



January 29, 2026

**Burgess and Commissioners
of Middletown, Maryland**

We have audited the financial statements of the governmental activities, the business-type activities and each major fund, of the Burgess and Commissioners of Middletown, Maryland (the Town) for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 16, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Burgess and Commissioners of Middletown, Maryland are described in Note 1 to the financial statements. During the year, the Town adopted Government Accounting Standards Board (GASB) Statement No 101, *Compensated Absences*. The Town adopted the provisions of this Statement retrospectively and as a result, there was no cumulative effect or restatement of the Town's beginning net position, as it was deemed immaterial in the aggregate. We noted no transactions entered into by the Burgess and Commissioners of Middletown, Maryland during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the allowance for uncollectible accounts receivable is based on an analysis of the collectability of individual accounts. As of June 30, 2025, there was no allowance for uncollectible accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Management has estimated the useful lives of capital assets. We evaluated the estimated useful lives of the various categories of assets in determining that they appear reasonable.

The net pension liability and related deferred outflows/inflows of resources as it relates to pension are estimated based on various factors. The amounts are calculated by actuarial specialists and the assumptions used are identified in the State's actuarial report.

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The right of use assets and related capital lease liabilities are calculated using the estimated borrowing rate of the Town at the time of lease execution. We evaluated this estimate and it appears reasonable.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

As disclosed in Note 3 to the financial statements, the Town's deposits were fully covered by FDIC and collateral held as required by State law as of June 30, 2025.

As disclosed in Note 5 to the financial statements, future lease payments due to the Town are \$356,441.

As disclosed in Note 8 to the financial statements, governmental activities outstanding debt was \$4,510,682 as of June 30, 2025, with \$276,053 due within one year. During fiscal year 2025, \$2,987,877 was issued in new debt within the governmental activities. Business-type activities outstanding debt was \$3,487,000 as of June 30, 2025, with \$119,000 due within one year.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

The following material misstatements detected as result of audit procedures were corrected by management:

- To record \$705,821 of depreciation expense for the Water & Sewer Fund
- To record \$674,866 of depreciation expense for the Governmental Activities

In addition, we assisted management with the recording of the GASB 68 pension-related adjustments.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 29, 2026.

Management Consultations with Other Independent Accountants

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

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – General Fund, Schedule of the Town's Proportionate Share of the Net Pension Liability and the Schedule of Contributions and Related Ratios, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of the Burgess and Commissioners and management of the Town of Middletown, Maryland and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

DeLeon & Stang

DeLeon & Stang, CPAs and Advisors

Client: BURGESS AND COMMISSIONERS OF MIDDLETOWN, MD
 Report: Adjusting Journal Entries

Account	Description	Debit	Credit	Net Income Effect
AJE-1				
GASB 68 pension entries - Govt. Activities				
10-28000	Accrued Pension Liability	0.00	309,229.00	
10-19000	Deferred Outflow of Resources	0.00	93,185.00	
10-19000	Deferred Outflow of Resources	115,369.00	0.00	
10-19000	Deferred Outflow of Resources	261,640.00	0.00	
10-29000	Deferred Inflow of Resources	0.00	1,570.00	
10-19000	Deferred Outflow of Resources	0.00	150,420.00	
10-29000	Deferred Inflow of Resources	62,411.00	0.00	
10-5103-61338	Retirement Contributions	114,984.00	0.00	
Total		554,404.00	554,404.00	(114,984.00)
AJE-2				
GASB 68 entries - Water and Sewer Fund				
20-28000	Accrued Pension Liability	0.00	114,373.00	
20-19000	Deferred Outflow of Resources	0.00	45,215.00	
20-19000	Deferred Outflow of Resources	42,671.00	0.00	
20-19000	Deferred Outflow of Resources	96,771.00	0.00	
20-29000	Deferred Inflow of Resources	0.00	581.00	
20-19000	Deferred Outflow of Resources	0.00	55,635.00	
20-29000	Deferred Inflow of Resources	23,084.00	0.00	
20-5200-51220	W/S Admin - Retirement	53,278.00	0.00	
Total		215,804.00	215,804.00	(53,278.00)
AJE-3				
To record depreciation - Water/Sewer Fund				
20-17100	A/D - Buildings & Building Improvements	0.00	790.00	
20-17105	A/D - Maintenance Equipment	0.00	21,192.00	
20-17125	A/D - Vehicles	0.00	8,544.00	
20-17135	A/D - Sewer Collection	0.00	236,277.00	
20-17140	A/D - Water Distribution	0.00	438,572.00	
20-17150	A/D - Water Springs	0.00	446.00	
20-5200-71100	Fixed Asset Depreciation	705,821.00	0.00	
Total		705,821.00	705,821.00	(705,821.00)
AJE-4				
To record depreciation - General Fund				
10-5103-71100	Depreciation - General Gov't	109,684.00	0.00	
10-5111-71130	Depreciation - Public Services	460,298.00	0.00	
10-5130-71120	Depreciation - Parks & Recreation	104,884.00	0.00	
10-17100	A/D - General Fund	0.00	674,866.00	
Total		674,866.00	674,866.00	(674,866.00)
AJE-5				
PBC - Excess ROU amortization				
10-15400	Right-to-Use Office Equipment	13,028.00	0.00	
10-5170-71155	Loan Amortization	0.00	13,028.00	
Total		13,028.00	13,028.00	13,028.00
AJE-6				
PBC - To book income for AR other				
10-12150	A/R - Other	7,361.00	0.00	
10-5114-61506	Street Light - Repairs & Maint	0.00	7,361.00	
Total		7,361.00	7,361.00	7,361.00
AJE-7				
PBC- To adjust compensated absences				
10-21000	Accrued Compensated Absences	0.00	17,510.00	
10-27500	Sick Leave Liability Long Term	0.00	16,538.00	
10-5103-51100	Municipal - Salary	31,629.00	0.00	
10-5103-51200	Municipal - Payroll Taxes	2,419.00	0.00	
20-21000	Accrued Compensated Absences	0.00	6,268.00	
20-27500	Sick Leave Liability Long Term	0.00	3,765.00	
20-5200-51100	W/S Admin - Salary	9,320.00	0.00	
20-5200-51200	W/S Admin - Payroll Taxes	713.00	0.00	
10-21000	Accrued Compensated Absences	0.00	3,369.00	
10-5103-51100	Municipal - Salary	0.00	1,573.00	
10-5103-51200	Municipal - Payroll Taxes	4,942.00	0.00	
20-21000	Accrued Compensated Absences	0.00	3,249.00	
20-5200-51100	W/S Admin - Salary	999.00	0.00	
20-5200-51200	W/S Admin - Payroll Taxes	2,250.00	0.00	
Total		52,272.00	52,272.00	(50,699.00)
PBC-01				
Well 15 Pump Replacement In FY25 needs to be reclassified to Capital Asset				
20-16100	Water Distribution	33,813.00	0.00	
20-5320-81100	Water Plant/Booster - Capital Outlay	0.00	33,813.00	
Total		33,813.00	33,813.00	33,813.00
GRAND TOTAL		2,257,369.00	2,257,369.00	(1,545,446.00)