

**TRI-COUNTY COUNCIL FOR
WESTERN MARYLAND, INC.**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

December 31, 2022

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PROFESSIONAL ACCOUNTING,
CONSULTING & BUSINESS
ADVISORY SERVICES

September 21, 2023

The Board of Directors
Tri-County Council for Western Maryland, Inc.
Cumberland, Maryland

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Tri-County Council for Western Maryland, Inc., (the Council), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the accompanying table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Council as of December 31, 2022, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Council and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinions.

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Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the Council's proportionate share of the net pension liability, the schedule of the Council's contributions – pensions, the schedule of changes in the Council's net OPEB liability and related ratios, and the schedule of employer contributions – OPEB be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a required 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response 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 evidence sufficient to express an opinion or provide any assurance.

Supplementary Information

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the Council's basic financial statements. The combining and individual non-major fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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. Such 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 financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining and individual non-major fund financial statements and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Management is responsible for the other information, which comprises of the Year In Review but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statement, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report, dated September 21, 2023, on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our 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 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 the Council's internal control over financial reporting and compliance.



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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Tri-County Council for Western Maryland, Inc. (the "Council"), we offer readers of the Council's financial statements this narrative overview and analysis of the financial activities of the Council for the fiscal year ended December 31, 2022.

Financial Highlights

- The Council currently has cash of approximately \$4,050,000 available for new loans to assist the citizens of the Counties of Allegany, Garrett, and Washington to develop and expand their businesses.
- During the current year, the Council relocated their offices to the building in downtown Cumberland purchased in the prior year. See Note E for further details.
- During the current year, the Council received \$10 million in funding from the Maryland Department of Commerce for the Rural Maryland Development Fund. This fund will make grants to projects within the member counties for infrastructure, capacity building, workforce development and entrepreneurship and innovation.
- During the current year, the Council has included the newly formed Senator George C. Edwards Fund in the financial statements as a component unit. The fund received \$20 million in funding during the current year to provide grant or loan funding for capital infrastructure projects and business development projects within the member counties.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Council's basic financial statements. The Council's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Council's finances, in a manner similar to a private-sector business.

The *statement of net position* provides information showing how the Council's assets have changed during the current year. It reports the availability of assets for future use and is an important management tool in financial planning.

The *statement of activities* presents information showing how the Council'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, such as uncollected taxes, earned but unused vacation leave, accrued interest on long-term debt, accrued payroll, and intergovernmental receivables.

The government-wide financial statements can be found on pages 17-19 of this report.

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 Council, like other state and local governmental units, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Council are classified as governmental funds.

Governmental funds. This fund grouping is used to account for essentially the same functions as reported 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 the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Immediately after both the governmental funds' balance sheet and the governmental funds' statement of revenues, expenditures, and changes in fund balances, a statement provides a reconciliation to facilitate this comparison between governmental funds and the government-wide financial statements.

The Council maintains fourteen individual governmental funds. Information is presented separately in the governmental funds' balance sheet and in the governmental funds' statement of revenues, expenditures, and changes in fund balance for the General Fund, ARC Revolving Loans, EDA Loan – Combined, EDA Covid-19 Relief, the Rural Maryland Council Prosperity Investment Fund, Rural Maryland Development Fund, and the VLT Loan Fund, all of which are considered to be major funds. Data from the other seven governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental funds financial statements can be found on pages 20-27 of this report.

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. The notes to the financial statements can be found on pages 28-53 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents required supplementary information concerning the Council's progress in funding its obligation for pensions and other post-employment benefits to its employees.

Required supplementary information can be found on pages 55-63 of this report.

Several of the Council's programs are funded by the federal government. The Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards along with its accompanying reports and schedules is presented on pages 65-80.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the schedules and reports on federal expenditures. Combining and individual fund statements can be found on pages 81-85 of this report.

Additional information on the goals and accomplishments of the Council during 2022 is presented immediately after the combining and individual fund statements in the section entitled "The Year in Review." This section is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The Year in Review can be found on pages 87-92 of this report.

Government-wide Financial Analysis

Analysis of Net Position

Net position is a useful indicator of a government's financial position. For the Council, total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$11,743,016 at December 31, 2022 and \$11,256,054 at December 31, 2021.

Tri-County Council for Western Maryland, Inc.'s Statement of Net Position

The following is a summary of the Council's Statement of Net Position as of December 31, 2022 and 2021:

	<u>2021</u>	<u>2022</u>
<i>Assets:</i>		
Current Assets and Other	\$ 6,856,886	\$ 16,235,084
Notes Receivable, net – Long Term	4,691,808	5,345,637
Capital Assets	<u>454,588</u>	<u>696,231</u>
Total Assets	12,003,282	22,276,952
 <i>Deferred Outflows of Resources</i>	 115,825	 463,188
 <i>Liabilities:</i>		
Current Liabilities	177,170	10,224,532
Long-Term Liabilities	<u>41,577</u>	<u>429,367</u>
Total Liabilities	218,747	10,653,899
 <i>Deferred Inflows of Resources</i>	 644,306	 343,225
 <i>Net Position:</i>		
Net investment in capital assets	454,588	696,231
Restricted for Loans	7,398,355	5,345,639
Unrestricted	<u>3,403,111</u>	<u>5,701,146</u>
Total Net Position	<u>\$ 11,256,054</u>	<u>\$ 11,743,016</u>

The Council continues to maintain a significant balance of net position; however these assets are largely restricted for use in the loan programs. The availability of net position for operational use enables the Council to continue to fund developmental projects in the tri-county area.

Changes in Net Position

The Council's net position increased by \$486,962 for the year ended December 31, 2022 and by \$2,223,652, after the adjustment of beginning net position for the adoption of the new OPEB Plan, for the year ended December 31, 2021. Approximately 87% of the Council's revenue came from grants and contributions and 13% from loan activity.

Tri-County Council for Western Maryland, Inc.'s Statement of Activities

The following summarizes the Council's Statement of Activities for the year ended December 31, 2022 and 2021.

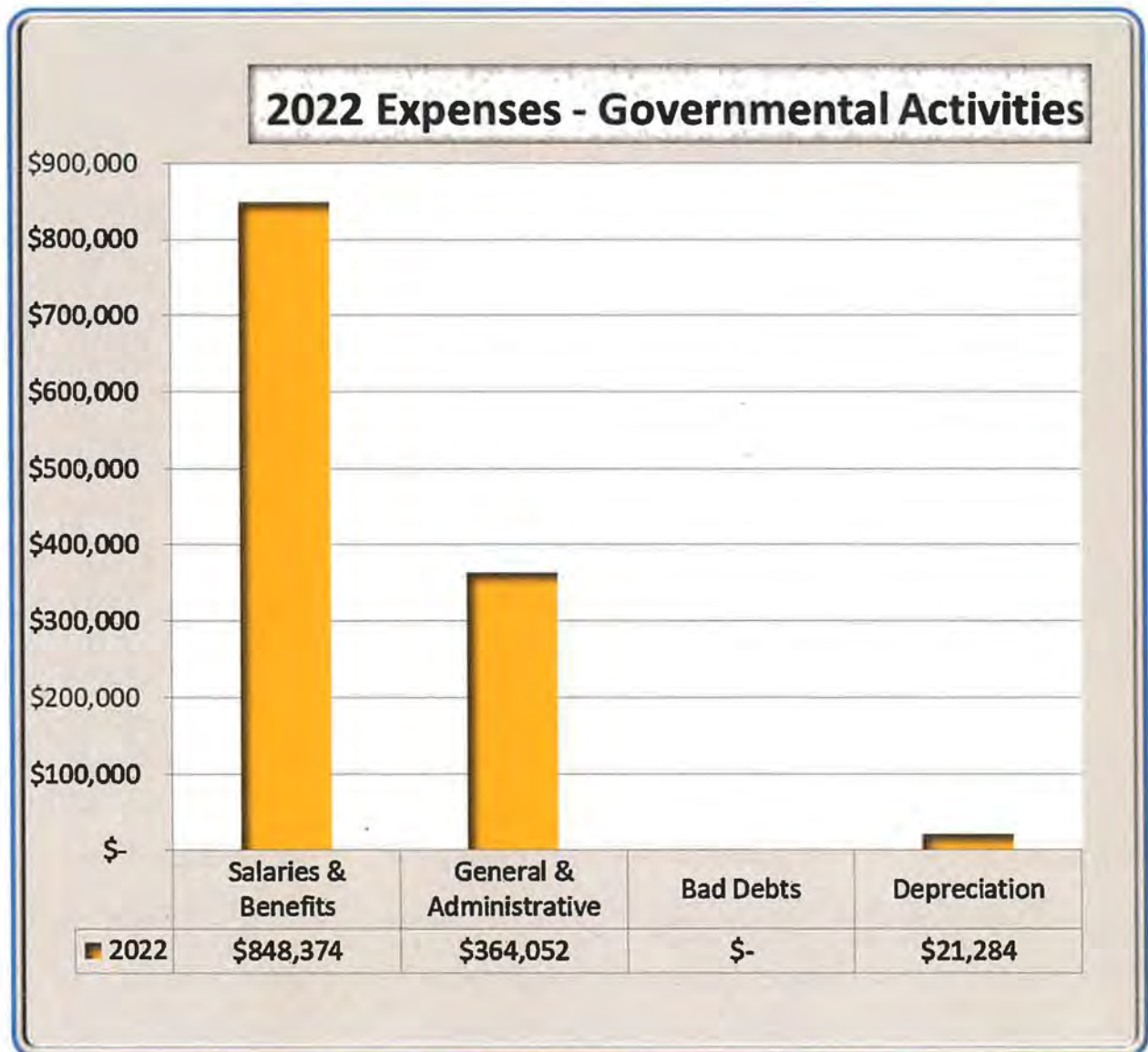
	<u>2021</u>	<u>2022</u>
<i>Program Revenues:</i>		
Loan Income	\$ 283,104	\$ 200,242
Recovery – Previous Bad Debt	126,292	-
Restricted investment earnings	7,604	5,936
Charges for Services	7,835	6,425
Operating Grants and Contributions	2,889,835	1,385,666
<i>General Revenues:</i>		
Local Contributions	120,000	120,000
Miscellaneous	-	575
Realized loss on disposal	-	(1,890)
Unrestricted investment earnings	<u>3,883</u>	<u>3,718</u>
	3,438,553	1,720,672
<i>Program Expenses:</i>		
Community Development	660,086	859,810
Revolving Loan Funds	457,511	127,761
Covid-19 Relief	69,171	215,180
Transit	<u>28,133</u>	<u>30,959</u>
Total Expenses	1,214,901	1,233,710
Change in Net Position	2,223,652	486,962
Net Position – Beginning	<u>9,032,402</u>	<u>11,256,054</u>
Net Position – Ending	<u>\$ 11,256,054</u>	<u>\$ 11,743,016</u>

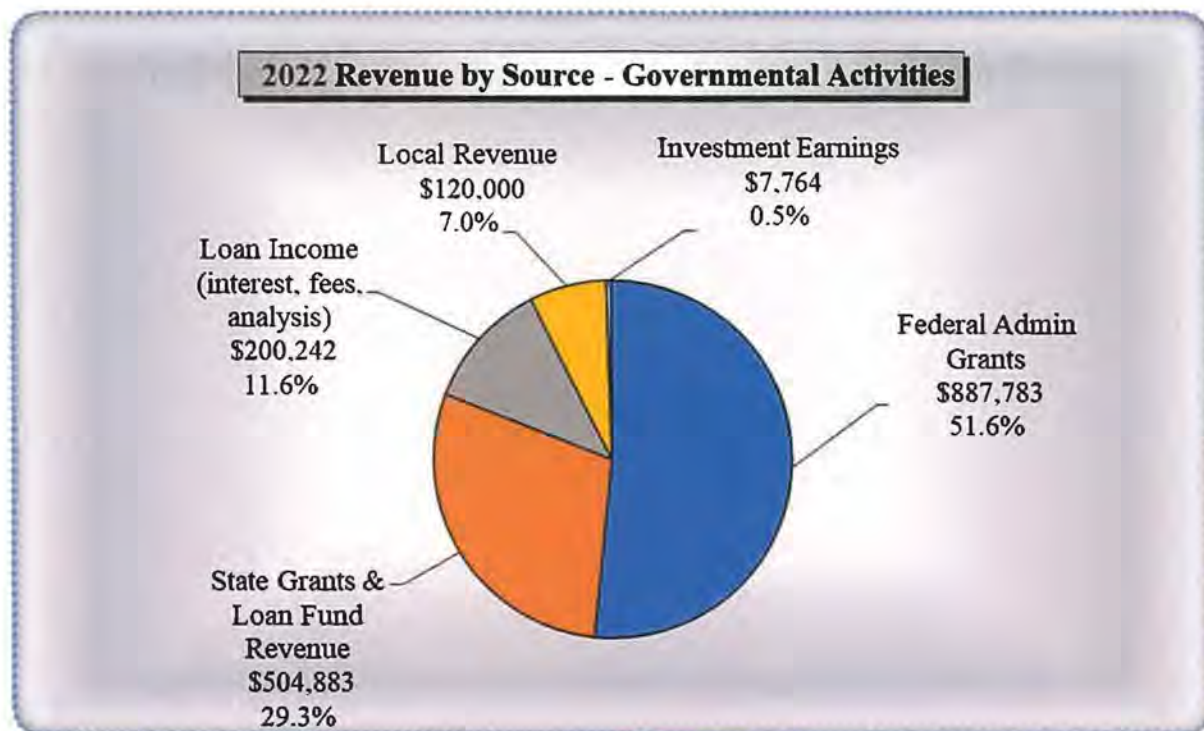
Analysis of Changes in Net Position

The increase in the Council's net position is explained in the governmental activities discussion below.

Governmental Activities

The Council's increase in net position was primarily due the capitalization of expenditures on the new offices that were funded with grant revenue.





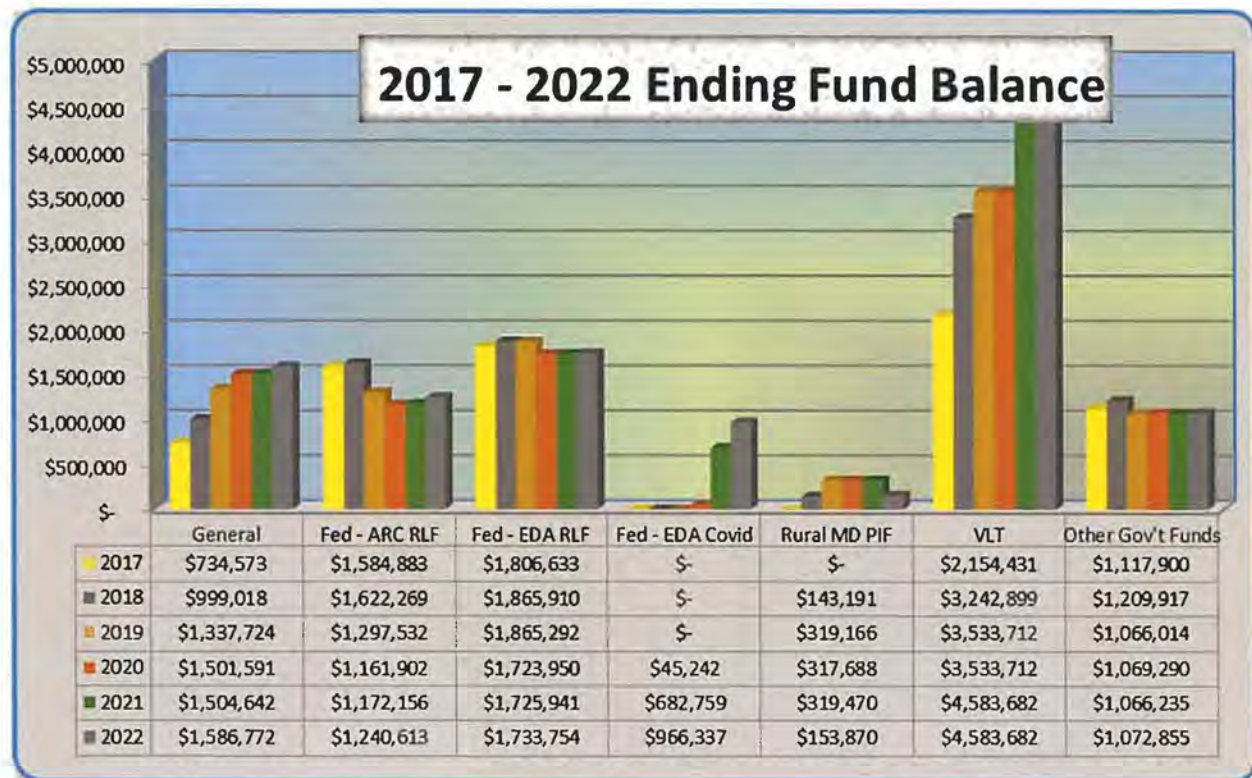
Financial Analyses of the Council's Individual Funds

Governmental Funds

The focus of the Council's Governmental Funds is to provide information on near-term inflows, outflows and balances of expendable resources. Such information is useful in assessing the Council's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

At December 31, 2022, the Council's Governmental Funds reported a combined ending fund balance of \$11,337,883, an increase of \$282,998 in comparison to the previous year. Of this amount, \$8,015,840, which is 71% of ending fund balance represents amounts in nonspendable form for outstanding loans and amounts restricted for lending activity.

The Council maintains eleven funds to provide loans to the citizens of its region, five of which are classified as major funds. Each of the major loan funds, ARC Revolving Loan fund, EDA Loan – Combined Fund, EDA Covid-19 Relief Fund, Rural Maryland Council Prosperity Investment Fund, and VLT Loan Fund, maintains a positive restricted fund balance. By maintaining these various funding streams, the Council is able to meet the needs of the community by providing a mix of funding for business development.



Tri-Council for Western Maryland, Inc.'s Capital Assets
(net of depreciation)

What follows is a summary of the Council's capital assets as of December 31, 2022 and 2021.

	2021	2022
Construction in Progress	\$ 425,921	\$ -
Land	-	14,400
Building	-	518,904
Office Equipment	24,431	100,375
Furniture and Fixtures	742	62,552
Leasehold Improvements	1,917	-
Vehicles	1,577	-
Total	<u>\$ 454,588</u>	<u>\$ 696,231</u>

During the current year, the Council capitalized the purchase and renovation expenditures on the new office. Additional information on the Council's capital assets can be found in Note E on page 44 of this report.

Requests for Information

This financial report is designed to provide a general overview of the Council's finances for all those with an interest in the Council's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Leanne Mazer
Executive Director
Tri-County Council for Western Maryland, Inc.
11 S. Lee Street
Cumberland, Maryland 21502

Tri-County Council for Western Maryland, Inc.
Statement of Net Position
December 31, 2022

		Component Unit
	Primary Government	Senator George Edwards Fund
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 15,291,820	\$ 20,000,000
Due from other governments	208,519	-
Accrued interest receivable, net	16,846	-
Notes receivables, net - current portion	631,263	-
Prepaid expenses	54,611	-
Total Current Assets	<u>16,203,059</u>	<u>20,000,000</u>
Non-Current Assets		
Land	14,400	-
Building, net of depreciation	518,904	-
Office equipment, net of depreciation	100,375	-
Furniture and fixtures, net of depreciation	62,552	-
Deposits	9,768	-
Net OPEB asset	22,257	-
Notes receivable, net	5,345,637	-
Total Non-Current Assets	<u>6,073,893</u>	<u>-</u>
Total Assets	<u>22,276,952</u>	<u>20,000,000</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related	444,721	-
OPEB related	18,467	-
Total deferred outflows of resources	<u>463,188</u>	<u>-</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	142,127	10,998
Accrued wages and payroll	12,952	588
Payroll deductions and withholdings	15,502	727
Compensated absences	53,951	-
Unearned revenues	10,000,000	-
Total Current Liabilities	<u>10,224,532</u>	<u>12,313</u>
Non-Current Liabilities		
Net pension liability	429,367	-
Total Non-Current Liabilities	<u>429,367</u>	<u>0</u>
Total liabilities	<u>10,653,899</u>	<u>12,313</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related	224,274	-
OPEB related	68,951	-
Deferred Revenues	50,000	-
Total deferred inflows of resources	<u>343,225</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	696,231	-
Restricted for loans	5,345,639	-
Unrestricted	5,701,146	19,987,687
Total net position	<u>\$ 11,743,016</u>	<u>\$ 19,987,687</u>

The accompany notes are an integral part of this financial statement.

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Tri-County Council for Western Maryland, Inc.
Statement of Activities
For the Year Ended December 31, 2022

	Primary Government					Component Unit
	Total	Functions/Programs				Senator George Edwards Fund
		Community Development	Revolving Loan Funds	Covid-19 Relief	Transit	
Expenses:						
Salaries and benefits	\$ 848,374	\$ 632,150	\$ 95,537	\$ 94,671	\$ 26,016	\$ 1,620
General and administrative	364,052	211,801	29,827	118,134	4,290	10,693
Depreciation	21,284	15,859	2,397	2,375	653	-
Total expenses	<u>1,233,710</u>	<u>859,810</u>	<u>127,761</u>	<u>215,180</u>	<u>30,959</u>	<u>12,313</u>
Program revenues:						
Loan Income	200,242	11,983	179,788	8,471	-	-
Restricted investment income	5,936	-	5,510	426	-	-
Charges for Services	6,425	6,425	-	-	-	-
Operating grants and contributions	1,385,666	715,572	61,390	581,393	27,311	20,000,000
Capital grants and contributions	-	-	-	-	-	-
Total program revenues	<u>1,598,269</u>	<u>733,980</u>	<u>246,688</u>	<u>590,290</u>	<u>27,311</u>	<u>20,000,000</u>
Net program expense (revenue)	<u>(364,559)</u>	<u>\$ 125,830</u>	<u>\$ (118,927)</u>	<u>\$ (375,110)</u>	<u>\$ 3,648</u>	<u>(19,987,687)</u>
General revenues:						
Local revenue	120,000					-
Miscellaneous revenue	575					-
Realized loss on disposal	(1,890)					-
Unrestricted investment earnings	3,718					-
Total general revenues and special item	<u>122,403</u>					<u>-</u>
Change in net position	486,962					19,987,687
Net position - beginning	11,256,054					-
Net position - ending	<u>\$ 11,743,016</u>					<u>\$ 19,987,687</u>

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

Tri-County Council for Western Maryland, Inc.
Balance Sheet
Governmental Funds
December 31, 2022

	<u>General Fund</u>	<u>ARC Revolving Loans</u>	<u>EDA Loan - Combined</u>	<u>EDA Covid-19 Relief Fund</u>
ASSETS				
Cash and cash equivalents	\$ 1,242,144	\$ 89,383	\$ 1,328,840	\$ 230,842
Due from other funds	360,275	-	-	-
Receivable from other governments	36,240	-	-	159,029
Notes Receivable, net	-	1,162,919	416,267	803,398
Accrued interest receivable, net	-	2,186	1,252	1,044
Deposits	9,768	-	-	-
Prepaid expenses	26,334	-	-	27,857
Total assets	<u>1,674,761</u>	<u>1,254,488</u>	<u>1,746,359</u>	<u>1,222,170</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	25,802	-	-	99,490
Due to other funds	-	13,875	12,605	149,801
Accrued wages	7,078	-	-	599
Payroll withholdings	5,109	-	-	5,943
Unearned revenue	-	-	-	-
Total liabilities	<u>37,989</u>	<u>13,875</u>	<u>12,605</u>	<u>255,833</u>
Deferred Inflows of Resources:				
Deferred revenue	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Nonspendable:				
Notes Receivable	-	1,039,563	334,582	722,737
Prepaid Items	26,334	-	-	27,857
Restricted for:				
Lending Activity	-	201,050	-	215,743
Bad Loans	-	-	-	-
Committed - Health Benefits	16,669	-	-	-
Assigned - Loan Activity	-	-	1,399,172	-
Unassigned	<u>1,543,769</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>1,586,772</u>	<u>1,240,613</u>	<u>1,733,754</u>	<u>966,337</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,674,761</u>	<u>\$ 1,254,488</u>	<u>\$ 1,746,359</u>	<u>\$ 1,222,170</u>

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

<u>Rural Maryland Council Prosperity Investment Fund</u>	<u>Rural Maryland Development Fund</u>	<u>VLT Loan Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 121,677	\$ 10,000,000	\$ 1,350,462	\$ 928,472	\$ 15,291,820
-	-	-	-	360,275
-	-	-	13,250	208,519
201,106	-	3,237,106	156,104	5,976,900
995	-	10,694	675	16,846
-	-	-	-	9,768
-	-	420	-	54,611
<u>323,778</u>	<u>10,000,000</u>	<u>4,598,682</u>	<u>1,098,501</u>	<u>21,918,739</u>
15,479	-	1,150	206	142,127
146,510	-	12,719	24,765	360,275
4,331	-	591	353	12,952
3,588	-	540	322	15,502
-	10,000,000	-	-	10,000,000
<u>169,908</u>	<u>10,000,000</u>	<u>15,000</u>	<u>25,646</u>	<u>10,530,856</u>
-	-	-	-	50,000
-	-	-	-	50,000
189,952	-	2,924,704	134,099	5,345,637
-	-	420	-	54,611
-	-	1,658,558	594,852	2,670,203
-	-	-	-	-
-	-	-	-	16,669
-	-	-	345,629	1,744,801
(36,082)	-	-	(1,725)	1,505,962
<u>153,870</u>	<u>-</u>	<u>4,583,682</u>	<u>1,072,855</u>	<u>11,337,883</u>
<u>\$ 323,778</u>	<u>\$ 10,000,000</u>	<u>\$ 4,598,682</u>	<u>\$ 1,098,501</u>	<u>\$ 21,918,739</u>

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

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Tri-County Council for Western Maryland, Inc.

**Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
December 31, 2022**

Total fund balance, governmental funds	\$ 11,337,883
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the statement of net position.

Land	\$ 14,400	
Building	518,904	
Office Equipment	100,375	
Furniture and Fixtures	62,552	696,231

Noncurrent assets not due receivable in the current period, and therefore, not reported in the funds. Those assets consist of:

Net Pension Asset	<u>22,257</u>	22,257
-------------------	---------------	--------

Pension related differences in investment performance, etc. are reported as follows in the statement of net position.

Deferred Outflows of Resources	444,721	
Deferred Inflows of Resources	<u>(224,274)</u>	220,447

OPEB related differences in investment performance, etc. are reported as follows in the statement of net position.

Deferred Outflows of Resources	18,467	
Deferred Inflows of Resources	<u>(68,951)</u>	(50,484)

Compensated absences not payable from current financial resources are not recognized in governmental funds.

(53,951)

Noncurrent liabilities not due and payable in the current period, and therefore, not reported in the funds. Those liabilities consist of:

Net Pension Liability	<u>(429,367)</u>	(429,367)
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Net Position of Governmental Activities in the Statement of Net Position	<u><u>\$ 11,743,016</u></u>
--	-----------------------------

Tri-County Council for Western Maryland, Inc.
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2022

	<u>General Fund</u>	<u>ARC Revolving Loans</u>	<u>EDA Loan - Combined</u>	<u>EDA Covid-19 Relief Fund</u>
REVENUES				
Intergovernmental Revenue				
Federal	\$ 245,000	\$ 61,390	\$ -	\$ 581,393
State	206,265	-	-	-
Local	117,741	-	-	-
Loan Interest	-	41,565	21,934	9,113
Loan Fees	-	1,171	3,160	-
Investment Earnings	3,423	329	3,334	426
Sponsorship Revenue	21,000	-	-	-
Recovery - Previous Bad Debts	-	-	-	-
Loan Analysis	6,425	-	-	-
Total revenues	<u>599,854</u>	<u>104,455</u>	<u>28,428</u>	<u>590,932</u>
EXPENDITURES				
Current:				
Salaries and Benefits	384,256	27,805	15,924	90,386
Administrative Charges	11,666	822	-	-
Office Expenditures	14,546	864	966	108,008
Rent	10,886	1,010	445	4,238
Utilities	3,285	248	142	1,509
Continuing Education	5,617	-	133	168
Memberships	9,200	26	15	66
Travel	20,146	360	206	505
Legal and Accounting	8,948	4,210	2,411	4,915
Meeting Expenses	18,844	151	87	0
Marketing	13,679	-	-	-
Insurance	3,646	178	102	1,556
Miscellaneous	3,151	314	180	1,162
Grants	-	-	-	-
Return of Funds	-	-	-	-
Return of Interest	-	-	-	-
Capital Outlay	54,459	10	4	94,841
Total Expenditures	<u>562,329</u>	<u>35,998</u>	<u>20,615</u>	<u>307,354</u>
Excess (deficiency) of revenues over expenditures	<u>37,525</u>	<u>68,457</u>	<u>7,813</u>	<u>283,578</u>
OTHER FINANCING SOURCES (USES)				
Transfer In	44,605	-	-	-
Transfer Out	-	-	-	-
Total other financing sources and uses	<u>44,605</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	82,130	68,457	7,813	283,578
Fund balances - beginning	1,504,642	1,172,156	1,725,941	682,759
Fund balances - ending	<u>\$ 1,586,772</u>	<u>\$ 1,240,613</u>	<u>\$ 1,733,754</u>	<u>\$ 966,337</u>

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

<u>Rural Maryland Council Prosperity Investment Fund</u>	<u>Rural Maryland Development Fund</u>	<u>VLT Loan Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 887,783
243,307	-	-	27,311	476,883
-	-	-	2,259	120,000
11,983	-	88,343	15,986	188,924
-	-	6,250	739	11,320
296	-	1,664	1,846	11,318
-	-	-	-	21,000
-	-	-	-	-
-	-	-	-	6,425
<u>255,586</u>	<u>-</u>	<u>96,257</u>	<u>48,141</u>	<u>1,723,653</u>
221,232	-	36,759	34,326	810,688
23,390	-	-	48	35,926
10,754	-	1,493	1,635	138,266
6,095	-	1,032	809	24,515
1,966	-	335	267	7,752
2,529	-	93	577	9,117
1,910	-	34	223	11,474
6,759	-	614	1,001	29,591
6,976	-	8,238	1,940	37,638
43	-	105	50	19,280
3,380	-	-	340	17,399
1,433	-	974	192	8,081
122	-	305	88	5,322
-	-	-	-	-
-	-	-	-	-
-	-	1,664	-	1,664
134,597	-	6	25	283,942
<u>421,186</u>	<u>-</u>	<u>51,652</u>	<u>41,521</u>	<u>1,440,655</u>
(165,600)	-	44,605	6,620	282,998
-	-	-	-	44,605
-	-	(44,605)	-	(44,605)
-	-	(44,605)	-	-
(165,600)	-	-	6,620	282,998
319,470	-	4,583,682	1,066,235	11,054,885
<u>\$ 153,870</u>	<u>\$ -</u>	<u>\$ 4,583,682</u>	<u>\$ 1,072,855</u>	<u>\$ 11,337,883</u>

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

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Tri-County Council for Western Maryland, Inc.

**Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2022**

Net change in fund balances - total governmental funds:		\$	282,998
Amounts reported for Governmental Activities in the Statement of Activities are different because:			
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. In the current period, these amounts are:			
Capital outlay	\$ 264,817		
Depreciation expense	<u>(21,284)</u>		243,533
The book value of disposed capital assets are not reported as expenditures in governmental funds.			(1,890)
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.			
Changes in compensated absence payable	<u>(4,747)</u>		(4,747)
Pension contributions incurred in the governmental funds after the measurement date are deferred in the statement of net position and reported as Deferred Outflows of Resources.			54,256
Some expenses for certain employee benefits do not require the use of current financial resources. These benefits are accrued and reported as liabilities in the statement of net position			
Pension expense	(80,324)		
Other postemployment benefits expense	<u>(6,864)</u>		(87,188)
Change in net position of governmental activities		\$	<u>486,962</u>

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

Tri-County Council for Western Maryland, Inc.

**NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2022**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Tri-County Council for Western Maryland, Inc., Maryland (the Council), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The significant accounting policies are described below.

1. Organization and Reporting Entity

The organization of the Council and the basis of the reporting entity are presented below to assist the reader in evaluating the financial statements and the accompanying notes.

The Council was incorporated in 1971 under the General Laws of the State of Maryland. The Council is a voluntary organization of the counties of Allegany, Garrett, and Washington that was formed to foster the physical, economic, and social development of Western Maryland. The Council is an independent agency of the State of Maryland under Chapter 861 of the Acts of 1986. As such, the Council is classified as a special purpose government engaged in governmental activities under GAAP and prepares the same financial statements as a general purpose government.

The Council operates under a twenty eight member Council of which three members are non-voting. This Council appoints an Executive Director to manage its operations in the following area: community development, transit, broadband, Covid-19 relief, and lending activities (revolving loan funds).

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", as amended, the Council has evaluated all related entities (authorities, commissions, tax exempt organizations and affiliates) for the possible inclusion in the financial reporting entity.

In evaluating how to define the Council, for financial reporting purposes, all potential component units were considered. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only criterion for including a potential component unit within the reporting entity is the Council's ability to exercise oversight responsibility. The most significant part of this ability is financial interdependency. Other parts of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters.

Tri-County Council for Western Maryland, Inc.

**NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2022**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

1. **Organization and Reporting Entity** - Continued

A second criterion is the scope of public service. Application of this criterion involves considering whether the activity benefits the Council and/or its members, or whether the activity is conducted within the authority of the Council and is generally available to its members. A third criterion is the existence of special financing relationships, regardless if the Council is able to exercise oversight responsibility. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the Council's reporting entity.

The Senator George C. Edwards Fund

Named for the long-serving state legislator from Western Maryland, the Senator George C. Edwards Fund (the "Fund") was established by an act of the State of Maryland to provide grant or loan funding for capital infrastructure projects and business development projects that improve the economic conditions in the member counties of the Council.

The Fund is governed by a 11 member board which includes 6 members appointed by the member counties commissioners. The Council administers the fund. Due to the ability of the member counties to influence the operations of the Fund it is included in the Council's reporting entity as a discretely presented component unit. The Fund is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Council.

In addition the following funds are included within the reporting entity: General Fund, ARC Revolving Loans, EDA Loans – Combined, EDA Covid-19 Relief, the Rural Maryland Development Fund, USDA IRP Loan Fund, MEAF 1 Loan Fund, MEAF 2 Loan Fund, MEAF 3 Loan Fund, MEAF 4 Loan Fund, MEDAAF Revolving Loan Fund, VLT Loan Fund, Rural Maryland Council Prosperity Investment Fund, and Maryland Transit Administration. All of the funds listed meet the above criteria and comprise the Council's reporting entity. There were no potential component units for consideration of inclusion within the reporting unit.

Tri-County Council for Western Maryland, Inc.

**NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2022**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

2. Government-Wide Financial Statements and Fund Financial Statements

Government-wide Statements: The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component unit. Governmental activities, which normally are supported by membership dues and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for support. Fiduciary funds are also excluded from the governmental-wide financial statements.

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the Council 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. 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 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 Council.

Net position should be reported as restricted when constraints placed on net asset 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. The net position restricted for other purposes result from special revenue funds and the restrictions on their use.

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

Fund Financial Statements: The fund financial statements provide information about the Council's funds. Separate financial statements are provided for governmental funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

Tri-County Council for Western Maryland, Inc.

**NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2022**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

2. **Government-Wide Financial Statements and Fund Financial Statements** - Continued

The Council reports the following major governmental funds:

General Fund. This is the Council's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

ARC Revolving Loans. This fund accounts for the various loans subject to the compliance requirements of the Appalachian Regional Commission

EDA Loan - Combined. This fund accounts for the various loans subject to the compliance requirements of the United States Department of Commerce program "Economic Adjustment Assistance". This fund was created by the merger of the EDA Revolving Loan, SSED, and DDWC loan funds.

EDA Covid-19 Relief – This fund accounts for the grants received from the United States Department of Commerce program "Economic Adjustment Assistance." The funding included a grant to address the economic impacts of the pandemic and a revolving loan fund.

Rural Maryland Council Prosperity Investment Fund – This fund accounts for grant funds obtained from the state of Maryland to support the Council's lending activity by providing technical assistance for companies to enhance their business and securing required financing. This program falls under the auspices of the Rural Maryland Council.

Rural Maryland Development Fund – This fund accounts for grant funds obtained from the state of Maryland to support economic development projects of significant economic impact within the member counties.

VLT Loan Fund. This fund was formed under an agreement between the Board of Public Works, Maryland and the Council. The purpose of the fund is to make loans to small, women-owned, veteran-owned, and minority businesses located in Maryland. At least 50 percent of the VLT allocations will be deployed to small, minority, and women-owned business located within certain targeted areas of the six casinos. The other 50% will be available to small, minority, and women-owned businesses located throughout Maryland.

Tri-County Council for Western Maryland, Inc.

**NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2022**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

3. Fund Types

In accordance with generally accepted accounting principles applicable to governmental units, the accounts of the Council are organized and operated on the basis of individual funds. The operations of each fund are accounted for by providing a separate set of self-balancing accounts comprised by its assets, liabilities, fund equity, revenues, and expenditures or expenses. A description of the purpose and function of each type presented in the accompanying financial statements follows.

GOVERNMENTAL FUND TYPES

The General Fund is used to account for all financial transactions not accounted for in the fund types listed below.

Special Revenue Funds are used to account for the proceeds from specific revenue sources or to finance special activities in accordance with statutory or administrative requirements. This includes designated revenues not included within other fund categories. The ARC Revolving Loans, EDA Loan – Combined Loans, EDA Covid-19 Relief, USDA IRP Loan Fund, MEAF 1 Loan Fund, MEAF 2 Loan Fund, MEAF 3 Loan Fund, MEAF 4 Loan Fund, MEDAAF RLF, VLT Loan Fund, Rural Maryland Council Prosperity Investment Fund, the Rural Maryland Development Fund and the Maryland Transit Administration are recorded as special revenue funds.

4. Basis of Accounting and Measurement Focus

Basis of accounting refers to when revenues, expenditures, expenses and transfers, and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. 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 reconciliations with brief explanations to better identify the relationship between the government-wide statements

Tri-County Council for Western Maryland, Inc.

**NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2022**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

4. **Basis of Accounting and Measurement Focus** - Continued

and the statements for governmental funds. The primary effect of internal activity has been eliminated from the government-wide financial statements.

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available to finance expenditures of the fiscal period. Available means expected to be collected within sixty days of year-end. Expenditures and transfers out are generally recognized under the accrual basis of accounting when the related liability is incurred except for compensated absences and interest on general long-term debt, which is recorded when the payment is due.

5. **Revenues**

- a. Federal and state grants are recognized as revenues in the period the related expenditures are incurred, if applicable, or when the Council is entitled to the grants. However, these grants are subject to audit and adjustment by grantor agencies. Grant revenues received for expenses, which are disallowed, are repayable to the grantor.
- b. The receivable balances presented in the accompanying combined balance sheet are recorded at net realizable value.

6. **Expenditures**

Capital asset purchases are included in current year expenditures in governmental funds and are capitalized in the government-wide statement of net position.

7. **Cash, Cash Equivalents, Restricted Cash, and Investments**

The Council maintains several checking accounts for depositing receipts and disbursing expenditures for all governmental fund types

Tri-County Council for Western Maryland, Inc.

**NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2022**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

8. Prepaid Expenses

In both the government-wide and fund financial statements, prepaid expenses are recorded as assets in the specific governmental fund in which future benefits will be derived. The prepaid expenses in the fund financial statements are recognized under the consumption method and consists of prepaid insurance, including worker's compensation insurance.

9. Notes Receivable and Bad Debt Expense

In both the government-wide and fund financial statements, notes receivable are reported net of an allowance for bad debts. Under the allowance method of handling bad debts, an estimate of the total uncollectible accounts is calculated and periodically evaluated.

10. Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets that have been acquired for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized in the government-wide statement of net assets. All capital assets are recorded at cost, if known, or estimated historical cost. Donated capital assets are recorded at their fair market value on the date of donation. The Council uses a threshold of \$500 for recording all capital assets.

Depreciation on capital assets recorded in the government-wide statement of net position is computed using the straight-line method over the estimated useful lives of the related assets.

Estimated useful lives for the Council's classes of reported capital assets are as follows:

Office Equipment	3 to 7 years
Furniture and Fixtures	10 years
Buildings	40 years

Public domain (infrastructure) general capital assets (e.g. roads, bridges, sidewalks and other assets that are immovable and of value only to the government) that were placed in service prior to 2004 are not required to be

Tri-County Council for Western Maryland, Inc.

**NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2022**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

10. **Capital Assets** - Continued

capitalized by governments that are the size of the Council. Infrastructure assets placed in service on or after January 1, 2004 will be capitalized in the government-wide statement of net assets. The Council currently has no such assets.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized in the government-wide statement of net assets. Major renewals or betterments are capitalized as additions.

11. **Budgets**

Although the Council adopts an annual budget for the General Fund, the State Code does not require the Council to submit this budget to the State. As such, a budgetary comparison schedule is not presented as required supplementary information.

12. **Pensions**

The Council participates in the Maryland State Retirement and Pension System (MSRPS), a cost sharing multiple-employer defined benefit pension plan that provides retirement allowances and other benefits to Maryland state employees, teachers, police, judges, legislators, and employees of participating governmental units. All full-time employees of the Council are required to participate in the system.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of MSRPS and additions to/deductions from MSRPS's fiduciary net position have been determined on the same basis as they are reported by MSRPS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Investments are reported at fair value.

Tri-County Council for Western Maryland, Inc.

**NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2022**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

13. Other Postemployment Benefits

The Council participates in the Allegany County, Maryland Non-Pension Post Employment Benefit Trust (ACMBT), an agent multiple-employer postemployment healthcare plan. ACMBT provides health, dental and vision benefits for retirees and their dependents prior to the age of 65 and a flat \$150/month payment for retirees only to help offset the cost of supplemental Medicare coverage. GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, provides guidance on how state and local governments should account for and report costs associated with postemployment healthcare and other nonpension confits commonly referred as other postemployment benefits or OPEB. In accordance with GASB Statement 75, the Council's expense for other postemployment benefits is based on an actuarial calculation. The Council's actual contributions to the plan are not included in OPEB expense but instead recorded as a reduction of the net OPEB liability in the government-wide statements in accordance with GASB 75.

14. Deferred Outflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that is applicable to a future reporting period(s) and so will not be recognized as an outflow of resources (expenditures) until that time. The Council reports deferred outflows related to pension in the statement of net position. These pension related deferred outflows are for differences between the MSRPS estimate of investment earnings and differences arising from changes in assumptions used by MSRPS.

15. Deferred Inflows of Resources

In addition to liabilities, the statement of net position and the governmental funds balance sheets report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position/fund balance that is applicable to a future reporting period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Council reports Deferred Revenues, which represents grant funding received prior to

Tri-County Council for Western Maryland, Inc.

**NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2022**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

15. **Deferred Inflows of Resources** - Continued

fulfilling the terms of the grant, and a deferred inflows related to pensions that represents the difference between expected and actual experience for the pension system, changes in the Council's proportion of the MSRPS collective net pension liability, and for contributions to MSRPS made after the measurement date of the collective net pension liability.

16. **Net Position**

Net position in the government-wide financial statements is disclosed in one of the three following components:

Invested in Capital Assets, Net of Related Debt – consists of capital assets net of accumulated depreciation reduced by the outstanding balance of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, or contributors, or (2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position – consists of all other net position that does not meet the two definitions above.

17. **Fund Balance**

Nonspendable – consists of amounts that cannot be spent because they are either (1) not in spendable form, or (2) legally or contractually required to be maintained intact. The Council reports nonspendable fund balance for prepaid expenses and the long-term portion of notes receivable as of December 31, 2022.

Restricted – consists of amounts with constraints placed on the use either by (1) external groups such as creditors, grantors, or contributors, or (2) law through constitutional provisions or enabling legislation. The Council reports fund balance restricted for lending activity and bad loans as of December 31, 2022.

Tri-County Council for Western Maryland, Inc.

**NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2022**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

17. Fund Balance - Continued

Committed – consists of amounts that can only be used pursuant to specific purposes pursuant to constraints imposed by a resolution enacted by the Council's governing board. Once committed, a resolution by the Board is required to lift the commitment. The Council reports fund balance committed for payments of health benefits as of December 31, 2022.

Assigned – consists of amounts that are constrained by the Council's intent to be used for specific purposes. The Council and Executive Director have authorization to assign fund balance. The Council reports fund balance assigned for lending activity as of December 31, 2022.

Unassigned – represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. Other governmental funds report unassigned fund balance when they have a deficit fund balance. One non-major special revenue fund reports a deficit fund balances, the Maryland Transit Administration, \$(1,725).

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

When committed, assigned, and unassigned resources are available for use, it is the Council's policy to use committed resources first, assigned resources second, and then unassigned resources as they are needed.

18. Pending Governmental Accounting Standards Board Pronouncements

In March 2020, the Governmental Accounting Standards Board adopted Statement 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This statement addresses various issues related to public-private and public-public partnership arrangements (PPPs) and availability payment arrangements (APSS). A PPP is an arrangement in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure in an exchange or exchange-like transactions. An

Tri-County Council for Western Maryland, Inc.

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

18. Pending Governmental Accounting Standards Board Pronouncements
– (continued)

APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset in an exchange or exchange-like transaction. This statement is required for financial statements beginning after June 15, 2022. The Council has not determined the impact, if any, that GASB 94 will have on the financial statements.

In May 2020, the Governmental Accounting Standards Board adopted Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITA). An SBITA is a contract that conveys control of the right to use another party's information technology software, as specified in a contract for a period of time. Generally, a government would recognize an intangible asset, a right-to-use subscription asset, and a corresponding subscription liability. This statement is required for financial statements beginning after June 15, 2022. The Council has not determined the impact, if any, that GASB 96 will have on the financial statements.

In April 2022, the Governmental Accounting Standards Board adopted Statement No 99, *Omnibus 2022*. This statement improves accounting and financial reporting by addressing practice issues that have been identified during the implementation and application of certain GASB statements and contains standards for accounting and financial reporting for financial guarantees. Some requirements were effective upon issuance which did not have an impact on the financial statements. Requirements related to leases, PPPs, and SBITAs are effective for fiscal periods beginning after June 15, 2022. Requirements related to financial guarantees and the derivative instructions are effective for fiscal periods beginning after June 15, 2023. The Council has not determined the impact, if any, that these pending requirements of GASB 99 will have on the financial statements.

In June 2022, the Governmental Accounting Standards Board issued GASB Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*. This statement requires that changes in accounting principles and error corrections be reported

Tri-County Council for Western Maryland, Inc.

**NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2022**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

18. **Pending Governmental Accounting Standards Board Pronouncements**
– (continued)

retroactively by restating prior periods, changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and changes in accounting estimates be reported prospectively by recognizing the change in the current period. In addition, the statement requires disclosures in the notes to the financial statements of descriptive information about accounting changes and error corrections. The provisions of this statement are effective for fiscal periods beginning after June 15, 2023. The Council has not determined the impact, if any, that GASB 100 will have on the financial statements.

In June 2020, the Governmental Accounting Standards Board adopted Statement No. 101, *Compensated Absences*. This statement requires that a liability for leave should be recognized for leave that has not been used if the leave is attributable to services already rendered, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This statement also sets standards for calculating the liability and note disclosures. The provisions of this statement are effective for fiscal periods beginning after December 15, 2023. The Council has not determined the impact, if any, that GASB 101 will have on the financial statements.

19. **Use of Estimates**

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - CASH DEPOSITS AND INVESTMENTS

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Although the Council has no deposit policy for custodial credit risk, the Council is required by state law to collateralize deposits at financial institutions at 102%. As of December 31, 2022, the Council had no deposits exposed to this risk.

Tri-County Council for Western Maryland, Inc.

**NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2022**

NOTE C - INTERFUND TRANSACTIONS

Interfund Balances

The Council reports interfund balances among several of its major funds. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets / balance sheet for governmental funds. All interfund balances are expected to be repaid within one year.

		<u>Due From</u>						
<u>Due to</u>	<u>General</u>	<u>ARC</u>	<u>EDA</u>	<u>EDA</u>	<u>Rural</u>	<u>VLT</u>	<u>Non</u>	<u>Total</u>
	<u>Fund</u>	<u>Revolving</u>	<u>Loan</u>	<u>Covid-19</u>	<u>MD</u>	<u>Loans</u>	<u>Major</u>	
		<u>Loans</u>	<u>Combined</u>	<u>Relief</u>	<u>Fund</u>		<u>Funds</u>	
General Fund	\$ -	\$ 13,875	\$ 12,605	\$ 149,801	\$146,510	\$ 12,719	\$ 24,765	\$360,275
ARC Revolving Loan	-	-	-	-	-	-	-	-
EDA Revolving Loans	-	-	-	-	-	-	-	-
VLT Loans	-	-	-	-	-	-	-	-
Non-Major Funds	-	-	-	-	-	-	-	-
Total	<u>\$ -</u>	<u>\$ 13,875</u>	<u>\$ 12,605</u>	<u>\$ 149,801</u>	<u>\$146,510</u>	<u>\$ 12,719</u>	<u>\$ 24,765</u>	<u>\$360,275</u>

The interfund balances between the General Fund and EDA Covid-19 Relief, Rural MD Fund, the non-major funds represent, in part, revenues received and expenditures paid by the General Fund on behalf of these funds. The interfund balances between the ARC, EDA Loan - Combined, EDA Covid-19 Relief, Rural MD and the non-major loan funds and the General Fund represent amounts due for admin costs paid from the General Fund.

Interfund Transfers

Under the VLT program, the Council is allowed to retain the excess of loan related revenues over expenses. During the current year, the Council transferred \$44,605 in excess revenue from the VLT Fund to the General Fund.

Tri-County Council for Western Maryland, Inc.

**NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2022**

NOTE D – RECEIVABLES AND PAYABLES

Receivables at December 31, 2022 were as follows:

	<u>General</u>	<u>ARC Revolving Loans</u>	<u>EDA Loan Combined</u>	<u>EDA Covid-19 Relief</u>	<u>Rural MD Fund</u>	<u>VLT Loans</u>	<u>Other Nonmajor Fund</u>	<u>Total</u>
Due from Other Governments	\$ 36,240	\$ -	\$ -	\$ 159,029	\$ -	\$ -	\$ 13,250	\$ 208,519
Notes Receivable, Net	-	1,162,919	416,267	803,398	201,106	3,237,106	156,104	5,976,900
Accrued Interest Receivable, Net	-	2,186	1,252	1,044	995	10,694	675	16,846
Primary Government Total	<u>\$ 36,240</u>	<u>\$1,165,105</u>	<u>\$ 417,519</u>	<u>\$ 963,471</u>	<u>\$ 202,101</u>	<u>\$3,247,800</u>	<u>\$ 170,029</u>	<u>\$ 6,202,265</u>

Receivables at December 31, 2022 for the nonmajor funds were as follows:

	<u>MEAF 1 Loans</u>	<u>MEAF 2 Loans</u>	<u>MEAF 3 Loans</u>	<u>MEAF 4 Loans</u>	<u>MEDAAF RLF</u>	<u>USDA IRP</u>	<u>MTA</u>	<u>Total</u>
Due from Other Governments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,250	\$ 13,250
Notes Receivable, Net	-	14,217	-	102,602	39,285	-	-	156,104
Accrued Interest Receivable, Net	-	78	-	436	161	-	-	675
Other – Nonmajor Funds Total	<u>\$ -</u>	<u>\$ 14,295</u>	<u>\$ -</u>	<u>\$ 103,038</u>	<u>\$ 39,446</u>	<u>\$ -</u>	<u>\$ 13,250</u>	<u>\$170,029</u>

The amounts due from other governments consist of grant revenue due from various governmental units.

Tri-County Council for Western Maryland, Inc.

**NOTES TO FINANCIAL STATEMENTS
December 31, 2022**

NOTE D – RECEIVABLES AND PAYABLES – (Continued)

The notes receivable consist of the outstanding loans subject to the various compliance guidelines of the grantors. The accrued interest receivable consists of the interest due on the outstanding loans..

Accounts payable at December 31, 2022, consisted of amounts due to vendors for goods and services.

NOTE E - LAND, BUILDINGS, IMPROVEMENTS AND EQUIPMENT

The following is a summary of changes in capital assets during 2022:

	Balance at January 1, <u>2022</u>	<u>Additions</u>	<u>Disposals</u>	Balance at December 31, <u>2022</u>
Not being depreciated				
Land	\$ -	\$ 14,400	\$ -	\$ 14,400
Construction in Progress	<u>425,921</u>	<u>-</u>	<u>(425,921)</u>	<u>-</u>
	425,921	14,400	(425,921)	14,400
Other capital assets				
Building	-	523,265	-	523,265
Furniture and Fixtures	62,740	63,931	(61,390)	65,281
Office Equipment	162,267	89,142	(110,996)	140,413
Vehicles	22,090	-	-	22,090
Leasehold Improvements	<u>15,000</u>	<u>-</u>	<u>(15,000)</u>	<u>-</u>
	262,097	676,338	(187,386)	751,049
Accumulated Depreciation:				
Building	-	(4,361)	-	(4,361)
Furniture and Fixtures	(61,998)	(2,121)	61,390	(2,729)
Office Equipment	(137,836)	(12,558)	110,356	(40,038)
Vehicles	(20,513)	(1,577)	-	(22,090)
Leasehold Improvements	<u>(13,083)</u>	<u>(667)</u>	<u>13,750</u>	<u>-</u>
	<u>(233,430)</u>	<u>(21,284)</u>	<u>185,496</u>	<u>(69,218)</u>
Net Other Capital Assets	<u>28,667</u>	<u>655,054</u>	<u>(1,890)</u>	<u>681,831</u>
Net Capital Assets	<u>\$ 454,588</u>	<u>\$ 669,454</u>	<u>\$ (427,811)</u>	<u>\$ 696,231</u>

Depreciation is allocated to the various functions as follows: Community Development, \$15,859, Revolving Loan Funds, \$2,397, Covid-19 Relief, \$2,375, and Transit, \$653.

Tri-County Council for Western Maryland, Inc.

**NOTES TO FINANCIAL STATEMENTS
December 31, 2022**

NOTE F - EMPLOYEE RETIREMENT PLANS

The Council contributes to the Employees' Contributory Pension System of the State of Maryland (the "Pension System"). The system is part of the Maryland State Retirement and Pension System (MSRPS). All full-time and permanent part-time employees are eligible to participate in the system.

Plan Description

The Pension System was established by Article 73B of the Annotated Code of Maryland to provide retirement, disability, annual cost of living adjustments and death benefits to plan members and their beneficiaries. The Pension System is one of several plans included in the MSRPS, a cost-sharing multiple-employer public employee retirement system. Responsibility for the organization and administration of this public employee retirement system is vested in the Board of Trustees of the State Retirement Agency. All plan benefits are specified by the State Personnel and Pensions Article of the Annotated Code of Maryland. Changes in benefit and contribution provisions for the MSRPS must be made by legislations. MSRPS issues a publicly available financial report that may be obtained at their website: www.sra.state.md.us.

Benefits Provided

Under the conditions of the Pension System, a member is eligible for full service pension benefits after 30 years of service regardless of age. Absent 30 years of service; a member is eligible for full service pension benefits at age 62 with five years of service; age 63 with four years of service, age 64 with three years of service, and at age 65 or older with at least two years of service. An employee may also take early retirement with reduced benefits at age 55 with 15 years of service. A member is eligible for vesting after separation from service and upon reaching age 62, provided five years of service (ten years of service for new hires after June, 30, 2011) was accumulated prior to separation.

For all employees who were members of the Pension System on or before June 30, 2011, retirement allowances are computed using both the highest three years' Average Final Compensation (AFC) and the actual number of years of accumulated creditable service. For all employees who became members of the Pension System on or after July 1, 2011, pension allowances are computed using the highest five consecutive years' AFC and the actual number of years of accumulated creditable service. Various retirement options are available under the Pension System which ultimately determines how a retiree's benefit allowance will be computed.

Tri-County Council for Western Maryland, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE F - EMPLOYEE RETIREMENT PLANS - (Continued)

Contributions - Members

Employees covered under the plan are required to contribute seven percent of their salary.

Contributions - Employers

The Council is required to contribute at an actuarially determined rate using the normal cost method with projection and other actuarial assumptions adopted by the Board of Trustees. The Council's actuarially determined contribution was \$48,976.

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

At December 31, 2022, the Council reported a liability of \$429,367 for its proportionate share of the net pension liability. The total pension liability and the net pension liability were measured as of June 30, 2022. The Council's proportion of the net pension liability was calculated utilizing the Council's one-year reported contributions as it related to the total one-year reported contributions. At June 30, 2022, the Council's proportion was 0.0021459% and at June 30, 2021, the Council's proportion was 0.0001347%

At December 31, 2022, the Council reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Contributions subsequent to the measurement date	\$ 54,256	\$ -
Change in assumptions	3,247	3,412
Net difference between projected and actual investment earnings	111,486	-
Change in proportions	275,732	204,586
Net difference between expected and actual experience	-	16,276
Total	<u>\$ 444,721</u>	<u>\$ 224,274</u>

Tri-County Council for Western Maryland, Inc.

NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE F - EMPLOYEE RETIREMENT PLANS – (Continued)

The deferred outflow of resources resulting from the contributions subsequent to the measurement date, \$54,256, will be recognized as a reduction of the net pension liability in the Council's year ended December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	
2023	\$ 41,030
2024	32,801
2025	18,501
2026	48,150
2027	<u>25,709</u>
Total	<u>\$ 166,191</u>

For the year ended December 31, 2022, the Council recognized net pension expense of \$80,324 which consists of gross pension expense of \$42,672 and amortization of deferred outflows/inflows of resources of \$37,652.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2022, using the following actuarial assumptions:

- Actuarial Cost Method – Entry Age Normal
- Amortization Method – Level Percentage of Payroll, Closed
- Amortization Period – Generally 25-32 years
- Asset Valuation Method – Five-Year Smoothed Market, 20% Collar
- Inflation – 2.25%
- Salary Increases – 2.75% to 11.25%
- Investment Rate of Return – 6.80%
- Discount Rate – 6.80%
- Mortality – Public Sector 2010 Mortality Tables with generational mortality projections using scale MP-2018, calibrated to MSRPS experience.

Tri-County Council for Western Maryland, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE F - EMPLOYEE RETIREMENT PLANS – (Continued)

Discount Rate

A single discount rate of 6.80% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 6.80%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

Sensitivity of the Council's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 6.80%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.80%) or 1-percentage higher (7.80%) than the current rate:

	1% Decrease 5.80%	Current Discount Rate 6.80%	1% Increase 7.80%
Council's proportionate share of net pension Liability	\$ 658,786	\$ 429,367	\$ 239,003

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board after considering input from the MSPRS's investment consultant(s) and actuary(s).

Tri-County Council for Western Maryland, Inc.

**NOTES TO FINANCIAL STATEMENTS
December 31, 2022**

NOTE F - EMPLOYEE RETIREMENT PLANS – (Continued)

For each major asset class that is included the MSPRS's target asset allocation as of June 30, 2022, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	37%	6.0%
Private Equity	16%	8.4%
Rate Sensitive	21%	1.2%
Credit Opportunity	8%	4.9%
Real Assets	15%	5.2%
Absolute Return	3%	3.5%
Total	<u>100%</u>	

For the year ended June 30, 2022, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense was (2.97)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Plan Fiduciary Net Position

Detailed information about MSRPS's fiduciary net position is available in the MSRPS Comprehensive Annual Financial Report which can be found on the MSRPS website at www.sra.state.md.us.

NOTE G – COMPENSATED ABSENCES

Council employees earn vacation time depending upon their length of service and are eligible to use this time in the year in which it is earned. Vacation time may be carried from one year to the next, but may not exceed 200% of the annual accrual at any point in time.

	Payable at January 1, <u>2022</u>	<u>Earned</u>	<u>Paid</u>	Payable at December 31, <u>2022</u>
Comp. Absences	\$ 49,204	\$ 32,834	\$ (28,087)	\$ 53,951

Tri-County Council for Western Maryland, Inc.

**NOTES TO FINANCIAL STATEMENTS
December 31, 2022**

NOTE H – OTHER POSTEMPLOYMENT BENEFITS

Plan Description

In addition to the pension benefits described in Note F, the Council provides other postemployment benefits (OPEB) through the Allegany County Non-Pension Post Employment Benefit Trust (ACMBT), an agent multiple-employer postemployment healthcare plan. The Allegany County Code assigns the authority to establish and amend the benefit provisions of the plans that participate in ACMBT to the respective employer entities. Management of the ACMBT is vested in the ACMBT Board of Trustees, of which three of the four trustees is appointed by Allegany County. ACMBT does not issue a stand-alone financial report.

Benefits Provided

Employees are eligible for health insurance coverage, including dental and vision, for themselves and their dependents as long as they have at least 10 years of service and have attained the age of 62 or have 25 years of continuous service. Once the retiree turns 65, the retiree is benefit is a \$150 per month payment which can be applied towards the costs of a Medicare supplement insurance plan.

Employees Covered by Benefit Terms

As of January 1, 2022, the date of the last available actuarial report, employee membership in the plan was 7 active employees.

Contributions

The Council makes contributions to the ACMBT at their discretion. Contributions during the current year were \$-0-.

Net OPEB Liability

The Council's net OPEB liability was measured as of December 31, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2022, the results of which were rolled forward to the December 31, 2022 measurement date, in accordance with actuarial standards of practice.

Tri-County Council for Western Maryland, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE H – OTHER POSTEMPLOYMENT BENEFITS – (Continued)

Actuarial Methods and Assumptions

The total OPEB Liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Actuarial Cost Method – Entry Age Normal
- Amortization Method – Level Percentage of Payroll, Closed
- Amortization Period – 20 years
- Asset Valuation Method – Five Year Asset Smoothing
- Investment Rate of Return – 7.00%
- Discount Rate – 7.00%
- Healthcare Cost Trend Rate – 5.75% for 2022, grading down to 4.00%, Dental and Vision – flat 3.50%.
- Mortality – Pub 2010G Headcount (M/F) Projected with Fully Generational MP-2021 Mortality Improvement Scale.

Changes in the Net OPEB Liability

	Year Ending December 31, 2022
Total OPEB Liability	
Service Cost	\$ 15,612
Interest	23,509
Experience Gains/(Losses)	(74,292)
Changes in Assumptions	(8,449)
Net Change in Total OPEB Liability	(43,620)
Total OPEB Liability – Beginning	335,073
Total OPEB Liability – Ending	291,453
Plan Fiduciary Net Position	
Contributions – Employer	-
Net Change in Plan Fiduciary Net Position	-
Plan Fiduciary Net Position – Beginning	313,710
Plan Fiduciary Net Position – Ending	313,710
Net OPEB Liability (Asset) – Beginning	21,363
Net OPEB Liability (Asset) – Ending	\$ (22,257)
Fiduciary Net Position as a Percentage of Total OPEB Liability	107.64%

Tri-County Council for Western Maryland, Inc.

NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE H – OTHER POSTEMPLOYMENT BENEFITS – (Continued)

Expected Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. This is then modified through a Monte-Carlo simulation process, by which a (downward) risk adjustment is applied to the baseline expected return.

Best estimates of real rates of return for each major asset class included in the OPEB plan's target asset allocation as of December 31, 2020, and the final investment return assumption, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	36%	5.85%
International Funds	24%	6.25%
Fixed Income - US	35%	2.00%
Real Estate	5%	4.95%
Total Weighted Average Real Return		4.55%
Plus:		
Inflation		<u>2.50%</u>
Total Return Without Adjustment		7.05%
Risk Adjustment		<u>(0.05)%</u>
Total Expected Return		<u>7.00%</u>

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Council contributions will be made equal to the actuarially determined contribution. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rates of return on OPEB Trust investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Tri-County Council for Western Maryland, Inc.

NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE H – OTHER POSTEMPLOYMENT BENEFITS – (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rates

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current discount rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net OPEB Liability (Asset)	\$ 9,832	\$ (22,257)	\$ (45,421)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates of from 6.25% to an ultimate rate of 4.00% and for Dental and Vision a flat rate of 3.50%, as well as what the net OPEB liability would be if it were calculated using trend rates for each year that are 1% lower or 1% higher than the current rates:

	1% Decrease 3.00%/2.50%	Current Trend Rate 4.00%/3.50%	1% Increase 5.00%/4.50%
Net OPEB Liability (Asset)	\$ (51,155)	\$ (22,257)	\$ 16,967

NOTE I - RISK MANAGEMENT

The Council is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters, as well as from workers' compensation and health care programs. Except for health insurance, these risks are covered by commercial insurance purchased from independent third parties. The Council purchases health insurance through Allegany County, which uses a self-insurance fund. The Council pays a premium for health insurance based on Allegany County's estimate of the Council's medical expense. Allegany County retains a portion of a prior year's health insurance refund and this amount is shown as Deposits in both the governmental and government-wide statements. In addition, the Council has

Tri-County Council for Western Maryland, Inc.

**NOTES TO FINANCIAL STATEMENTS
December 31, 2022**

NOTE I - RISK MANAGEMENT – (Continued)

placed the remainder of this health insurance refund in a separate bank account and has recorded the sum of the balance of this account and the deposit retained by Allegany County as committed fund balance in the governmental funds. This amount will be used by Allegany County if the Council's medical claims exceed the aforementioned premium. Settled claims have not exceeded the coverage in those years.

NOTE J – CONTIGENCIES

The Council participates in federal and state assisted grant programs. These grants are generally subject to program compliance audits by the grantors. Such audits could result in expenditures being disallowed and funds being due back to the grantor agencies. The amount of expenditures that may be disallowed in the future, if any, cannot be determined at this time.

NOTE K – DEFICIT FUND BALANCES

One non-major fund reported a deficit fund balance as of December 31, 2022: the Maryland Transit Administration, \$(1,725).

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REQUIRED SUPPLEMENTARY INFORMATION

Tri-County Council for Western Maryland, Inc.

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE COUNCIL'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

December 31, 2022

	2018	2019	2020	2021	2022
Council's proportion of the net pension liability	0.0013694%	0.0016927%	0.0017404%	0.0001347%	0.0021459%
Council's proportionate share of the net pension liability	\$287,317	\$349,134	\$393,349	\$20,214	\$429,367
Council's covered-employee payroll	\$384,211	\$413,062	\$461,221	\$474,945	\$506,152
Council's proportionate share of the net pension liability as a percentage of covered-employee payroll	78.78%	84.53%	85.28%	4.26%	84.83%
MSRPS fiduciary net position as a percentage of the total pension liability	71.18%	72.34%	70.72%	81.84%	76.27%

Tri-County Council for Western Maryland, Inc.

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE COUNCIL'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
(Continued)**

December 31, 2022

	2015	2016	2017
Council's proportion of the net pension liability	0.0013150%	0.0013096%	0.0012036%
Council's proportionate share of the net pension liability	\$273,283	\$308,996	\$269,265
Council's covered-employee payroll	\$282,998	\$304,758	\$333,082
Council's proportionate share of the net pension liability as a percentage of covered -employee payroll	96.57%	101.39%	78.14%
MSRPS fiduciary net position as a percentage of the total pension liability	68.78%	65.79%	69.38%

Tri-County Council for Western Maryland, Inc.

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE COUNCIL CONTRIBUTIONS
PENSIONS**

December 31, 2022

	2018	2019	2020	2021	2022
Contractually required contribution	\$ 27,306	\$ 34,760	\$ 37,315	\$ 46,516	\$ 48,976
Contributions in relation to the contractually required contribution	<u>(27,306)</u>	<u>(34,760)</u>	<u>(37,315)</u>	<u>(46,516)</u>	<u>(48,976)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Council's covered-employee payroll	\$384,211	\$413,062	\$461,221	\$474,945	\$506,152
Contributions as a percentage of covered -employee payroll	7.11%	8.42%	8.09%	9.79%	9.68%

Tri-County Council for Western Maryland, Inc.

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE COUNCIL CONTRIBUTIONS
PENSIONS
(Continued)**

December 31, 2022

	2015	2016	2017
Contractually required contribution	\$ 27,717	\$ 25,513	\$ 24,498
Contributions in relation to the contractually required contribution	<u>(27,717)</u>	<u>(27,717)</u>	<u>(24,498)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Council's covered-employee payroll	\$282,998	\$304,758	333,082
Contributions as a percentage of covered-employee payroll	9.79%	8.37%	7.35%

Tri-County Council for Western Maryland, Inc.

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF CHANGES IN THE COUNCIL'S
NET OPEB LIABILITY AND RELATED RATIOS**

December 31, 2022

	Year Ending December 31, 2020	Year Ending December 31, 2021	Year Ending December 31, 2022
Total OPEB Liability			
Service Cost	\$ 9,867	\$ 9,867	\$ 15,612
Interest	19,969	19,969	23,509
Experience Gains/(Losses)	-	-	(74,292)
Changes in Assumptions	-	-	(8,449)
Net Change in Total OPEB Liability	<u>29,836</u>	<u>29,836</u>	<u>(43,620)</u>
Total OPEB Liability - Beginning	<u>275,401</u>	<u>305,237</u>	<u>335,073</u>
Total OPEB Liability - Ending	<u><u>305,237</u></u>	<u><u>335,073</u></u>	<u><u>291,453</u></u>
Plan Fiduciary Net Position			
Contributions - Employer	<u>81,855</u>	<u>231,855</u>	-
Net Change in Plan Fiduciary Net Position	<u>81,855</u>	<u>231,855</u>	-
Plan Fiduciary Net Position - Beginning	<u>-</u>	<u>81,855</u>	<u>313,710</u>
Plan Fiduciary Net Position - Ending	<u><u>81,855</u></u>	<u><u>313,710</u></u>	<u><u>313,710</u></u>
Net OPEB Liability (Asset) - Beginning	<u>275,401</u>	<u>223,382</u>	<u>21,382</u>
Net OPEB Liability (Asset) - Ending	<u><u>\$ 223,382</u></u>	<u><u>\$ 21,363</u></u>	<u><u>\$ (22,257)</u></u>
Fiduciary Net Position as a Percentage of Total OPEB Liability	26.82%	93.62%	107.64%
Covered-Employee Payroll	\$ 454,049	\$ 474,945	\$ 506,152
Net OPEB Liability (Asset) as a Percentage of Covered Payroll	49.20%	4.50%	(4.40%)

Tri-County Council for Western Maryland, Inc.

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
OPEB**

December 31, 2022

<u>Year</u>	<u>Actuarially Determined Employer Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency / (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contribution As a Percentage Of Payroll</u>
2022	\$ -	\$ -	\$ -	\$ 506,152	0.00%
2021	36,553	231,855	(195,302)	474,945	48.82%
2020	36,553	81,855	(45,302)	454,049	18.03%

Tri-County Council for Western Maryland, Inc.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2022

NOTE A – SCHEDULE OF THE COUNCIL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND SCHEDULE OF COUNCIL CONTRIBUTIONS

These schedules only present information for the current year and seven prior years as these are the only years for which information is available.

NOTE B – IDENTIFICATION AND SUMMARY OF SIGNIFICANT ACTUARIAL METHODS AND ASSUMPTIONS - PENSION

The total pension liability was determined by an actuarial valuation as of June 30, 2022, using the following actuarial assumptions:

- Actuarial Cost Method – Entry Age Normal
- Amortization Method – Level Percentage of Payroll, Closed
- Amortization Period – Generally 25-32 years
- Asset Valuation Method – Five-Year Smoothed Market, 20% Collar
- Inflation – 2.25%
- Salary Increases – 2.75% to 11.25%
- Investment Rate of Return – 6.80%
- Discount Rate – 6.80%
- Mortality – Public Sector 2010 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience

The following actuarial assumptions were changed from the prior actuarial valuation as of June 30, 2021:

- Salary Increases – increased from 2.75% to 9.25% to 2.75% to 11.25%
- Mortality – updated scale MP-2014 to scale MP-2018

Tri-County Council for Western Maryland, Inc.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2022

NOTE C – IDENTIFICATION AND SUMMARY OF SIGNIFICANT ACTUARIAL METHODS AND ASSUMPTIONS - OPEB

- Valuation Date – January 1, 2022
- Actuarial Cost Method – Entry Age Normal
- Amortization Method – Level Percentage of Payroll, Closed
- Amortization Period – 20 years
- Asset Valuation Method – Five Year Asset Smoothing
- Investment Rate of Return – 7.00%
- Discount Rate – 7.00%
- Healthcare Cost Trend Rate – 5.75% for 2020, grading down to 4.00%, Dental and Vision – flat 3.50%.
- Mortality – Pub 2010G Headcount (M/F) with generational improvements using Scale SSA18

The following actuarial assumptions were changed from the prior actuarial valuation as of June 30, 2020:

- Healthcare Cost Trend Rate – decreased from 6.25% grading down to 4.00% to 5.75 grading down to 4.00%
- Mortality – replaced generational improvement using Scale SSA18 with Fully Generational MP-2021 Mortality Improvement Scale.

NOTE D – SCHEDULE OF CHANGES IN THE COUNCIL'S NET OPEB LIABILITY AND RELATED RATIOS AND SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB

These schedules only present information for the current and prior two years since the plan was adopted in the three years ago.

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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Tri-County Council for Western Maryland, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended December 31, 2022

Federal Granting Agency / Program	Federal CFDA Number	Pass-Through Entity ID Number	Federal Expenditures
U.S. Department of Commerce:			
Economic Development Cluster			
Direct Programs:			
Economic Adjustment Assistance	11.307	N/A	1,369,142
Passed through the Maryland Department of Commerce			
Economic Adjustment Assistance	11.307	46-01-01	141,014
Economic Adjustment Assistance	11.307	46-02-01	<u>114,208</u>
Total Economic Development Cluster			<u>1,624,364</u>
Direct Programs			
Economic Development Support for Planning Organizations	11.302	N/A	<u>70,000</u>
Total U.S. Department of Commerce			<u>1,694,364</u>
Appalachian Regional Commission			
Direct Programs:			
Appalachian Area Development	23.002	N/A	1,288,300
Appalachian Local Development District Assistance	23.009	N/A	<u>175,000</u>
Total Appalachian Regional Commission			<u>1,463,300</u>
Total Expenditures of Federal Awards			<u>\$ 3,157,664</u>

See accompanying notes to schedule of expenditures of federal awards

Tri-County Council for Western Maryland, Inc.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended December 31, 2022

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Tri-County Council for Western Maryland, Inc. under programs of the federal government for the year ended December 31, 2022. The information is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the Tri-County Council for Western Maryland, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Tri-County Council for Western Maryland, Inc..

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING BASIS

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. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. For example, the Uniform Guidance requires the Council to classify the outstanding loan balance and cash held in the revolving loan funds as federal expenditures whereas accounting principles generally accepted in the United States of America classify these as assets.

NOTE C - INDIRECT COST RATE

The Tri-County Council for Western Maryland, Inc. has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE D - LOAN PROGRAMS

Balances and transactions relating to the following loan programs are included in the Tri-County Council for Western Maryland, Inc.'s basic financial statements. Loans outstanding and for some programs, loans made during the year, are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at December 31, 2022 consists of:

Program Name	Federal CFDA Number	Outstanding Loan Balance 12/31/22
Economic Adjustment Assistance	11.307	\$ 817,615
Appalachian Area Development	23.002	<u>1,162,919</u>
Total Expenditures of Federal Awards		<u>\$ 1,980,534</u>

Tri-County Council for Western Maryland, Inc.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended December 31, 2022

NOTE E – ECONOMIC DEVELOPMENT ADMINISTRATION REVOLVING LOAN PROGRAMS

The expenditures for the Economic Adjustment Assistance, CFDA 11.307, programs that contain revolving loan programs were calculated as follows:

Grant (Award Number)	Balance of Loans Outstanding 12/31/22	Cash and Investments 12/31/22	Administrative Expenses 2022	Bad Debt Expense 2022	Total
<i>Direct Awards</i>					
CARES Act Revolving Loan Fund Project (01-79-15021)	\$ 803,398	\$ 230,842	\$ 37,206	\$ -	\$ 1,071,446
Planning, Preparing, Preventing, and Responding to COVID-19 Project (ED20PHI3070057)	-	-	297,696	-	297,696
Total – Direct Awards	<u>\$ 803,398</u>	<u>\$ 230,842</u>	<u>\$ 334,902</u>	<u>\$ -</u>	<u>\$ 1,369,142</u>
<i>Passed Through Maryland Department of Commerce</i>					
Business Enterprise Loan Fund – MEAF 1 (46-01-01)	\$ -	\$ 140,718	\$ 296	\$ -	\$ 141,014
MEAF 2 (46-02-01)	14,217	96,764	3,227	-	114,208
Total – Passed Through Maryland Department of Commerce	<u>\$ 14,217</u>	<u>\$ 237,482</u>	<u>\$ 3,523</u>	<u>\$ -</u>	<u>\$ 255,222</u>

Note: All grants are 100% federally funded.

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OTHER REPORTS OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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PROFESSIONAL ACCOUNTING,
CONSULTING & BUSINESS
ADVISORY SERVICES

September 21, 2023

The Board of Directors
Tri-County Council for Western Maryland, Inc.
Cumberland, Maryland

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Independent Auditor's Report

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Tri-County Council for Western Maryland, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Tri-County Council for Western Maryland, Inc.'s major federal programs for the year ended December 31, 2022. Tri-County Council for Western Maryland, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Tri-County Council for Western Maryland, Inc. 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 December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Tri-County Council for Western Maryland, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Tri-County Council for Western Maryland, Inc.'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 the Tri-County Council for Western Maryland, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our 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 on the Tri-County Council for Western Maryland, Inc.'s compliance based on our 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 GAAS, *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 the Tri-County Council for Western Maryland, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- 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 the Tri-County Council for Western Maryland, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Tri-County Council for Western Maryland, Inc.'s internal control over compliance relevant 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 the Tri-County Council for Western Maryland, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are 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 we identified during the audit.

Report on Internal Control Over Compliance

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.

Our consideration of the internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not been identified.

Our 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.

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



Certified Public Accountants
Pittsburgh, PA



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PROFESSIONAL ACCOUNTING,
CONSULTING & BUSINESS
ADVISORY SERVICES

September 21, 2023

The Board of Directors
Tri-County Council for Western Maryland, Inc.
Cumberland, Maryland

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**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**

Independent Auditor's Report

We have audited the basic financial statements of Tri-County Council for Western Maryland, Inc. as of and for the year ended December 31, 2022, and have issued our report thereon dated September 21, 2023. We conducted our 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.

Internal Control Over Financial Reporting

Management of Tri-County Council for Western Maryland, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Tri-County Council for Western Maryland, Inc.'s internal control over financial reporting 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 Tri-County Council for Western Maryland, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Tri-County Council for Western Maryland, Inc.'s internal control over financial reporting.

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 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tri-County Council for Western Maryland, Inc.'s financial statements are free of material misstatement, we 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Certified Public Accountants
Pittsburgh, PA

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Tri-County Council for Western Maryland, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	unmodified
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported
Type of auditor's report issued on compliance for major programs:	unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	no
Identification of major programs:	

CFDA Number

Name of Federal Program or Cluster

11.307

Economic Adjustment Assistance

Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low risk auditee?	yes

Tri-County Council for Western Maryland, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2022
(Continued)

Section II - Financial Statement Findings

No findings noted.

Section III - Federal Award Findings and Questioned Costs

No findings noted.

Tri-County Council for Western Maryland, Inc.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2022

No findings relative to federal awards were reported in the prior year

COMBINING AND INDIVIDUAL FUND STATEMENTS

Tri-County Council for Western Maryland, Inc.
Balance Sheet
Other Governmental Funds
December 31, 2022

	<u>MEAF 1</u> <u>Loan Fund</u>	<u>MEAF 2</u> <u>Loan Fund</u>	<u>MEAF 3</u> <u>Loan Fund</u>	<u>MEAF #4</u> <u>Loan Fund</u>
ASSETS				
Cash and cash equivalents	\$ 140,718	\$ 96,764	\$ 202,438	\$ 200,977
Due from other funds	-	-	-	-
Receivable from other governments	-	-	-	-
Notes Receivable, net	-	14,217	-	102,602
Accrued interest receivable, net	-	78	-	436
Total assets	<u>140,718</u>	<u>111,059</u>	<u>202,438</u>	<u>304,015</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	-	-	-	-
Due to other funds	66	310	233	1,106
Accrued wages	-	-	-	-
Payroll withholdings	-	-	-	-
Total liabilities	<u>66</u>	<u>310</u>	<u>233</u>	<u>1,106</u>
Deferred Inflows of Resources:				
Deferred revenue	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Nonspendable for:				
Notes receivable	-	10,951	-	87,304
Restricted for:				
Lending Activity	140,652	99,798	202,205	-
Bad Loans	-	-	-	-
Assigned for Lending Activity	-	-	-	215,605
Unassigned	-	-	-	-
Total fund balances	<u>140,652</u>	<u>110,749</u>	<u>202,205</u>	<u>302,909</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 140,718</u>	<u>\$ 111,059</u>	<u>\$ 202,438</u>	<u>\$ 304,015</u>

<u>MEDAAF</u> <u>RLF</u>	<u>USDA IRP</u> <u>Loan Fund</u>	<u>Maryland</u> <u>Transit</u> <u>Administration</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
\$ 157,551	\$ 130,024	\$ -	\$ 928,472
-	-	-	-
-	-	13,250	13,250
39,285	-	-	156,104
161	-	-	675
<u>196,997</u>	<u>130,024</u>	<u>13,250</u>	<u>1,098,501</u>
-	-	-	-
-	-	206	206
8,956	-	14,094	24,765
-	-	353	353
-	-	322	322
<u>8,956</u>	<u>-</u>	<u>14,975</u>	<u>25,646</u>
-	-	-	-
-	-	-	-
-	-	-	-
35,844	-	-	134,099
152,197	-	-	594,852
-	-	-	-
-	130,024	-	345,629
-	-	(1,725)	(1,725)
<u>188,041</u>	<u>130,024</u>	<u>(1,725)</u>	<u>1,072,855</u>
<u>\$ 196,997</u>	<u>\$ 130,024</u>	<u>\$ 13,250</u>	<u>\$ 1,098,501</u>

Tri-County Council for Western Maryland, Inc.
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2022

	<u>MEAF 1</u> <u>Loan Fund</u>	<u>MEAF 2</u> <u>Loan Fund</u>	<u>MEAF 3</u> <u>Loan Fund</u>	<u>MEAF #4</u> <u>Loan Fund</u>
REVENUES				
Intergovernmental Revenue				
Federal	\$ -	\$ -	\$ -	\$ -
State	-	-	-	-
Local	-	-	-	-
Loan Interest	-	3,355	-	6,340
Loan Fees	-	-	589	-
Investment Earnings	355	137	510	451
Total revenues	<u>355</u>	<u>3,492</u>	<u>1,099</u>	<u>6,791</u>
EXPENDITURES				
Current:				
Salaries and Benefits	228	2,493	434	4,478
Administrative Charges	-	-	-	1
Office Expenditures	14	141	25	253
Rent	6	70	12	125
Utilities	2	22	4	40
Continuing Education	2	31	5	56
Memberships	-	2	-	4
Travel	3	32	6	58
Legal and Accounting	35	378	66	678
Meeting Expenses	1	14	2	24
Marketing	-	-	-	-
Insurance	1	16	3	29
Miscellaneous	4	27	6	51
Grants	-	-	-	-
Bad Debts	-	-	-	-
Return of Funds	-	-	-	-
Return of Interest	-	-	-	-
Capital Outlay	-	1	-	-
Total Expenditures	<u>296</u>	<u>3,227</u>	<u>563</u>	<u>5,797</u>
Excess (deficiency) of revenues over expenditures	<u>59</u>	<u>265</u>	<u>536</u>	<u>994</u>
OTHER FINANCING SOURCES (USES)				
Transfer In	-	-	-	-
Transfers Out	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	59	265	536	994
Fund balances - beginning	140,593	110,484	201,669	301,915
Fund balances - ending	<u>\$ 140,652</u>	<u>\$ 110,749</u>	<u>\$ 202,205</u>	<u>\$ 302,909</u>

<u>MEDAAF</u> <u>RLF</u>	<u>USDA IRP</u> <u>Loan Fund</u>	<u>Maryland Transit</u> <u>Administration</u>	<u>Total-Other</u> <u>Governmental</u> <u>Funds</u>
\$ -	\$ -	\$ -	\$ -
-	-	27,311	27,311
-	-	2,259	2,259
2,024	4,267	-	15,986
150	-	-	739
393	-	-	1,846
<u>2,567</u>	<u>4,267</u>	<u>29,570</u>	<u>48,141</u>
1,597	-	25,096	34,326
47	-	-	48
50	-	1,152	1,635
45	-	551	809
14	-	185	267
34	-	449	577
1	-	216	223
-	-	902	1,001
242	-	541	1,940
9	-	-	50
-	-	340	340
10	-	133	192
-	-	-	88
-	-	-	-
-	-	-	-
-	-	-	-
19	-	5	25
<u>2,068</u>	<u>-</u>	<u>29,570</u>	<u>41,521</u>
499	4,267	-	6,620
-	-	-	-
-	-	-	-
-	-	-	-
499	4,267	-	6,620
187,542	125,757	(1,725)	1,066,235
<u>\$ 188,041</u>	<u>\$ 130,024</u>	<u>\$ (1,725)</u>	<u>\$ 1,072,855</u>

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YEAR IN REVIEW

Year in Review 2022

Any given year there are any number of things that the Council has to be proud of, but 2022 was truly a year like no other. Not only is the agency celebrating its fiftieth anniversary, we are also celebrating the first time in our history that we own our office space and a record amount of funding for projects.

On May 11, 2022 we celebrated 50 years of service to Western Maryland with past and current leaders that have made the Council the successful Local Development District that it is. We were thankful to have Federal, State and local representatives join us for an evening of recounting the past and fond memories of time working together.

Prior to the start of the pandemic, the Council was fortunate enough to purchase a new office facility. Little did we know what impact COVID 19 would have on our attempt to renovate this facility. Every aspect became a challenge as businesses were told to close, government agencies went to teleworking and communication itself became difficult. It was not until 2021 we finally were able to get a local contractor's help with our renovations. After many months of hard work, extensive renovations and dedicated contractors our dream had finally become a reality. In 2022 the building received new windows, decks, porches, carpet, tile, cabinets, plumbing and HVAC as well as refinished hardwood floors. Radiators were painstakingly removed, sand blasted, painted and reinstalled and fiber was extended several blocks to provide a 1 gb connection to the office. As the year went along, the Council moved from Frostburg to Cumberland at 11 S Lee Street during the last week of August. We are truly thankful to all those involved that made this transformation happen. While there are too many people to thank, this certainly could not have happened without the help of the Rural Maryland Council.

The Council also executed two grants with the state of Maryland that undoubtedly will transform the region for years to come. The Rural Maryland Economic Development Fund provided \$10 million in funding to public and non-profit entities to upgrade infrastructure such as water, sewer and fiber. Many of the grants aided small towns that don't have the revenue to complete such projects, while other grants ensured that new business parks could receive prospective tenants. Additionally, the Senator George C. Edwards fund was established with a \$50 million commitment over the next four years to aid in Economic Development throughout the region. This fund was established to create and retain jobs by funding projects that will be transformative in nature to the region.

The Council continued to provide lending services to the region which proved to be a challenge on the heels of the pandemic. Despite the economic conditions, the Council still made eleven loans totaling over \$1.7 million and leveraging an additional \$1.65 million. The result of these loans was the retention of 49 jobs and the creation of an additional 59 jobs.

As the ARC designated Local Development District we were proud to work with the State of Maryland to invite 20 projects this year for a total of \$3.5 million in grant funding. Those projects will provide education, infrastructure and economic opportunity to the region.

As the EDA Economic Development District, we coordinated meetings throughout the year to provide a new vision for future investment in the region. In December 2022 the new five-year Comprehensive Economic Development Strategy was submitted to EDA and approved. Through EDA we were able to work with Hagerstown Community College in securing a \$5.8 million grant to build the new workforce training center in northern Hagerstown.

The Council also serves at the Regional Coordinating Body for the Maryland Transportation Administration and oversees the 5310 grant program for enhanced mobility of seniors and individuals with disabilities. Three agencies were awarded funding in the amount of almost \$1.4 million. The grants will provide vehicles, preventative maintenance, mobility management, training and equipment.

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