

BURGESS AND COMMISSIONERS OF MIDDLETOWN

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2009

BURGESS AND COMMISSIONERS OF MIDDLETOWN

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November 12, 2009

Burgess and Commissioners  
Burgess and Commissioners of Middletown  
Middletown, Maryland

Members  
American Institute of  
Certified Public Accountants  
Maryland Association of  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Burgess and Commissioners of Middletown as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Burgess and Commissioners of Middletown's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative information has been derived from the Town's 2008 financial statements and, in our report dated October 27, 2008, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities and each major fund.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Burgess and Commissioners of Middletown, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2009, on our consideration of the Burgess and Commissioners of Middletown'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 2 through 8 and pages 25 through 31 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Kline + Company*

**Town of Middletown  
Management's Discussion and Analysis  
June 30, 2009**

Within this section of the Town of Middletown's annual financial report, Management provides an overall review of the Town's financial activities for the fiscal year ended June 30, 2009. The Town's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section.

**Financial Highlights**

- The Town's assets exceeded its liabilities by \$11,589,760 (net assets) for the fiscal year reported.
- Total net assets are comprised of the following:
  - (1) Capital assets, net of related debt, of \$10,100,412 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
  - (2) Net assets of \$375,000 are restricted by constraints imposed from outside the Town such as debt covenants, grantors, laws or regulations.
  - (3) Unrestricted net assets of \$1,114,348 represent the portion available to maintain the Town's continuing obligations to citizens and creditors.
- The Town's governmental funds reported total ending unreserved fund balance of \$1,708,394 this year. This compares to the prior year ending fund balance of \$1,241,818, showing an increase of \$466,576 during the current year.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$1,708,394, or 84% of total General Fund expenditures including transfers and 65% of total General Fund revenues including transfers.
- Total liabilities of the Town decreased by \$276,814 to \$6,208,073 during the fiscal year.

**Overview of the Financial Statements**

*Management's Discussion and Analysis* introduces the Town's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The Town also includes in this report additional information to supplement the basic financial statements.

*Government-wide Financial Statements*

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances. These statements provide both long-term and short-term information about the Town's overall status. Financial reporting at this level uses a perspective similar to that found in a private-sector business.

The *Statement of Net Assets* presents financial information with respect to the Town's assets and liabilities, with the difference reported as *Net Assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town as a whole is improving or deteriorating.

The *Statement of Activities* reports how the Town's net assets changed during the current fiscal year. All

changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus current year revenues and expenses are included regardless of when cash is received or paid. The design of the statement of activities is to show the financial reliance of the Town's distinct activities or functions on revenues provided by the Town's taxpayers. Revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

Both governmental-wide financial statements distinctively report governmental activities of the Town that are principally supported by taxes and intergovernmental revenues, such as grants, and business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, and public services. Business-type activities include water utilities, solid waste management, storm-water drainage, fairgrounds and parking. Fiduciary activities such as employee pension plans are not included in the government-wide statements since these assets are not available to fund Town programs.

### **Fund Financial Statements**

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Town's most significant funds rather than the Town as a whole. All of the funds of the Town are divided into two categories: governmental funds and proprietary funds.

- *Governmental Funds* – are reported in the fund financial statements and encompass essentially the same functions reported as government-wide financial statements. The focus, however, is very different. Governmental fund financial statements provide a distinctive view of the Town's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating annual financing requirements of governmental programs and commitment of spendable resources for the near-term.

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 presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Budgetary comparison statements are included in the basic financial statements for the general fund.

- *Proprietary Funds* – Proprietary funds are reported in the fund financial statements and generally report services for which the Town charges customers or other units in the Town. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The Town's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

**Notes to the financial statements** - The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

## Financial Analysis of the Town as a Whole

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the Town as a whole.

The Town's net assets (assets over liabilities) at fiscal year-end are \$11,589,760. This is a \$596,006 increase over last year's net assets of \$10,993,754. The following table provides a summary of the Town's net assets at June 30, 2009:

**Table 1**  
**Town of Middletown**  
**Fiscal Year ended June 30, 2009**

|  | Governmental Activities |                     | Business-type Activities |                     | Totals              |                     | Amount Change     | % Change      |
|--|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|-------------------|---------------|
|  | 2009                    | 2008                | 2009                     | 2008                | 2009                | 2008                |                   |               |
| <b>Assets:</b>                                     |                         |                     |                          |                     |                     |                     |                   |               |
| Current assets                                     | \$ 2,379,025            | \$ 1,911,497        | \$ 426,161               | \$ 412,371          | \$ 2,805,186        | \$ 2,323,868        | \$ 481,318        | 20.71         |
| Capital assets                                     | 6,004,882               | 5,885,398           | 8,946,634                | 9,223,607           | 14,951,516          | 15,109,005          | (157,489)         | (1.04)        |
| Other assets                                       | 5,722                   | 6,063               | 35,409                   | 39,705              | 41,131              | 45,768              | (4,637)           | (10.13)       |
| <b>Total assets</b>                                | <b>8,389,629</b>        | <b>7,802,958</b>    | <b>9,408,204</b>         | <b>9,675,683</b>    | <b>17,797,833</b>   | <b>17,478,641</b>   | <b>319,192</b>    | <b>1.83</b>   |
| <b>Liabilities:</b>                                |                         |                     |                          |                     |                     |                     |                   |               |
| Current & other liabilities                        | 782,148                 | 754,508             | 885,205                  | 874,954             | 1,667,353           | 1,629,462           | 37,891            | 2.33          |
| Long-term liabilities                              | 1,269,961               | 1,320,080           | 3,270,759                | 3,535,345           | 4,540,720           | 4,855,425           | (314,705)         | (6.48)        |
| <b>Total liabilities</b>                           | <b>2,052,109</b>        | <b>2,074,588</b>    | <b>4,155,964</b>         | <b>4,410,299</b>    | <b>6,208,073</b>    | <b>6,484,887</b>    | <b>(276,814)</b>  | <b>(4.27)</b> |
| <b>Net assets:</b>                                 |                         |                     |                          |                     |                     |                     |                   |               |
| Invested in capital assets,<br>net of related debt | 4,629,126               | 4,486,552           | 5,471,286                | 5,440,935           | 10,100,412          | 9,927,487           | 172,925           | 1.74          |
| Restricted   | -                       | -                   | 375,000                  | 375,000             | 375,000             | 375,000             | -                 | -             |
| Unrestricted                                       | 1,708,394               | 1,241,818           | (594,046)                | (550,551)           | 1,114,348           | 691,267             | 423,081           | 61.20         |
| <b>Total net assets</b>                            | <b>\$ 6,337,520</b>     | <b>\$ 5,728,370</b> | <b>\$ 5,252,240</b>      | <b>\$ 5,265,384</b> | <b>\$11,589,760</b> | <b>\$10,993,754</b> | <b>\$ 596,006</b> | <b>5.42</b>   |

The Town of Middletown's assets exceeded liabilities by \$11,589,760 at the close of fiscal year 2009. Governmental Activities include such assets as the Town Hall, Vehicles and Parks. Business-type Activities include Water and Sewer assets. The largest portion of the Town's net assets reflects its investments in capital assets (i.e. land, buildings, equipment, infrastructure), less accumulated depreciation and less any related outstanding debt used to acquire those assets. The Town uses these assets to provide services to its citizens and consequently, these assets are not available for future spending. The resources needed to repay the debt related to these capital assets must be provided from other sources.

Unrestricted net assets (\$1,114,348) may be used to meet the Town's ongoing obligations to citizens and creditors.

### Governmental Activities

As shown in Table 2, governmental activities increased the Town's net assets by \$609,150 or 102% of the total growth in the Town's net assets. This compares to the previous year when governmental activities increased the Town's net assets by \$426,634 or 138%.

The Town's revenues from governmental activities totaled \$2,646,997 for the fiscal year ended June 30, 2009. As shown in Table 2, The Town received 89% of its revenue from taxes. The major source of revenue for the Town was property taxes (\$1,199,854) comprised of real estate and personal property, and State shared taxes (\$839,399).

The Town's expenses from governmental activities totaled \$2,037,847 for the fiscal year ended June 30, 2009. As shown in Table 2, general government was the largest expense at \$813,086 or 40% and public services the second largest expense at \$697,807 or 34%. Table 2 shows the Town's revenue and expenses of the governmental and business-type activities.

**Table 2**  
**Changes in the Town of Middletown's Net Assets**  
**Fiscal Year ended June 30, 2009**

|                             | Governmental Activities |                     | Business-type Activities |                     | Totals              |                     | Amount Change     | % Change     |
|-----------------------------|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|-------------------|--------------|
|                             | 2009                    | 2008                | 2009                     | 2008                | 2009                | 2008                |                   |              |
| <b>Revenues</b>             |                         |                     |                          |                     |                     |                     |                   |              |
| General Revenues            |                         |                     |                          |                     |                     |                     |                   |              |
| Property Taxes              | \$ 1,199,854            | \$ 1,080,611        | \$ -                     | \$ -                | \$ 1,199,854        | \$ 1,080,611        | \$ 119,243        | 11.03        |
| Income Taxes                | 615,975                 | 618,532             | -                        | -                   | 615,975             | 618,532             | (2,557)           | (0.41)       |
| Highway Taxes               | 223,424                 | 247,299             | -                        | -                   | 223,424             | 247,299             | (23,875)          | (9.65)       |
| Other Taxes                 | 321,883                 | 310,959             | -                        | -                   | 321,883             | 310,959             | 10,924            | 3.51         |
| Other Income                | 93,227                  | 56,649              | 62,721                   | 530                 | 155,948             | 57,179              | 98,769            | 172.74       |
| Investment Income           | 8,614                   | 13,967              | 5,861                    | 23,424              | 14,475              | 37,391              | (22,916)          | (61.29)      |
| Program Revenues            |                         |                     |                          |                     |                     |                     |                   |              |
| Charges for Services        | 25,416                  | 27,685              | 1,249,768                | 1,139,911           | 1,275,184           | 1,167,596           | 107,588           | 9.21         |
| Operating grants            | 24,241                  | 23,253              | -                        | -                   | 24,241              | 23,253              | 988               | 4.25         |
| Capital grants              | 134,363                 | 15,500              | 21,875                   | 15,175              | 156,238             | 30,675              | 125,563           | 409.33       |
| <b>Total revenues</b>       | <b>2,646,997</b>        | <b>2,394,455</b>    | <b>1,340,225</b>         | <b>1,179,040</b>    | <b>3,987,222</b>    | <b>3,573,495</b>    | <b>413,727</b>    | <b>11.58</b> |
| <b>Expenses</b>             |                         |                     |                          |                     |                     |                     |                   |              |
| General Government          | 813,086                 | 789,154             | -                        | -                   | 813,086             | 789,154             | 23,932            | 3.03         |
| Public Safety               | 371,989                 | 340,543             | -                        | -                   | 371,989             | 340,543             | 31,446            | 9.23         |
| Parks and Recreation        | 88,656                  | 71,789              | -                        | -                   | 88,656              | 71,789              | 16,867            | 23.50        |
| Public Services             | 697,807                 | 695,940             | -                        | -                   | 697,807             | 695,940             | 1,867             | 0.27         |
| Interest on long-term debt  | 66,309                  | 70,395              | -                        | -                   | 66,309              | 70,395              | (4,086)           | (5.80)       |
| Water Utilities             | -                       | -                   | 1,353,369                | 1,297,553           | 1,353,369           | 1,297,553           | 55,816            | 4.30         |
| <b>Total expenditures</b>   | <b>2,037,847</b>        | <b>1,967,821</b>    | <b>1,353,369</b>         | <b>1,297,553</b>    | <b>3,391,216</b>    | <b>3,265,374</b>    | <b>125,842</b>    | <b>3.85</b>  |
| <b>Change in net assets</b> | <b>609,150</b>          | <b>426,634</b>      | <b>(13,144)</b>          | <b>(118,513)</b>    | <b>596,006</b>      | <b>308,121</b>      | <b>287,885</b>    | <b>93.43</b> |
| Beginning net assets        | 5,728,370               | 5,301,736           | 5,265,384                | 5,383,897           | 10,993,754          | 10,685,633          | 308,121           | 2.88         |
| <b>Ending net assets</b>    | <b>\$ 6,337,520</b>     | <b>\$ 5,728,370</b> | <b>\$ 5,252,240</b>      | <b>\$ 5,265,384</b> | <b>\$11,589,760</b> | <b>\$10,993,754</b> | <b>\$ 596,006</b> | <b>5.42</b>  |

### Business-type activities

The Town's business-type activities include the water and sewer fund. The net assets of these business-type activities decreased by \$13,144 (Table 2). The major revenue source for the business-type activities is charges for services, including water and sewer utility, which totaled \$1,249,768 or 31% of the total revenues. Expenses of the business-type activities totaled \$1,353,369.

## **Financial Analysis of the Town's Fund**

The Town of Middletown uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the fiscal year. The General Fund is the chief operating fund of the Town. For the fiscal year ended June 30, 2009, the Town's governmental fund reported a balance of \$1,708,394. This amount constitutes unreserved fund balance, which is generally available for spending at the Town's discretion. This amount represents 84% of total General Fund expenditures, as a measure of the General Fund's liquidity. The fund balance of the Town's General Fund increased by \$466,576 during the current fiscal year.

**Proprietary Funds.** The Town's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the Town's Water and Sewer Fund for the fiscal year ended June 30, 2009, showed a \$(594,046) deficiency.

## **General Fund Budgetary Highlights**

The General Fund operating budget for fiscal year 2009 was approximately \$2,291,618.

The General Fund Budget complied with financial policies approved by the Town Council and maintained core Town services.

## **Capital Assets and Debt Administration**

**Capital assets** - The Town of Middletown's investment in capital assets for its governmental and business-type activities as of June 30, 2009, amounts to \$14,951,516 net of depreciation. This investment includes land, buildings, improvements, water and sewer distribution systems, roads and sidewalks, machinery and equipment. More detailed information regarding the Town's capital assets can be found in Note 3 to the financial statements.

Major capital asset events during the fiscal year included the following:

- Case 521E Wheel Loader
- 2009 Subaru Forester
- Tot Lot at Jefferson Village
- Park Equipment
- Pump and aerator for West Waste Water Treatment Plant
- Pumps for pumping stations
- 2008 Ford F-350 truck

**Capital Assets at Year End (Net of Depreciation)**

The Town's investment in Capital Assets, net of accumulated depreciation, for governmental and business-type activities as of June 30, 2009 was \$6,004,882 and \$8,946,634, respectively. The overall decrease in this net investment was a 2.0% increase for governmental and 3.1% decrease for business-type activities. The overall decrease was 1.0% for the Town as a whole. This figure represents all assets that are owned by the Town. Included in these figures are the Water and Sewer assets that have under gone major upgrading. This figure also represents our investments in land, parks, buildings, vehicles and other depreciable assets that the Town owns.

**Table 3**  
**Town of Middletown's Capital Assets**  
**(net of depreciation)**  
**Fiscal Year ended June 30, 2009**

|                                | Governmental Activities |                  | Business-type Activities |                  | Totals            |                   | Amount Change    | % Change     |
|--------------------------------|-------------------------|------------------|--------------------------|------------------|-------------------|-------------------|------------------|--------------|
|                                | 2009                    | 2008             | 2009                     | 2008             | 2009              | 2008              |                  |              |
| <b>Non-Depreciable Assets:</b> |                         |                  |                          |                  |                   |                   |                  |              |
| Land                           | \$ 3,008,509            | \$ 3,007,984     | \$ 403,196               | \$ 403,196       | \$ 3,411,705      | \$ 3,411,180      | \$ 525           | 0.0          |
| Construction in Progress       | 199,904                 | 97,698           | 276,501                  | 346,274          | 476,405           | 443,972           | 32,433           | 7.3          |
| <b>Depreciable Assets:</b>     |                         |                  |                          |                  |                   |                   |                  |              |
| Buildings                      | 927,918                 | 957,884          | 3,930                    | 4,976            | 931,848           | 962,860           | (31,012)         | (3.2)        |
| Machinery & Equipment          | 136,400                 | 76,601           | 8,251                    | 11,095           | 144,651           | 87,696            | 56,955           | 64.9         |
| Parks and Recreation           | 325,830                 | 229,624          | -                        | -                | 325,830           | 229,624           | 96,206           | 41.9         |
| Vehicles                       | 71,700                  | 67,921           | 43,836                   | 8,370            | 115,536           | 76,291            | 39,245           | 51.4         |
| Streets                        | 1,334,621               | 1,447,686        | -                        | -                | 1,334,621         | 1,447,686         | (113,065)        | (7.8)        |
| Sewer Distribution             | -                       | -                | 4,508,816                | 4,673,779        | 4,508,816         | 4,673,779         | (164,963)        | (3.5)        |
| Water Distribution             | -                       | -                | 3,690,113                | 3,763,491        | 3,690,113         | 3,763,491         | (73,378)         | (1.9)        |
| Springs                        | -                       | -                | 11,991                   | 12,426           | 11,991            | 12,426            | (435)            | (3.5)        |
| <b>Total</b>                   | <b>6,004,882</b>        | <b>5,885,398</b> | <b>8,946,634</b>         | <b>9,223,607</b> | <b>14,951,516</b> | <b>15,109,005</b> | <b>(157,489)</b> | <b>(1.0)</b> |

**Long-Term Debt**

As shown in Table 4, the Town of Middletown had total debt outstanding of \$4,788,926. This entire amount is backed by the full faith and credit of the Town.

**Table 4**  
**Town of Middletown's Outstanding Debt**  
**Fiscal Year ended June 30, 2009**

|   | Governmental Activities |                  | Business-type Activities |                  | Totals           |                  | Amount Change    | % Change     |
|---|-------------------------|------------------|--------------------------|------------------|------------------|------------------|------------------|--------------|
|   | 2009                    | 2008             | 2009                     | 2008             | 2009             | 2008             |                  |              |
| Mortgage Payable - Park and Recreation Land | \$ 1,090,078            | \$ 1,166,346     | \$ -                     | \$ -             | \$ 1,090,078     | \$ 1,166,346     | \$ (76,268)      | (6.5)        |
| Infrastructure Bonds                        | 223,500                 | 232,500          | -                        | -                | 223,500          | 232,500          | (9,000)          | (3.9)        |
| General Obligation Bond                     | -                       | -                | 366,160                  | 387,010          | 366,160          | 387,010          | (20,850)         | (5.4)        |
| Water Quality Loan                          | -                       | -                | 139,672                  | 171,218          | 139,672          | 171,218          | (31,546)         | (18.4)       |
| Infrastructure Bonds                        | -                       | -                | 754,750                  | 835,000          | 754,750          | 835,000          | (80,250)         | (9.6)        |
| Water Quality Loan                          | -                       | -                | 2,214,766                | 2,389,444        | 2,214,766        | 2,389,444        | (174,678)        | (7.3)        |
| <b>Total</b>                                | <b>1,313,578</b>        | <b>1,398,846</b> | <b>3,475,348</b>         | <b>3,782,672</b> | <b>4,788,926</b> | <b>5,181,518</b> | <b>(392,592)</b> | <b>(7.6)</b> |

For the fiscal year ended June 30, 2009 the Town retired \$392,592 of outstanding principal. More detailed information regarding the Town's long-term debt can be found in Note 4 to the financial statements.

### **Economic Environment and Next Year's Budgets and Rates**

The growth of the Town's budget is directly related to the growth of the Town. The Town is currently under a Consent Order from the Maryland Department of the Environment (MDE). As of last year, the only outstanding issue relative to the Consent Order was the ability to have a 10% reserve capacity within our water system. The Town has filed the appropriate reports with MDE to show proof of the 10% reserve capacity and has asked for the Consent Order to be lifted.

The current financial state of both the United States and the State of Maryland will certainly have an impact on revenue for the Town. The Burgess and Commissioners are reviewing all capital improvement projects to ensure that the cash flow of the Town is maintained at safe levels for emergencies.

The Town will review rates against expenses, but with the current financial situation there will be extreme political pressure to minimize any rate increases.

### **Contacting the Town's Financial Management**

This financial report is designed to provide citizens, taxpayers, customers and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the funds it receives. If you have questions about this report or need addition financial information, contact the Financial Officer, Town of Middletown, 31 West Main Street, Middletown, Maryland 21769.

## BURGESS AND COMMISSIONERS OF MIDDLETOWN

STATEMENT OF NET ASSETS  
JUNE 30, 2009

| ASSETS   | PRIMARY GOVERNMENT         |                             |                      | 2008<br>(MEMORANDUM<br>ONLY) |
|--|----------------------------|-----------------------------|----------------------|------------------------------|
|  | GOVERNMENTAL<br>ACTIVITIES | BUSINESS-TYPE<br>ACTIVITIES | TOTAL                |                              |
| <b>CURRENT ASSETS</b>                                    |                            |                             |                      |                              |
| Petty Cash   | \$ 200                     | \$ -                        | \$ 200               | \$ 200                       |
| Cash in bank   | 2,034,555                  | 11,430                      | 2,045,985            | 1,433,780                    |
| Cash in MLGIP  | 204,290                    | -                           | 204,290              | 201,139                      |
| Cash - DSRA  | -                          | 146,581                     | 146,581              | 188,764                      |
| Certificates of deposit                                  | -                          | -                           | -                    | 99,280                       |
| Receivables:   |                            |                             |                      |                              |
| Taxes  | 3,828                      | -                           | 3,828                | 4,064                        |
| Customers accounts                                       | -                          | 245,311                     | 245,311              | 222,593                      |
| Interest   | -                          | -                           | -                    | 443                          |
| Other  | -                          | 556                         | 556                  | 4,529                        |
| Internal balances  | (13,512)                   | 13,512                      | -                    | -                            |
| Due from other governments                               | 112,045                    | -                           | 112,045              | 122,080                      |
| Other assets   | 37,619                     | 8,771                       | 46,390               | 46,996                       |
| <b>TOTAL CURRENT ASSETS</b>                              | <b>2,379,025</b>           | <b>426,161</b>              | <b>2,805,186</b>     | <b>2,323,868</b>             |
| <b>NON-CURRENT ASSETS</b>                                |                            |                             |                      |                              |
| Capital Assets   |                            |                             |                      |                              |
| Land and construction in progress                        | 3,208,413                  | 679,697                     | 3,888,110            | 3,855,152                    |
| Other capital assets, net of<br>accumulated depreciation | 2,796,469                  | 8,266,937                   | 11,063,406           | 11,253,853                   |
| <b>TOTAL CAPITAL ASSETS</b>                              | <b>6,004,882</b>           | <b>8,946,634</b>            | <b>14,951,516</b>    | <b>15,109,005</b>            |
| <b>OTHER ASSETS</b>                                      |                            |                             |                      |                              |
| Bond and loan costs                                      | 5,722                      | 35,409                      | 41,131               | 45,768                       |
| <b>TOTAL ASSETS</b>                                      | <b>\$ 8,389,629</b>        | <b>\$ 9,408,204</b>         | <b>\$ 17,797,833</b> | <b>\$ 17,478,641</b>         |
| <b>LIABILITIES AND FUND EQUITY</b>                       |                            |                             |                      |                              |
| <b>CURRENT LIABILITIES</b>                               |                            |                             |                      |                              |
| Accounts payable   | \$ 168,962                 | \$ 125,557                  | \$ 294,519           | \$ 206,601                   |
| Accrued salaries and wages                               | 6,483                      | 3,127                       | 9,610                | 6,928                        |
| Bank overdraft   | -                          | 351,335                     | 351,335              | 393,396                      |
| Payroll taxes payable                                    | 123                        | -                           | 123                  | 32                           |
| Current maturities of long-term debt                     | 82,835                     | 316,624                     | 399,459              | 386,093                      |
| Current portion of obligation under capital lease        | 22,960                     | -                           | 22,960               | -                            |
| Accrued interest   | 759                        | 29,773                      | 30,532               | 33,390                       |
| Developer escrow and other liabilities                   | 378,978                    | -                           | 378,978              | 397,078                      |
| Accrued compensated absences                             | 121,048                    | 58,789                      | 179,837              | 205,944                      |
| <b>TOTAL CURRENT LIABILITIES</b>                         | <b>782,148</b>             | <b>885,205</b>              | <b>1,667,353</b>     | <b>1,629,462</b>             |
| <b>NON-CURRENT LIABILITIES</b>                           |                            |                             |                      |                              |
| Accrued expenses   | -                          | 112,035                     | 112,035              | 60,000                       |
| Bonds and notes payable                                  | 1,230,743                  | 3,158,724                   | 4,389,467            | 4,795,425                    |
| Obligation under capital lease                           | 39,218                     | -                           | 39,218               | -                            |
| <b>TOTAL NON-CURRENT LIABILITIES</b>                     | <b>1,269,961</b>           | <b>3,270,759</b>            | <b>4,540,720</b>     | <b>4,855,425</b>             |
| <b>TOTAL LIABILITIES</b>                                 | <b>2,052,109</b>           | <b>4,155,964</b>            | <b>6,208,073</b>     | <b>6,484,887</b>             |
| <b>NET ASSETS</b>  |                            |                             |                      |                              |
| Invested in capital assets, net of related debt          | 4,629,126                  | 5,471,286                   | 10,100,412           | 9,927,487                    |
| Restricted for debt service                              | -                          | 375,000                     | 375,000              | 375,000                      |
| Unrestricted   | 1,708,394                  | (594,046)                   | 1,114,348            | 691,267                      |
| <b>TOTAL NET ASSETS</b>                                  | <b>6,337,520</b>           | <b>5,252,240</b>            | <b>11,589,760</b>    | <b>10,993,754</b>            |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>                  | <b>\$ 8,389,629</b>        | <b>\$ 9,408,204</b>         | <b>\$ 17,797,833</b> | <b>\$ 17,478,641</b>         |

The Notes to Financial Statements are an integral part of this statement.

BURGESS AND COMMISSIONERS OF MIDDLETOWN

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2009

| FUNCTIONS/PROGRAMS               | PROGRAM REVENUES     |                                    |                                  | NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS |   |                      | 2008<br>(MEMORANDUM ONLY) |
|----------------------------------|----------------------|------------------------------------|----------------------------------|--|---|----------------------|---------------------------|
|                                  | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS | GOVERNMENTAL ACTIVITIES                        | PRIMARY GOVERNMENT BUSINESS-TYPE ACTIVITIES |                      |                           |
|                                  |                      |                                    |                                  |  | TOTAL                                       | TOTAL                |                           |
| <b>Primary government:</b>       |                      |                                    |                                  |  |   |                      |                           |
| <b>Governmental activities:</b>  |                      |                                    |                                  |  |   |                      |                           |
| General government               | \$ 813,086           | \$ -                               | \$ -                             | (789,570)                                      | \$ -  | (789,570)            | \$ (763,499)              |
| Public safety                    | 371,989              | -                                  | -                                | (371,989)                                      | -   | (371,989)            | (340,543)                 |
| Parks and recreation             | 88,656               | -                                  | 134,363                          | 47,607   | -   | 47,607               | (54,259)                  |
| Public services                  | 697,807              | 24,241                             | -                                | (673,566)                                      | -   | (673,566)            | (672,687)                 |
| Interest on long-term debt       | 66,309               | -                                  | -                                | (66,309)                                       | -   | (66,309)             | (70,395)                  |
| Total governmental activities    | <u>2,037,847</u>     | <u>24,241</u>                      | <u>134,363</u>                   | <u>(1,853,827)</u>                             | <u>-</u>                                    | <u>(1,853,827)</u>   | <u>(1,901,383)</u>        |
| <b>Business-type activities:</b> |                      |                                    |                                  |  |   |                      |                           |
| Water and sewer utilities        | 1,353,369            | -                                  | 21,875                           | -  | (81,726)                                    | (81,726)             | (142,467)                 |
| Total business-type activities   | <u>1,353,369</u>     | <u>-</u>                           | <u>21,875</u>                    | <u>-</u>                                       | <u>(81,726)</u>                             | <u>(81,726)</u>      | <u>(142,467)</u>          |
| <b>Total primary government</b>  | <u>\$ 3,391,216</u>  | <u>\$ 24,241</u>                   | <u>\$ 156,238</u>                | <u>(1,853,827)</u>                             | <u>(81,726)</u>                             | <u>(1,935,553)</u>   | <u>(2,043,850)</u>        |
| <b>General revenues:</b>         |                      |                                    |                                  |  |   |                      |                           |
| <b>Taxes</b>                     |                      |                                    |                                  |  |   |                      |                           |
| Property taxes                   | 1,199,854            | -                                  | -                                | 1,199,854                                      | -   | 1,199,854            | 1,080,611                 |
| Income taxes                     | 615,975              | -                                  | -                                | 615,975  | -   | 615,975              | 618,532                   |
| Highway taxes                    | 223,424              | -                                  | -                                | 223,424  | -   | 223,424              | 247,299                   |
| Other taxes                      | 321,883              | -                                  | -                                | 321,883  | -   | 321,883              | 310,959                   |
| Other income                     | 93,227               | 62,721                             | -                                | 155,948  | 62,721                                      | 155,948              | 57,179                    |
| Investment income                | 8,614                | 5,861                              | -                                | 14,475   | 5,861                                       | 14,475               | 37,391                    |
| <b>Total general revenues</b>    | <u>2,462,977</u>     | <u>68,582</u>                      | <u>68,582</u>                    | <u>2,531,559</u>                               | <u>68,582</u>                               | <u>2,531,559</u>     | <u>2,351,971</u>          |
| <b>Change in net assets</b>      |                      |                                    |                                  |  |   |                      |                           |
| Net assets - beginning of year   | 609,150              | (13,144)                           | -                                | 596,006  | -   | 596,006              | 308,121                   |
| Net assets - end of year         | <u>5,728,370</u>     | <u>5,265,384</u>                   | <u>10,993,754</u>                | <u>10,993,754</u>                              | <u>10,993,754</u>                           | <u>10,993,754</u>    | <u>10,685,633</u>         |
| <b>Net assets - end of year</b>  | <u>\$ 6,337,520</u>  | <u>\$ 5,252,240</u>                | <u>\$ 11,589,760</u>             | <u>\$ 11,589,760</u>                           | <u>\$ 11,589,760</u>                        | <u>\$ 11,589,760</u> | <u>\$ 10,993,754</u>      |

The Notes to Financial Statements are an integral part of this statement.

BURGESS AND COMMISSIONERS OF MIDDLETOWN  
BALANCE SHEET  
GOVERNMENTAL FUND  
JUNE 30, 2009

| <u>ASSETS</u>                              | <u>GENERAL FUND</u> |                                       |
|--|---------------------|---------------------------------------|
|  | <u>2009</u>         | <u>2008<br/>(MEMORANDUM<br/>ONLY)</u> |
| <u>ASSETS</u>                              |                     |                                       |
| Petty cash                                 | \$ 200              | \$ 200                                |
| Cash in bank                               | 2,034,555           | 1,428,108                             |
| Cash - MLGIP                               | 204,290             | -                                     |
| Receivables:                               |                     |                                       |
| Taxes                                      | 3,828               | 4,064                                 |
| Due from other governments                 | 112,045             | 122,080                               |
| Due from other funds                       | -                   | 320,385                               |
| Other assets                               | 37,619              | 36,660                                |
| <b>TOTAL ASSETS</b>                        | <b>\$ 2,392,537</b> | <b>\$ 1,911,497</b>                   |
| <br><u>LIABILITIES AND FUND BALANCES</u>   |                     |                                       |
| <u>LIABILITIES</u>                         |                     |                                       |
| Accounts payable                           | \$ 168,962          | \$ 139,053                            |
| Accrued salaries and wages                 | 6,483               | 4,743                                 |
| Due to other funds                         | 13,512              | -                                     |
| Payroll taxes payable                      | 123                 | 32                                    |
| Developer escrow                           | 378,978             | 397,078                               |
| Accrued compensated absences               | 121,048             | 134,047                               |
| <b>TOTAL LIABILITIES</b>                   | <b>689,106</b>      | <b>674,953</b>                        |
| <br><u>FUND BALANCES</u>                   |                     |                                       |
| Unrestricted                               | 1,703,431           | 1,236,544                             |
| <b>TOTAL FUND BALANCES</b>                 | <b>1,703,431</b>    | <b>1,236,544</b>                      |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <b>\$ 2,392,537</b> | <b>\$ 1,911,497</b>                   |

The Notes to Financial Statements are an integral part of this statement.

BURGESS AND COMMISSIONERS OF MIDDLETOWN  
 RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUND  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2009

|  | 2009         | 2008<br>(MEMORANDUM<br>ONLY) |
|--|--------------|------------------------------|
| Fund Balances - total governmental funds   | \$ 1,703,431 | \$ 1,236,544                 |
| Amounts reported for governmental activities in the Statement<br>of Net Assets are different because:                                    |              |                              |
| Capital assets used in governmental activities are not financial<br>resources and therefore are not reported in the governmental<br>fund |              |                              |
| Governmental capital assets  | 7,990,608    | 7,669,406                    |
| Less accumulated depreciation  | (1,985,726)  | (1,784,008)                  |
| Long-term liabilities are not due and payable in the current year<br>and therefore are not reported in the governmental fund             |              |                              |
|  | (1,375,756)  | (1,398,846)                  |
| Other related amounts include:   |              |                              |
| Bond interest payable  | (759)        | (789)                        |
| Unamortized bond costs   | 5,722        | 6,063                        |
| Net Assets of Governmental Activities  | \$ 6,337,520 | \$ 5,728,370                 |

BURGESS AND COMMISSIONERS OF MIDDLETOWN  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUND  
FOR THE YEAR ENDED JUNE 30, 2009

|                                      | GENERAL FUND        |                              |
|--------------------------------------|---------------------|------------------------------|
|                                      | 2009                | 2008<br>(MEMORANDUM<br>ONLY) |
| <b>REVENUES</b>                      |                     |                              |
| Local taxes                          | \$ 1,199,854        | \$ 1,080,611                 |
| State shared taxes                   | 1,023,349           | 932,014                      |
| County shared taxes                  | 298,028             | 285,020                      |
| Licenses and permits                 | 16,660              | 15,207                       |
| Service charges                      | 6,856               | 10,448                       |
| Other revenues                       | 102,250             | 71,155                       |
| Total Revenues                       | <u>2,646,997</u>    | <u>2,394,455</u>             |
| <b>EXPENDITURES</b>                  |                     |                              |
| General government                   | 745,267             | 758,802                      |
| Public safety                        | 371,989             | 340,543                      |
| Parks and recreation                 | 284,117             | 99,936                       |
| Public services                      | 689,307             | 594,453                      |
| Debt service:                        |                     |                              |
| Principal                            | 85,268              | 81,556                       |
| Interest                             | 66,340              | 70,425                       |
| Total Expenditures                   | <u>2,242,288</u>    | <u>1,945,715</u>             |
| Excess of revenues over expenditures | 404,709             | 448,740                      |
| <b>OTHER FINANCING SOURCES</b>       |                     |                              |
| Long-term debt issued                | 62,178              | -                            |
| Total Other Financing Sources        | <u>62,178</u>       | <u>-</u>                     |
| Net change in fund balances          | 466,887             | 448,740                      |
| Fund balances, beginning of year     | <u>1,236,544</u>    | <u>787,804</u>               |
| Fund balances, end of year           | <u>\$ 1,703,431</u> | <u>\$ 1,236,544</u>          |

BURGESS AND COMMISSIONERS OF MIDDLETOWN  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 GOVERNMENTAL FUND  
 JUNE 30, 2009

|   | 2009       | 2008<br>(MEMORANDUM ONLY) |
|---|------------|---------------------------|
| Net change in Fund Balances - total governmental funds  | \$ 466,887 | \$ 448,740                |
| Amounts reported for governmental activities in the Statement of Activities are different because:  |            |                           |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:  |            |                           |
| Expenditures for capital assets   | 336,434    | 115,966                   |
| Less current year depreciation  | (217,292)  | (219,658)                 |
| Loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets |            |                           |
| Loan proceeds   | (62,178)   | -                         |
| Repayment of loan principal   | 85,268     | 81,556                    |
| Bond interest payable   | 31         | 30                        |
| Change in Net Assets of Governmental Funds  | \$ 609,150 | \$ 426,634                |

BURGESS AND COMMISSIONERS OF MIDDLETOWN  
STATEMENT OF NET ASSETS - PROPRIETARY FUND  
JUNE 30, 2009

| ASSETS  | WATER AND SEWER  |                              |
|---|------------------|------------------------------|
|   | 2009             | 2008<br>(MEMORANDUM<br>ONLY) |
| <u>CURRENT ASSETS</u>                                 |                  |                              |
| Cash in bank  | \$ 11,430        | \$ 5,672                     |
| Cash - MLGIP  | -                | 201,139                      |
| Cash - DSRA   | 146,581          | 188,764                      |
| Certificates of deposit                               | -                | 99,280                       |
| Receivables:  |                  |                              |
| Customers accounts                                    | 245,311          | 222,593                      |
| Interest  | -                | 443                          |
| Other   | 556              | 4,529                        |
| Due from other funds                                  | 13,512           | -                            |
| Other assets  | 8,771            | 10,336                       |
| <br>TOTAL CURRENT ASSETS                              | <br>426,161      | <br>732,756                  |
| <u>CAPITAL ASSETS</u>                                 |                  |                              |
| Land and construction in progress                     | 679,697          | 749,470                      |
| Other capital assets, net of accumulated depreciation | 8,266,937        | 8,474,137                    |
| <br>TOTAL CAPITAL ASSETS                              | <br>8,946,634    | <br>9,223,607                |
| <u>OTHER ASSETS</u>                                   |                  |                              |
| Bond and loan costs                                   | 35,409           | 39,705                       |
| <br>TOTAL ASSETS                                      | <br>\$ 9,408,204 | <br>\$ 9,996,068             |
| <u>LIABILITIES</u>                                    |                  |                              |
| <u>CURRENT LIABILITIES</u>                            |                  |                              |
| Accounts payable                                      | \$ 125,557       | \$ 67,548                    |
| Accrued salaries and wages                            | 3,127            | 2,185                        |
| Bank overdraft  | 351,335          | 393,396                      |
| Current maturities of long-term debt                  | 316,624          | 307,327                      |
| Due to other funds                                    | -                | 320,385                      |
| Accrued compensated absences                          | 58,789           | 71,897                       |
| Accrued interest                                      | 29,773           | 32,601                       |
| <br>TOTAL CURRENT LIABILITIES                         | <br>885,205      | <br>1,195,339                |
| <u>NON-CURRENT LIABILITIES</u>                        |                  |                              |
| Accrued expense                                       | 112,035          | 60,000                       |
| Bonds and notes payable                               | 3,158,724        | 3,475,345                    |
| <br>TOTAL NON-CURRENT LIABILITIES                     | <br>3,270,759    | <br>3,535,345                |
| <br>TOTAL LIABILITIES                                 | <br>4,155,964    | <br>4,730,684                |
| <u>NET ASSETS</u>                                     |                  |                              |
| Invested in capital assets, net of related debt       | 5,471,286        | 5,440,935                    |
| Restricted for debt service                           | 375,000          | 375,000                      |
| Unrestricted  | (594,046)        | (550,551)                    |
| <br>TOTAL NET ASSETS                                  | <br>5,252,240    | <br>5,265,384                |
| <br>TOTAL LIABILITIES AND NET ASSETS                  | <br>\$ 9,408,204 | <br>\$ 9,996,068             |

The Notes to Financial Statements are an integral part of this statement.

BURGESS AND COMMISSIONERS OF MIDDLETOWN  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
 FUND NET ASSETS - PROPRIETARY FUND  
 YEAR ENDED JUNE 30, 2009

|   | WATER AND SEWER      |                              |
|---|----------------------|------------------------------|
|   | 2009                 | 2008<br>(MEMORANDUM<br>ONLY) |
| <u>OPERATING REVENUES</u>                   |                      |                              |
| Charges for services:                       |                      |                              |
| Water fees                                  | \$ 403,335           | \$ 367,145                   |
| Sewer fees                                  | 411,309              | 371,943                      |
| Late payment fees                           | 11,788               | 10,293                       |
| Debt service fees                           | 121,097              | 111,650                      |
| Connection fees                             | 122,000              | 104,000                      |
| Improvement fees                            | 60,000               | 54,000                       |
| Water tower lease                           | 117,087              | 118,683                      |
| Miscellaneous income                        | 3,152                | 2,197                        |
| <br>TOTAL OPERATING REVENUES                | <br><u>1,249,768</u> | <br><u>1,139,911</u>         |
| <u>OPERATING EXPENSES</u>                   |                      |                              |
| Administrative                              | 511,610              | 543,941                      |
| Water expenses                              | 266,957              | 255,409                      |
| Sewer expenses                              | 449,474              | 360,451                      |
| <br>TOTAL OPERATING EXPENSES                | <br><u>1,228,041</u> | <br><u>1,159,801</u>         |
| <br>OPERATING INCOME (LOSS)                 | <br><u>21,727</u>    | <br><u>(19,890)</u>          |
| <u>NON-OPERATING REVENUES (EXPENSES)</u>    |                      |                              |
| Capital contribution from developers        | 21,875               | 15,175                       |
| Disposal of assets                          | 3,171                | 530                          |
| Interest income                             | 5,861                | 23,424                       |
| Timber sale                                 | 59,550               | -                            |
| Interest expense                            | (125,328)            | (137,752)                    |
| <br>TOTAL NON-OPERATING REVENUES (EXPENSES) | <br><u>(34,871)</u>  | <br><u>(98,623)</u>          |
| <br>CHANGE IN NET ASSETS                    | <br>(13,144)         | <br>(118,513)                |
| TOTAL NET ASSETS, BEGINNING OF YEAR         | <u>5,265,384</u>     | <u>5,383,897</u>             |
| TOTAL NET ASSETS, END OF YEAR               | <u>\$ 5,252,240</u>  | <u>\$ 5,265,384</u>          |

The Notes to Financial Statements are an integral part of this statement.

BURGESS AND COMMISSIONERS OF MIDDLETOWN  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2009

|  | WATER AND SEWER     |                              |
|--|---------------------|------------------------------|
|  | 2009                | 2008<br>(MEMORANDUM<br>ONLY) |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u>                          |                     |                              |
| Cash received from customers   | \$ 1,231,023        | \$ 1,141,549                 |
| Cash payments to suppliers for good and services                     | (450,573)           | (508,497)                    |
| Cash payments to employees and professional contractors for services | (287,185)           | (269,275)                    |
| NET CASH PROVIDED BY OPERATING ACTIVITIES                            | <u>493,265</u>      | <u>363,777</u>               |
| <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>      |                     |                              |
| Acquisition and construction of capital assets                       | (111,929)           | (247,429)                    |
| Principal payments on notes payable                                  | (307,325)           | (298,532)                    |
| Interest paid on notes payable                                       | (128,156)           | (137,592)                    |
| Proceeds from sale of assets   | 5,530               | 530                          |
| Timber sale  | 59,550              | -                            |
| Loans from other funds   | (333,897)           | 24,130                       |
| Capital contributed by developers                                    | 21,875              | 15,175                       |
| NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES          | <u>(794,352)</u>    | <u>(643,718)</u>             |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>                          |                     |                              |
| Redemption (purchase) of certificates of deposit                     | 99,280              | (46,756)                     |
| Interest income on investments                                       | 6,304               | 23,275                       |
| NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES                  | <u>105,584</u>      | <u>(23,481)</u>              |
| DECREASE IN CASH   | (195,503)           | (303,422)                    |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR                       | <u>2,179</u>        | <u>305,601</u>               |
| CASH AND CASH EQUIVALENTS AT END OF YEAR                             | <u>\$ (193,324)</u> | <u>\$ 2,179</u>              |

The Notes to Financial Statements are an integral part of this statement.

## BURGESS AND COMMISSIONERS OF MIDDLETOWN

STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2009

|  | WATER AND SEWER |                              |
|--|-----------------|------------------------------|
|  | 2009            | 2008<br>(MEMORANDUM<br>ONLY) |
| <u>RECONCILIATION OF OPERATING INCOME TO NET CASH<br/>PROVIDED BY OPERATING ACTIVITIES</u> |                 |                              |
| Operating income (loss)  | \$ 21,727       | \$ (19,890)                  |
| Adjustments to reconcile operating income to net<br>cash provided by operating activities: |                 |                              |
| Depreciation and amortization  | 347,111         | 338,914                      |
| Disposal of capital assets   | 90,041          | -                            |
| (Increase) decrease in:  |                 |                              |
| Customer accounts receivable   | (22,718)        | 8,458                        |
| Other receivables  | 3,973           | 3,299                        |
| Prepaid expenses   | 1,565           | (4,524)                      |
| Increase (decrease) in:  |                 |                              |
| Accounts payable   | 11,403          | 17,472                       |
| Accrued salaries and wages   | 942             | 832                          |
| Developer escrow and other liabilities   | -               | (10,119)                     |
| Accrued compensated absences   | (13,108)        | 8,588                        |
| Accrued expenses   | 52,035          | 20,000                       |
| Other current liabilities  | 294             | 747                          |
| <br>NET CASH PROVIDED BY OPERATING ACTIVITIES  | <br>\$ 493,265  | <br>\$ 363,777               |

## BURGESS AND COMMISSIONERS OF MIDDLETOWN

## NOTES TO FINANCIAL STATEMENTS

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Note 1 - Significant Accounting PoliciesOrganization

The Burgess and Commissioners of Middletown (the Town) operates under a Burgess-Commissioners form of government and provides the following services as authorized by its charter: public safety, highways and streets, sanitation, health and social services, and general administrative services.

Government - Wide Financial Statements

The government wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Town as a whole. The statements distinguish governmental activities, generally supported by taxes and general revenues, from business-type activities generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities; and (3) operating grants and contributions which fund the acquisition, construction or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The proprietary fund applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting. Reimbursements are reported as reductions to expenses. Proprietary fund financial statements also report using this same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: property taxes, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

## BURGESS AND COMMISSIONERS OF MIDDLETOWN

## NOTES TO FINANCIAL STATEMENTS

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Fund Types

The following fund types are used by the Town:

Governmental Fund

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

Proprietary Fund

Enterprise Fund - The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs of providing water and sewer services to the general public on a continuing basis are financed through user charges.

Capital Assets

All capital assets acquired after July 1, 1968 are valued at historical cost. Any assets acquired before July 1, 1968 are valued at estimated historical cost. Donated capital assets are valued at their estimated fair value on the date donated. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of three years. Depreciation of all capital assets is recorded in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of assets is as follows:

|                         |                |
|-------------------------|----------------|
| Buildings               | 20 to 25 Years |
| Furniture and equipment | 10 Years       |
| Vehicles                | 10 Years       |
| Water and Sewer Systems | 10 to 40 Years |
| Springs                 | 40 Years       |

Equity Classifications

In the government-wide financial statements, equity is classified as net assets and displayed in three components:

Invested in capital assets – consists of capital assets net of accumulated depreciation and related debt

Restricted net assets – consists of funds whose use by the Town has been limited by creditors to a specific time period or purpose

Unrestricted net assets – all other net assets that do not meet the definition of “invested in capital assets” or “restricted net assets”

Certificates of Deposit

Certificates of deposit are stated at cost. Interest income is recognized when earned.

## BURGESS AND COMMISSIONERS OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

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Cash Equivalents

For purposes of the statement of cash flows, the Town considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Retirement Plan

Eligible Burgess and Commissioners of Middletown employees may participate in the State Retirement & Pension System of Maryland. The Town's policy is to fund pension costs accrued.

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Note 2 – Stewardship, Compliance, and Accountability

The Town charter requires the Burgess and Commissioners to adopt an annual budget for the General Fund and the Enterprise Fund. The General Fund budget is prepared on the cash and expenditures basis. The Enterprise Fund budget is prepared on the cash and expenses basis except that tap and improvement fees, certain capital expenses and non-operating income and expense items are not considered. Revenues are budgeted in the year receipt is expected; and expenditures/expenses are budgeted in the year that the applicable purchase orders are expected to be issued. No supplemental appropriations or authorized budget amendments were made during the year. Appropriations for annually budgeted funds lapse at fiscal year-end.

Note 3 – AssetsCash and Certificates of Deposit

The Town's investment policy allows investments only in U.S. Treasury obligations, U.S. Government agency securities, repurchase agreements secured by either of these; The Maryland Local Government Investment Pool (MLGIP); and interest bearing accounts in any bank and shares in an investment company or investment trust as provided for under Maryland law.

At June 30, 2009 the Town had checking and savings accounts in financial institutions with a carrying amount of \$2,045,521. The related bank balances totaled \$2,070,328 of which \$750,000 was covered by insurance maintained by the Federal Deposit Insurance Corporation. The banks in which the excess funds are held have pledged securities with a market value of \$1,719,986 as security for the deposits, however, the securities are held by the banks in their names.

The Town has designated a portion of one savings account as a Debt Service Reserve Account (DSRA) in accordance with the requirements of the loan agreements related to two Maryland Water Quality Loans. The Town is required to maintain the DSRA at a level of \$375,000 until the Water and Sewer Fund achieves a positive cash flow after meeting all payment obligations under the loans for two consecutive years following completion of the projects. Thereafter, the amount of the DSRA may be adjusted annually by mutual agreement.

Property Taxes Receivable

Property taxes receivable are recorded in the General Fund. At fiscal year-end, the receivables represent delinquent taxes. Property taxes are billed, collected and remitted to the Town by the county government. Taxes are levied annually on July 1 and are due by September 30. Delinquent properties are advertised for public tax sale in May.

## BURGESS AND COMMISSIONERS OF MIDDLETOWN

## NOTES TO FINANCIAL STATEMENTS

Changes in Capital Assets

A summary of changes in capital assets follows:

|                                  | Balance<br>June 30,<br>2008 | Additions         | Deletions         | Balance<br>June 30,<br>2009 |
|----------------------------------|-----------------------------|-------------------|-------------------|-----------------------------|
| <b>Governmental Activities</b>   |                             |                   |                   |                             |
| <b>Capital Assets</b>            |                             |                   |                   |                             |
| Land and construction in process | \$ 3,105,682                | \$ 102,731        | \$ -              | \$ 3,208,413                |
| Buildings and parking lot        | 1,246,486                   | 6,661             | -                 | 1,253,147                   |
| Machinery and equipment          | 341,049                     | 91,290            | -                 | 432,339                     |
| Parks and recreation             | 303,217                     | 112,297           | -                 | 415,514                     |
| Vehicles                         | 345,015                     | 19,455            | 15,232            | 349,238                     |
| Streets                          | 2,327,956                   | 4,000             | -                 | 2,331,956                   |
|                                  | <u>\$ 7,669,405</u>         | <u>\$ 336,434</u> | <u>\$ 15,232</u>  | <u>\$ 7,990,607</u>         |
| <b>Accumulated Depreciation</b>  |                             |                   |                   |                             |
| Buildings                        | \$ 288,602                  | \$ 36,627         | \$ -              | \$ 325,229                  |
| Machinery and equipment          | 264,448                     | 31,491            | -                 | 295,939                     |
| Parks and recreation             | 73,593                      | 16,091            | -                 | 89,684                      |
| Vehicles                         | 277,094                     | 15,676            | 15,232            | 277,538                     |
| Streets                          | 880,270                     | 117,065           | -                 | 997,335                     |
|                                  | <u>\$ 1,784,007</u>         | <u>\$ 216,950</u> | <u>\$ 15,232</u>  | <u>\$ 1,985,725</u>         |
| <b>Business-type Activities</b>  |                             |                   |                   |                             |
| <b>Capital Assets</b>            |                             |                   |                   |                             |
| Land and construction in process | \$ 749,470                  | \$ 214,421        | \$ 284,194        | \$ 679,697                  |
| Sewer distribution               | 7,178,138                   | 25,500            | -                 | 7,203,638                   |
| Water distribution               | 5,749,391                   | 68,705            | -                 | 5,818,096                   |
| Springs                          | 16,387                      | -                 | -                 | 16,387                      |
| Equipment                        | 46,580                      | -                 | -                 | 46,580                      |
| Vehicles                         | 116,961                     | 43,769            | 25,191            | 135,539                     |
| Buildings                        | 25,787                      | -                 | -                 | 25,787                      |
|                                  | <u>\$ 13,882,714</u>        | <u>\$ 352,395</u> | <u>\$ 309,385</u> | <u>\$ 13,925,724</u>        |
| <b>Accumulated Depreciation</b>  |                             |                   |                   |                             |
| Sewer distribution               | \$ 2,504,359                | \$ 190,463        | \$ -              | \$ 2,694,822                |
| Water distribution               | 1,985,900                   | 142,083           | -                 | 2,127,983                   |
| Springs                          | 3,961                       | 435               | -                 | 4,396                       |
| Equipment                        | 35,485                      | 2,844             | -                 | 38,329                      |
| Vehicles                         | 108,591                     | 5,944             | 22,832            | 91,703                      |
| Buildings                        | 20,811                      | 1,046             | -                 | 21,857                      |
|                                  | <u>\$ 4,659,107</u>         | <u>\$ 342,815</u> | <u>\$ 22,832</u>  | <u>\$ 4,979,090</u>         |

Depreciation expense was charged to functions of the primary government as follows:

|                                |           |                                 |            |
|--------------------------------|-----------|---------------------------------|------------|
| <b>Governmental Activities</b> |           | <b>Business-type Activities</b> |            |
| General government             | \$ 83,794 | Water and sewer utilities       | \$ 342,815 |
| Parks and recreation           | 16,091    |                                 |            |
| Streets and alleys             | 117,065   |                                 |            |

## BURGESS AND COMMISSIONERS OF MIDDLETOWN

## NOTES TO FINANCIAL STATEMENTS

Note 4 - Long-term Debt

Details of the Town's long-term debt as of June 30, 2009 are as follows:

|  | <u>Interest Rate</u> | <u>Amount</u>       |
|--|----------------------|---------------------|
| Governmental Activities  |                      |                     |
| Mortgage payable - park and recreation land                                  | 5.00%                | \$ 1,090,078        |
| Infrastructure Bonds from Department of Housing and<br>Community Development | 4.17%                | 223,500             |
| Total Governmental Activities  |                      | <u>1,313,578</u>    |
| Business-type Activities   |                      |                     |
| General Obligation Bond from Farmers Home Administration                     | 5.00%                | 366,160             |
| Maryland Water Quality Loan  | 4.395%               | 139,672             |
| Infrastructure Bonds from Department of Housing and<br>Community Development | 3.75%-4.0%           | 754,750             |
| Maryland Water Quality Loan  | 2.35%                | 2,214,766           |
| Total Business-type Activities   |                      | <u>3,475,348</u>    |
| Total Long-term Debt   |                      | <u>\$ 4,788,926</u> |

The Town also has an unused line of credit of \$2,000,000.

The above indebtedness is secured by the full faith and credit of the Burgess and Commissioners of Middletown.

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2009 are as follows:

| Year Ending<br>June 30 | Governmental Activities |                   | Business-type Activities |                   |
|------------------------|-------------------------|-------------------|--------------------------|-------------------|
|                        | General Obligation      |                   | Revenue Bonds and Loans  |                   |
|                        | Principal               | Interest          | Principal                | Interest          |
| 2010                   | \$ 82,835               | \$ 57,828         | \$ 316,624               | \$ 118,517        |
| 2011                   | 93,922                  | 57,966            | 326,331                  | 108,565           |
| 2012                   | 98,216                  | 53,313            | 336,808                  | 98,279            |
| 2013                   | 103,229                 | 48,435            | 346,211                  | 87,632            |
| 2014                   | 108,473                 | 43,255            | 318,133                  | 74,813            |
| 2015-2019              | 629,972                 | 128,966           | 1,515,920                | 225,229           |
| 2020-2024              | 162,431                 | 19,822            | 315,321                  | 22,411            |
| 2025-2027              | 34,500                  | 21,029            | -                        | -                 |
|                        | <u>\$1,313,578</u>      | <u>\$ 430,614</u> | <u>\$3,475,348</u>       | <u>\$ 735,446</u> |

The following is a summary of changes in long-term debt for the year ended June 30, 2009.

| Description                    | Balance            | Issued      | Retired           | Balance            | Balance Due        |
|--------------------------------|--------------------|-------------|-------------------|--------------------|--------------------|
|                                | July 1,<br>2008    |             |                   | June 30,<br>2009   | Within<br>One Year |
| Governmental Activities        |                    |             |                   |                    |                    |
| Mortgage payable               | \$1,166,346        | \$ -        | \$ 76,268         | \$1,090,078        | \$ 73,335          |
| Infrastructure Bonds           | 232,500            | -           | 9,000             | 223,500            | 9,500              |
| Total Governmental Activities  | <u>1,398,846</u>   | <u>-</u>    | <u>85,268</u>     | <u>1,313,578</u>   | <u>82,835</u>      |
| Business-type Activities       |                    |             |                   |                    |                    |
| General Obligation Bond        | 387,010            | -           | 20,850            | 366,160            | 21,909             |
| Water Quality Loan             | 171,218            | -           | 31,546            | 139,672            | 32,933             |
| Infrastructure Bonds           | 835,000            | -           | 80,250            | 754,750            | 83,000             |
| Water Quality Loan             | 2,389,444          | -           | 174,678           | 2,214,766          | 178,782            |
| Total Business-type Activities | <u>3,782,672</u>   | <u>-</u>    | <u>307,324</u>    | <u>3,475,348</u>   | <u>316,624</u>     |
| Total Long-term Debt           | <u>\$5,181,518</u> | <u>\$ -</u> | <u>\$ 392,592</u> | <u>\$4,788,926</u> | <u>\$ 399,459</u>  |

## BURGESS AND COMMISSIONERS OF MIDDLETOWN

## NOTES TO FINANCIAL STATEMENTS

Note 5 – Retirement Plan

The Town contributes to the State Retirement and Pension System of Maryland (Plan), a cost sharing multiple-employer public employee retirement system administered by the State Retirement and Pension System of Maryland. The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Board of Trustees of the State Retirement and Pension System of Maryland has the authority to establish and amend benefit provisions. The Plan issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to the State Retirement and Pension System of Maryland, 301 West Preston Street, Baltimore, Maryland 21201-2363.

Plan members are not required to contribute to the Plan. The Town is required to contribute at an actuarially determined rate. The current rate is 7.69% of annual covered payroll. The contribution requirements are established and may be amended by the Plan's Board of Trustees. The Town's contributions to the Plan for the years ending June 30, 2009, 2008, and 2007 were \$45,624, \$48,910, and \$47,098, respectively, equal to the required contributions for each year.

Note 6 – Leasing Arrangements

The Town is leasing equipment under a five-year lease agreement expiring in May 2011. The following is a schedule of future rental payments under the operating lease as of June 30, 2009:

| Year Ending<br><u>June 30,</u> | <u>Amount</u>   |
|--------------------------------|-----------------|
| 2010                           | \$ 4,656        |
| 2011                           | <u>4,628</u>    |
|                                | <u>\$ 9,284</u> |

During the year ended June 30, 2009, the Town entered into a capital lease related to the acquisition of a wheel loader at a cost of \$85,633. Future minimum lease payments for the remaining term are as follows:

| Year Ending<br><u>June 30,</u>   | <u>Amount</u>    |
|----------------------------------|------------------|
| 2010                             | \$ 22,960        |
| 2011                             | 22,960           |
| 2012                             | <u>22,961</u>    |
|                                  | 68,880           |
| Less amounts related to interest | <u>6,703</u>     |
|                                  | <u>\$ 62,178</u> |

Depreciation expense includes \$5,709 related to this asset for the year ended June 30, 2009.

BURGESS AND COMMISSIONERS OF MIDDLETOWN  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - GENERAL FUND  
 YEAR ENDED JUNE 30, 2009

|                                 | BUDGET           | ACTUAL           | ACTUAL<br>OVER (UNDER)<br>BUDGET | 2008 ACTUAL<br>(MEMORANDUM<br>ONLY) |
|---------------------------------|------------------|------------------|----------------------------------|-------------------------------------|
| <u>REVENUES</u>                 |                  |                  |                                  |                                     |
| <u>LOCAL TAXES</u>              |                  |                  |                                  |                                     |
| Real estate                     | \$ 1,106,614     | \$ 1,150,783     | \$ 44,169                        | \$ 1,034,243                        |
| Public utility                  | 8,100            | 8,305            | 205                              | 8,816                               |
| Tangible personal property      | 40,000           | 46,191           | 6,191                            | 41,214                              |
| Penalties and interest          | 6,500            | 8,323            | 1,823                            | 8,571                               |
|                                 | <u>1,161,214</u> | <u>1,213,602</u> | <u>52,388</u>                    | <u>1,092,844</u>                    |
| Less: Discounts                 | -                | 13,748           | 13,748                           | 12,233                              |
|                                 | <u>1,161,214</u> | <u>1,199,854</u> | <u>38,640</u>                    | <u>1,080,611</u>                    |
| <u>STATE SHARED TAXES</u>       |                  |                  |                                  |                                     |
| Admission and amusement         | 25,000           | 25,346           | 346                              | 27,430                              |
| Highway                         | 253,524          | 223,424          | (30,100)                         | 247,299                             |
| Income                          | 489,610          | 615,975          | 126,365                          | 618,532                             |
| Police protection               | 23,960           | 24,241           | 281                              | 23,253                              |
| Project open space              | -                | 134,363          | 134,363                          | 15,500                              |
|                                 | <u>792,094</u>   | <u>1,023,349</u> | <u>231,255</u>                   | <u>932,014</u>                      |
| <u>COUNTY SHARED TAXES</u>      |                  |                  |                                  |                                     |
| Tax equity program              | 296,185          | 296,537          | 352                              | 283,529                             |
| <u>LICENSES AND PERMITS</u>     |                  |                  |                                  |                                     |
| Beer, wine and liquor licenses  | 400              | 1,940            | 1,540                            | 2,503                               |
| Filing fees                     | 13,000           | 9,475            | (3,525)                          | 7,630                               |
| Traders licenses                | 6,500            | 5,245            | (1,255)                          | 5,074                               |
|                                 | <u>19,900</u>    | <u>16,660</u>    | <u>(3,240)</u>                   | <u>15,207</u>                       |
| <u>SERVICE CHARGES</u>          |                  |                  |                                  |                                     |
| Planning and zoning             | 12,500           | 6,856            | (5,644)                          | 10,448                              |
| <u>MISCELLANEOUS</u>            |                  |                  |                                  |                                     |
| Cable income                    | 27,000           | 32,178           | 5,178                            | 33,541                              |
| Community events                | 12,000           | 23,320           | 11,320                           | 13,914                              |
| Interest income                 | 6,000            | 8,614            | 2,614                            | 13,967                              |
| Main Street grants and receipts | -                | 12,210           | 12,210                           | -                                   |
| Miscellaneous                   | 1,300            | 24,028           | 22,728                           | 7,703                               |
| Pavilion fees                   | 1,500            | 1,900            | 400                              | 2,030                               |
| Miscellaneous grants            | 1,491            | 1,491            | -                                | 1,491                               |
|                                 | <u>49,291</u>    | <u>103,741</u>   | <u>54,450</u>                    | <u>72,646</u>                       |
| <u>OTHER FINANCING SOURCES</u>  |                  |                  |                                  |                                     |
| Proceeds from capital lease     | -                | 62,178           | 62,178                           | -                                   |
|                                 | <u>-</u>         | <u>62,178</u>    | <u>62,178</u>                    | <u>-</u>                            |
| <b>TOTAL REVENUES</b>           | <u>2,331,184</u> | <u>2,709,175</u> | <u>377,991</u>                   | <u>2,394,455</u>                    |

BURGESS AND COMMISSIONERS OF MIDDLETOWN  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - GENERAL FUND  
 YEAR ENDED JUNE 30, 2009

|                              | BUDGET         | ACTUAL         | ACTUAL<br>OVER (UNDER)<br>BUDGET | 2008 ACTUAL<br>(MEMORANDUM<br>ONLY) |
|------------------------------|----------------|----------------|----------------------------------|-------------------------------------|
| <b>EXPENDITURES</b>          |                |                |                                  |                                     |
| <b>GENERAL GOVERNMENT</b>    |                |                |                                  |                                     |
| <b>LEGISLATIVE</b>           |                |                |                                  |                                     |
| Advertising                  | \$ 1,000       | \$ 2,664       | \$ 1,664                         | \$ 1,400                            |
| Conventions and meetings     | 14,000         | 14,170         | 170                              | 10,521                              |
| Dues and subscriptions       | 5,000          | 6,746          | 1,746                            | 6,626                               |
| Office supplies and expense  | 2,500          | 2,469          | (31)                             | 3,415                               |
| Salaries - commissioners     | 12,000         | 12,200         | 200                              | 11,600                              |
|                              | <u>34,500</u>  | <u>38,249</u>  | <u>3,749</u>                     | <u>33,562</u>                       |
| <b>EXECUTIVE</b>             |                |                |                                  |                                     |
| Salary - burgess             | 6,000          | 6,000          | -                                | 6,000                               |
|                              | <u>6,000</u>   | <u>6,000</u>   | <u>-</u>                         | <u>6,000</u>                        |
| <b>ELECTION</b>              |                |                |                                  |                                     |
| Advertising                  | -              | -              | -                                | 237                                 |
| Clerk fee                    | -              | -              | -                                | 1,002                               |
| Supplies                     | -              | -              | -                                | 109                                 |
|                              | <u>-</u>       | <u>-</u>       | <u>-</u>                         | <u>1,348</u>                        |
| <b>PROFESSIONAL SERVICES</b> |                |                |                                  |                                     |
| Audit fee                    | 11,250         | 11,920         | 670                              | 10,800                              |
| Legal - development          | 5,000          | 1,539          | (3,461)                          | 2,838                               |
| Legal - ordinance            | 5,000          | 12,396         | 7,396                            | 7,307                               |
|                              | <u>21,250</u>  | <u>25,855</u>  | <u>4,605</u>                     | <u>20,945</u>                       |
| <b>PLANNING AND ZONING</b>   |                |                |                                  |                                     |
| Salaries                     | 24,243         | 18,668         | (5,575)                          | 20,462                              |
| Zoning expenses              | 11,400         | 2,349          | (9,051)                          | 1,926                               |
|                              | <u>35,643</u>  | <u>21,017</u>  | <u>(14,626)</u>                  | <u>22,388</u>                       |
| <b>GENERAL SERVICES</b>      |                |                |                                  |                                     |
| <b>ADMINISTRATION</b>        |                |                |                                  |                                     |
| Capital outlay               | 2,000          | 5,656          | 3,656                            | 60,926                              |
| Administrative salaries      | 145,644        | 161,564        | 15,920                           | 178,818                             |
| Communications               | 8,500          | 9,779          | 1,279                            | 9,427                               |
| Computer expense             | 18,000         | 20,302         | 2,302                            | 16,091                              |
| Dues and subscriptions       | 200            | 140            | (60)                             | -                                   |
| Meetings and conventions     | 500            | 14             | (486)                            | 47                                  |
| Office supplies and expense  | 16,500         | 10,769         | (5,731)                          | 21,915                              |
| Office maintenance           | 32,000         | 43,290         | 11,290                           | 49,683                              |
| Postage and printing         | 3,000          | 1,330          | (1,670)                          | 3,015                               |
| Professional services        | 5,000          | 5,170          | 170                              | 4,069                               |
|                              | <u>231,344</u> | <u>258,014</u> | <u>26,670</u>                    | <u>343,991</u>                      |

BURGESS AND COMMISSIONERS OF MIDDLETOWN  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
YEAR ENDED JUNE 30, 2009

|                                      | BUDGET         | ACTUAL         | ACTUAL<br>OVER (UNDER)<br>BUDGET | 2008 ACTUAL<br>(MEMORANDUM<br>ONLY) |
|--------------------------------------|----------------|----------------|----------------------------------|-------------------------------------|
| <u>OPERATIONS</u>                    |                |                |                                  |                                     |
| Capital outlay                       | \$ 8,500       | \$ 6,661       | \$ (1,839)                       | \$ -                                |
| Director salary                      | 82,956         | 79,567         | (3,389)                          | 73,599                              |
| Maintenance salaries                 | 41,287         | 38,435         | (2,852)                          | 26,850                              |
| Communications                       | 2,000          | 2,973          | 973                              | 1,849                               |
| Dues and subscriptions               | 500            | 5,430          | 4,930                            | 738                                 |
| Maintenance and repairs              | 13,000         | 8,870          | (4,130)                          | 10,163                              |
| Supplies and expense                 | 5,000          | 5,862          | 862                              | 6,293                               |
| Tools and equipment                  | 6,500          | 2,571          | (3,929)                          | 1,490                               |
|                                      | <u>159,743</u> | <u>150,369</u> | <u>(9,374)</u>                   | <u>120,982</u>                      |
| <u>PUBLIC SAFETY</u>                 |                |                |                                  |                                     |
| Fire company donation                | 15,000         | 15,000         | -                                | 15,000                              |
| School safety guard and supplies     | 15,000         | 11,629         | (3,371)                          | 11,793                              |
| Resident trooper program             | 347,491        | 345,360        | (2,131)                          | 313,750                             |
|                                      | <u>377,491</u> | <u>371,989</u> | <u>(5,502)</u>                   | <u>340,543</u>                      |
| <u>SANITATION AND WASTE REMOVAL</u>  |                |                |                                  |                                     |
| Collection and disposal fees         | 248,464        | 234,222        | (14,242)                         | 199,973                             |
| Eco-bags and yard waste              | 43,839         | 41,736         | (2,103)                          | 38,440                              |
|                                      | <u>292,303</u> | <u>275,958</u> | <u>(16,345)</u>                  | <u>238,413</u>                      |
| <u>PARKS, RECREATION AND CULTURE</u> |                |                |                                  |                                     |
| Capital outlay                       | 292,133        | 211,552        | (80,581)                         | 39,770                              |
| Park interest                        | 66,427         | 56,585         | (9,842)                          | 60,297                              |
| Park loan payments                   | 66,247         | 76,268         | 10,021                           | 72,556                              |
| Park salaries                        | 26,549         | 30,298         | 3,749                            | 23,769                              |
| Park electricity                     | 4,000          | 1,903          | (2,097)                          | 2,403                               |
| Park repairs and maintenance         | 34,130         | 18,867         | (15,263)                         | 16,861                              |
| Park mowing                          | 19,468         | 21,497         | 2,029                            | 17,133                              |
|                                      | <u>508,954</u> | <u>416,970</u> | <u>(91,984)</u>                  | <u>232,789</u>                      |
| <u>HIGHWAYS AND STREETS</u>          |                |                |                                  |                                     |
| Capital outlay                       | -              | 108,565        | 108,565                          | 15,270                              |
| Street interest                      | 9,755          | 9,755          | -                                | 10,128                              |
| Street loan payments                 | 9,000          | 9,000          | -                                | 9,000                               |
| Maintenance salaries                 | 72,901         | 55,527         | (17,374)                         | 57,655                              |
| Equipment operations and repairs     | 8,000          | 5,180          | (2,820)                          | 4,367                               |
| Mowing                               | 22,475         | 19,605         | (2,870)                          | 5,620                               |
| Repairs and resurfacing              | 56,300         | 35,599         | (20,701)                         | 67,899                              |
| Signs                                | 1,300          | 3,660          | 2,360                            | 5,738                               |
| Street lighting                      | 115,000        | 141,226        | 26,226                           | 135,954                             |
| Snow removal                         | 60,000         | 28,322         | (31,678)                         | 30,208                              |
| Storm water management               | 27,000         | 644            | (26,356)                         | 9,994                               |
| Truck repair and operation           | 7,000          | 15,021         | 8,021                            | 23,335                              |
|                                      | <u>388,731</u> | <u>432,104</u> | <u>43,373</u>                    | <u>375,168</u>                      |

BURGESS AND COMMISSIONERS OF MIDDLETOWN  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - GENERAL FUND  
 YEAR ENDED JUNE 30, 2009

|                                     | BUDGET              | ACTUAL              | ACTUAL<br>OVER (UNDER)<br>BUDGET | 2008 ACTUAL<br>(MEMORANDUM<br>ONLY) |
|-------------------------------------|---------------------|---------------------|----------------------------------|-------------------------------------|
| <u>MAIN STREET</u>                  |                     |                     |                                  |                                     |
| Capital outlay                      | \$ -                | \$ 4,000            | \$ 4,000                         | \$ -                                |
| Salaries                            | 15,000              | 12,069              | (2,931)                          | -                                   |
| MIP Grant expenses                  | -                   | 18,104              | 18,104                           | -                                   |
|                                     | <u>15,000</u>       | <u>34,173</u>       | <u>19,173</u>                    | <u>-</u>                            |
| <u>MISCELLANEOUS</u>                |                     |                     |                                  |                                     |
| Community events                    | 33,669              | 53,251              | 19,582                           | 49,464                              |
| Donations                           | 1,000               | 894                 | (106)                            | 1,112                               |
| Insurance - property                | 10,125              | 11,475              | 1,350                            | 13,350                              |
| Insurance - employee                | 73,020              | 65,686              | (7,334)                          | 66,267                              |
| Insurance - workers compensation    | 18,345              | 8,126               | (10,219)                         | 8,291                               |
| Miscellaneous                       | 3,300               | 2,261               | (1,039)                          | 4,238                               |
| Payroll taxes                       | 35,700              | 32,855              | (2,845)                          | 28,740                              |
| Pension                             | 40,000              | 30,581              | (9,419)                          | 33,731                              |
| Travel                              | 2,500               | 3,680               | 1,180                            | 3,262                               |
| Web page and directory              | 3,000               | 2,781               | (219)                            | 1,131                               |
|                                     | <u>220,659</u>      | <u>211,590</u>      | <u>(9,069)</u>                   | <u>209,586</u>                      |
| TOTAL EXPENDITURES                  | <u>2,291,618</u>    | <u>2,242,288</u>    | <u>(49,330)</u>                  | <u>1,945,715</u>                    |
| EXCESS OF REVENUE OVER EXPENDITURES | 39,566              | 466,887             | 427,321                          | 448,740                             |
| FUND BALANCE AT BEGINNING OF YEAR   | <u>1,236,544</u>    | <u>1,236,544</u>    | -                                | <u>787,804</u>                      |
| FUND BALANCE AT END OF YEAR         | <u>\$ 1,276,110</u> | <u>\$ 1,703,431</u> | <u>\$ 427,321</u>                | <u>\$ 1,236,544</u>                 |

## BURGESS AND COMMISSIONERS OF MIDDLETOWN

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND  
NET ASSETS - BUDGET AND ACTUAL - WATER AND SEWER FUND  
YEAR ENDED JUNE 30, 2009

|   | BUDGET         | ACTUAL           | ACTUAL<br>OVER (UNDER)<br>BUDGET | 2008 ACTUAL<br>(MEMORANDUM<br>ONLY) |
|---|----------------|------------------|----------------------------------|-------------------------------------|
| <u>OPERATING REVENUES</u>                           |                |                  |                                  |                                     |
| Charges for services:                               |                |                  |                                  |                                     |
| Water revenue                                       | \$ 406,291     | \$ 403,335       | \$ (2,956)                       | \$ 367,145                          |
| Sewer revenue                                       | 406,291        | 411,309          | 5,018                            | 371,943                             |
| Penalties and interest                              | 8,500          | 11,788           | 3,288                            | 10,293                              |
| Debt service fee                                    | -              | 121,097          | 121,097                          | 111,650                             |
| Connection fees                                     | -              | 122,000          | 122,000                          | 104,000                             |
| Improvement fees                                    | -              | 60,000           | 60,000                           | 54,000                              |
| Water tower lease                                   | -              | 117,087          | 117,087                          | 118,683                             |
| Miscellaneous income                                | -              | 3,152            | 3,152                            | 2,197                               |
| <b>TOTAL OPERATING REVENUES</b>                     | <b>821,082</b> | <b>1,249,768</b> | <b>428,686</b>                   | <b>1,139,911</b>                    |
| <u>ADMINISTRATIVE EXPENSES</u>                      |                |                  |                                  |                                     |
| Amortization  | -              | 4,296            | 4,296                            | 4,296                               |
| Depreciation  | -              | 342,815          | 342,815                          | 334,618                             |
| Salaries - office                                   | 36,262         | 28,809           | (7,453)                          | 50,478                              |
| Advertising   | 1,500          | 651              | (849)                            | 2,508                               |
| Communications                                      | 7,000          | 6,802            | (198)                            | 8,909                               |
| Dues and subscriptions                              | 100            | 2,409            | 2,309                            | 340                                 |
| Insurance - property                                | 14,823         | 15,507           | 684                              | 17,731                              |
| Insurance - worker's compensation                   | 4,941          | 15,680           | 10,739                           | 14,741                              |
| Insurance - health                                  | 44,628         | 30,945           | (13,683)                         | 35,515                              |
| Meetings and seminars                               | 100            | 50               | (50)                             | 100                                 |
| Miscellaneous                                       | 8,153          | 783              | (7,370)                          | 839                                 |
| Office supplies                                     | 4,000          | 8,113            | 4,113                            | 6,342                               |
| Payroll taxes                                       | 14,000         | 13,764           | (236)                            | 14,349                              |
| Pension   | 16,568         | 15,043           | (1,525)                          | 15,178                              |
| Postage   | 5,500          | 5,575            | 75                               | 2,402                               |
| Professional services - legal                       | 2,000          | 4,097            | 2,097                            | 20,976                              |
| Travel  | 50             | 35               | (15)                             | -                                   |
| Uniforms  | 2,000          | 2,574            | 574                              | 2,551                               |
| Vehicle expenses                                    | 19,200         | 13,662           | (5,538)                          | 12,068                              |
| <b>TOTAL ADMINISTRATIVE EXPENSES</b>                | <b>180,825</b> | <b>511,610</b>   | <b>330,785</b>                   | <b>543,941</b>                      |
| <u>WATER EXPENSES</u>                               |                |                  |                                  |                                     |
| <u>WATER</u>  |                |                  |                                  |                                     |
| Salaries  | 78,481         | 65,972           | (12,509)                         | 72,163                              |
| <u>WATER DISTRIBUTION SYSTEM</u>                    |                |                  |                                  |                                     |
| Chemicals   | 200            | 1,205            | 1,005                            | 284                                 |
| Repairs and maintenance                             | 23,114         | 28,391           | 5,277                            | 50,059                              |
| Supplies  | 500            | 724              | 224                              | 1,609                               |
| Tools and equipment                                 | 2,000          | 1,700            | (300)                            | 7,950                               |
| Uniforms  | -              | 36               | 36                               | -                                   |
| <b>TOTAL WATER DISTRIBUTION<br/>SYSTEM EXPENSES</b> | <b>25,814</b>  | <b>32,056</b>    | <b>6,242</b>                     | <b>59,902</b>                       |

BURGESS AND COMMISSIONERS OF MIDDLETOWN  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND  
 NET ASSETS - BUDGET AND ACTUAL - WATER AND SEWER FUND  
 YEAR ENDED JUNE 30, 2009

|   | BUDGET         | ACTUAL         | ACTUAL<br>OVER (UNDER)<br>BUDGET | 2008 ACTUAL<br>(MEMORANDUM<br>ONLY) |
|---|----------------|----------------|----------------------------------|-------------------------------------|
| <u>WATER PLANT SYSTEM</u>                         |                |                |                                  |                                     |
| Chemicals   | \$ 13,000      | \$ 18,596      | \$ 5,596                         | \$ 16,424                           |
| Abandoned wells                                   | -              | 90,041         | 90,041                           | 22,275                              |
| Electric  | 53,400         | 47,293         | (6,107)                          | 52,404                              |
| Repairs and maintenance                           | 50,374         | 5,383          | (44,991)                         | 27,766                              |
| Supplies  | 1,000          | 282            | (718)                            | 277                                 |
| Testing and analysis                              | 2,500          | 7,334          | 4,834                            | 2,667                               |
| Tools and equipment                               | 1,500          | -              | (1,500)                          | 1,531                               |
|   | <u>121,774</u> | <u>168,929</u> | <u>47,155</u>                    | <u>123,344</u>                      |
| TOTAL WATER PLANT SYSTEM                          | <u>121,774</u> | <u>168,929</u> | <u>47,155</u>                    | <u>123,344</u>                      |
| TOTAL WATER SYSTEM EXPENSES                       | <u>226,069</u> | <u>266,957</u> | <u>40,888</u>                    | <u>255,409</u>                      |
| <u>SEWER EXPENSES</u>                             |                |                |                                  |                                     |
| <u>SEWER</u>                                      |                |                |                                  |                                     |
| Salaries  | <u>76,254</u>  | <u>78,661</u>  | <u>2,407</u>                     | <u>81,133</u>                       |
| <u>SEWER COLLECTION SYSTEM</u>                    |                |                |                                  |                                     |
| Cone Branch pumping station                       | 40,273         | 13,806         | (26,467)                         | 24,234                              |
| Brookridge South pumping station                  | 5,000          | 11,279         | 6,279                            | 5,520                               |
| Foxfield pumping station                          | 7,000          | 5,587          | (1,413)                          | 6,543                               |
| Sanitary sewerlines and manholes                  | <u>5,727</u>   | <u>15,594</u>  | <u>9,867</u>                     | <u>2,374</u>                        |
|   | <u>58,000</u>  | <u>46,266</u>  | <u>(11,734)</u>                  | <u>38,671</u>                       |
| TOTAL SEWER COLLECTION<br>SYSTEM EXPENSES         | <u>58,000</u>  | <u>46,266</u>  | <u>(11,734)</u>                  | <u>38,671</u>                       |
| <u>EAST WASTEWATER TREATMENT PLANT</u>            |                |                |                                  |                                     |
| Chemicals   | 26,000         | 38,701         | 12,701                           | 27,603                              |
| Electric  | 50,000         | 45,763         | (4,237)                          | 44,172                              |
| Mowing  | 8,000          | 7,000          | (1,000)                          | 7,000                               |
| Repairs and maintenance                           | 18,250         | 12,597         | (5,653)                          | 16,695                              |
| Sludge hauling                                    | 49,997         | 97,081         | 47,084                           | 45,045                              |
| Supplies  | 2,250          | 1,155          | (1,095)                          | 3,396                               |
| Testing and analysis                              | 12,000         | 13,154         | 1,154                            | 17,225                              |
| Tools and equipment                               | <u>1,500</u>   | <u>920</u>     | <u>(580)</u>                     | <u>3,643</u>                        |
|   | <u>167,997</u> | <u>216,371</u> | <u>48,374</u>                    | <u>164,779</u>                      |
| TOTAL EAST WASTEWATER<br>TREATMENT PLANT EXPENSES | <u>167,997</u> | <u>216,371</u> | <u>48,374</u>                    | <u>164,779</u>                      |

## BURGESS AND COMMISSIONERS OF MIDDLETOWN

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND  
NET ASSETS - BUDGET AND ACTUAL - WATER AND SEWER FUND  
YEAR ENDED JUNE 30, 2009

|   | BUDGET       | ACTUAL       | ACTUAL<br>OVER (UNDER)<br>BUDGET | 2008 ACTUAL<br>(MEMORANDUM<br>ONLY) |
|---|--------------|--------------|----------------------------------|-------------------------------------|
| <u>WEST WASTEWATER TREATMENT PLANT</u>            |              |              |                                  |                                     |
| Chemicals   | \$ 24,000    | \$ 35,535    | \$ 11,535                        | \$ 30,090                           |
| Electric  | 25,000       | 24,177       | (823)                            | 23,059                              |
| Mowing  | 3,875        | 3,625        | (250)                            | 3,875                               |
| Repairs and maintenance                           | 19,400       | 11,957       | (7,443)                          | 8,102                               |
| Sludge hauling                                    | 25,000       | 25,000       | -                                | -                                   |
| Supplies  | 375          | 320          | (55)                             | 421                                 |
| Testing and analysis                              | 9,000        | 7,240        | (1,760)                          | 9,755                               |
| Tools and equipment                               | 1,000        | 322          | (678)                            | 566                                 |
| TOTAL WEST WASTEWATER<br>TREATMENT PLANT EXPENSES | 107,650      | 108,176      | 526                              | 75,868                              |
| TOTAL SEWER SYSTEM EXPENSES                       | 409,901      | 449,474      | 39,573                           | 360,451                             |
| TOTAL OPERATING EXPENSES                          | 816,795      | 1,228,041    | 411,246                          | 1,159,801                           |
| OPERATING INCOME (LOSS)                           | 4,287        | 21,727       | 17,440                           | (19,890)                            |
| <u>OTHER INCOME (EXPENSE)</u>                     |              |              |                                  |                                     |
| Capital contributions from developers             | -            | 21,875       | 21,875                           | 15,175                              |
| Disposal of assets                                | -            | 3,171        | 3,171                            | 530                                 |
| Interest income                                   | -            | 5,861        | 5,861                            | 23,424                              |
| Timber sale                                       | -            | 59,550       | 59,550                           | -                                   |
| Interest expense                                  | -            | (125,328)    | (125,328)                        | (137,752)                           |
| TOTAL OTHER INCOME (EXPENSE)                      | -            | (34,871)     | (34,871)                         | (98,623)                            |
| NET INCOME (LOSS)                                 | 4,287        | (13,144)     | (17,431)                         | (118,513)                           |
| NET ASSETS AT BEGINNING OF YEAR                   | 5,265,384    | 5,265,384    | -                                | 5,383,897                           |
| NET ASSETS AT END OF YEAR                         | \$ 5,269,671 | \$ 5,252,240 | \$ (17,431)                      | \$ 5,265,384                        |