7,750)
Rental - McCathran Hall	1,500	1,500	-	(1,500)
Interest	7,558	7,558	4,087	(3,471)
Miscellaneous	1,600	1,600	10,125	8,525
Contributions & donations	-	-	2,244	2,244
Use of reserves	119,873	119,873	-	(119,873)
Total Miscellaneous	<u>138,281</u>	<u>138,281</u>	<u>16,456</u>	<u>(121,825)</u>
Total Revenues	<u>\$ 624,067</u>	<u>\$ 624,067</u>	<u>\$ 562,419</u>	<u>\$ (61,648)</u>

**TOWN OF WASHINGTON GROVE, MARYLAND
SCHEDULE OF EXPENDITURES - GENERAL FUND
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES				
General Government				
Executive				
Conference and dues	\$ 1,760	\$ 1,760	\$ 1,206	\$ 554
Telephone	840	840	797	43
Postage	1,250	1,250	222	1,028
Legal notices	200	200	535	(335)
Repairs - office equipment	1,500	1,500	870	630
Supplies and internet	1,100	1,100	1,409	(309)
Information technology support	500	500	1,319	(819)
Records management	1,500	1,500	215	1,285
Town clerk salary	47,997	47,997	41,266	6,731
Town website	4,436	4,436	4,406	30
Printing and copying	1,575	1,575	-	1,575
Total Executive	<u>62,658</u>	<u>62,658</u>	<u>52,245</u>	<u>10,413</u>
Administration				
Salaries	13,758	13,758	12,146	1,612
Postage	200	200	220	(20)
Bond	100	100	200	(100)
Supplies	1,250	1,250	1,554	(304)
Bank fees	80	80	88	(8)
Total Administration	<u>15,388</u>	<u>15,388</u>	<u>14,208</u>	<u>1,180</u>
Professional Fees				
Audit/Accounting	6,876	6,876	7,708	(832)
Planning and zoning	10,800	10,800	2,085	8,715
Legal counsel	5,600	5,600	3,359	2,241
Total Professional Fees	<u>23,276</u>	<u>23,276</u>	<u>13,152</u>	<u>10,124</u>
Municipal Building				
Salaries	3,975	3,975	2,474	1,501
Utilities	5,850	5,850	4,985	865
Telephone	1,140	1,140	1,219	(79)
Repairs and maintenance	2,000	2,000	2,418	(418)
Fire alarm	465	465	465	-
Sprinkler testing	1,555	1,555	1,522	33
Janitorial	5,000	5,000	420	4,580
McCathran Hall	5,000	5,000	2,789	2,211
Miscellaneous supplies	1,500	1,500	705	795
Total Municipal Building	<u>26,485</u>	<u>26,485</u>	<u>16,997</u>	<u>9,488</u>
Total General Government	<u>\$ 127,807</u>	<u>\$ 127,807</u>	<u>\$ 96,602</u>	<u>\$ 31,205</u>

TOWN OF WASHINGTON GROVE, MARYLAND
SCHEDULE OF EXPENDITURES - GENERAL FUND- continued
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Public Works				
Street maintenance				
Salaries	\$ 2,390	\$ 2,390	\$ 2,335	\$ 55
Supplies	1,000	1,000	1,825	(825)
Street lighting	8,850	8,850	4,696	4,154
Street light install/repair	11,000	11,000	5,341	5,659
Snow and ice removal	3,000	3,000	-	3,000
Sanitation	795	795	231	564
Resurfacing	37,000	37,000	38,078	(1,078)
Signs	500	500	-	500
Speed Hump	8,000	8,000	-	8,000
Walkways				
Salaries	1,590	1,590	2,853	(1,263)
Supplies	1,000	1,000	1,045	(45)
Restoration	3,000	3,000	-	3,000
Waste collection and disposal				
Salaries	6,365	6,365	5,103	1,262
Trash collection	17,766	17,766	17,766	-
Recycling services	11,529	11,529	11,529	-
Leaf collection	18,600	18,600	18,600	-
Disposal tipping fees	1,000	1,000	251	749
Total Public Works	<u>\$ 133,385</u>	<u>\$ 133,385</u>	<u>\$ 109,653</u>	<u>\$ 23,732</u>

TOWN OF WASHINGTON GROVE, MARYLAND
SCHEDULE OF EXPENDITURES - GENERAL FUND - continued
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	Original Budget	Final	Actual	Variance Favorable (Unfavorable)
Parks, Lakes and Recreation				
Parks				
Salaries	\$ 64,425	\$ 64,425	\$ 63,103	\$ 1,322
Supplies	4,000	4,000	3,062	938
Tree planting	30,000	30,000	7,689	22,311
Tree expert	1,000	1,000	-	1,000
Beautification and forestry	4,000	4,000	2,343	1,657
Vehicle operation	4,000	4,000	3,761	239
Gypsy moth spraying	1,000	1,000	4,254	(3,254)
Tree removal	22,000	22,000	28,250	(6,250)
Tree pruning	17,000	17,000	6,000	11,000
Forest management	50,000	50,000	30,350	19,650
Equipment rental	1,000	1,000	-	1,000
Nicho's trees	1,850	1,850	-	1,850
Equipment purchase	1,000	1,000	326	674
Fencing	10,000	10,000	-	10,000
Storm Drainage/Parks and Res. Areas	50,000	50,000	-	50,000
Total Parks	<u>261,275</u>	<u>261,275</u>	<u>149,138</u>	<u>112,137</u>
Lakes				
Salaries	19,000	19,000	13,633	5,367
Supplies	2,500	2,500	1,080	1,420
Electricity for pump and aeration	750	750	600	150
Water testing and treatment	4,500	4,500	6,566	(2,066)
Entrance bridge	200	200	-	200
Total Lakes	<u>26,950</u>	<u>26,950</u>	<u>21,879</u>	<u>5,071</u>
Recreation				
Salaries	5,500	5,500	996	4,504
Supplies and programs	14,925	14,925	5,233	9,692
Total Recreation	<u>20,425</u>	<u>20,425</u>	<u>6,229</u>	<u>14,196</u>
Total Parks, Lakes and Recreation	<u>\$ 308,650</u>	<u>\$ 308,650</u>	<u>\$ 177,246</u>	<u>\$ 131,404</u>

TOWN OF WASHINGTON GROVE, MARYLAND
SCHEDULE OF EXPENDITURES - GENERAL FUND - continued
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Miscellaneous				
Payroll taxes/health insurance- total	\$ 14,668	\$ 14,668	\$ 23,293	\$ (8,625)
Historic preservation	26,657	26,657	16,735	9,922
Insurance - workers' compensation	4,500	4,500	4,162	338
Insurance - property	800	800	515	285
Insurance - liability	1,600	1,600	2,917	(1,317)
Emergency preparedness	1,000	1,000	-	1,000
Contingency	4,500	4,500	-	4,500
Debt service (Note 10)	-	-	339	(339)
Other miscellaneous	500	500	2,243	(1,743)
Total Miscellaneous	<u>54,225</u>	<u>54,225</u>	<u>50,204</u>	<u>4,021</u>
Total Expenditures	<u>\$ 624,067</u>	<u>\$ 624,067</u>	<u>\$ 433,705</u>	<u>\$ 190,362</u>

October 13, 2021

To the Mayor, Town Council and Town Manager
Town of Washington Grove, Maryland

We audited the financial statements of the governmental activities and each major fund of the Town of Washington Grove, Maryland (the "Town") for the year ended June 30, 2021, and have issued our report thereon dated October 13, 2021. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U. S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 29, 2021, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U. S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

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

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

Planned Scope and Timing of the Audit

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

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Town are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2021, except as may be explained in Note 1 to the financial statements. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

Difficulties Encountered in Performing the Audit

There were no difficulties encountered during the audit.

Corrected and Uncorrected Misstatements

The Town maintains its books on a cash basis. We assisted the Town in converting from the cash basis to generally accepted accounting principles (GAAP). Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Many of the following adjustments pertain to converting from the cash basis to GAAP. Management has corrected all such misstatements.

- Fixed assets, depreciation expense and related accumulated depreciation
- Accounts receivable
- Accounts payable
- Various income accounts
- Various expense accounts
- Payroll and related payroll liabilities

Disagreements with Management

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

Management Representations

We have requested certain representation from management that is included in the management representation letter dated October 13, 2021.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

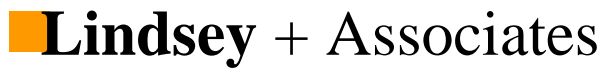
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationships and our responses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

We have also provided the Town's management with a letter dated October 13, 2021 pertaining to our audit findings and recommendations.

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

Very truly yours,

Handwritten signature in cursive script that reads "Lindsey & Associates, LLC".



110 West Road
Suite 220
Towson, MD 21204

410.825.1994 phone
410.825.1997 fax

www.acpafirm.com

October 13, 2021

To the Mayor, Town Council and Town Manager
Town of Washington Grove, Maryland

In planning and performing our audit of the financial statements of the Town of Washington Grove (the "Town") as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

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

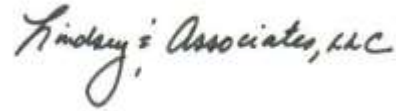
Preparation of Financial Statements

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

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

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

Very truly yours,

A handwritten signature in black ink that reads "Kinsey & Associates, LLC". The signature is written in a cursive style with a large, stylized initial 'K'.