

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

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

December 31, 2023

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TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditor's Report.....	4
Management's Discussion and Analysis.....	8
 Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	17
Statement of Activities	19
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	20
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	23
Statement of Revenues, Expenditures, and Changes In Fund Balances – Governmental Funds.....	24
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances of Governmental Funds to the Statement of Activities	27
Notes to Basic Financial Statements.....	28
 Required Supplementary Information	
Schedule of the Council's Proportionate Share of the Net Pension Liability	56
Schedule of the Council Contributions - Pension.....	58
Schedule of Changes in the Council's Net OPEB Liability and Related Ratios	60
Schedule of Council Contributions – OPEB.....	61
Notes to Required Supplementary Information	62
 Other Supplemental Information	
Schedule of Expenditures of Federal Awards	67
Notes to Schedule of Expenditures of Federal Awards	68
Other Reports of Independent Certified Public Accountants	71
Schedule of Findings and Questioned Costs	78
Schedule of Prior Year Audit Findings.....	80
Combining and Individual Fund Statements	82



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PROFESSIONAL ACCOUNTING,
CONSULTING & BUSINESS
ADVISORY SERVICES

September 19, 2024

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, 2023, 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, 2023, 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.

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.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report, dated September 19, 2024, 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.



Certified Public Accountants
Pittsburgh, PA

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, 2023.

Financial Highlights

- The Council currently has cash of approximately \$5,220,000 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 disbursed \$9.95 million in grants to projects within the member counties for infrastructure, capacity building, workforce development and entrepreneurship and innovation from the Rural Maryland Development Fund funded by the Maryland Department of Commerce.
- During the current year, the Senator George C. Edwards Fund, a component unit of the Council, disbursed \$19.5 million in grants 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.

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 \$12,447,263 at December 31, 2023 and \$11,743,016 at December 31, 2022.

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, 2023 and 2022:

	<u>2022</u>	<u>2023</u>
<i>Assets:</i>		
Current Assets and Other	\$ 16,235,084	\$ 7,509,876
Notes Receivable, net – Long Term	5,345,637	5,179,375
Capital Assets	<u>696,231</u>	<u>829,907</u>
Total Assets	22,276,952	13,519,158
 <i>Deferred Outflows of Resources</i>	 463,188	 432,309
 <i>Liabilities:</i>		
Current Liabilities	10,224,532	724,069
Long-Term Liabilities	<u>429,367</u>	<u>512,334</u>
Total Liabilities	10,653,899	1,236,403
 <i>Deferred Inflows of Resources</i>	 343,225	 267,801
 <i>Net Position:</i>		
Net investment in capital assets	696,231	829,907
Restricted for Loans	5,345,639	7,819,277
Unrestricted	<u>5,701,146</u>	<u>3,798,079</u>
Total Net Position	<u>\$ 11,743,016</u>	<u>\$ 12,447,263</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 \$704,247 for the year ended December 31, 2023 and by \$486,962 for the year ended December 31, 2022. 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, 2023 and 2022.

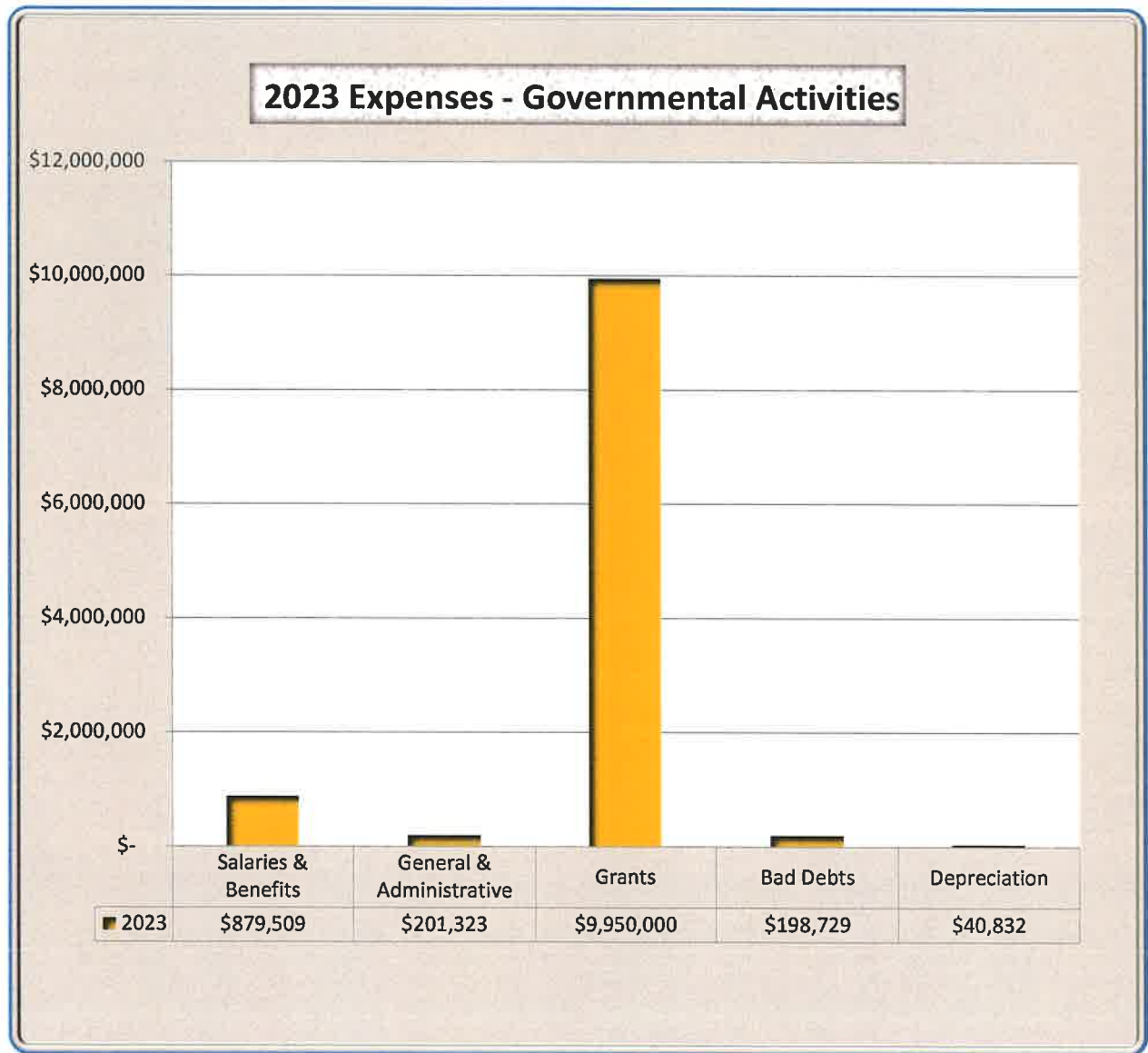
	<u>2022</u>	<u>2023</u>
<i>Program Revenues:</i>		
Loan Income	\$ 200,242	\$ 234,037
Recovery – Previous Bad Debt	-	57,356
Restricted investment earnings	5,936	51,148
Charges for Services	6,425	9,660
Operating Grants and Contributions	1,385,666	11,346,272
<i>General Revenues:</i>		
Local Contributions	120,000	120,000
Miscellaneous	575	-
Realized loss on disposal	(1,890)	-
Unrestricted investment earnings	<u>3,718</u>	<u>156,167</u>
	1,720,672	11,974,640
<i>Program Expenses:</i>		
Community Development	859,810	910,893
Revolving Loan Funds	127,761	365,578
Rural Maryland Development	-	9,953,570
Covid-19 Relief	215,180	8,312
Transit	<u>30,959</u>	<u>32,040</u>
Total Expenses	1,233,710	11,270,393
 Change in Net Position	 486,962	 704,247
 Net Position – Beginning	 <u>11,256,054</u>	 <u>11,743,016</u>
 Net Position – Ending	 <u><u>\$ 11,743,016</u></u>	 <u><u>\$ 12,447,263</u></u>

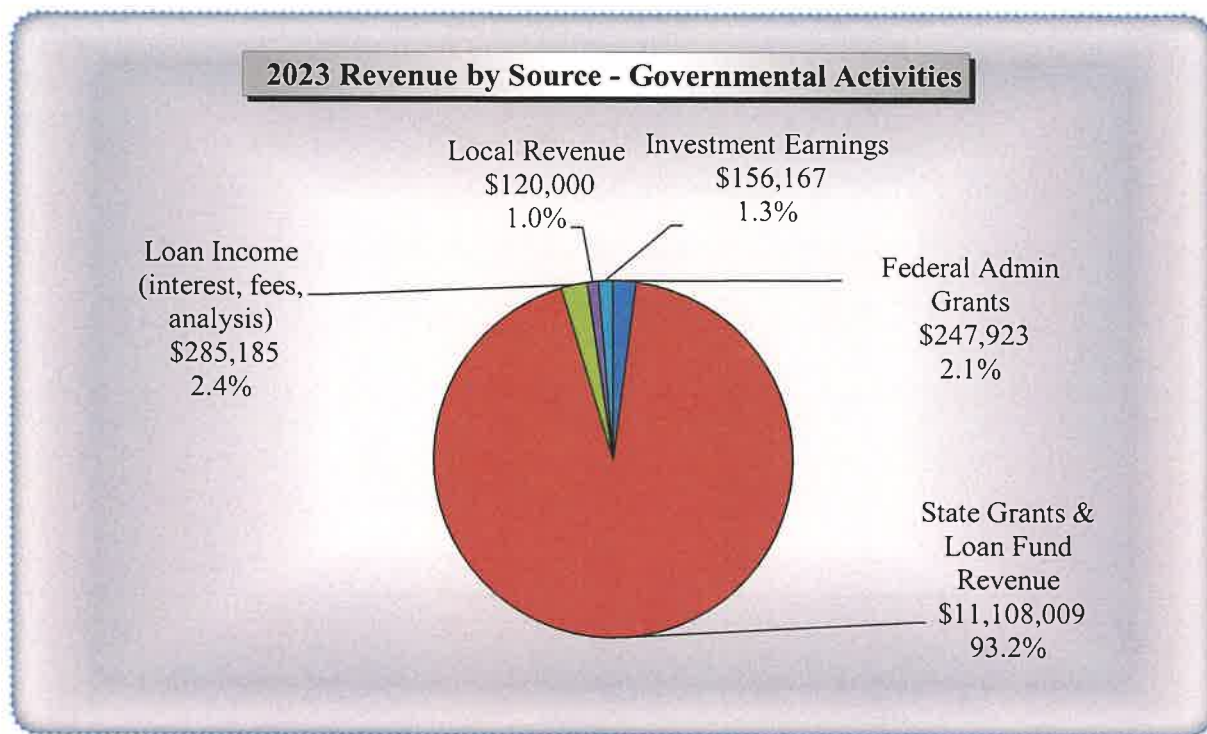
Analysis of Changes in Net Position

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 and strong collections on the Council's loans.





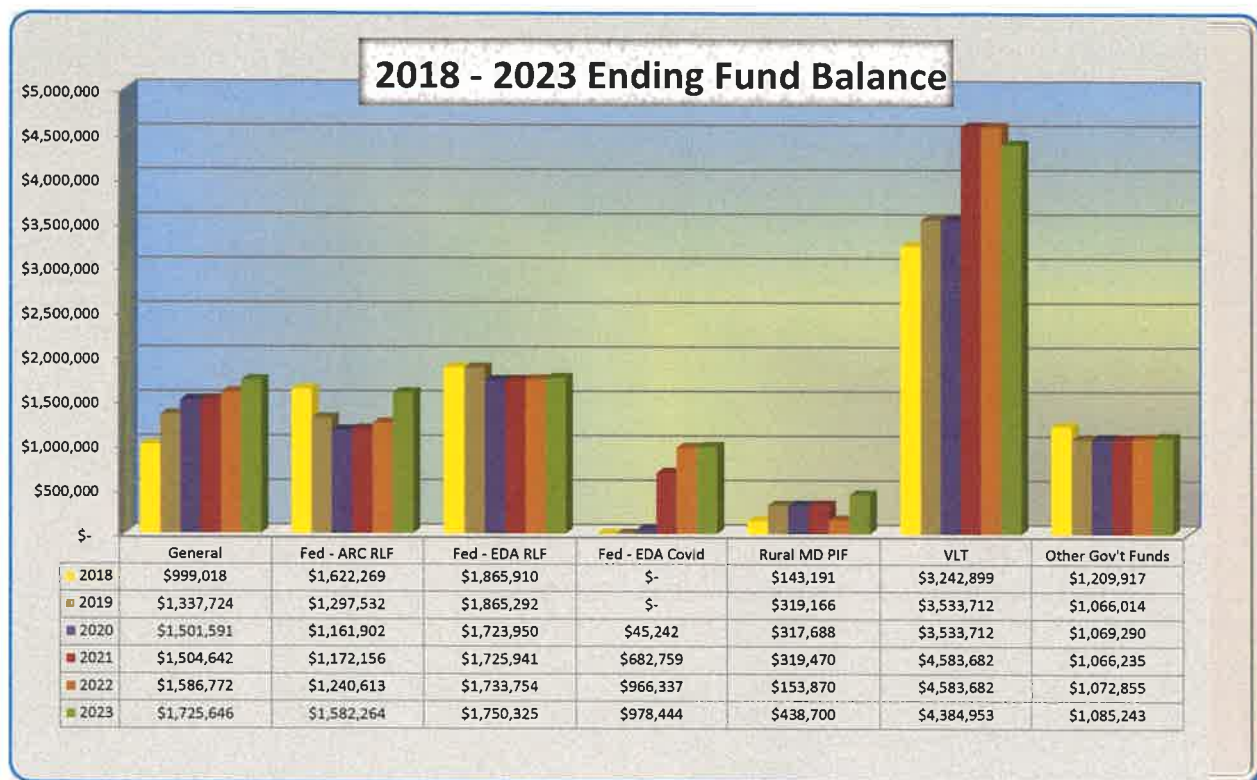
Financial Analyses of the Council's Individual Funds

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, 2023, the Council's Governmental Funds reported a combined ending fund balance of \$11,945,575, an increase of \$607,692 in comparison to the previous year. Of this amount, \$8,388,156, which is 70% 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, 2023 and 2022.

	2022	2023
Land	\$ 14,400	\$ 14,400
Building	518,904	646,407
Office Equipment	100,375	81,764
Furniture and Fixtures	<u>62,552</u>	<u>87,336</u>
Total	<u>\$ 696,231</u>	<u>\$ 829,907</u>

During the prior year, the Council capitalized the purchase and renovation expenditures on the new office. Work on the new office continued during the current year. Additional information on the Council's capital assets can be found in Note E on page 43 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:

Guy Winterberg
Acting 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, 2023

		Component Unit
	Primary Government	Senator George Edwards Fund
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 5,730,744	\$ 10,929,976
Investments	1,030,746	-
Due from other governments	118,932	-
Accrued interest receivable, net	16,974	-
Notes receivables, net - current portion	510,866	-
Prepaid expenses	68,861	-
Total Current Assets	<u>7,477,123</u>	<u>10,929,976</u>
Non-Current Assets		
Land	14,400	-
Building, net of depreciation	646,407	-
Office equipment, net of depreciation	81,764	-
Furniture and fixtures, net of depreciation	87,336	-
Deposits	9,768	-
Net OPEB asset	22,985	-
Notes receivable, net	5,179,375	-
Total Non-Current Assets	<u>6,042,035</u>	<u>-</u>
Total Assets	<u>13,519,158</u>	<u>10,929,976</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related	408,612	-
OPEB related	23,697	-
Total deferred outflows of resources	<u>432,309</u>	<u>-</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	14,356	40,183
Accrued wages and payroll	13,865	-
Payroll deductions and withholdings	15,641	-
Compensated absences	53,378	-
Unearned revenues	626,829	-
Total Current Liabilities	<u>724,069</u>	<u>40,183</u>
Non-Current Liabilities		
Net pension liability	512,334	-
Total Non-Current Liabilities	<u>512,334</u>	<u>-</u>
Total liabilities	<u>1,236,403</u>	<u>40,183</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related	159,001	-
OPEB related	58,800	-
Deferred Revenues	50,000	-
Total deferred inflows of resources	<u>267,801</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	829,907	-
Restricted for loans	7,819,277	-
Unrestricted	3,798,079	10,889,793
Total net position	<u>\$ 12,447,263</u>	<u>\$ 10,889,793</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, 2023

	Primary Government						Component Unit
	Functions/Programs						
	Total	Community Development	Revolving Loan Funds	Rural Maryland Development	Covid-19 Relief	Transit	Senator George Edwards Fund
Expenses:							
Salaries and benefits	\$ 879,509	\$ 730,146	\$ 114,090	\$ -	\$ 6,948	\$ 28,325	\$ 15,121
General and administrative	201,323	146,678	47,626	3,570	1,049	2,400	25,183
Grants	9,950,000	-	-	9,950,000	-	-	19,494,223
Bad debts	198,729	-	198,729	-	-	-	-
Depreciation	40,832	34,069	5,133	-	315	1,315	-
Total expenses	<u>11,270,393</u>	<u>910,893</u>	<u>365,578</u>	<u>9,953,570</u>	<u>8,312</u>	<u>32,040</u>	<u>19,534,527</u>
Program revenues:							
Loan Income	234,037	11,367	208,205	-	14,465	-	-
Recovery - previous bad debts	57,356	-	57,356	-	-	-	-
Restricted investment income	51,148	-	45,962	-	5,186	-	-
Charges for Services	9,660	9,660	-	-	-	-	-
Operating grants and contributions	11,346,272	1,100,936	264,800	9,953,570	-	26,966	10,000,000
Capital grants and contributions	-	-	-	-	-	-	-
Total program revenues	<u>11,698,473</u>	<u>1,121,963</u>	<u>576,323</u>	<u>9,953,570</u>	<u>19,651</u>	<u>26,966</u>	<u>10,000,000</u>
Net program expense (revenue)	<u>(428,080)</u>	<u>\$ (211,070)</u>	<u>\$ (210,745)</u>	<u>\$ -</u>	<u>\$ (11,339)</u>	<u>\$ 5,074</u>	<u>9,534,527</u>
General revenues:							
Local revenue	120,000	-	-	-	-	-	-
Miscellaneous revenue	-	-	-	-	-	-	-
Realized loss on disposal	-	-	-	-	-	-	-
Unrestricted investment earnings	156,167	-	-	-	-	-	436,633
Total general revenues and special item	<u>276,167</u>	-	-	-	-	-	<u>436,633</u>
Change in net position	704,247	-	-	-	-	-	(9,097,894)
Net position - beginning	<u>11,743,016</u>	-	-	-	-	-	<u>19,987,687</u>
Net position - ending	<u>\$ 12,447,263</u>	-	-	-	-	-	<u>\$ 10,889,793</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, 2023

	<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	\$ 510,094	\$ 267,000	\$ 1,157,057	\$ 304,050
Investments	1,030,746	-	-	-
Due from other funds	301,378	36,364	-	-
Receivable from other governments	98,808	-	-	-
Notes Receivable, net	-	1,275,917	617,965	717,916
Accrued interest receivable, net	-	2,983	1,252	1,044
Deposits	9,768	-	-	-
Prepaid expenses	22,255	-	-	27,918
Total assets	<u>1,973,049</u>	<u>1,582,264</u>	<u>1,776,274</u>	<u>1,050,928</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	9,870	-	-	-
Due to other funds	129,690	-	25,949	67,154
Accrued wages	8,058	-	-	-
Payroll withholdings	5,894	-	-	5,330
Unearned revenue	43,891	-	-	-
Total liabilities	<u>197,403</u>	<u>-</u>	<u>25,949</u>	<u>72,484</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	-	1,161,574	553,621	653,782
Prepaid Items	22,255	-	-	27,918
Restricted for:				
Lending Activity	-	420,690	-	296,744
Bad Loans	-	-	-	-
Committed - Health Benefits	16,669	-	-	-
Assigned - Loan Activity	-	-	1,196,704	-
Unassigned	1,686,722	-	-	-
Total fund balances	<u>1,725,646</u>	<u>1,582,264</u>	<u>1,750,325</u>	<u>978,444</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,973,049</u>	<u>\$ 1,582,264</u>	<u>\$ 1,776,274</u>	<u>\$ 1,050,928</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>
\$ 830,721	\$ 156,061	\$ 1,537,510	\$ 968,251	\$ 5,730,744
-	-	-	-	1,030,746
-	-	8,983	93,326	440,051
-	-	-	20,124	118,932
190,146	-	2,841,387	46,910	5,690,241
927	-	10,119	649	16,974
-	-	-	-	9,768
-	-	18,688	-	68,861
<u>1,021,794</u>	<u>156,061</u>	<u>4,416,687</u>	<u>1,129,260</u>	<u>13,106,317</u>
-	-	4,486	-	14,356
147,973	-	26,178	43,107	440,051
4,658	-	652	497	13,865
3,586	-	418	413	15,641
536,508	46,430	-	-	626,829
<u>692,725</u>	<u>46,430</u>	<u>31,734</u>	<u>44,017</u>	<u>1,110,742</u>
-	-	-	-	50,000
-	-	-	-	50,000
178,351	-	2,592,060	39,987	5,179,375
-	-	18,688	-	68,861
-	109,631	1,774,205	607,511	3,208,781
-	-	-	-	-
-	-	-	-	16,669
-	-	-	437,745	1,634,449
150,718	-	-	-	1,837,440
<u>329,069</u>	<u>109,631</u>	<u>4,384,953</u>	<u>1,085,243</u>	<u>11,945,575</u>
<u>\$ 1,021,794</u>	<u>\$ 156,061</u>	<u>\$ 4,416,687</u>	<u>\$ 1,129,260</u>	<u>\$ 13,106,317</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, 2023**

Total fund balance, governmental funds	\$ 11,945,575
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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	646,407	
Office Equipment	81,764	
Furniture and Fixtures	87,336	829,907

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

Net Pension Asset	<u>22,985</u>	22,985
-------------------	---------------	--------

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

Deferred Outflows of Resources	408,612	
Deferred Inflows of Resources	<u>(159,001)</u>	249,611

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

Deferred Outflows of Resources	23,697	
Deferred Inflows of Resources	<u>(58,800)</u>	(35,103)

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

(53,378)

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>(512,334)</u>	(512,334)
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Net Position of Governmental Activities in the Statement of Net Position

<u><u>\$ 12,447,263</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, 2023

	<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	\$ 247,923	\$ 264,800	\$ -	\$ -
State	189,521	-	-	-
Local	115,564	-	-	-
Loan Interest	-	51,787	19,423	14,465
Loan Fees	25	408	4,269	-
Investment Earnings	44,712	4,488	25,396	5,187
Sponsorship Revenue	-	-	-	-
Recovery - Previous Bad Debts	-	57,356	-	-
Loan Analysis	9,660	-	-	-
Total revenues	<u>607,405</u>	<u>378,839</u>	<u>49,088</u>	<u>19,652</u>
EXPENDITURES				
Current:				
Salaries and Benefits	435,237	24,914	21,903	6,496
Administrative Charges	1,927	157	-	-
Office Expenditures	13,167	486	565	131
Rent	-	119	-	-
Utilities	3,096	196	173	42
Continuing Education	7,258	-	105	29
Memberships	10,578	53	46	7
Travel	13,927	621	546	23
Legal and Accounting	13,990	10,128	8,728	224
Meeting Expenses	13,937	68	60	1
Marketing	4,142	22	19	6
Insurance	4,829	230	202	569
Miscellaneous	2,427	185	163	15
Grants	-	-	-	-
Bad Debts	-	-	-	-
Return of Interest	-	-	-	-
Capital Outlay	144	9	7	2
Total Expenditures	<u>524,659</u>	<u>37,188</u>	<u>32,517</u>	<u>7,545</u>
Excess (deficiency) of revenues over expenditures	<u>82,746</u>	<u>341,651</u>	<u>16,571</u>	<u>12,107</u>
OTHER FINANCING SOURCES (USES)				
Transfer In	56,128	-	-	-
Transfer Out	-	-	-	-
Total other financing sources and uses	<u>56,128</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	138,874	341,651	16,571	12,107
Fund balances - beginning	1,586,772	1,240,613	1,733,754	966,337
Fund balances - ending	<u>\$ 1,725,646</u>	<u>\$ 1,582,264</u>	<u>\$ 1,750,325</u>	<u>\$ 978,444</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>VL T Loan Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 512,723
663,492	9,953,570	-	26,966	10,833,549
-	-	-	4,436	120,000
11,367	-	117,739	10,148	224,929
-	-	3,856	550	9,108
2,546	109,631	1,996	16,078	210,034
-	-	-	-	-
-	-	-	-	57,356
-	-	-	-	9,660
<u>677,405</u>	<u>10,063,201</u>	<u>123,591</u>	<u>58,178</u>	<u>11,977,359</u>
269,742	-	45,975	37,957	842,224
5,638	-	-	14	7,736
9,011	737	1,108	777	25,982
-	-	-	-	119
2,252	-	398	258	6,415
7,442	-	2,037	164	17,035
1,512	-	119	70	12,385
8,565	159	407	575	24,823
12,695	2,674	11,994	5,147	65,580
(212)	-	46	33	13,933
4,498	-	41	397	9,125
2,559	-	2,800	306	11,495
52	-	528	81	3,451
-	9,950,000	-	-	9,950,000
-	-	198,729	-	198,729
-	-	1,996	-	1,996
178,452	-	14	11	178,639
<u>502,206</u>	<u>9,953,570</u>	<u>266,192</u>	<u>45,790</u>	<u>11,369,667</u>
175,199	109,631	(142,601)	12,388	607,692
-	-	-	-	56,128
-	-	(56,128)	-	(56,128)
-	-	(56,128)	-	-
175,199	109,631	(198,729)	12,388	607,692
153,870	-	4,583,682	1,072,855	11,337,883
<u>\$ 329,069</u>	<u>\$ 109,631</u>	<u>\$ 4,384,953</u>	<u>\$ 1,085,243</u>	<u>\$ 11,945,575</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, 2023**

Net change in fund balances - total governmental funds: \$ 607,692

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	\$ 174,508	
Depreciation expense	<u>(40,832)</u>	133,676

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>573</u>	573
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Pension and other postemployment benefits 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.

Pension contributions	51,839	
Other postemployment benefits contributions	<u>20,457</u>	72,296

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	(105,642)	
Other postemployment benefits expense	<u>(4,348)</u>	(109,990)

Change in net position of governmental activities		<u><u>\$ 704,247</u></u>
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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, 2023

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 nine 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, 2023

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 16 member board of which 5 are voting members and the remaining 11 are non-voting members. Each member county of the Council has 1 voting member on the Fund's board, specifically one of their county 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 other 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, 2023

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, 2023**

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, 2023**

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, 2023**

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, 2023**

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, 2023

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, 2023**

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 \$200/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, 2023

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, 2023.

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 as of December 31, 2023.

Tri-County Council for Western Maryland, Inc.

**NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2023**

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, 2023.

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, 2023.

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.

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 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 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

Tri-County Council for Western Maryland, Inc.

**NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2023**

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

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

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.

In December 2023, the Governmental Accounting Standards Board adopted Statement 102, *Certain Risk Disclosures*. The objective of this statement is to provide essential information about risks related to a government's vulnerabilities due to certain concentrations and constraints. The provisions of this statement are effective for fiscal periods beginning after June 15, 2024. The Council has not determined the impact, if any, that GASB 102 will have on the financial statements.

In April 2024, the Governmental Accounting Standards Board adopted Statement No. 103, *Financial Reporting Model Improvements*. The objective of statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This statement is designed to improved the quality of the analysis of changes from the prior year in management's discussion and analysis, as well as improving comparability of budgetary comparison information by including specific various and explanations of significant variances to provide more useful information for making decisions and assessing accountability. The statement also defines operating revenues and expenses and nonoperating revenues and expenses, and requires the

Tri-County Council for Western Maryland, Inc.

**NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2023**

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

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

separate presentation of unusual and infrequent items. The provisions of this statement are effective for fiscal periods beginning after June 15, 2025. The Council has not determined the impact, if any, that GASB 103 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, 2023, the Council had no deposits exposed to this risk.

Investments

As of December 31, 2023, the Council had the following investment in debt securities:

<u>Investment</u>	<u>Rating</u>	<u>Fair Value</u>	<u>Maturities</u>	
			<u>Less Than One Year</u>	<u>1-5 Years</u>
U.S Treasury Note 0.00% due 4/18/24	n/a	\$ 1,030,746	\$ 1,030,746	

The Council's investment is valued using a matrix pricing model (Level 2 inputs).

Tri-County Council for Western Maryland, Inc.

**NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2023**

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>							
		General	EDA	EDA	Rural MD	Rural	VLT	Non	<u>Total</u>
		<u>Fund</u>	<u>Loan</u>	<u>Covid-19</u>	<u>Prosperity</u>	<u>MD</u>	<u>Loans</u>	<u>Funds</u>	
<u>Due to</u>	General Fund	\$ -	\$ 16,966	\$ 67,154	\$ 147,973	\$ -	\$ 26,178	\$ 43,107	\$ 301,378
	ARC Revolving Loan	36,364	-	-	-	-	-	-	36,364
	EDA Revolving Loans	-	-	-	-	-	-	-	-
	VLT Loans	-	8,983	-	-	-	-	-	8,983
	Non-Major Funds	<u>93,326</u>	-	-	-	-	-	-	<u>93,326</u>
	Total	<u>\$129,690</u>	<u>\$ 25,949</u>	<u>\$ 67,154</u>	<u>\$147,973</u>	<u>\$ -</u>	<u>\$ 26,178</u>	<u>\$ 43,107</u>	<u>\$440,051</u>

The interfund balances between the General Fund, EDA Covid-19 Relief, the Rural MD Prosperity Fund, and 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 \$56,128 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, 2023**

NOTE D – RECEIVABLES AND PAYABLES

Receivables at December 31, 2023 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 Council Fund</u>	<u>VLT Loans</u>	<u>Other Nonmajor Fund</u>	<u>Total</u>
Due from Other Governments	\$ 98,808	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,124	\$ 118,932
Notes Receivable, Net	-	1,275,917	617,965	717,916	190,146	2,841,387	46,910	5,690,241
Accrued Interest Receivable, Net	-	2,983	1,252	1,044	927	10,119	649	16,974
Primary Government Total	<u>\$ 98,808</u>	<u>\$1,278,900</u>	<u>\$ 619,217</u>	<u>\$ 718,960</u>	<u>\$ 191,073</u>	<u>\$2,851,506</u>	<u>\$ 67,683</u>	<u>\$ 5,826,147</u>

Receivables at December 31, 2023 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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,124	\$ 20,124
Notes Receivable, Net	-	10,671	-	-	36,239	-	-	46,910
Accrued Interest Receivable, Net	-	59	-	436	154	-	-	649
Other – Nonmajor Funds Total	<u>\$ -</u>	<u>\$ 10,730</u>	<u>\$ -</u>	<u>\$ 436</u>	<u>\$ 36,393</u>	<u>\$ -</u>	<u>\$ 20,124</u>	<u>\$ 67,683</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, 2023

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, 2023, 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 2023:

	Balance at January 1, <u>2023</u>	<u>Additions</u>	<u>Disposals</u>	Balance at December 31, <u>2023</u>
Not being depreciated				
Land	\$ <u>14,400</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>14,400</u>
	14,400	-	-	14,400
Other capital assets				
Building	523,265	141,930	-	665,195
Furniture and Fixtures	65,281	32,578	-	97,859
Office Equipment	140,413	-	-	140,413
Vehicles	<u>22,090</u>	<u>-</u>	<u>-</u>	<u>22,090</u>
	751,049	174,508	-	925,557
Accumulated Depreciation:				
Building	(4,361)	(14,427)	-	(18,788)
Furniture and Fixtures	(2,729)	(7,794)	-	(10,523)
Office Equipment	(40,038)	(18,611)	-	(58,649)
Vehicles	<u>(22,090)</u>	<u>-</u>	<u>-</u>	<u>(22,090)</u>
	<u>(69,218)</u>	<u>(40,832)</u>	<u>-</u>	<u>(110,050)</u>
Net Other Capital Assets	<u>681,831</u>	<u>133,676</u>	<u>-</u>	<u>815,507</u>
Net Capital Assets	<u>\$ 696,231</u>	<u>\$ 133,676</u>	<u>\$ -</u>	<u>\$ 829,907</u>

Depreciation is allocated to the various functions as follows: Community Development, \$33,897, Revolving Loan Funds, \$5,297, Covid-19 Relief, \$323, and Transit, \$1,315.

Tri-County Council for Western Maryland, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

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, 2023

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 \$54,256.

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

At December 31, 2023, the Council reported a liability of \$512,334 for its proportionate share of the net pension liability. The total pension liability and the net pension liability were measured as of June 30, 2023. 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, 2023, the Council's proportion was 0.0022246% and at June 30, 2022, the Council's proportion was 0.0021459%

At December 31, 2023, 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	\$ 51,839	\$ -
Change in assumptions	2,132	1,382
Net difference between projected and actual investment earnings	121,097	-
Change in proportions	215,537	146,437
Net difference between expected and actual experience	<u>18,007</u>	<u>11,182</u>
Total	<u>\$ 408,612</u>	<u>\$ 159,001</u>

Tri-County Council for Western Maryland, Inc.

NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE F - EMPLOYEE RETIREMENT PLANS – (Continued)

The deferred outflow of resources resulting from the contributions subsequent to the measurement date, \$51,839, will be recognized as a reduction of the net pension liability in the Council's year ended December 31, 2024. 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,	
2024	\$ 50,185
2025	35,885
2026	65,534
2027	43,094
2028	<u>3,074</u>
Total	<u>\$ 197,772</u>

For the year ended December 31, 2023, the Council recognized net pension expense of \$105,642 which consists of gross pension expense of \$64,612 and amortization of deferred outflows/inflows of resources of \$41,030.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023, 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, 2023

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	\$ 759,687	\$ 512,334	\$ 307,073

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, 2023

NOTE F - EMPLOYEE RETIREMENT PLANS – (Continued)

For each major asset class that is included the MSPRS's target asset allocation as of June 30, 2023, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	34%	6.9%
Private Equity	16%	8.6%
Rate Sensitive	20%	2.6%
Credit Opportunity	9%	5.6%
Real Assets	15%	5.4%
Absolute Return	6%	4.4%
Total	<u>100%</u>	

For the year ended June 30, 2023, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense was 3.11%. 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>2023</u>	<u>Earned</u>	<u>Paid</u>	Payable at December 31, <u>2023</u>
Comp. Absences	\$ 53,951	\$ 32,277	\$ (32,850)	\$ 53,378

Tri-County Council for Western Maryland, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

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 \$20,457.

Net OPEB Liability

The Council's net OPEB liability was measured as of December 31, 2022, and the total OPEB liability used to calculated 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, 2023**

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, 2023
Total OPEB Liability	
Service Cost	\$ 13,735
Interest	20,248
Experience Gains/(Losses)	(4,367)
Changes in Assumptions	-
Net Change in Total OPEB Liability	<u>29,616</u>
Total OPEB Liability – Beginning	<u>291,453</u>
Total OPEB Liability – Ending	<u><u>321,069</u></u>
Plan Fiduciary Net Position	
Contributions – Employer	20,457
Interest Earnings	<u>9,887</u>
Net Change in Plan Fiduciary Net Position	<u>30,344</u>
Plan Fiduciary Net Position – Beginning	<u>313,710</u>
Plan Fiduciary Net Position – Ending	<u><u>344,054</u></u>
Net OPEB Liability (Asset) – Beginning	<u>(22,257)</u>
Net OPEB Liability (Asset) – Ending	<u><u>\$ (22,985)</u></u>
Fiduciary Net Position as a Percentage of Total OPEB Liability	107.16%

Tri-County Council for Western Maryland, Inc.

NOTES TO FINANCIAL STATEMENTS
December 31, 2023

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%	<u>4.95%</u>
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, 2023

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)	\$ 10,3942	\$ (22,985)	\$ (46,969)

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)	\$ (55,651)	\$ (22,985)	\$ 21,051

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, 2023**

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.

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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, 2023

	2019	2020	2021	2022	2023
Council's proportion of the net pension liability	0.0016927%	0.0017404%	0.0001347%	0.0021459%	0.0022246%
Council's proportionate share of the net pension liability	\$349,134	\$393,349	\$20,214	\$429,367	\$512,334
Council's covered-employee payroll	\$413,062	\$461,221	\$474,945	\$506,152	\$496,395
Council's proportionate share of the net pension liability as a percentage of covered -employee payroll	84.53%	85.28%	4.26%	84.83%	103.21%
MSRPS fiduciary net position as a percentage of the total pension liability	72.34%	70.72%	81.84%	76.27%	73.81%

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, 2023

	2015	2016	2017	2018
Council's proportion of the net pension liability	0.0013150%	0.0013096%	0.0012036%	0.0013694%
Council's proportionate share of the net pension liability	\$273,283	\$308,996	\$269,265	\$287,317
Council's covered-employee payroll	\$282,998	\$304,758	\$333,082	\$384,211
Council's proportionate share of the net pension liability as a percentage of covered -employee payroll	96.57%	101.39%	78.14%	78.78%
MSRPS fiduciary net position as a percentage of the total pension liability	68.78%	65.79%	69.38%	71.18%

Tri-County Council for Western Maryland, Inc.

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE COUNCIL CONTRIBUTIONS
PENSIONS**

December 31, 2023

	2019	2020	2021	2022	2023
Contractually required contribution	\$ 34,760	\$ 37,315	\$ 46,516	\$ 48,976	\$ 54,256
Contributions in relation to the contractually required contribution	<u>(34,760)</u>	<u>(37,315)</u>	<u>(46,516)</u>	<u>(48,976)</u>	<u>(54,256)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Council's covered-employee payroll	\$413,062	\$461,221	\$474,945	\$506,152	\$496,395
Contributions as a percentage of covered -employee payroll	8.42%	8.09%	9.79%	9.68%	10.93%

Tri-County Council for Western Maryland, Inc.

REQUIRED SUPPLEMENTARY INFORMATION

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

December 31, 2023

	2015	2016	2017	2018
Contractually required contribution	\$ 27,717	\$ 25,513	\$ 24,498	\$ 27,306
Contributions in relation to the contractually required contribution	<u>(27,717)</u>	<u>(27,717)</u>	<u>(24,498)</u>	<u>27,306</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Council's covered-employee payroll	\$282,998	\$304,758	333,082	384,211
Contributions as a percentage of covered -employee payroll	9.79%	8.37%	7.35%	7.11%

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, 2023

	Year Ending December 31, 2020	Year Ending December 31, 2021	Year Ending December 31, 2022	Year Ending December 31, 2023
Total OPEB Liability				
Service Cost	\$ 9,867	\$ 9,867	\$ 15,612	\$ 13,735
Interest	19,969	19,969	23,509	20,248
Experience Gains/(Losses)	-	-	(74,292)	(4,367)
Changes in Assumptions	-	-	(8,449)	-
Net Change in Total OPEB Liability	29,836	29,836	(43,620)	29,616
Total OPEB Liability – Beginning	275,401	305,237	335,073	291,453
Total OPEB Liability - Ending	305,237	335,073	291,453	321,069
Plan Fiduciary Net Position				
Contributions - Employer	81,855	231,855	-	20,457
Interest Earnings	-	-	-	9,887
Net Change in Plan Fiduciary Net Position	81,855	231,855	-	30,344
Plan Fiduciary Net Position - Beginning	-	81,855	313,710	313,710
Plan Fiduciary Net Position - Ending	81,855	313,710	313,710	344,054
Net OPEB Liability (Asset) - Beginning	275,401	223,382	21,382	(22,257)
Net OPEB Liability (Asset) – Ending	\$ 223,382	\$ 21,363	\$ (22,257)	\$ (22,985)
Fiduciary Net Position as a Percentage of Total OPEB Liability	26.82%	93.62%	107.64%	107.159%
Covered-Employee Payroll	\$ 454,049	\$ 474,945	\$ 506,152	\$ 496,395
Net OPEB Liability (Asset) as a Percentage of Covered Payroll	49.20%	4.50%	(4.40%)	(4.63%)

Tri-County Council for Western Maryland, Inc.

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
OPEB**

December 31, 2023

<u>Year</u>	Actuarially Determined Employer Contribution	Actual Employer Contribution	Contribution Deficiency/ (Excess)	Covered Employee Payroll	Contribution As a Percentage Of Payroll
2023	\$ 20,457	\$ 20,457	\$ -	\$ 496,395	4.12%
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, 2023

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 eight 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 rolled forward to June 30, 2023, 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, 2023

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 three years since the plan was adopted four 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, 2023

<u>Federal Granting Agency / Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity ID Number</u>	<u>Federal Expenditures</u>
U.S. Department of Commerce:			
Economic Development Cluster			
Direct Programs:			
Economic Adjustment Assistance	11.307	N/A	1,029,511
Passed through the Maryland Department of Commerce			
Economic Adjustment Assistance	11.307	46-01-01	145,218
Economic Adjustment Assistance	11.307	46-02-01	<u>114,186</u>
Total Economic Development Cluster			<u>1,288,915</u>
Direct Programs			
Economic Development Support for Planning Organizations	11.302	N/A	<u>70,000</u>
Total U.S. Department of Commerce			<u>1,358,915</u>
Appalachian Regional Commission			
Direct Programs:			
Appalachian Area Development	23.002	N/A	1,580,105
Appalachian Local Development District Assistance	23.009	N/A	171,109
Appalachian Local Development District Assistance	23.009	CO-20891	<u>6,814</u>
Total Appalachian Regional Commission			<u>1,758,028</u>
Total Expenditures of Federal Awards			<u>\$ 3,116,943</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, 2023

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, 2023. 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, 2023 consists of:

<u>Program Name</u>	<u>Federal CFDA Number</u>	<u>Outstanding Loan Balance 12/31/23</u>
Economic Adjustment Assistance	11.307	\$ 728,587
Appalachian Area Development	23.002	<u>1,275,917</u>
Total Expenditures of Federal Awards		<u>\$ 2,004,504</u>

Tri-County Council for Western Maryland, Inc.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended December 31, 2023

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 12/31/23	Cash and Investments 12/31/23	Administrative Expenses 2023	Bad Debt Expense 2023	Total
<i>Direct Awards</i>					
CARES Act Revolving Loan Fund Project (01-79-15021)	\$ <u>717,916</u>	\$ <u>304,050</u>	\$ <u>7,545</u>	\$ <u>-</u>	\$ <u>1,029,511</u>
Total – Direct Awards	\$ <u>717,916</u>	\$ <u>304,050</u>	\$ <u>7,545</u>	\$ <u>-</u>	\$ <u>1,029,511</u>
<i>Passed Through Maryland Department of Commerce</i>					
Business Enterprise Loan Fund – MEAF 1 (46-01-01)	\$ -	\$ 143,450	\$ 1,768	\$ -	\$ 145,218
MEAF 2 (46-02-01)	<u>101,767</u>	<u>10,671</u>	<u>1,748</u>	<u>-</u>	<u>114,186</u>
Total – Passed Through Maryland Department of Commerce	\$ <u>101,767</u>	\$ <u>154,121</u>	\$ <u>3,516</u>	\$ <u>-</u>	\$ <u>259,404</u>

Note: All grants are 100% federally funded.

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OTHER REPORTS OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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CASE | SABATINI

September 19, 2024

PROFESSIONAL ACCOUNTING,
CONSULTING & BUSINESS
ADVISORY SERVICES

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

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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, 2023. 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, 2023.

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.

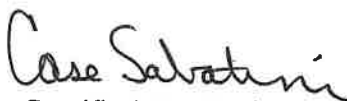
Report on Internal Control Over Compliance

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



CASE | SABATINI

PROFESSIONAL ACCOUNTING,
CONSULTING & BUSINESS
ADVISORY SERVICES

September 19, 2024

The Board of Directors
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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, 2023, and have issued our report thereon dated September 19, 2024. 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

Tri-County Council for Western Maryland, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2023

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

23.002

Appalachian Area Development

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, 2023
(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, 2023**

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, 2023

	<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	\$ 143,450	\$ 101,767	\$ 206,799	\$ 220,643
Due from other funds	-	1,091	-	92,200
Receivable from other governments	-	-	-	-
Notes Receivable, net	-	10,671	-	-
Accrued interest receivable, net	-	59	-	436
Total assets	<u>143,450</u>	<u>113,588</u>	<u>206,799</u>	<u>313,279</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	-	-	-	-
Due to other funds	1,769	1,837	2,686	6,839
Accrued wages	-	-	-	-
Payroll withholdings	-	-	-	-
Total liabilities	<u>1,769</u>	<u>1,837</u>	<u>2,686</u>	<u>6,839</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	-	7,192	-	-
Restricted for:				
Lending Activity	141,681	104,559	204,113	-
Bad Loans	-	-	-	-
Assigned for Lending Activity	-	-	-	306,440
Unassigned	-	-	-	-
Total fund balances	<u>141,681</u>	<u>111,751</u>	<u>204,113</u>	<u>306,440</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 143,450</u>	<u>\$ 113,588</u>	<u>\$ 206,799</u>	<u>\$ 313,279</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>
\$ 164,322	\$ 131,270	\$ -	\$ 968,251
-	35	-	93,326
-	-	20,124	20,124
36,239	-	-	46,910
154	-	-	649
<u>200,715</u>	<u>131,305</u>	<u>20,124</u>	<u>1,129,260</u>
-	-	-	-
10,762	-	19,214	43,107
-	-	497	497
-	-	413	413
<u>10,762</u>	<u>-</u>	<u>20,124</u>	<u>44,017</u>
-	-	-	-
-	-	-	-
32,795	-	-	39,987
157,158	-	-	607,511
-	131,305	-	437,745
<u>189,953</u>	<u>131,305</u>	<u>-</u>	<u>1,085,243</u>
<u>\$ 200,715</u>	<u>\$ 131,305</u>	<u>\$ 20,124</u>	<u>\$ 1,129,260</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, 2023

	<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	-	800	-	6,194
Loan Fees	-	-	427	-
Investment Earnings	2,797	1,950	4,029	4,137
Total revenues	<u>2,797</u>	<u>2,750</u>	<u>4,456</u>	<u>10,331</u>
EXPENDITURES				
Current:				
Salaries and Benefits	1,191	1,178	1,715	4,580
Administrative Charges	-	-	-	-
Office Expenditures	31	29	42	113
Rent	-	-	-	-
Utilities	9	9	14	36
Continuing Education	6	7	10	27
Memberships	3	2	4	10
Travel	30	29	43	114
Legal and Accounting	475	470	684	1,825
Meeting Expenses	3	3	5	13
Marketing	-	1	2	4
Insurance	11	11	16	42
Miscellaneous	9	9	13	34
Grants	-	-	-	-
Bad Debts	-	-	-	-
Return of Funds	-	-	-	-
Return of Interest	-	-	-	-
Capital Outlay	-	-	-	2
Total Expenditures	<u>1,768</u>	<u>1,748</u>	<u>2,548</u>	<u>6,800</u>
Excess (deficiency) of revenues over expenditures	<u>1,029</u>	<u>1,002</u>	<u>1,908</u>	<u>3,531</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	1,029	1,002	1,908	3,531
Fund balances - beginning	140,652	110,749	202,205	302,909
Fund balances - ending	<u>\$ 141,681</u>	<u>\$ 111,751</u>	<u>\$ 204,113</u>	<u>\$ 306,440</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>
\$ -	\$ -	\$ -	\$ -
-	-	26,966	26,966
-	-	4,436	4,436
1,873	1,281	-	10,148
123	-	-	550
3,165	-	-	16,078
<u>5,161</u>	<u>1,281</u>	<u>31,402</u>	<u>58,178</u>
2,189	-	27,104	37,957
14	-	-	14
43	-	519	777
-	-	-	-
17	-	173	258
10	-	104	164
5	-	46	70
55	-	304	575
872	-	821	5,147
6	-	3	33
2	-	388	397
20	-	206	306
16	-	-	81
-	-	-	-
-	-	-	-
-	-	-	-
-	-	9	11
<u>3,249</u>	<u>-</u>	<u>29,677</u>	<u>45,790</u>
<u>1,912</u>	<u>1,281</u>	<u>1,725</u>	<u>12,388</u>
-	-	-	-
-	-	-	-
-	-	-	-
1,912	1,281	1,725	12,388
188,041	130,024	(1,725)	1,072,855
<u>\$ 189,953</u>	<u>\$ 131,305</u>	<u>\$ -</u>	<u>\$ 1,085,243</u>

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