



# Middletown

**BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND**

**Financial Statements, Supplementary Information,  
and Independent Auditors' Reports**

**For the Year Ended June 30, 2021**

**BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND**  
**For the Year Ended June 30, 2021**

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## **INDEPENDENT AUDITORS' REPORT**

**The Burgess and Commissioners  
Middletown, Maryland**

### **Report on the Financial Statements**

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, Maryland ( the Town ) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

# **BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND**

## **Independent Auditors' Report**

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### **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 Town as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension schedules on pages 3-10 and 41-45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report July August 1, 2023 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 in considering the Burgess and Commissioners of Middletown, Maryland's internal control over financial reporting and compliance.

*DeLeon & Stang*

**DeLeon & Stang, CPAs and Advisors**

**Frederick, Maryland**

**August 1, 2023**

**The Burgess and Commissioners of Middletown, Maryland  
Management's Discussion and Analysis  
For the Year Ended June 30, 2021**

Within this section of The Burgess and Commissioners of Middletown's ("the Town") annual financial report, Management provides an overall review of the Town's financial activities for the fiscal year ended June 30, 2021. The Town's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

**Financial Highlights**

- The Town's assets exceeded its liabilities by \$19,930,150 (net position) as of June 30, 2021.
- Total net position is comprised of the following:
  - (1) Invested in capital assets of \$18,390,415 include property and equipment net of accumulated depreciation (\$24,457,350) and net of outstanding debt (\$6,066,935) including the line of credit, capital lease, and accounts payable related to the purchase or construction of capital assets and net of the related outstanding loan receivable.
  - (2) Unrestricted net position of \$1,539,735 represents the portion of assets available to maintain the Town's continuing obligations to its citizens and creditors.
- The Town's governmental activities reported total ending unrestricted net position of \$1,608,796 this fiscal year. This compares to the prior year ending unrestricted net position of \$1,386,989 reflecting an increase of \$221,807.
- The Town's business-type activity (Water & Sewer) reported total ending unrestricted net position of (\$69,061) compared to \$617,437 reported for the prior fiscal year, a decrease of (\$686,498).

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

**The Burgess and Commissioners of Middletown, Maryland  
Management's Discussion and Analysis  
For the Year Ended June 30, 2021**

The *Statement of Activities* reports how the Town's net position changed during the current fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing or related cash flows ("accrual method of accounting"). Thus, the 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 for some items that will only result in cash flows in future fiscal periods.

The government-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 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, building permits, and park reservations. 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. However, the Town's portion of pension expense is recognized in the Town's financial statements.

**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. In contrast to 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 Town's funds 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 fiscal 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.

*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 Position 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.

**The Burgess and Commissioners of Middletown, Maryland  
Management's Discussion and Analysis  
For the Year Ended June 30, 2021**

Budgetary comparison schedules for the general fund is included in the reporting package as required supplementary information to the basic financial statements.

**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 position may be observed and used to discuss the changing financial position of the Town as a whole.

The Town's net position (i.e., assets in excess of liabilities) at fiscal year-end is \$19,930,150. This is a \$420,271 increase over last year's net assets of \$19,509,879 (restated). The following table provides a summary of the Town's net position at June 30, 2021, and 2020:

For years ended June 30, Assets	Governmental Activities		Business-Type Activities		Total		Change
	2021	2020	2021	2020	2021	2020	
<b>Current Assets</b>	\$ 2,306,214	\$ 2,137,200	\$ 470,693	\$ 2,799,535	\$ 2,776,907	\$ 4,936,735	\$ (2,159,828)
<b>Capital Assets</b>	9,860,967	9,959,244	14,596,383	12,953,139	24,457,350	22,912,383	1,544,967
<b>Total Assets</b>	12,167,181	12,096,444	15,067,076	15,752,674	27,234,257	27,849,118	(614,861)
<b>Deferred outflows of resources</b>	137,959	124,174	64,116	57,428	202,075	181,602	20,473
<b>Total Assets and Deferred outflows of resources</b>	12,305,140	12,220,618	15,131,192	15,810,102	27,436,332	28,030,720	(594,388)
<b>Liabilities</b>							
Current & other liabilities	442,401	509,950	475,353	1,233,565	917,754	1,743,515	(825,761)
Net pension liability	521,612	474,346	253,098	230,163	774,710	704,509	70,201
Long-term liabilities	1,920,298	2,084,945	3,846,495	3,983,312	5,766,793	6,068,257	(301,464)
<b>Total Liabilities</b>	2,884,311	3,069,241	4,574,946	5,447,040	7,459,257	8,516,281	(1,057,024)
<b>Deferred inflows of resources</b>	34,006	46,874	12,919	19,163	46,925	66,037	(19,112)
<b>Total Liabilities and Deferred inflows of resources</b>	2,918,317	3,116,115	4,587,865	5,466,203	7,506,182	8,582,318	(1,076,136)
<b>Net Position</b>							
Invested in capital assets, net of related debt	7,778,027	7,717,514	10,612,388	9,726,462	18,390,415	17,443,976	946,439
Unrestricted	1,608,796	1,386,989	(69,061)	617,437	1,539,735	2,004,426	(464,691)
<b>Total Net Position</b>	\$ 9,386,823	\$ 9,104,503	\$ 10,543,327	\$ 10,343,899	\$ 19,930,150	\$ 19,448,402	\$ 481,748

**The Burgess and Commissioners of Middletown, Maryland  
Management's Discussion and Analysis  
For the Year Ended June 30, 2021**

Governmental activities include assets such as the town hall, vehicles, and parks. Business-type activities include water and sewer assets. The largest portion of the Town's net position 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.

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

*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, unassigned 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, 2021, the Town's unassigned governmental fund balance increased by \$611,965 to a balance of \$1,924,664. Such funds are generally available for spending at the Town's discretion.

*Proprietary or Business-type 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 position of the Town's Water and Sewer Fund for the fiscal year ended June 30, 2021, reported a balance of (\$69,061). In anticipation of a FY2022 \$2.4 million American Rescue Plan Act (ARPA) allocation, the Town began multiple water and sewer infrastructure projects, increasing costs and decreasing the FY2021 unrestricted net position.

**Governmental Activities**

Table 2 shows the Town's revenue and expenses of the governmental and business-type activities for the years ended June 30, 2021 and 2020. As shown, governmental activities increased the Town's net position by \$220,843 representing 45% of the total growth in the Town's net position. This compares to the previous year when governmental activities increased the Town's net position by \$209,543, or 43%. The Town's revenues from governmental activities totaled \$3,728,295, for the fiscal year ended June 30, 2021. Revenue from taxes represented 97% of total revenue. The major sources of revenue for the Town were real estate and personal property taxes of \$1,474,924, state income and highway user taxes of \$1,290,113 and county taxes of \$657,252.

The Town's expenditures from governmental activities totaled \$3,507,452 for the fiscal year ended June 30, 2021. Expenditures of general government comprised the largest portion of total expenditures from governmental activities and totaled \$1,168,225 or 33% and public works the second largest expense at \$1,134,937 or 32%.



**The Burgess and Commissioners of Middletown, Maryland  
Management's Discussion and Analysis  
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**Business-type Activities**

Referring to Table 2, the Town's business-type activities include the water and sewer fund. The net position of these activities increased by \$199,428 for the fiscal year ended June 30, 2021. The major source of revenue is utility service charges for water and sewer which was \$1,750,370 representing 80% of total revenues.

**Table 2  
Changes in the Town of  
Middletown's Net Position**

Fiscal years ended June 30,	Governmental Activities		Business-Type Activities		Total		Change
	2021	2020	2021	2020	2021	2020	
<b>Revenues</b>							
General revenues							
Property taxes	\$ 1,474,924	\$ 1,446,449	\$ -	\$ -	\$ 1,474,924	\$ 1,446,449	\$ 28,475
Income taxes	1,146,399	1,058,546	-	-	1,146,399	1,058,546	87,853
County taxes	657,252	674,672	-	-	657,252	674,672	(17,420)
Other income	40,591	109,959	209,245	376,458	249,836	486,417	(236,581)
Interest income	377	4,333	1,679	-	2,056	4,333	(2,277)
Program revenues							
General government	125,824	16,654	-	-	125,824	16,654	109,170
Public services	259,567	191,512	-	-	259,567	191,512	68,055
Public safety	20,686	25,000	-	-	20,686	25,000	(4,314)
Parks & recreation	2,675	1,939	-	-	2,675	1,939	736
Water & sewer	-	-	1,750,370	1,548,666	1,750,370	1,548,666	201,704
<b>Total Revenues</b>	<b>3,728,295</b>	<b>3,529,064</b>	<b>1,961,294</b>	<b>1,925,124</b>	<b>5,689,589</b>	<b>5,454,188</b>	<b>235,401</b>
<b>Expenditures</b>							
General government	1,447,346	1,397,765	-	-	1,447,346	1,397,765	49,581
Public safety	405,421	421,030	-	-	405,421	421,030	(15,609)
Parks & recreation	206,216	130,692	-	-	206,216	130,692	75,524
Public services	828,109	750,101	-	-	828,109	750,101	78,008
Depreciation & amortization	545,118	537,377	548,665	466,852	1,093,783	1,004,229	89,554
Interest expense	75,242	82,556	136,441	116,996	211,683	199,552	12,131
Water & sewer utilities	-	-	1,076,760	1,064,203	1,076,760	1,064,203	12,557
<b>Total Expenditures</b>	<b>3,507,452</b>	<b>3,319,521</b>	<b>1,761,866</b>	<b>1,648,051</b>	<b>5,269,318</b>	<b>4,967,572</b>	<b>301,746</b>
<b>Net Position</b>							
Change in net position	220,843	209,543	199,428	277,073	420,271	486,616	(66,345)
Beginning net position, restated	9,165,980	8,894,960	10,343,899	10,066,826	19,509,879	18,961,786	548,093
<b>Total Net Position</b>	<b>\$ 9,386,823</b>	<b>\$ 9,104,503</b>	<b>\$ 10,543,327</b>	<b>\$ 10,343,899</b>	<b>\$ 19,930,150</b>	<b>\$ 19,448,402</b>	<b>\$ 481,748</b>

**Capital Assets and Debt Administration**

*Capital Assets* - The Town of Middletown's investment in capital assets, including construction in progress ("CIP"), for its governmental and business-type activities as of June 30, 2021, was \$24,457,350, net of depreciation. This investment includes land, buildings, improvements, water and sewer distribution systems, roads and sidewalks, machinery and equipment and construction in progress. More detailed information regarding the Town's capital assets can be found in Notes 1 and 5 to the financial statements.

**The Burgess and Commissioners of Middletown, Maryland  
Management's Discussion and Analysis  
For the Year Ended June 30, 2021**

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

- CIP Reservoir Improvements (Water Main & Pipes) - \$2,049,930
- Boileau Court Mill & Overlay - \$153,051
- F550 Truck Purchase - \$100,019
- Main Street Overlay Streetscape - \$133,735

**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, 2021 and 2020 was \$24,457,350 and \$22,912,383, respectively. Combined capital assets, net of accumulated depreciation for both the governmental and business type activities increased by 5% from the prior year.

**Table 3**  
**Town of Middletown's Capital Assets (net of accumulated depreciation)**

	Governmental Activities		Business-Type Activities		Total		Change
	2021	2020	2021	2020	2021	2020	
<b>Non-Depreciable Assets</b>							
Land	\$ 3,837,515	\$ 3,837,515	\$ 403,196	\$ 403,196	\$ 4,240,711	\$ 4,240,711	\$ -
Construction in progress	214,374	122,779	3,649,722	1,621,390	3,864,096	1,744,169	2,119,927
<b>Total Non-Depreciable Assets</b>	<b>4,051,889</b>	<b>3,960,294</b>	<b>4,052,918</b>	<b>2,024,586</b>	<b>8,104,807</b>	<b>5,984,880</b>	<b>2,119,927</b>
<b>Depreciable Assets</b>							
Buildings	654,577	711,379	4,740	5,530	659,317	716,909	(57,592)
Machinery & equipment	270,301	301,494	20,980	16,516	291,281	318,010	
Parks & recreation	637,392	730,983	-	-	637,392	730,983	
Vehicles	182,951	110,737	41,271	48,554	224,222	159,291	64,931
Streets	4,063,857	4,144,357	-	-	4,063,857	4,144,357	(80,500)
Sewer collection	-	-	3,290,054	3,420,282	3,290,054	3,420,282	(130,228)
Water distribution	-	-	6,925,316	7,181,095	6,925,316	7,181,095	(255,779)
Water meters	-	-	253,345	248,371	253,345	248,371	4,974
Springs	-	-	7,759	8,205	7,759	8,205	(446)
<b>Total Depreciable Assets</b>	<b>5,809,078</b>	<b>5,998,950</b>	<b>10,543,465</b>	<b>10,928,553</b>	<b>16,352,543</b>	<b>16,927,503</b>	<b>(454,640)</b>
<b>Total Net Position</b>	<b>\$ 9,860,967</b>	<b>\$ 9,959,244</b>	<b>\$ 14,596,383</b>	<b>\$ 12,953,139</b>	<b>\$ 24,457,350</b>	<b>\$ 22,912,383</b>	<b>\$ 1,665,287</b>

**Budget to Actual Comparison – General Fund**

As presented in the required supplementary information section of the financial statements, for the year ending June 30, 2021, the total budgeted revenues for the General Fund were \$3,328,904 and actual revenues were \$3,795,989, for variance of \$467,085. This variance is a result of local real estate and income taxes, permit fees and miscellaneous grants revenues coming in higher than anticipated by \$37,853, \$230,032, \$74,688, and \$52,640, respectively. The impact of COVID made it difficult to develop a General Fund budget, therefore, we established a conservative budget to position the Town to be able to navigate through these extremely challenging times.

The total budgeted expenditure for the General Fund was \$4,214,061 and the actual expenditures were \$3,542,363 for a variance of \$671,698. This variance is related to the street reconstruction projects that were delayed because supplies and materials needed to complete the project were not readily available.

**The Burgess and Commissioners of Middletown, Maryland  
Management's Discussion and Analysis  
For the Year Ended June 30, 2021**

**Long-term Debt**

As disclosed in the following table, total outstanding debt, excluding the line of credit, was \$6,066,935 representing repayments of \$236,577 \$292,107 during the fiscal year ended June 30, 2021. The Town acquired a \$7 million bond in FY2016 to complete 3 major government-wide projects including improvements to West Green Street, improvements to the Main Street waterline, and improvements to the Town's reservoir. Refer to Notes 4 and 10 to the financial statements for more detailed information.

**Table 4**

**Town of Middletown's  
Long-Term Debt**

	Governmental Activities		Business-Type Activities		Total		Change
	2021	2020	2021	2020	2021	2020	
Infrastructure bonds- street expansion	\$ 81,500	\$ 96,000	\$ -	\$ -	\$ 81,500	\$ 96,000	\$ (14,500)
Infrastructure bonds- street improvements	1,923,500	2,029,500	-	-	1,923,500	2,029,500	(106,000)
Capital lease equipment	49,539	85,824	-	-	49,539	85,824	(36,285)
Infrastructure bonds- water distribution	\$ -	-	63,000	92,500	63,000	92,500	(29,500)
Infrastructure bonds- water distribution	-	-	3,937,500	4,042,000	3,937,500	4,042,000	(104,500)
Net unamortized bond premiums & discounts	28,401	30,406	(16,505)	(17,188)	11,896	13,218	(1,322)
<b>Total Long-Term Debt</b>	<b>\$ 2,082,940</b>	<b>\$ 2,241,730</b>	<b>\$ 3,983,995</b>	<b>\$ 4,117,312</b>	<b>\$ 6,066,935</b>	<b>\$ 6,359,042</b>	<b>\$ (292,107)</b>

**Economic Environment**

The Town's economic environment is dependent on the Town's ability to balance residential and commercial growth within the city limits while seeking to grow tax revenue to maintain its current level of service to the Town's residents. Without question, COVID continues to have a major impact not only on the Town but across the world. The Town experienced unprecedented changes in the way in which the Town conducts its business. This was across the board with reduced staffing to avoid having everyone infected as well as closing the Town Office to the public. Town Meetings were held virtually and the simplest of things like taking a payment for a water and sewer bill all had to be changed to address COVID concerns.

The Town continues to experience a flood of unplanned, COVID-related expenses. Fortunately, the Federal Government has provided funds to help with these costs as well as additional funds to make infrastructure improvements to help spur economic growth across the country. Middletown will have to remain flexible to change as COVID runs its course.

On the positive side, the expected American Rescue Plan Act (ARPA) funds to be received from the Federal Government will go a long way to the Town making infrastructure improvements that will, in the end, benefit the Town and give Middletown the ability to get ahead on infrastructure improvements for the future.

**The Burgess and Commissioners of Middletown, Maryland  
Management's Discussion and Analysis  
For the Year Ended June 30, 2021**

**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 additional financial information, contact the Town's Financial Officer at 31 West Main Street, Middletown, Maryland 21769.

**BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND**  
**Statement of Net Position**  
**June 30, 2021**

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
<b>Assets</b>			
Cash and cash equivalents	\$ 2,025,165	\$ -	\$ 2,025,165
Receivables			
Customer accounts	-	437,616	437,616
Taxes receivable	8,012	-	8,012
Due from other governments	209,068	-	209,068
Other	-	15,774	15,774
Internal balances	9,336	(9,336)	-
Prepaid expenses	54,633	26,639	81,272
Capital assets			
Capital assets, net of accumulated depreciation	9,646,593	10,946,661	20,593,254
Construction in progress	214,374	3,649,722	3,864,096
Capital assets, net	<u>9,860,967</u>	<u>14,596,383</u>	<u>24,457,350</u>
<b>Total Assets</b>	<u>12,167,181</u>	<u>15,067,076</u>	<u>27,234,257</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflows of resources related to pension	<u>137,959</u>	<u>64,116</u>	<u>202,075</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>12,305,140</u>	<u>15,131,192</u>	<u>27,436,332</u>
<b>Liabilities</b>			
Accounts payable	\$ 188,884	\$ 195,837	\$ 384,721
Accrued operating expenses	29,492	66,322	95,814
Accrued compensated absences	61,383	-	61,383
Other accrued liabilities	-	4,128	4,128
Overdraft	-	71,566	71,566
Current maturities of capital lease	38,142	-	38,142
Current maturities of long-term debt	124,500	137,500	262,000
Net pension liability	521,612	253,098	774,710
Capital lease - long-term	11,397	-	11,397
Long-term debt	<u>1,908,901</u>	<u>3,846,495</u>	<u>5,755,396</u>
<b>Total Liabilities</b>	<u>2,884,311</u>	<u>4,574,946</u>	<u>7,459,257</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows of resources related to pension	<u>34,006</u>	<u>12,919</u>	<u>46,925</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>2,918,317</u>	<u>4,587,865</u>	<u>7,506,182</u>
<b>Net Position</b>			
invested in capital assets - net of related debt	7,778,027	10,612,388	18,390,415
Unrestricted	<u>1,608,796</u>	<u>(69,061)</u>	<u>1,539,735</u>
<b>Total Net Position</b>	<u>\$ 9,386,823</u>	<u>\$ 10,543,327</u>	<u>\$ 19,930,150</u>

The accompanying notes are an integral part of this statement.

**BURGESS AND COMMISSIONERS OF MIDDLETOWN , MARYLAND**  
**Statement of Activities**  
**For the Year Ended June 30, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government</b>							
Governmental activities							
General government	\$ (1,168,225)	\$ 114,336	\$ 11,488	\$ -	\$ (1,042,401)	\$ -	\$ (1,042,401)
Public works	(1,134,937)	28,000	231,567	-	(875,370)	-	(875,370)
Public safety	(405,421)	-	20,686	-	(384,735)	-	(384,735)
Parks & recreation	(144,988)	2,675	-	-	(142,313)	-	(142,313)
Economic development	(154,836)	-	-	-	(154,836)	-	(154,836)
Miscellaneous	(423,803)	-	-	-	(423,803)	-	(423,803)
Interest expense	(75,242)	-	-	-	(75,242)	-	(75,242)
Total governmental activities	<u>(3,507,452)</u>	<u>145,011</u>	<u>263,741</u>	<u>-</u>	<u>(3,098,700)</u>	<u>-</u>	<u>(3,098,700)</u>
Business-type activities							
Water and sewer services	(1,761,866)	1,750,370	-	-	-	(11,496)	(11,496)
Total business-type activities	<u>(1,761,866)</u>	<u>1,750,370</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,496)</u>	<u>(11,496)</u>
<b>Total primary government</b>	<u>\$ (5,269,318)</u>	<u>\$ 1,895,381</u>	<u>\$ 263,741</u>	<u>\$ -</u>	(3,098,700)	(11,496)	(3,110,196)
General Revenues							
Taxes							
Property					1,474,924	-	1,474,924
Income					1,146,399	-	1,146,399
County shared					657,252	-	657,252
Other local taxes					24,344	-	24,344
Rental income					5,980	203,658	209,638
Other income					10,267	5,587	15,854
Interest income					377	1,679	2,056
<b>Total general revenues</b>					<u>3,319,543</u>	<u>210,924</u>	<u>3,530,467</u>
<b>Change in net position</b>					220,843	199,428	420,271
<b>Net position - beginning of year, restated</b>					<u>9,165,980</u>	<u>10,343,899</u>	<u>19,509,879</u>
<b>Net position - end of year</b>					<u>\$ 9,386,823</u>	<u>\$ 10,543,327</u>	<u>\$ 19,930,150</u>

The accompanying notes are an integral part of this statement.  
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**BURGESS AND COMMISSIONERS OF MIDDLETOWN , MARYLAND**  
**Balance Sheet**  
**Governmental Fund**  
**June 30, 2021**

<b>Assets</b>	
Cash and cash equivalents	\$ 2,025,165
Taxes receivable	8,012
Due from other governments	209,068
Due from proprietary fund	9,336
Prepaid expenses	<u>54,633</u>
<b>Total Assets</b>	<b><u>\$ 2,306,214</u></b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	
Liabilities	
Accounts payable	188,884
Accrued operating expenses	11,859
Other accrued liabilities	<u>-</u>
Total Liabilities	<u>200,743</u>
Deferred Inflows of Resources	
Unavailable revenue - intergovernmental	<u>99,874</u>
Total Liabilities and Deferred Inflows of Resources	<u>300,617</u>
Fund Balances	
Nonspendable:	
Prepaid expenses	54,633
Assigned to:	
Community events	26,300
Unassigned	<u>1,924,664</u>
Total Fund Balances	<u>2,005,597</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b><u>\$ 2,306,214</u></b>

**BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Fund**  
**For the Year Ended June 30, 2021**

	<b>General</b>	<b>Total Governmental Fund</b>
<b>Revenues</b>		
Local property taxes	\$ 1,477,927	\$ 1,477,927
Local income taxes	1,146,399	1,146,399
Other local taxes	24,344	24,344
Intergovernmental revenues	985,684	985,684
Licenses & permits	117,011	117,011
Improvement fees	28,000	28,000
Interest income	377	377
Rental income	5,980	5,980
Other revenue	10,267	10,267
Total Revenues	3,795,989	3,795,989
<b>Expenditures</b>		
General government	1,026,656	1,026,656
Public works	1,045,164	1,045,164
Public safety	405,421	405,421
Parks & recreation	366,118	366,118
Economic development	61,228	61,228
Miscellaneous	401,199	401,199
Debt service	236,577	236,577
Total Expenditures	3,542,363	3,542,363
Excess of Revenues over Expenditures	253,626	253,626
Fund Balance - July 1, 2020, restated	1,751,971	
<b>Fund Balance - June 30, 2021</b>	<b>\$ 2,005,597</b>	
 <b>Adjustments for the Statement of Activities</b>		
Capital outlay		446,827
Depreciation and amortization expense		(545,118)
Deferred inflows of resources		(67,694)
Compensated absences		(5,529)
Debt service expenditures		156,785
Change in interest accrual		540
Amortization of bond premium		2,005
Net pension adjustment		(20,599)
Change in Net Position of Governmental Activities		<b>\$ 220,843</b>



**BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND**  
**Reconciliation of Fund Balance to Net Position of Governmental Activities**  
**June 30, 2021**

Fund balances - governmental funds	\$ 2,005,597
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, therefore are not reported in the funds.	9,860,967
Accrued interest payable does not require the use of current resources and therefore are not reported as a liability in the governmental fund.	(17,633)
Long-term liabilities are not due and payable in the upcoming year and therefore are not reported in the governmental fund.	
Compensated absences	(61,383)
Net pension liability	(521,612)
Long-term debt obligations	(2,082,940)
Unamortized deferred outflows of resources - pensions	137,959
Unamortized deferred inflows of resources - pensions	(34,006)
Deferred inflows of resources - unavailable revenue	<u>99,874</u>
Net position - governmental activities	<u>\$ 9,386,823</u>

**BURGESS AND COMMISSIONERS OF MIDDLETOWN , MARYLAND**  
**Statement of Net Position**  
**Proprietary Fund - Water and Sewer**  
**June 30, 2021**

**Assets**

Current Assets

Receivables

Customer accounts \$ 437,616

Other 15,774

Loan -

Prepaid expenses 26,639

Total Current Assets 480,029

Non Current Assets

Capital Assets

Capital assets - net of accumulated depreciation 10,946,661

Construction in progress 3,649,722

Total Noncurrent Assets 14,596,383

**Deferred Outflows of Resources**

Deferred outflows of resources related to pension 64,116

**Total Assets and Deferred Outflows of Resources** 15,140,528

**Liabilities**

Current Liabilities

Accounts payable 195,837

Accrued operating expenses 66,322

Other accrued liabilities 4,128

Overdraft 71,566

Current maturities of long-term debt 137,500

Due to general fund 9,336

Total Current Liabilities 484,689

Noncurrent Liabilities

Net pension liability 253,098

Long-term debt - net of current maturities 3,846,495

Total Noncurrent Liabilities 4,099,593

Total Liabilities 4,584,282

**Deferred Inflows of Resources**

Deferred inflows of resources related to pension 12,919

**Total Liabilities and Deferred Inflows of Resources** 4,597,201

**Net Position**

Invested in capital assets - net of related debt 10,612,388

Unrestricted (69,061)

**Total Net Position** \$ 10,543,327

The accompanying notes are an integral part of this statement.

**BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Fund - Water and Sewer**  
**For the Year Ended June 30, 2021**

**Operating Revenues**

Charges for services	
Water fees	\$ 682,960
Sewer fees	661,810
Rental income	<u>203,658</u>
Total Operating Revenues	1,548,428

**Operating Expenses**

Salaries	314,528
Sewer system expenses	395,196
Depreciation and amortization	548,665
Water system expenses	192,539
Vehicles and equipment	13,906
Administrative	<u>160,591</u>
Total Operating Expenses	<u>1,625,425</u>

**Operating loss** (76,997)

**Nonoperating Income (Expenses)**

Connection fees	\$ 72,000
Capital improvement fees	333,600
Interest income	1,679
Other non-operating revenues	5,587
Interest expense	<u>(136,441)</u>
	<u>276,425</u>

<b>Change in Net Position</b>	199,428
Net Position, beginning of year	<u>10,343,899</u>
<b>Net Position, end of year</b>	<u><u>\$ 10,543,327</u></u>

**BURGESS AND COMMISSIONERS OF MIDDLETOWN , MARYLAND**  
**Statement of Cash Flows**  
**Proprietary Fund - Water and Sewer**  
**For the Year Ended June 30, 2021**

<b>Cash flows from operating activities</b>	
Cash received from charges for services	\$ 1,548,036
Cash payments for goods & services	(1,542,807)
Cash payments to employees for services	<u>(309,573)</u>
Net cash used in operating activities	<u>(304,344)</u>
 <b>Cash flows from noncapital financing activities</b>	
Expenditures in excess of deposits	<u>71,566</u>
Net cash provided by noncapital financing activities	<u>71,566</u>
 <b>Cash flows from capital and related financing activities</b>	
Purchases of property & equipment and current year construction costs	(2,241,544)
Proceeds from loan receivable	1,683,590
Principal paid on long-term debt	(134,000)
Proceeds from surcharge fees	405,600
Interest paid	(149,451)
Other	<u>5,587</u>
Net cash used in capital and related financing activities	<u>(430,218)</u>
 <b>Cash flows from investing activities</b>	
Investment income	<u>1,679</u>
Net increase (decrease) in cash, cash equivalents	(661,317)
Cash and cash equivalents - beginning of year	<u>661,317</u>
Cash and cash equivalents - end of year	<u><u>\$ -</u></u>

**BURGESS AND COMMISSIONERS OF MIDDLETOWN , MARYLAND**  
**Statement of Cash Flows**  
**Proprietary Fund - Water and Service**  
**For the Year Ended June 30, 2021**

**Reconciliation of operating loss to net cash provided by operating activities:**

Operating loss	\$ (76,997)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation & amortization	548,665
Construction in progress adjustments	49,878
Changes in operating assets and liabilities:	
Customer accounts receivable	(392)
Prepaid expenses	(15,233)
Deferred outflows of resources	(6,688)
Accounts payable	(815,348)
Accrued operating expenses	(4,920)
Net pension liability	22,935
Deferred inflows of resources	(6,244)
Net cash used in operating activities	<u>\$ (304,344)</u>

**BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND**  
**Notes to the Financial Statements**  
**June 30, 2021**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial Reporting Entity**

The Burgess and Commissioners of Middletown, Maryland (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, parks and recreation, economic development, and general administrative services.

In accordance with the Codification of Governmental Accounting and Financial Reporting Standards, the basic financial statements include all funds, organizations, agencies, boards, commissions, and authorities for which the Town is financially accountable. The Town has also considered all other potential organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the Town's financial statements to be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a majority of an organization's governing body, and 1) the ability of the Town to impose its will on that organization, or 2) the potential for that organization to provide specific benefits to or impose specific financial burdens on the Town. Based on these criteria, there are no other organizations or agencies which should be included in these basic financial statements.

**Government-Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the governmental entity. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, intergovernmental revenue, and other non-exchange revenues, are reported separately from business-type activities, which rely to a significant extent on revenue generated from fees charged to external parties for goods and services

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 properly not included with program revenues are reported as general revenues.

**BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND**  
**Notes to the Financial Statements**  
**June 30, 2021**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 U.S. Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing U.S. governmental accounting and financial reporting principles.

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 and intergovernmental revenues.. Generally, governmental grants are cost-reimbursement agreements; accordingly, revenues are recognized as expenditures are incurred.

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.

**BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND**  
**Notes to the Financial Statements**  
**June 30, 2021**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Fund Accounting**

**Governmental Fund Types:** Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used; current liabilities are assigned to the fund from which they are paid; and the difference between governmental fund assets and liabilities, the fund equity, is referred to as "fund balance." The measurements focus is upon determination of changes in financial position, rather than upon net income determination.

The Town has one major governmental fund. The general fund is the general operating fund of the Town. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some separate fund are accounted for in this fund.

**Proprietary Fund Types:** Proprietary fund types are used to account for a government's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position, and cash flows.

An enterprise fund is used to finance and account for the acquisition, operation, and maintenance of the Town's facilities and services which are supported primarily by user charges. The Water and Sewer Fund accounts for the operation and maintenance of the water and sanitary sewer system.

**Cash Equivalents**

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

**Investments**

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; MLGIP; and interest-bearing accounts in any bank and shares in an investment company or investment trust as provided for under Maryland law.



**BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND**  
**Notes to the Financial Statements**  
**June 30, 2021**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Receivables**

Significant receivables include amounts from customers primarily for utility services. An account receivable is considered to be past due if any portion of the receivable is outstanding for more than 30 days. Amounts due from other governments include reimbursements from the State and County for intergovernmental revenues and grant awards.

For the year ended June 30, 2021, the Town determined that no allowance for uncollectible accounts was necessary, as all receivables are deemed collectible.

**Prepaid Expenditures**

Payments made to vendors for services that will benefit the Town in periods beyond the end of the fiscal year are reported as prepaid expenditures using the consumption method by recording a current asset for the prepaid amount at the time of the purchase and reflecting the expenditure in the year in which services are consumed.

**Capital Assets**

Capital assets, including land, buildings, improvements, equipment, and infrastructure (roads, bridges, curbs, gutters, streets, sidewalks, drainage systems, and lighting systems) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Town defines capital assets as assets with an initial, individual cost of more than \$5,000 for land, buildings, improvements, and equipment, and \$15,000 for infrastructure and an initial useful life of one year or greater. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are valued at their estimated fair value on the date donated.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

**BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND**  
**Notes to the Financial Statements**  
**June 30, 2021**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	20 to 25 Years
Machinery and equipment	10 Years
Vehicles	10 Years
Water and sewer systems	10 to 40 Years
Springs	40 Years

**Inter-fund Transactions**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as internal balances on the statement of net position. Short-term interfund loans are classified as "interfund receivables/payables." Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the statement of net position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the statement of activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

**Retirement Plan**

Eligible Burgess and Commissioners of Middletown, Maryland employees may participate in the State Retirement & Pension System of Maryland. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Town's retirement plans and additions to/deductions from the retirement plans' fiduciary net position have been determined on the same basis as they are reported by the retirement plans. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefits and refunds are recognized when due and payable in accordance with the benefit terms.

**Compensated Absences**

The Town's personnel policies allow employees to accumulate a limited amount of earned but unused leave, which can be used in a subsequent period or will be paid to employees upon separation from the Town. In the government-wide financial statements and proprietary fund financial statements, all annual, holiday, and compensatory leave are reported as an accrued liability when earned.

**BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND**  
**Notes to the Financial Statements**  
**June 30, 2021**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Equity Classifications**

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

- **Invested in capital assets:** consists of capital assets net of accumulated depreciation and related debt.
- **Restricted net position:** consists of funds whose use by the Town has been limited by creditors to a specific time period or purpose.
- **Unrestricted net position:** all other net position that do not meet the definition of "invested in capital assets" or "restricted net position".

The Town's policy regarding an expense for which both restricted and unrestricted net position is available is to first apply the restricted resources. Unrestricted resources are used only to the extent that restricted resources do not cover the incurred expenditure.

In the governmental fund financial statements, equity is to be classified as fund balance and displayed in each of the applicable five components as prescribed by GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions:

- **Nonspendable:** includes fund balance amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.
- **Restricted:** includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, grantors, contributors, or laws and regulations of other governments, or amounts constrained by law through constitutional provisions or enabling legislation.
- **Committed:** includes fund balance amounts that are constrained for specific purposes that are internally imposed by the Town through formal action of the highest level of decision-making authority (Burgess and Commissioners) and does not lapse at year-end.
- **Assigned:** includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the governing body itself or a body or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.
- **Unassigned:** includes fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes.

Approval of an official motion at a formal meeting by the Burgess and Commissioners is required to establish, modify, or rescind committed fund balance. The Burgess and Commissioners or Town Administrator have the authority to express intended uses of resources that result in assigned fund balance. The Town's policy is to spend unrestricted resources in the following order: unassigned, assigned, committed. The Town does not have a formal minimum fund balance policy.

**BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND**  
**Notes to the Financial Statements**  
**June 30, 2021**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the value of assets acquired under a capital lease.

**Deferred Outflows / Inflows of Resources**

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

**Property 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. The Town's property tax rates are enacted by the Burgess and Commissioners.

Total assessed value on which levies were made for the year ended June 30, 2021 was \$614,675,623. The property tax rate was \$.232 per \$100 of assessed value.

**BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND**  
**Notes to the Financial Statements**  
**June 30, 2021**

**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 basis. The enterprise fund budget is prepared on the cash 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. Appropriations for annually budgeted funds lapse at fiscal year-end.

**NOTE 3- RISKS AND UNCERTAINTIES**

**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 is a member of the Local Government Insurance Trust (LGIT), sponsored by the Maryland Municipal League (MML), and the Maryland Association of Counties. LGIT is a self-insured public entity risk pool offering general liability, excess liability, business auto liability, police legal liability, public official liability, environmental liability, and property coverage.

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's general liability risks are financed through the Town's participation in the Local Government Insurance Trust (LGIT). The Town pays an annual premium to LGIT for its general insurance coverage. The Town has coverage of \$1,000,000 for each occurrence under commercial general liability and automobile liability. The annual aggregate limit is \$3,000,000 under the commercial policy and is the most the Trust will pay under the Town's agreement. In addition, the Town carries property insurance limited to \$14,705,998. The Town continues to carry commercial insurance for employee health, accident insurance and workers compensation. Settled claims resulting from these risks have not exceeded insurance coverage, and no significant reductions in insurance coverage have occurred in any of the past three fiscal years.

The Town also participates in a similar risk sharing pool for its health insurance coverage. The Town is one of 22 local governmental entities covered by the Maryland Local Government Health Cooperative (Cooperative), a self-insurance alliance between member governments. The Cooperative was established as a health plan for the purpose of providing group health benefits to its members' employees and eligible dependents. Each member's premium is calculated using an actuarial study and claims experience. The plan is self-sustaining through member premiums and reinsurance. Reinsurance covers losses in excess of the per-member cap and the group cap, if needed, after the cross share of member premiums. In years where total claims for the group are lower, premiums may be returned to the members. During fiscal year 2021, the Town did not receive any refund of premiums.

**BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND**  
**Notes to the Financial Statements**  
**June 30, 2021**

**NOTE 3- RISKS AND UNCERTAINTIES (Continued)**

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Custodial credit risk for investments exists when, in the event of the failure of the counterparty to a transaction, a government may be unable to recover the value of investment or collateral securities that are in the possession of an outside party.

The Town maintains its cash balances in several financial institutions, which at times may exceed federally insured limits. The financial institutions in which the excess funds are held have pledged securities as collateral for the deposits.

As of year-end, the Town's carrying amount of deposits was \$1,953,399; the bank balance was \$2,005,930 and cash on hand was \$200. The Town's deposits were fully covered by the Federal Deposit Insurance Corporation and collateral held by the pledging financial institutions as of June 30, 2021.

Included in cash and cash equivalents, the Town had \$112,226 invested in the Maryland Local Government Investment Pool (MLGIP) as of June 30, 2021. These accounts are not insured by the FDIC. However, the MLGIP has pledged securities as collateral for the money market funds. The interest rate in the MLGIP fluctuates throughout the year. The applicable interest rate as of June 30, 2021 were 1.3% for the MLGIP.

**NOTE 4- LOAN RECEIVABLE**

During the fiscal year ended June 30, 2016, the Town obtained bond financing for certain infrastructure projects. The funds related to these bonds are held in trust until the related infrastructure expenditures are incurred. All funds were drawn upon in fiscal year 2021 for capital projects. The following is a summary of changes in the loans receivable related to Infrastructure Series A bonds for the year ended June 30, 2021:

	Balances <u>July 1, 2020</u>	<u>Increase</u>	<u>Decrease</u>	Balances <u>June 30, 2021</u>
<b>Business - Type Activities</b>				
Loan receivable - Infrastructure				
Series A Bond	<u>\$ 1,683,290</u>	<u>\$ -</u>	<u>\$(1,683,290)</u>	<u>\$ -</u>

**BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND**  
**Notes to the Financial Statements**  
**June 30, 2021**

**NOTE 5- CAPITAL ASSETS**

A summary of changes in capital assets for governmental activities for the year ended June 30, 2021 are as follows:

	Balances July 1, 2020	Increase	Decrease	Transfers & Adjustments	Balances June 30, 2021
<b>GOVERNMENTAL ACTIVITIES</b>					
Capital assets not being depreciated					
Land	\$ 3,837,515	\$ -	\$ -	\$ -	\$ 3,837,515
Construction in progress	<u>122,776</u>	<u>432,566</u>	<u>-</u>	<u>(340,968)</u>	<u>214,374</u>
Total capital assets not being depreciated	3,960,291	432,566	-	(340,968)	4,051,889
Capital assets being depreciated					
Buildings & improvements	1,557,571	-	-	-	1,557,571
Machinery & equipment	1,085,552	8,642	-	20,340	1,114,534
Parks & recreation	1,400,311	-	-	-	1,400,311
Vehicles	594,493	-	-	99,919	694,412
Streets	<u>7,188,081</u>	<u>5,619</u>	<u>-</u>	<u>220,709</u>	<u>7,414,409</u>
Total capital assets being depreciated	11,826,008	14,261	-	340,968	12,181,237
Less accumulated depreciation for					
Buildings & improvements	846,192	56,802	-	-	902,994
Machinery & equipment	784,058	60,175	-	-	844,233
Parks & recreation	669,311	93,608	-	-	762,919
Vehicles	483,756	27,705	-	-	511,461
Streets	<u>3,043,724</u>	<u>306,828</u>	<u>-</u>	<u>-</u>	<u>3,350,552</u>
Total accumulated depreciation	5,827,041	545,118	-	-	6,372,159
Governmental Activities, Capital Assets - Net	<u>\$ 9,959,258</u>	<u>\$ (98,291)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,860,967</u>

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

Governmental activities:	
Public services	\$ 306,828
General government	144,682
Parks & recreation	<u>93,608</u>
Total governmental activities	<u>\$ 545,118</u>

**BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND**  
**Notes to the Financial Statements**  
**June 30, 2021**

**NOTE 5- CAPITAL ASSETS** (Continued)

A summary of changes in capital assets for business-type activities for the year ended June 30, 2021 are as follows:

	Balances July 1, 2020	Increase	Decrease	Transfers & Adjustments	Balances June 30, 2021
<b>BUSINESS-TYPE ACTIVITIES</b>					
Capital assets not being depreciated					
Land	\$ 403,196	\$ -	\$ -	\$ -	\$ 403,196
Construction in progress	<u>1,621,390</u>	<u>2,207,192</u>	<u>-</u>	<u>(178,860)</u>	<u>3,649,722</u>
Total capital assets not being depreciated	2,024,586	2,207,192	-	(178,860)	4,052,918
Capital assets being depreciated					
Sewer collection	8,113,319	-	-	78,393	8,191,712
Water distribution	11,360,665	6,894	-	40,389	11,407,948
Water meters	318,378	27,331	-	-	345,709
Springs	17,383	-	-	-	17,383
Equipment	113,508	-	-	10,570	124,078
Vehicles	188,202	-	-	-	188,202
Buildings	<u>33,687</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,687</u>
Total capital assets being depreciated	20,145,142	34,225	-	129,352	20,308,719
Less accumulated depreciation for					
Sewer collection	4,693,037	208,621	-	-	4,901,658
Water distribution	4,179,570	303,062	-	-	4,482,632
Water meters	70,007	22,357	-	-	92,364
Springs	9,178	446	-	-	9,624
Equipment	96,992	6,106	-	-	103,098
Vehicles	139,648	7,283	-	-	146,931
Buildings	<u>28,157</u>	<u>790</u>	<u>-</u>	<u>-</u>	<u>28,947</u>
Total accumulated depreciation	<u>9,216,589</u>	<u>548,665</u>	<u>-</u>	<u>-</u>	<u>9,765,254</u>
Business-Type Activities, Capital Assets - Net	<u>\$ 12,953,139</u>	<u>\$ 1,692,752</u>	<u>\$ -</u>	<u>\$ (49,508)</u>	<u>\$ 14,596,383</u>

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

Business-type activities:  
Water & sewer utilities \$ 548,665



**BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND**  
**Notes to the Financial Statements**  
**June 30, 2021**

**NOTE 6- LINE OF CREDIT**

The Town has a revolving line of credit totaling \$2 million, bearing interest at 2.01% plus LIBOR (2.10% at June 30, 2021). The Town did not borrow any additional funds from the line of credit during the year ended June 30, 2021. There was no outstanding balance at year-end. The entire outstanding principal balance, all accrued and unpaid interest thereon, are due and payable, if not sooner paid, on September 1, 2023.

**NOTE 7- PURCHASE AGREEMENT**

The Town has entered into a 25-year purchase agreement for solar energy beginning in fiscal year 2016. Under the terms of the agreement, the Town is obligated to purchase all of the energy generated at a pre-determined rate per kilowatt hour. The quantity of solar energy generated under the agreement fluctuates so that the amount(s) that may be due under the agreement are not able to be determined. Solar energy purchased under this agreement for the fiscal year ended June 30, 2021 approximated \$73,093.

**NOTE 8- CAPITAL LEASE**

During fiscal year 2018, the Town entered into a 63-month lease agreement for office equipment valued at \$184,756. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the lease inception date. Leased equipment is depreciated over its estimated useful life which is determined to be substantially the same as the lease period. For the year ended June 30, 2021, depreciation expense included in general government depreciation in the governmental activities fund totaled \$36,951. As of June 30, 2021, the net book value of the leased equipment included in machinery and equipment in the governmental activities fund totaled \$36,951.

Total principal payments on the capital lease during fiscal year 2021 were \$36,285.

Future minimum lease payments under the capital lease for June 30 are as follows:

Years Ending June 30:	
2022	\$ 39,753
2023	<u>11,506</u>
	51,259
Less: amount representing interest	<u>(1,720)</u>
Present value of minimum lease payments	49,539
Less: current maturities	<u>(38,142)</u>
	<u>\$ 11,397</u>

**BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND**  
**Notes to the Financial Statements**  
**June 30, 2021**

**NOTE 9- LONG TERM DEBT**

The Town's long-term debt consisted of bonds and term loans as of June 30, 2021. These debt arrangements are broken into governmental and business-type activities. The long-term debt details are as follows:

Governmental Activities:

The first Bond Series A is a Local Government Infrastructure Bond from the Maryland Department of Housing and Community Development with a face amount of \$250,000. This bond is payable in semi-annual installments of principal, ranging from \$8,500 in year one to \$17,500 in the final year, plus interest at variable rates ranging from 3.65% to 4.4%. The bond is collateralized by all local government payments, including money, securities, bank deposits, and any other investments and receivables. The final payment is due in May 2026.

The second Bond Series A is a Local Government Infrastructure Bond from the Maryland Department of Housing and Community Development with a face amount of \$2,500,000. This bond is payable in semi-annual installments of principal, ranging from \$73,000 in year one to \$170,500 in the final year, plus interest at variable rates ranging from 3.25% to 3.6%. The bond is collateralized by all local government payments, including money, securities, bank deposits, and any other investments and receivables. The final payment is due in April 2035.

Business-Type Activities:

The first Bond Series A is a Local Government Infrastructure Bond from the Maryland Department of Housing and Community Development with a face amount of \$347,885. The original bonds were refinanced in 2010 when the outstanding balance was \$347,885. This bond is payable in semi-annual installments of principal, ranging from \$23,500 to \$32,000, plus interest at variable rates ranging from 0.75% to 3.69%. The bond is collateralized by all revenues, all money held in investments, and all receivables. The final payment is due in May 2023.

The second Bond Series A is a Local Government Infrastructure Bond from the Maryland Department of Housing and Community Development with a face amount of \$4,500,000. This bond is payable in semi-annual installments of principal, ranging from \$71,000 in year one to \$240,000 in the final year, plus interest at variable rates ranging from 3.5% to 3.85%. The bond is collateralized by all revenues, all money held in investments, and all receivables. The final payment is due in April 2045.

The debt agreements contain various non-financial covenants. Management believes that the Town is in compliance with all such covenants as of June 30, 2021.

**BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND**  
**Notes to the Financial Statements**  
**June 30, 2021**

**NOTE 9- LONG TERM DEBT (Continued)**

The following is a summary of changes in long-term debt for the year ended June 30, 2021

	Balance July 1, 2020	Increase	Decrease	Balance June 30, 2021	Balance Due Within One Year
<b>Governmental Activities</b>					
Infrastructure Series A Bond	\$ 96,000	\$ -	\$ (14,500)	\$ 81,500	\$ 15,000
Infrastructure Series A Bond	<u>2,029,500</u>	<u>-</u>	<u>(106,000)</u>	<u>1,923,500</u>	<u>109,500</u>
	2,125,500	-	(120,500)	2,005,000	124,500
Unamortized bond premium	<u>30,406</u>	<u>-</u>	<u>(2,005)</u>	<u>28,401</u>	<u>-</u>
Total Governmental Activities	<u>2,155,906</u>	<u>-</u>	<u>(122,505)</u>	<u>2,033,401</u>	<u>124,500</u>
<b>Business-type Activities</b>					
Infrastructure Series A Bond	\$ 92,500	\$ -	\$ (29,500)	\$ 63,000	\$ 31,000
Infrastructure Series A Bond	<u>4,042,000</u>	<u>-</u>	<u>(104,500)</u>	<u>3,937,500</u>	<u>106,500</u>
	4,134,500	-	(134,000)	4,000,500	137,500
Unamortized bond discount	<u>(17,188)</u>	<u>-</u>	<u>683</u>	<u>(16,505)</u>	<u>-</u>
Total Business-type Activities	<u>4,117,312</u>	<u>-</u>	<u>(133,317)</u>	<u>3,983,995</u>	<u>137,500</u>
Total Long-Term Debt	<u>\$ 6,273,218</u>	<u>\$ -</u>	<u>\$ (255,822)</u>	<u>\$ 6,017,396</u>	<u>\$ 262,000</u>

The aggregate annual payments on the foregoing long-term debt for the years ending June 30 are as follows:

	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 124,500	\$ 71,759	\$ 137,500	\$ 147,192
2023	128,000	67,867	141,000	142,916
2024	132,500	63,829	117,000	138,362
2025	136,500	59,703	118,000	134,958
2026	141,500	54,357	119,000	130,527
2027- 2031	694,000	195,541	677,500	583,479
2032- 2036	648,000	65,645	805,500	464,130
2037- 2041	-	-	970,000	324,256
2042- 2046	-	-	915,000	119,608
	<u>\$ 2,005,000</u>	<u>\$ 578,701</u>	<u>\$ 4,000,500</u>	<u>\$ 2,185,428</u>

**Interest Expense**

For the year ended June 30, 2021, total interest was \$211,683 and reported as follows: interest expense of \$75,242 for governmental activities and \$136,441 for business-type activities. Cash paid for interest for business-type activities was \$149,451.

**BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND**  
**Notes to the Financial Statements**  
**June 30, 2021**

**NOTE 10- LEASE REVENUE**

The Town has leased a combined total of 20,000 square feet of land over two locations with an estimated value of approximately \$376,000 to be used for cell towers under operating leases which expire at various times. Unless the lessee opts out, the lease agreements automatically renew for additional periods expiring at various times and in varying renewal increments. In addition to monthly rent, lessees are responsible for any taxes, assessments, charges, or fees attributable to the use of the land. The leases contain clauses for annual increases ranging from 2% to 4%. Monthly lease fees ranged from \$1,499 to \$5,267. Revenue is recognized as rent becomes due. During the current year, the Town recorded revenues totaling \$203,658.

The future minimum lease payments expected under these operating leases for the years ending June 30 are as follows:

2022	\$	165,523
2023		154,433
2024		102,946
2025		106,284
2026		109,738
2027-2031		275,071
2032-2036		309,996
2037-2041		349,560
2042-2046		320,147
2047-2051		239,227
2052-2056		50,754
	\$	<u>2,183,679</u>

**NOTE 11- RETIREMENT PLAN**

**Plan Description**

The Town contributes to the State Retirement and Pension System of Maryland through the Employee's Contributory Pension System (the 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.

Membership in the plan is mandatory for active employees of the Town. The plan involves state-wide participation of employees from numerous other state and local governmental units. The system is administered by the Maryland State Retirement Agency pursuant to the Annotated Code of Maryland.

**BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND**  
**Notes to the Financial Statements**  
**June 30, 2021**

**NOTE 11- RETIREMENT PLAN** (Continued)

**Benefits Provided**

Under the Plan, members may retire after 30 years of service or the attainment of age 62 with five years of service, age 63 with four years of service, age 64 with three years of service or age 65 or over with two years of service. Annual service retirement allowances are paid monthly to retired members in accordance with allowance options selected based on average final compensation. Participants terminating in the retirement system prior to specified retirement age are refunded their accumulated contributions plus earned interest or may defer receipt of accumulated contributions until age 60. Participants and their beneficiaries may also be eligible for disability and death benefits based on years of creditable service and average final compensation.

**Contributions**

The Town is required to make annual contributions equal to the actuarially-determined annual pension cost. Such contribution requirements are established, and may be amended, by the Plan's Board of Trustees. Employer contributions are made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Town's contribution to the plan was \$86,398 for the year ended June 30, 2021.

Member contributions equate to 2% of annual compensation. The Town is funding the employee contributions under the Maryland Employer Pickup Program and all employee contributions are covered by the employer's pickup program.

**Plan Costs**

At June 30, 2021, the Town reported a liability of \$774,710 for its proportionate share of the net pension liability which is an increase of \$70,201 from the previous year's liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on the Town's contributions to the System in relation to total system contributions including direct aid from the State of Maryland. At June 30, 2020, the Town's proportionate share was 0.0034%.

For the year ended June 30, 2021, the Town recognized pension expense of \$137,699.

**BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND**  
**Notes to the Financial Statements**  
**June 30, 2021**

**NOTE 11- RETIREMENT PLAN** (Continued)

At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 2,838	\$ 12,424
Net difference between projected & actual investment earnings	54,339	12,789
Differences between expected & actual experience	-	19,691
Net changes in proportional share	58,500	2,021
Contributions subsequent to the measurement date	<u>86,398</u>	<u>-</u>
	<u>\$ 202,075</u>	<u>\$ 46,925</u>

Deferred inflows and outflows of resources are made up of employer contributions, changes in actuarial assumptions, differences in actual and expected experience, net changes in proportions, and net differences in the projected and actual investment earnings. Deferred outflows related to employer contributions made subsequent to the plan's actuarial measurement date reduce net pension liability in the fiscal year in which the related actuarial measurement date is used to measure the net pension liability, generally the following fiscal year. Employer contributions included in deferred outflows as of June 30, 2020 reduce net pension liability for the year ended June 30, 2021. Deferred inflows and outflows related to non-investment activity are being amortized over their estimated remaining service life of ranging from 5 to 5.87 years. The net difference in investment earnings is being amortized over a closed five-year period. The following table shows the amortization of the related balances:

<u>Years Ending June 30,</u>	
2022	\$ (11,643)
2023	(18,856)
2024	(22,407)
2025	(16,389)
2026	<u>543</u>
	<u>\$ (68,752)</u>

**BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND**  
**Notes to the Financial Statements**  
**June 30, 2021**

**NOTE 11- RETIREMENT PLAN** (Continued)

**Actuarial Assumptions**

The total pension liability as of June 30, 2021 was determined by rolling forward the Employees Maryland State Retirement and Pension System's total pension liability as of the June 30, 2020 actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal
- Amortization method - Level Percentage of Payroll, Closed
- Inflation - 2.60% general, 3.10% wage
- Salary increases - 3.10% to 11.60%, including inflation
- Discount rate - 7.40%
- Investment rate of return - 7.40%
- Mortality – Fully generational – PB-2020/MP2018.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study that was performed for the five-year period ended June 30, 2020.

The long-term expected rate of return on pension plan investments was determined using building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the System after considering input from the System's investment consultant and actuary. For each major asset class that is included in the System's target asset allocation, these best estimates are summarized in the following table:

<b>Asset Class</b>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public equity	37%	5.2%
Private equity	13%	6.5%
Rate sensitive	19%	-0.3%
Credit opportunity	9%	2.8%
Real asse	14%	4.3%
Absolute return	8%	1.8%
	<u>100%</u>	

**BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND**  
**Notes to the Financial Statements**  
**June 30, 2021**

**NOTE 11- RETIREMENT PLAN** (Continued)

**Discount rate**

The discount rate used to measure the total pension liability was 7.40%. This single discount rate was based on the expected rate of return on pension plan investments of 7.40%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Pension Liability Sensitivity**

The following presents the Town's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
	6.40%	7.40%	8.40%
Town's proportionate share of the net pension liability	<u>\$ 1,045,816</u>	<u>\$ 774,710</u>	<u>\$ 547,572</u>

**Pension Plan Fiduciary Net Position**

Detailed information about the System's fiduciary net position is available in a separately-issued System financial report which may be requested by writing to the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, MD 21202 or by calling 410-625-5555.



**BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND**  
**Notes to the Financial Statements**  
**June 30, 2021**

**NOTE 12- PRIOR PERIOD ADJUSTMENTS**

During fiscal year 2021, it was determined certain grant receivables were not properly accrued in order to match grant revenue with related expenses, as well as determined that certain receivables were not properly reflected as of June 30, 2020 based on subsequent collections. Accordingly, the opening net position or fund balance has been restated and the overall effect is as follows;

	<b>General Fund</b>	<b>Governmental Activities</b>
Beginning of year - fund balance/net position	\$ 1,790,368	\$ 9,104,503
Restatement - prior year grant accrual	-	99,874
Restatement - prior year receivables	<u>(38,397)</u>	<u>(38,397)</u>
Beginning of year, restated - fund balance/net position	<u>\$ 1,751,971</u>	<u>\$ 9,165,980</u>

**NOTE 13- SUBSEQUENT EVENTS**

Subsequent events are defined as events or transactions that occur after the Statement of Net Position date through the date that the financial statements are available to be issued. As of August 1, 2023, the date the financial statements were available to be issued, the Town performed an evaluation and revealed no other material events or transactions which would require an adjustment or disclosure in the accompanying financial statements, except for the events noted below.

In August 2021, the Town received \$2,360,682 as the first payment from the American Rescue Plan Act. In August 2022, the Town received the second payment from the American Rescue Plan Act of \$2,362,445.

In September 2022, the Town renewed its existing copier lease for a 63 month commitment of \$38,232.

In March 2023, the Town renewed its information technology lease for 63 months for a total commitment of \$240,153.

## REQUIRED SUPPLEMENTARY INFORMATION

**BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget to Actual - General Fund**  
**For the Year Ended June 30, 2021**

	<u>Original Budget</u>	<u>Final Appropriated Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>				
<b>Local property taxes</b>				
Real estate, net of discounts	\$ 1,370,391	\$ 1,370,391	\$ 1,408,244	\$ 37,853
Tangible personal property	51,168	51,168	58,818	7,650
Penalties & interest	11,516	11,516	10,865	(651)
Total Revenues from Local Taxes	<u>1,433,075</u>	<u>1,433,075</u>	<u>1,477,927</u>	<u>44,852</u>
<b>Local income taxes</b>	<u>916,367</u>	<u>916,367</u>	<u>1,146,399</u>	<u>230,032</u>
<b>Other local taxes</b>	<u>6,250</u>	<u>6,250</u>	<u>24,344</u>	<u>18,094</u>
<b>Intergovernmental revenues</b>				
Tax equity program	657,252	657,252	657,252	-
Highway user revenues	208,278	208,278	231,567	23,289
State police grant	20,200	20,200	20,686	486
Bank shares grant	1,490	1,490	1,491	1
Miscellaneous grants	-	-	74,688	74,688
	<u>887,220</u>	<u>887,220</u>	<u>985,684</u>	<u>98,464</u>
<b>Licenses &amp; permits</b>				
Planning & zoning	3,700	3,700	3,700	-
Franchise (cable) taxes	53,479	53,479	49,920	(3,559)
Permit fees	-	-	52,640	52,640
Park pavilion fees	-	1,000	2,675	1,675
Business & traders licenses	11,400	11,400	8,076	(3,324)
Total Revenues from Licenses & Permits	<u>68,579</u>	<u>69,579</u>	<u>117,011</u>	<u>47,432</u>
<b>Miscellaneous</b>				
Farm lease	7,266	7,266	5,980	(1,286)
Interest income	-	-	377	377
Miscellaneous income	6,647	9,147	10,267	1,120
Improvement fees	-	-	28,000	28,000
Total revenues from miscellaneous	<u>13,913</u>	<u>16,413</u>	<u>44,624</u>	<u>\$ 28,211</u>
<b>Total Revenues</b>	<u>\$ 3,325,404</u>	<u>\$ 3,328,904</u>	<u>\$ 3,795,989</u>	<u>\$ 467,085</u>

**BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget to Actual - General Fund**  
**For the Year Ended June 30, 2021**

	<u>Original Budget</u>	<u>Final Appropriated Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Expenditures</b>				
<b>General government</b>				
<b>Legislative</b>				
Salaries and benefits	21,000	21,000	18,550	2,450
Other operating costs	<u>24,583</u>	<u>24,583</u>	<u>27,331</u>	<u>(2,748)</u>
Total legislative	<u>45,583</u>	<u>45,583</u>	<u>45,881</u>	<u>(298)</u>
<b>Executive</b>				
Salaries and benefits	<u>10,200</u>	<u>10,200</u>	<u>10,200</u>	<u>-</u>
Total executive	<u>10,200</u>	<u>10,200</u>	<u>10,200</u>	<u>-</u>
<b>Professional services</b>				
Other operating costs	<u>25,891</u>	<u>25,891</u>	<u>15,660</u>	<u>10,231</u>
Total professional fees	<u>25,891</u>	<u>25,891</u>	<u>15,660</u>	<u>10,231</u>
<b>Planning &amp; zoning</b>				
Salaries and benefits	69,185	69,185	51,332	17,853
Other operating costs	2,605	2,605	25,047	(22,442)
Capital outlay	<u>-</u>	<u>-</u>	<u>8,642</u>	<u>-</u>
Total planning & zoning	<u>71,790</u>	<u>71,790</u>	<u>85,021</u>	<u>(13,231)</u>
<b>General services</b>				
Salaries and benefits	285,536	285,536	221,451	64,085
Other operating costs	102,359	102,359	8,821	93,538
Capital outlay	<u>-</u>	<u>-</u>	<u>9,339</u>	<u>(9,339)</u>
Total general government	<u>387,895</u>	<u>387,895</u>	<u>239,611</u>	<u>148,284</u>
<b>Municipal Operations</b>				
Salaries and benefits	286,570	286,570	443,731	(157,161)
Other operating costs	<u>67,359</u>	<u>67,359</u>	<u>186,552</u>	<u>(119,193)</u>
Total municipal operations	<u>353,929</u>	<u>353,929</u>	<u>630,283</u>	<u>(276,354)</u>
Total General Government	<u>\$ 895,288</u>	<u>\$ 895,288</u>	<u>\$ 1,026,656</u>	<u>\$ (131,368)</u>

**BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget to Actual - General Fund**  
**For the Year Ended June 30, 2021**

	<u>Original Budget</u>	<u>Final Appropriated Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Expenditures (Continued)</b>				
<b>Public safety</b>				
Salaries and benefits	25,664	25,664	6,540	19,124
Other operating costs	400,794	400,794	378,881	21,913
Fire and rescue donations	20,000	20,000	20,000	-
<b>Total Public Safety</b>	<u>\$ 446,458</u>	<u>\$ 446,458</u>	<u>\$ 405,421</u>	<u>\$ 41,037</u>
<b>Public Works</b>				
Salaries and benefits	117,086	117,086	80,919	36,167
Other operating costs	788,487	788,487	747,190	41,297
Capital outlay	941,709	941,709	217,055	724,654
<b>Total sanitation &amp; waste removal</b>	<u>\$ 1,847,282</u>	<u>\$ 1,847,282</u>	<u>\$ 1,045,164</u>	<u>\$ 802,118</u>
<b>Parks, recreation &amp; culture</b>				
Salaries and benefits	28,253	28,253	46,265	(18,012)
Other operating costs	95,413	98,913	98,723	190
Capital outlay	224,326	224,326	221,130	3,196
<b>Total parks, recreation &amp; culture</b>	<u>\$ 347,992</u>	<u>\$ 351,492</u>	<u>\$ 366,118</u>	<u>\$ (14,626)</u>
<b>Main Street</b>				
Salaries and benefits	50,995	50,995	50,483	512
Other operating costs	10,000	10,000	10,745	(745)
<b>Total Main Street</b>	<u>\$ 60,995</u>	<u>\$ 60,995</u>	<u>\$ 61,228</u>	<u>\$ (233)</u>
<b>Miscellaneous</b>				
Salaries and benefits	312,538	312,538	197,680	114,858
Other operating costs	100,305	100,305	203,519	(103,214)
<b>Total miscellaneous</b>	<u>\$ 412,843</u>	<u>\$ 412,843</u>	<u>\$ 401,199</u>	<u>\$ 11,644</u>
<b>Debt Service</b>				
Principal payments	120,500	120,500	158,790	(38,290)
Interest payments	79,203	79,203	77,787	1,416
<b>Total debt service</b>	<u>\$ 199,703</u>	<u>\$ 199,703</u>	<u>\$ 236,577</u>	<u>\$ (36,874)</u>
<b>Total Expenditures</b>	<u>\$ 4,210,561</u>	<u>\$ 4,214,061</u>	<u>\$ 3,542,363</u>	<u>\$ 671,698</u>
<b>Budgeted Use of Fund Balance</b>	<u>\$ 1,166,035</u>	<u>\$ 1,166,035</u>	<u>\$ -</u>	<u>\$ 1,166,035</u>
<b>Excess of Revenues over Expenditures</b>	<u>\$ 280,878</u>	<u>\$ 280,878</u>	<u>\$ 253,626</u>	<u>\$ (204,613)</u>

**BURGESS AND COMMISSIONERS OF MIDDLETOWN , MARYLAND**  
**Required Supplementary Information**  
**Schedule of the Town's Contributions -**  
**Maryland State Retirement and Pension Systems**

<b>As of June 30:</b>	<b><u>2021</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Town's proportion of the net pension liability*	0.0034%	0.0034%	0.0031%	0.0030%	0.0027%	0.0028%	0.0023%
Town's proportionate share of the net pension liability*	\$ 774,710	\$ 704,509	\$ 643,194	\$ 639,824	\$ 637,015	\$ 586,272	\$ 402,331
Town's covered-employee payroll	\$ 976,446	\$ 888,658	\$ 888,986	\$ 821,164	\$ 853,025	\$ 708,846	\$ 689,798
Town's proportionate share of the net pension liability as a percentage of covered-employee payroll	79.34%	79.28%	72.35%	77.92%	74.68%	82.71%	58.33%
Plan fiduciary net position as a percentage of the total pension liability	70.72%	72.34%	71.18%	69.38%	65.79%	68.78%	71.87%

\* - Amounts were determined as of the end of the previous period

**BURGESS AND COMMISSIONERS OF MIDDLETOWN , MARYLAND**  
**Required Supplementary Information**  
**Schedule of the Town's Contributions -**  
**Maryland State Retirement and Pension Systems**

Year ended June 30	<u>Contractually Required Contribution</u>	<u>Actual Employer Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Town's Covered Employee Payroll</u>	<u>Contributions as a % of Covered Employee Payroll</u>
2021	\$ 86,398	\$ 86,398	\$ -	\$ 976,446	8.85%
2020	73,492	73,492	-	888,658	8.27%
2019	70,141	70,141	-	888,986	7.89%
2018	61,177	61,177	-	821,164	7.45%
2017	60,223	60,223	-	853,025	7.06%
2016	52,596	52,596	-	708,846	7.42%
2015	59,461	59,461	-	689,798	8.62%



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**Burgess and Commissioners of Middletown, Maryland**

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, and each major fund, of the Burgess and Commissioners of Middletown, Maryland, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Burgess and Commissioners of Middletown, Maryland's basic financial statements, and have issued our report thereon dated August 1, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Burgess and Commissioners of Middletown, Maryland's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Burgess and Commissioners of Middletown, Maryland's internal control. Accordingly, we do not express an opinion on the effectiveness of the Burgess and Commissioners of Middletown, Maryland's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as Finding 2021-001 and Finding 2021-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Finding 2021-003 to be a significant deficiency.



**Burgess and Commissioners of Middletown, Maryland  
Independent Auditors' Report  
Page 2**

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Burgess and Commissioners of Middletown, Maryland's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as Finding 2021-004.

**Burgess and Commissioners of Middletown, Maryland's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Burgess and Commissioners of Middletown, Maryland's response to the findings identified in our audit and described in the accompanying schedule of findings and responses Burgess and Commissioners of Middletown, Maryland's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**Purpose of this Report**

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

*DeLeon & Stang,*

**DeLeon and Stang, CPAs and Advisors  
Frederick, Maryland  
August 1, 2023**

**Burgess and Commissioners of Middletown, Maryland**  
**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2021**

**Financial Statement Findings**

**Material Weaknesses in Internal Controls:**

**Finding 2021-001 – Internal Controls over Financial Reporting**

**Criteria:** The Town is responsible for ensuring that their books and records are reconciled on a frequent basis to prevent any material misstatements. In addition, accurate financial statements are necessary to allow for proper oversight and monitoring of the Town's finances.

**Condition:** During fiscal year 2021, internal financial statements did appear to be generated and shared on an infrequent basis with governance, however the accuracy of those internal statements was questionable, due to the number of year-end adjustments that needed to occur to bring the financial records to an acceptable state in accordance with GAAP as noted below.

In preparation for the audit, the newly hired Financial Officer made fourteen adjustments for a total decrease in government wide net position of \$192,018. Two of the adjustments were prior period misstatements for an overall increase to beginning of year net position of \$61,477.

As a result of our audit procedures, we additionally identified thirteen audit adjustments for a total decrease in government wide net position of \$1,025,640. Included in this overall decrease was two adjustments to record depreciation of \$1,093,783.

In addition as noted below in Finding 2021-002, the bank reconciliations were not performed for the entire fiscal year. Also, the fiscal year 2020 audit was delinquent and resulted in several material adjustments, which would not have been reflected in the internal financial statements shared.

**Cause:** It appeared that the books and records of the Town were maintained primarily on a cash basis and the previous management team relied on the external auditor to record year-end accruals and adjustments.

**Effect:** The overall financial effect is noted above. In addition, the Burgess and Commissioners were not provided accurate financial statements to fulfill their overall responsibility of financial oversight and monitoring.

**Recommendation:** We recommend the Town implement a monthly or at least quarterly financial close and reporting process to ensure the financial statements are fairly presented and present the accurate financial position of the Town.

**Response:** Please note, Town Staff are addressing findings for the FY2021 Financial Statements, in July 2023. Former Administrative Staff were delinquent in completing the FY2020, FY2021, and FY2022 Financial Statements, and submitting those audit reports to the Maryland Department of Legislative Services. In FY2023, the Burgess & Commissioners

**Burgess and Commissioners of Middletown, Maryland  
Schedule of Findings and Responses  
For the Year Ended June 30, 2021**

hired new Administrative Staff and the delinquent statements are scheduled for completion and submittal, by October 2023.

The Burgess & Commissioners and Administrative Staff will continue to oversee the accounting processes and recommend written procedures to be adopted by the Town, to mitigate excessive year-end adjustments, and provide more accurate financial data to the elected officials and citizens. Moving forward, Administrative Staff will maintain financial data on a modified accrual basis. After the delinquent audits have been completed and submitted, Administrative Staff will develop a monthly "Financial Officer's Report" -- with budget-to-actual and cash flow analysis data -- for review by the Burgess & Commissioners at a regularly-scheduled public meeting.

**Finding 2021-002 – Internal Controls over Bank Reconciliations**

**Criteria:** To ensure proper segregation of duties and internal controls over cash transactions, bank reconciliations should be performed on a monthly basis. The Town's documented processes do not specifically address the frequency for which reconciliations are to be performed, however it is our understanding that the Town's practice was for the bank account reconciliations to be performed monthly.

**Condition:** During fiscal year 2021, the bank account reconciliations were not performed on a monthly basis. The bank account reconciliations for all accounts were caught up and completed by the newly hired Financial Officer in November 2022.

**Cause:** Due to the transition in management subsequent to year-end, the cause is unknown.

**Effect:** Bank account reconciliations should be prepared to ensure that all cash transactions have been properly recorded and to discover any errors on a timely basis. Without completing and reviewing the bank account reconciliations timely, there is a greater risk that errors may not be detected and corrected.

**Recommendation:** We recommend the bank account reconciliations be performed on a timely basis after month-end and the reconciliations be reviewed by another individual who was not involved in the preparation process.

**Response:** Please note, Town Staff are addressing findings for the FY2021 Financial Statements, in July 2023. Former Administrative Staff were delinquent in completing the FY2020, FY2021, and FY2022 Financial Statements, and submitting those audit reports to the Maryland Department of Legislative Services. In FY2023, the Burgess & Commissioners hired new Administrative Staff and the delinquent statements are scheduled for completion and submittal, by October 2023.

The Burgess & Commissioners and Administrative Staff will continue to oversee the accounting processes and recommend written procedures to be adopted by the Town, to ensure all cash transactions have been properly recorded and are free of errors. Moving forward, after completion and submittal of delinquent audits, Administrative Staff will perform bank account reconciliations, monthly.

**Burgess and Commissioners of Middletown, Maryland  
Schedule of Findings and Responses  
For the Year Ended June 30, 2021**

**Financial Statement Findings**

**Significant Deficiency in Internal Controls**

**Finding 2021-003 – Internal Controls over Grant Reporting**

**Criteria:** Management is responsible for implementing an effective control environment and ensuring that transactions are properly recorded in the Town's accounting records in the proper period.

**Condition:** In January 2020, the Town received two Program Open Space (POS) grant awards; one for the Remsberg Park Walking Trail project and the other for the Remsberg Park Bathroom project. The costs for the related projects were incurred in May and June 2020 and the projects were completed.

It was realized by the new Financial Officer in preparation of the fiscal year 2021 audit in April 2023, that the request for reimbursements from POS were not made for either project. The Town contacted POS and were told they can or may seek reimbursement for up to 7 years of approved grant award expenditures. The requests were submitted in May 2023 for reimbursement.

**Cause:** Due to the turnover in both the Town Administrator and Financial Officer positions subsequent to year end, the cause is unknown. It appears there was a lack of communication amongst employees responsible for overall project management and inadequate tracking of grant awards, requests for reimbursement and related expenditures.

**Effect:** Grant revenues were under-reported for governmental activities in fiscal year 2020 by \$99,874, the amount eligible for reimbursement for both awards. This resulted in a prior period adjustment of \$99,874 for governmental activities in fiscal year 2021, as well as recognition of a deferred inflow on the General Fund as of June 30, 2021.

**Recommendation:** We recommend internal controls be implemented to ensure the Town is tracking its grant awards and requests for reimbursements are made timely to allow for transactions to be recorded in the proper period.

**Response:** Please note, Town Staff are addressing findings for the FY2021 Financial Statements, in July 2023. Former Administrative Staff were delinquent in completing the FY2020, FY2021, and FY2022 Financial Statements, and submitting those audit reports to the Maryland Department of Legislative Services. In FY2023, the Burgess & Commissioners hired new Administrative Staff and the delinquent statements are scheduled for completion and submittal, by October 2023.

The Burgess & Commissioners and Administrative Staff will continue to oversee the accounting processes and recommend written procedures to be adopted by the Town, to ensure that necessary communication between departments and staff is occurring and grant awards are properly managed. Moving forward, Administrative Staff will ensure timely communication between Finance, Public Works, and Utilities, regarding grant awards, all stages of project development and construction, project completion, and grant reimbursement / allocation of cost.

**Burgess and Commissioners of Middletown, Maryland  
Schedule of Findings and Responses  
For the Year Ended June 30, 2021**

**Compliance Findings**

**Finding 2021-004 – Late Filing of Audit Report**

**Criteria:** The Local Government Article, Section 16-306 of the Annotated Code of Maryland generally requires audit reports to be filed on or before October 31 after the close of the fiscal year, unless an extension is granted.

**Condition:** The Town's fiscal year 2021 audit report was not filed by October 31, 2021 and an extension was not requested or granted.

**Cause:** The Town was not able to prepare accurate financial records for audit within the required time. The fiscal year 2020 audit report was approved on March 22, 2023.

**Effect:** The Town is not in compliance with State law and the failure of a local government to file an audit report, or a delay in filing, results in the lack of timely accountability to its citizens.

**Recommendation:** The Town should ensure that financial records are available for audit timely after year end so the audit may be completed and filed with the State within the required time.

**Response:** Please note, Town Staff are addressing findings for the FY2021 Financial Statements, in July 2023. Former Administrative Staff were delinquent in completing the FY2020, FY2021, and FY2022 Financial Statements, and submitting those audit reports to the Maryland Department of Legislative Services. In FY2023, the Burgess & Commissioners hired new Administrative Staff and the delinquent statements are scheduled for completion and submittal, by October 2023.

The Burgess & Commissioners and Administrative Staff will continue to oversee the accounting processes and recommend written procedures to be adopted by the Town, to ensure the Town complies with Local Government Article 16-306 of the MD Annotated Code, requiring municipalities to file audit reports with the Department of Legislative Services, before October 31st. Moving forward, Town Administration will begin working with the auditing accountant, immediately following the close of the fiscal year, to complete year-end adjustments / reporting and facilitate the financial statement audit and all necessary compliance requirements.