



Middletown

BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND

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

For the Year Ended June 30, 2022

BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND
For the Year Ended June 30, 2022

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INDEPENDENT AUDITORS' REPORT

The Burgess and Commissioners Middletown, Maryland

Report on the Financial Statements

Opinions

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, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Burgess and Commissioners of Middletown, Maryland's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund, of the Burgess and Commissioners of Middletown, Maryland, as of June 30, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Burgess and Commissioners of Middletown, Maryland and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter—Implementation of Standard

We draw attention to Note 2 and Note 4 of the financial statements, which describe the Town's implementation of the Governmental Accounting Standards Board Statement No. 87, *Leases* (GASB 87). The result of implementation recognized a lease receivable and deferred inflow to record expected future lease payments of \$284,728 across the primary government. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND
Independent Auditors' Report
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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Burgess and Commissioners of Middletown, Maryland's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension schedules on pages 4 - 10 and 41 - 45 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 sufficient evidence 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 January 30, 2024 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
January 30, 2024

**The Burgess and Commissioners of Middletown, Maryland
Management's Discussion and Analysis
For the Year Ended June 30, 2022**

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, 2022. 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 \$21,944,959 (net position) as of June 30, 2022.
- Total net position is comprised of the following:
 - (1) Invested in capital assets of \$20,669,156 which includes property and equipment net of accumulated depreciation (\$26,471,504) and net of outstanding debt (\$5,802,348) 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 \$1,275,803 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 \$346,746 this fiscal year. This compares to the prior year ending unrestricted net position of \$1,608,798 reflecting a decrease of (\$1,262,050).
- The Town's business-type activity (Water & Sewer) reported total ending unrestricted net position of \$929,057 compared to (\$69,061) reported for the prior fiscal year, an increase of \$998,118 .

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, 2022**

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

**The Burgess and Commissioners of Middletown, Maryland
Management's Discussion and Analysis
For the Year Ended June 30, 2022**

government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

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 the fiscal year-end is \$21,944,959. This is a \$2,014,813 increase over last year's net assets of \$19,930,146. The following table provides a summary of the Town's net position at June 30, 2022, and 2021:

**Table 1
Town of Middletown**

For years ended June 30,	Governmental Activities		Business-Type Activities		Total		Change
	2022	2021	2022	2021	2022	2021	
Assets							
Current Assets	\$ 1,417,003	\$ 2,306,214	\$ 1,839,629	\$ 470,693	\$ 3,256,632	\$ 2,776,907	\$ 479,725
Capital Assets	11,662,108	9,860,967	14,548,984	14,596,383	26,211,092	24,457,350	1,753,742
Leased Receivable	-	-	260,412	-	260,412	-	260,412
Total Assets	<u>13,079,111</u>	<u>12,167,181</u>	<u>16,649,025</u>	<u>15,067,076</u>	<u>29,728,136</u>	<u>27,234,257</u>	<u>2,493,879</u>
Deferred outflows of resources	<u>264,712</u>	<u>137,959</u>	<u>125,618</u>	<u>64,116</u>	<u>390,330</u>	<u>202,075</u>	<u>188,255</u>
Total Assets and Deferred outflows of resources	<u>13,343,823</u>	<u>12,305,140</u>	<u>16,774,643</u>	<u>15,131,192</u>	<u>30,118,466</u>	<u>27,436,332</u>	<u>2,682,134</u>
Liabilities							
Current & other liabilities	697,005	442,401	394,077	475,353	1,091,082	917,754	173,328
Net pension liability	396,055	521,612	192,175	253,098	588,230	774,710	(186,480)
Long-term liabilities	1,801,571	1,920,298	3,706,178	3,846,495	5,507,749	5,766,793	(259,044)
Total Liabilities	<u>2,894,631</u>	<u>2,884,311</u>	<u>4,292,430</u>	<u>4,574,946</u>	<u>7,187,061</u>	<u>7,459,257</u>	<u>(272,196)</u>
Deferred inflows of resources	<u>395,508</u>	<u>34,006</u>	<u>590,938</u>	<u>12,919</u>	<u>986,446</u>	<u>46,925</u>	<u>939,521</u>
Total Liabilities and Deferred inflows of resources	<u>3,290,139</u>	<u>2,918,317</u>	<u>4,883,368</u>	<u>4,587,865</u>	<u>8,173,507</u>	<u>7,506,182</u>	<u>667,325</u>
Net Position							
Invested in capital assets, net of related debt	9,706,938	7,778,027	10,962,218	10,612,388	20,669,156	18,390,415	2,278,741
Unrestricted	346,746	1,608,793	929,057	(69,062)	1,275,803	1,539,731	(263,928)
Total Net Position	<u>\$ 10,053,684</u>	<u>\$ 9,386,820</u>	<u>\$ 11,891,275</u>	<u>\$ 10,543,326</u>	<u>\$ 21,944,959</u>	<u>\$ 19,930,146</u>	<u>\$ 2,014,813</u>

**The Burgess and Commissioners of Middletown, Maryland
Management's Discussion and Analysis
For the Year Ended June 30, 2022**

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.

Budget to Actual Comparison – General Fund

As presented in the required supplementary information section of the financial statements, for the year ending June 30, 2022, the total budgeted revenues for the General Fund were \$5,019,603 and actual revenues were \$4,781,539, for variance of (\$236,064). This variance is mostly the result of grant revenues coming in lower than anticipated. We expected to spend \$1,107,000 of the ARPA funds received on general fund projects but only spent \$859,860 for a difference of \$247,140.

The total budgeted expenditure for the General Fund was \$6,862,508 and the actual expenditures were \$6,152,349 for a variance of \$710,159. The majority of this variance is due to the capital outlay associated with the streets reconstruction projects that were delayed because supplies and materials needed to complete the project were not readily available.

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, 2022, the Town's unassigned governmental fund balance decreased by \$1,338,377 to a balance of \$586,287. 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, 2022, reported a balance of \$929,057, an increase of \$998,118 over prior year.

Governmental Activities

Table 2 shows the Town's revenue and expenses of the governmental and business-type activities for the years ended June 30, 2022 and 2021. As shown, governmental activities increased the Town's net position by \$666,864 representing 33% 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 \$220,843, or 53%. The Town's revenues from governmental activities totaled \$4,781,539, for the fiscal year ended June 30, 2022.

**The Burgess and Commissioners of Middletown, Maryland
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Revenue from taxes represented 75% of total revenue. The major sources of revenue for the Town were real estate and personal property taxes of \$1,512,296, state income and highway user taxes of \$1,410,541 and county taxes of \$669,781.

The Town's expenditures from governmental activities totaled \$4,114,675 for the fiscal year ended June 30, 2022. Expenditures of general government comprised the largest portion of total expenditures from governmental activities and totaled \$1,315,294 or 32% and public works is the second largest expense at \$1,076,372 or 26%.

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 \$1,347,948 for the fiscal year ended June 30, 2022. The major source of revenue is utility service charges, including connection and capital improvement fees, for water and sewer which was \$1,899,413 representing 59% of total revenues. During FY22 the Town also received funds from the American Rescue Plan Act (ARPA) and put those to capital projects for a total of \$1,114,585 or 35% of total revenue.

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

Fiscal years ended June 30,	Governmental Activities		Business-Type Activities		Total		Change
	2022	2021	2022	2021	2022	2021	
Revenues							
General revenues							
Property taxes	\$ 1,512,296	\$ 1,474,924	\$ -	\$ -	\$ 1,512,296	\$ 1,474,924	\$ 37,372
Income taxes	1,159,013	1,146,399	-	-	1,159,013	1,146,399	12,614
County taxes	669,781	657,252	-	-	669,781	657,252	12,529
Other income	73,838	40,591	201,721	209,245	275,559	249,836	25,723
Interest income	1,111	377	755	1,679	1,866	2,056	(190)
Program revenues							
General government	978,271	125,824	-	-	978,271	125,824	852,447
Public services	357,028	259,567	-	-	357,028	259,567	97,461
Public safety	25,689	20,686	-	-	25,689	20,686	5,003
Parks & recreation	4,512	2,675	-	-	4,512	2,675	1,837
Water & sewer	-	-	1,899,413	1,750,370	-	-	-
Capital Grant	-	-	1,114,585	-	1,114,585	-	1,114,585
Total Revenues	4,781,539	3,728,295	3,216,474	1,961,294	6,098,600	3,939,219	2,159,381
Expenditures							
General government	1,619,877	1,447,346	-	-	1,619,877	1,447,346	172,531
Public safety	485,107	405,421	-	-	485,107	405,421	79,686
Parks & recreation	599,133	206,216	-	-	599,133	206,216	392,917
Public services	768,681	828,112	-	-	768,681	828,112	(59,431)
Depreciation & amortization	569,333	545,118	598,928	548,665	1,168,261	1,093,783	74,478
Interest expense	72,544	75,242	147,162	136,441	219,706	211,683	8,023
Water & sewer utilities	-	-	1,122,435	1,076,761	1,122,435	1,076,761	45,674
Total Expenditures	4,114,675	3,507,455	1,868,525	1,761,867	5,983,200	5,269,322	713,878
Net Position							
Change in net position	666,864	220,840	1,347,949	199,427	2,014,813	420,267	1,594,546
Beginning net position	9,386,820	9,165,980	10,543,326	10,343,899	19,930,146	19,509,879	420,267
Total Net Position	\$ 10,053,684	\$ 9,386,820	\$ 11,891,275	\$ 10,543,326	\$ 21,944,959	\$ 19,930,146	\$ 2,014,813

**The Burgess and Commissioners of Middletown, Maryland
Management's Discussion and Analysis
For the Year Ended June 30, 2022**

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, 2022, was \$26,471,504, 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 4 of the financial statements.

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

- Reservoir Improvements - \$3,590,233
- Manda Drive Mill & Overlay - \$90,210
- Franklin/Broad Street Waterline - \$153,203
- CIP -Broad Street Reconstruction - \$2,038,875
- CIP – Booster Station Upgrade - \$449,642

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, 2022 and 2021 was \$26,471,504 and \$24,457,350, respectively. Combined capital assets, net of accumulated depreciation for both the governmental and business type activities increased by 8% from the prior year.

Table 3

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

	Governmental Activities		Business-Type Activities		Total		Change
	2022	2021	2022	2021	2022	2021	
Non-Depreciable Assets							
Land	\$ 3,837,515	\$ 3,837,515	\$ 403,196	\$ 403,196	\$ 4,240,711	\$ 4,240,711	\$ -
Construction in progress	2,218,863	214,374	599,084	3,649,722	2,817,947	3,864,096	(1,046,149)
Total Non-Depreciable Assets	6,056,378	4,051,889	1,002,280	4,052,918	7,058,658	8,104,807	(1,046,149)
Depreciable Assets							
Buildings	603,693	654,577	3,950	4,740	607,643	659,317	(51,674)
Machinery & equipment	308,581	270,301	15,461	20,980	324,042	291,281	32,761
Parks & recreation	665,310	637,392	-	-	665,310	637,392	27,918
Vehicles	147,528	182,951	34,763	41,271	182,291	224,222	(41,931)
Streets	3,852,193	4,063,857	-	-	3,852,193	4,063,857	(211,664)
Right-to-use asset - leased equipment	28,425	-	-	-	28,425	-	28,425
Sewer collection	-	-	3,186,038	3,290,054	3,186,038	3,290,054	(104,016)
Water distribution	-	-	10,307,699	6,925,316	10,307,699	6,925,316	3,382,383
Water meters	-	-	251,892	253,345	251,892	253,345	(1,453)
Springs	-	-	7,313	7,759	7,313	7,759	(446)
Total Depreciable Assets	5,605,730	5,809,078	13,807,116	10,543,465	19,412,846	16,352,543	2,999,624
Total Net Position	\$ 11,662,108	\$ 9,860,967	\$ 14,809,396	\$ 14,596,383	\$ 26,471,504	\$ 24,457,350	\$ 1,953,475

**The Burgess and Commissioners of Middletown, Maryland
Management’s Discussion and Analysis
For the Year Ended June 30, 2022**

Long-term Debt

As disclosed in the following table, total outstanding debt, excluding the line of credit, was \$5,802,348 representing repayments of \$307,224 during the fiscal year ended June 30, 2022. 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 8 to the financial statements for more detailed information.

**Table 4
Town of Middletown's
Long-Term Debt**

	Governmental Activities		Business-Type Activities		Total		Change
	2022	2021	2022	2021	2022	2021	
Infrastructure bonds-street expansion	\$ 66,500	\$ 81,500	\$ -	\$ -	\$ 66,500	\$ 81,500	\$ (15,000)
Infrastructure bonds-street improvements	1,814,000	1,923,500	-	-	1,814,000	1,923,500	(109,500)
Capital lease equipment	48,273	49,539	-	-	48,273	49,539	(1,266)
Infrastructure bonds-water distribution	-	-	32,000	63,000	32,000	63,000	-
Infrastructure bonds-water distribution	-	-	3,831,000	3,937,500	3,831,000	3,937,500	(106,500)
Net unamortized bond premiums & discounts	26,397	28,401	(15,822)	(16,505)	10,575	11,896	(1,321)
Total Long-Term Debt	\$ 1,955,170	\$ 2,082,940	\$ 3,847,178	\$ 3,983,995	\$ 5,802,348	\$ 6,066,935	\$ (233,587)

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. COVID continues to have a major impact on the Town with supply chain issues, staff turnover and employee retention being the major factors in developing the budget for fiscal year 2023.

The General Fund operating expenditures budget for FY23 is \$3,764,899, an increase of 7.6% over the prior year. This difference includes an increase in salaries based on an independent salary study to help retain current employees and hire new staff to fill vacancies. The increase in expenditures was managed without having to increase taxes, utility rates, or fees. With inflation and operational costs steadily increasing, the Town will continue to explore opportunities for new revenue sources, such as grant opportunities and existing municipal services not previously costed and levied, to help offset expenditures and maintain the same levels of service to residents. The Town will also audit our internal processes to identify process errors and potential efficiencies, to better capture costs and increase revenues, without tax, rate, or fee increases for residents.

**The Burgess and Commissioners of Middletown, Maryland
Management's Discussion and Analysis
For the Year Ended June 30, 2022**

The Town will also seek further State and Federal financial support to sustain essential services and capital projects. Tax revenues from real and personal property, as well as state and county shared taxes, will remain the primary source of revenue for the Town's general fund. User fees will remain the primary source of revenue for the Water & Sewer Fund.

The Burgess & Commissioners will continue to work in cooperation with staff and the residents to make the best financial decisions possible for the betterment of the Town and the citizens of Middletown.

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, 2022

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets			
Cash and cash equivalents	\$ 1,124,551	\$ 1,003,976	\$ 2,128,527
Receivables			
Due from customers	-	528,830	528,830
Taxes receivable	509	-	509
Due from other governments	233,142	-	233,142
Due from others	-	15,796	15,796
Lease receivable - current	-	5,781	5,781
Internal balances	(5,797)	5,797	-
Prepaid expenses	64,598	19,037	83,635
Capital assets			
Capital assets, net of accumulated depreciation	9,443,245	14,210,312	23,653,557
Construction in progress	2,218,863	599,084	2,817,947
Capital assets, net	11,662,108	14,809,396	26,471,504
Lease receivable - noncurrent	-	260,412	260,412
Total Assets	13,079,111	16,649,025	29,728,136
Deferred Outflows of Resources			
Deferred outflows of resources related to pension	264,712	125,618	390,330
Total Assets and Deferred Outflows of Resources	13,343,823	16,774,643	30,118,466
Liabilities			
Accounts payable	\$ 441,955	\$ 177,636	\$ 619,591
Accrued operating expenses	46,267	71,313	117,580
Accrued compensated absences	55,184	-	55,184
Other accrued liabilities	-	4,128	4,128
Current maturities of long-term debt	153,599	141,000	294,599
Net pension liability	396,055	192,175	588,230
Long-term debt	1,801,571	3,706,178	5,507,749
Total Liabilities	2,894,631	4,292,430	7,187,061
Deferred Inflows of Resources			
Deferred inflows of resources	395,508	590,938	986,446
Total Liabilities and Deferred Inflows of Resources	3,290,139	4,883,368	8,173,507
Net Position			
invested in capital assets - net of related debt	10,014,136	11,222,630	21,236,766
Unrestricted	39,548	668,645	708,193
Total Net Position	\$ 10,053,684	\$ 11,891,275	\$ 21,944,959

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, 2022

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
Primary government							
Governmental activities							
General government	\$ (1,315,294)	\$ 98,347	\$ 494,772	\$ 385,152	\$ (337,023)	\$ -	\$ (337,023)
Public works	(1,076,372)	105,500	251,528	-	(719,344)	-	(719,344)
Public safety	(485,107)	-	25,689	-	(459,418)	-	(459,418)
Parks & recreation	(232,081)	2,900	-	1,612	(227,569)	-	(227,569)
Economic development	(455,202)	-	-	-	(455,202)	-	(455,202)
Miscellaneous	(478,075)	-	-	-	(478,075)	-	(478,075)
Interest expense	(72,544)	-	-	-	(72,544)	-	(72,544)
Total governmental activities	<u>(4,114,675)</u>	<u>206,747</u>	<u>771,989</u>	<u>386,764</u>	<u>(2,749,175)</u>	<u>-</u>	<u>(2,749,175)</u>
Business-type activities							
Water and sewer services	<u>(1,868,525)</u>	<u>1,899,413</u>	<u>-</u>	<u>1,114,585</u>	<u>-</u>	<u>1,145,473</u>	<u>1,145,473</u>
Total business-type activities	<u>(1,868,525)</u>	<u>1,899,413</u>	<u>-</u>	<u>1,114,585</u>	<u>-</u>	<u>1,145,473</u>	<u>1,145,473</u>
Total primary government	<u>\$ (5,983,200)</u>	<u>\$ 2,106,160</u>	<u>\$ 771,989</u>	<u>\$ 1,501,349</u>	(2,749,175)	1,145,473	(1,603,702)
General Revenues							
Taxes							
Property					1,512,296	-	1,512,296
Income					1,159,013	-	1,159,013
County shared					669,781	-	669,781
Other local taxes					33,669	-	33,669
Rental income					5,408	201,594	207,002
Other income					34,761	127	34,888
Interest income					1,111	755	1,866
Total general revenues					<u>3,416,039</u>	<u>202,476</u>	<u>3,618,515</u>
Change in net position					666,864	1,347,949	2,014,813
Net position - beginning of year					<u>9,386,820</u>	<u>10,543,326</u>	<u>19,930,146</u>
Net position - end of year					<u>\$ 10,053,684</u>	<u>\$ 11,891,275</u>	<u>\$ 21,944,959</u>

The accompanying notes are an integral part of this statement.

BURGESS AND COMMISSIONERS OF MIDDLETOWN , MARYLAND
Balance Sheet
Governmental Fund
June 30, 2022

Assets

Cash and cash equivalents	\$	1,124,551
Taxes receivable		509
Due from other governments		233,142
Prepaid expenses		64,598
		64,598

Total Assets \$ 1,422,800

**Liabilities, Deferred Inflows of Resources,
and Fund Balances**

Liabilities

Accounts payable		441,955
Accrued operating expenses		29,553
Due to proprietary fund		5,797
		5,797
Total Liabilities		477,305

Deferred Inflows of Resources

Unavailable revenue - intergovernmental		268,078
		268,078

Total Liabilities and Deferred Inflows of Resources 745,383

Fund Balances

Nonspendable:		
Prepaid expenses		64,598
Assigned to:		
Community events		26,532
Unassigned		586,287
		586,287
Total Fund Balances		677,417

**Total Liabilities, Deferred Inflows of Resources,
and Fund Balances** \$ 1,422,800

BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Fund
For the Year Ended June 30, 2022

	General	Total Governmental Fund
Revenues		
Local property taxes	\$ 1,512,296	\$ 1,512,296
Local income taxes	1,159,013	1,159,013
Other local taxes	33,669	33,669
Intergovernmental revenues	1,828,534	1,828,534
Licenses & permits	101,247	101,247
Improvement fees	105,500	105,500
Interest income	1,111	1,111
Rental income	5,408	5,408
Other revenue	<u>34,761</u>	<u>34,761</u>
Total Revenues	<u>4,781,539</u>	<u>4,781,539</u>
Expenditures		
General government	1,253,883	1,253,883
Public works	3,031,549	3,031,549
Public safety	485,107	485,107
Parks & recreation	187,939	187,939
Economic development	460,920	460,920
Miscellaneous	489,081	489,081
Debt service	<u>243,877</u>	<u>243,877</u>
Total Expenditures	<u>6,152,356</u>	<u>6,152,356</u>
Deficiency of Revenues under Expenditures	(1,370,817)	(1,370,817)
Other Financing Sources		
Proceeds from new debt	<u>42,637</u>	<u>42,637</u>
Total other financing sources	<u>42,637</u>	<u>42,637</u>
Deficiency of Revenues and Other Financing Sources over Expenditures	<u>(1,328,180)</u>	
Fund Balance - July 1, 2021	<u>2,005,597</u>	
Fund Balance - June 30, 2022	<u>\$ 677,417</u>	
Adjustments for the Statement of Activities		
Capital outlay		2,418,476
Depreciation and amortization expense		(569,333)
Compensated absences		6,199
Debt service expenditures		168,403
Change in interest accrual		919
Debt proceeds		(42,637)
Loss on disposal of capital asset		(48,006)
Amortization of bond premium		2,004
Net pension adjustment		<u>59,019</u>
Change in Net Position of Governmental Activities		<u>\$ 666,864</u>

The accompanying notes are an integral part of this statement.
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BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND
Reconciliation of Fund Balance to Net Position of Governmental Activities
June 30, 2022

Fund balances - governmental funds	\$	677,417
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.		11,662,108
.		
Accrued interest payable does not require the use of current resources and therefore are not reported as a liability in the governmental fund.		(16,714)
Long-term liabilities are not due and payable in the upcoming year and therefore are not reported in the governmental fund.		
Compensated absences		(55,184)
Net pension liability		(396,055)
Long-term debt obligations		(1,955,170)
Unamortized deferred outflows of resources - pensions		264,712
Unamortized deferred inflows of resources - pensions		(227,304)
Deferred inflows of resources - unavailable grant revenue		<u>99,874</u>
Net position - governmental activities	\$	<u><u>10,053,684</u></u>

BURGESS AND COMMISSIONERS OF MIDDLETOWN , MARYLAND
Statement of Net Position
Proprietary Fund - Water and Sewer
June 30, 2022

Assets

Current Assets

Cash and cash equivalents	\$ 1,003,976
Due from customers	528,830
Due from others	15,796
Lease receivable - current	5,781
Due from general fund	5,797
Prepaid expenses	<u>19,037</u>
Total Current Assets	<u>1,579,217</u>

Non Current Assets

Capital Assets

Capital assets - net of accumulated depreciation	14,210,312
Construction in progress	<u>599,084</u>
Total capital assets, net	<u>14,809,396</u>

Lease receivable - noncurrent	<u>260,412</u>
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Total Noncurrent Assets	<u>15,069,808</u>
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Deferred Outflows of Resources

Deferred outflows of resources related to pension	<u>125,618</u>
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Total Assets and Deferred Outflows of Resources

16,774,643

Liabilities

Current Liabilities

Accounts payable	177,636
Accrued operating expenses	71,313
Other accrued liabilities	4,128
Overdraft	
Current maturities of long-term debt	<u>141,000</u>
Total Current Liabilities	<u>394,077</u>

Noncurrent Liabilities

Net pension liability	192,175
Long-term debt - net of current maturities	<u>3,706,178</u>
Total Noncurrent Liabilities	<u>3,898,353</u>

Total Liabilities	4,292,430
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Deferred Inflows of Resources

Deferred inflows of resources	<u>590,938</u>
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Total Liabilities and Deferred Inflows of Resources

4,883,368

Net Position

Invested in capital assets - net of related debt	11,222,630
Unrestricted	<u>668,645</u>

Total Net Position	<u><u>\$ 11,891,275</u></u>
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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, 2022

Operating Revenues

Charges for services	
Water fees	\$ 655,752
Sewer fees	642,011
Rental income	<u>201,594</u>
Total Operating Revenues	<u>1,499,357</u>

Operating Expenses

Salaries	302,117
Sewer system expenses	392,885
Depreciation and amortization	598,928
Water system expenses	182,869
Vehicles and equipment	45,048
Administrative	<u>199,516</u>
Total Operating Expenses	<u>1,721,363</u>

Operating loss (222,006)

Nonoperating Income (Expenses)

Connection fees	\$ 270,000
Capital improvement fees	331,650
Intergovernmental revenues - capital grants	1,114,585
Interest income	755
Other non-operating revenues	127
Interest expense	<u>(147,162)</u>
	<u>1,569,955</u>

Change in Net Position 1,347,949

Net Position, beginning of year 10,543,326

Net Position, end of year \$ 11,891,275

BURGESS AND COMMISSIONERS OF MIDDLETOWN , MARYLAND
Statement of Cash Flows
Proprietary Fund - Water and Sewer
For the Year Ended June 30, 2022

Cash flows from operating activities	
Cash received from charges for services	\$ 1,408,121
Cash payments for goods & services	(786,407)
Cash payments to employees for services	<u>(110,113)</u>
Net cash provided by operating activities	<u>511,601</u>
 Cash flows from capital and related financing activities	
Purchases of property & equipment and current year construction costs	(869,358)
Cash received from other governments - capital grants	1,114,585
Principal paid on long-term debt	(137,500)
Proceeds from surcharge fees	601,650
Interest paid	(146,318)
Other cash received	<u>127</u>
Net cash provided by capital and related financing activities	<u>563,186</u>
 Cash flows from investing activities	
Investment income	<u>755</u>
 Net increase in cash, cash equivalents	 1,075,542
Cash and cash equivalents - beginning of year	<u>(71,566)</u>
Cash and cash equivalents - end of year	<u><u>\$ 1,003,976</u></u>

BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND
Statement of Cash Flows
Proprietary Fund - Water and Sewer
For the Year Ended June 30, 2022

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

Operating loss	\$ (222,006)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation & amortization	598,928
Amortization of bond discount	683
Loss on disposal of capital asset	40,726
Changes in operating assets and liabilities:	
Customer accounts receivable	(357,429)
Prepaid expenses	7,602
Deferred outflows of resources	(61,502)
Accounts payable	(15,100)
Accrued operating expenses	2,603
Net pension liability	(60,923)
Deferred inflows of resources	578,019
Net cash provided by operating activities	<u>\$ 511,601</u>

BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND
Notes to the Financial Statements
June 30, 2022

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, 2022

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, 2022

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, 2022

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, 2022, 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, 2022

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, 2022

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, 2022

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.

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, 2022 was \$628,444,331. The property tax rate was \$.232 per \$100 of assessed value.

BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND
Notes to the Financial Statements
June 30, 2022

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Standards

In 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases* (GASB 87). The objective of GASB 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements.

The Town has adopted GASB 87 for the year ended June 30, 2022 applicable to both the lessor and lessee relationship. As a result of adoption, the Town has recognized a lease receivable and deferred inflow of \$284,728 on July 1, 2021 within the Enterprise Fund. There was no effect on net position or fund balance amongst the government-wide or fund level financial statements.

In addition, the Town has recognized a right to use asset and related lease liability of \$42,637 on July 1, 2022 within the Governmental Activities. There was no effect on net position or fund balance amongst the government-wide or fund level financial statements.

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.

BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND
Notes to the Financial Statements
June 30, 2022

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 2022, the Town did not receive any refund of premiums.

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.

BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND
Notes to the Financial Statements
June 30, 2022

NOTE 3- RISKS AND UNCERTAINTIES (Continued)

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 \$2,128,527; the bank balance was \$2,117,050 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, 2022.

Included in cash and cash equivalents, the Town had \$112,361 invested in the Maryland Local Government Investment Pool (MLGIP) as of June 30, 2022. 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, 2022 was 1.3% for the MLGIP.

NOTE 4- CAPITAL ASSETS

A summary of changes in capital assets for governmental activities for the year ended June 30, 2022 are as follows:

	Balances July 1, 2021	Additions	Disposals	Transfers & Adjustments	Balances June 30, 2022
GOVERNMENTAL ACTIVITIES					
Capital assets not being depreciated					
Land	\$ 3,837,515	\$ -	\$ -	\$ -	\$ 3,837,515
Construction in progress	<u>214,374</u>	<u>2,317,584</u>	<u>-</u>	<u>(313,095)</u>	<u>2,218,863</u>
Total capital assets not being depreciated	4,051,889	2,317,584	-	(313,095)	6,056,378
Capital assets being depreciated					
Buildings & improvements	1,557,571	14,135	(20,496)		1,551,210
Machinery & equipment	1,114,534	17,000	(57,194)	82,490	1,156,830
Municipal parks	1,400,311	14,624	(15,867)	108,432	1,507,500
Vehicles	694,412	-	(78,426)	-	615,986
Streets	7,414,409	12,500	(272,146)	122,173	7,276,936
Right-to-use asset; leased equipment	<u>-</u>	<u>42,637</u>	<u>-</u>	<u>-</u>	<u>42,637</u>
Total capital assets being depreciated	12,181,237	100,896	(444,129)	313,095	12,151,099
Less accumulated depreciation and amortization					
Buildings & improvements	902,994	62,649	(18,126)	-	947,517
Machinery & equipment	844,233	61,210	(57,194)	-	848,249
Municipal parks	762,919	88,150	(8,879)	-	842,190
Vehicles	511,461	35,421	(78,424)	-	468,458
Streets	3,350,552	307,691	(233,500)	-	3,424,743
Right-to-use asset; leased equipment	<u>-</u>	<u>14,212</u>	<u>-</u>	<u>-</u>	<u>14,212</u>
Total accumulated depreciation and amortization	<u>6,372,159</u>	<u>569,333</u>	<u>(396,123)</u>	<u>-</u>	<u>6,545,369</u>
Governmental Activities, Capital Assets - Net	<u>\$ 9,860,967</u>	<u>\$ 1,849,147</u>	<u>\$ (48,006)</u>	<u>\$ -</u>	<u>\$ 11,662,108</u>

BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND
Notes to the Financial Statements
June 30, 2022

NOTE 4- CAPITAL ASSETS (Continued)

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

Governmental activities:	
Public services	\$ 307,691
General government	173,492
Parks & recreation	<u>88,150</u>
Total governmental activities	<u>\$ 569,333</u>

A summary of changes in capital assets for business-type activities for the year ended June 30, 2022 are as follows:

	Balances July 1, 2021	Additions	Disposals	Transfers & Adjustments	Balances June 30, 2022
BUSINESS-TYPE ACTIVITIES					
Capital assets not being depreciated					
Land	\$ 403,196	\$ -	\$ -	\$ -	\$ 403,196
Construction in progress	<u>3,649,723</u>	<u>833,315</u>	<u>-</u>	<u>(3,883,954)</u>	<u>599,084</u>
Total capital assets not being depreciated	4,052,919	833,315	-	(3,883,954)	1,002,280
Capital assets being depreciated					
Sewer collection	8,191,712	-	(62,912)	101,103	8,229,903
Water distribution	11,407,948	36,043	(158,990)	3,743,435	15,028,436
Water meters	345,709	-	-	22,726	368,435
Springs	17,383	-	-	-	17,383
Equipment	124,078	-	-	-	124,078
Vehicles	188,202	-	-	-	188,202
Buildings	<u>33,687</u>	<u>-</u>	<u>(1,012)</u>	<u>-</u>	<u>32,675</u>
Total capital assets being depreciated	20,308,719	36,043	(222,914)	3,867,264	23,989,112
Less accumulated depreciation for					
Sewer collection	4,901,658	204,843	(62,636)	-	5,043,865
Water distribution	4,482,634	356,643	(118,540)	-	4,720,737
Water meters	92,364	24,179	-	-	116,543
Springs	9,624	446	-	-	10,070
Equipment	103,098	5,519	-	-	108,617
Vehicles	146,931	6,508	-	-	153,439
Buildings	<u>28,947</u>	<u>790</u>	<u>(1,012)</u>	<u>-</u>	<u>28,725</u>
Total accumulated depreciation	<u>9,765,256</u>	<u>598,928</u>	<u>(182,188)</u>	<u>-</u>	<u>10,181,996</u>
Business-Type Activities, Capital Assets - Net	<u>\$ 14,596,382</u>	<u>\$ 270,430</u>	<u>\$ (40,726)</u>	<u>\$ (16,690)</u>	<u>\$ 14,809,396</u>

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

Business-type activities:	
Water & sewer utilities	<u>\$ 598,928</u>

BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND
Notes to the Financial Statements
June 30, 2022

NOTE 5- LEASE RECEIVABLE & LESSOR AGREEMENT

The Town executed a lease agreement with Comcast for the rental of certain real property of the Town's, which commenced January 1, 2010. The terms of this agreement included annual payments of \$13,000, escalating 3% annually and terming on December 31, 2019. In December 2019, an amendment was executed which extended the term through December 31, 2024 with the first annual payment to be \$17,471, escalating 3% annually. The agreement provided an option to extend the lease for up to three additional five year periods on the same terms and conditions, including that the rent continues to increase three percent (3%) annually for each extended lease year. The Town is reasonably certain this extension period will be granted and is reflected in the net present value of the lease. This lease agreement is recognized in the Enterprise Fund of the Town.

The Town used the payment schedule in the above executed agreement, including the lease extension period, to measure the lease receivable as of July 1, 2021. In addition, the lease receivable was discounted to a net present value at July 1, 2021 using a 5.00% interest rate, the estimated incremental borrowing rate of the Town.

For the year ended June 30, 2022, the Sewer Fund recognized \$18,535 in lease revenue and no interest revenue related to lease payments received from this lease. As of year-end, \$266,193 is reported as lease receivable and related deferred inflows of resources of the Enterprise Fund. Future payments due to the Town under the agreement is as follows for the years ending June 30:

	<u>Principal</u>	<u>Interest</u>
2023	\$ 5,781	\$ 13,310
2024	6,643	13,021
2025	7,566	12,688
2026	8,551	12,310
2027	9,604	11,883
2028-2032	66,473	51,027
2033-2037	105,461	30,754
2038-2042	56,114	4,264
	<u>\$ 266,193</u>	<u>\$ 149,257</u>

BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND
Notes to the Financial Statements
June 30, 2022

NOTE 6- LINE OF CREDIT

The Town has a revolving line of credit totaling \$2 million, bearing interest at 2.01% plus LIBOR (1.58% at June 30, 2022). The Town did not borrow any additional funds from the line of credit during the year ended June 30, 2022. There was no outstanding balance at year-end. The line of credit matures on September 1, 2023.

NOTE 7- LEASING ARRANGEMENTS

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.

In January 2022, the Town entered into a new 36 month lease agreement for office equipment. The agreement requires monthly payments of \$1,310 through December 2024. This agreement qualifies for recognition as a financing lease under GASB 87, as noted above and is valued at a net present value of \$42,637, using a discount rate of 5%, the Town's estimated incremental borrowing rate.

The fiscal year transactions as it relates to both of these leases are included in the long-term debt table.

NOTE 8- LONG TERM DEBT

The Town's long-term debt consisted of bonds and term loans as of June 30, 2022. 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

BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND
Notes to the Financial Statements
June 30, 2022

NOTE 8- LONG TERM DEBT (Continued)

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, 2022.

The following is a summary of changes in long-term debt for the year ended June 30, 2022

	Balance July 1, 2021	Increase	Decrease	Balance June 30, 2022	Balance Due Within One Year
Governmental Activities					
Infrastructure Series A Bond	\$ 81,500	\$ -	\$ (15,000)	\$ 66,500	\$ 15,500
Infrastructure Series A Bond	1,923,500	-	(109,500)	1,814,000	112,500
Unamortized bond premium	28,401	-	(2,004)	26,397	-
Capital leases payable	49,539	42,637	(43,903)	48,273	25,599
Total Governmental Activities	2,082,940	42,637	(170,407)	1,955,170	153,599
Business-type Activities					
Infrastructure Series A Bond	\$ 63,000	\$ -	\$ (31,000)	\$ 32,000	\$ 32,000
Infrastructure Series A Bond	3,937,500	-	(106,500)	3,831,000	109,000
Unamortized bond discount	(16,505)	-	683	(15,822)	-
Total Business-type Activities	3,983,995	-	(136,817)	3,847,178	141,000
Total Long-Term Debt	\$ 6,066,935	\$ 42,637	\$ (307,224)	\$ 5,802,348	\$ 294,599

BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND
Notes to the Financial Statements
June 30, 2022

NOTE 8- LONG TERM DEBT (Continued)

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

	Governmental Activities		Business-type Activities	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 153,599	\$ 69,388	\$ 141,000	\$ 142,916
2024	147,427	64,624	117,000	137,362
2025	144,247	59,816	118,000	134,958
2026	141,500	54,357	119,000	130,527
2027	129,500	48,463	125,000	125,767
2028-2032	718,000	171,831	703,000	560,376
2033-2037	494,500	40,894	835,000	440,342
2028-2042	-	-	1,005,000	287,784
2043-2047	-	-	700,000	77,204
	<u>\$ 1,928,773</u>	<u>\$ 509,373</u>	<u>\$ 3,863,000</u>	<u>\$ 2,037,236</u>

Interest Expense

For the year ended June 30, 2022, total interest was \$219,706 and reported as follows: interest expense of \$72,544 for governmental activities and \$147,162 for business-type activities. Cash paid for interest for business-type activities was \$146,317.

BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND
Notes to the Financial Statements
June 30, 2022

NOTE 9- 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.

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.

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.

BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND
Notes to the Financial Statements
June 30, 2022

NOTE 9- RETIREMENT PLAN (Continued)

Plan Costs

At June 30, 2022, the Town reported a liability of \$588,230 for its proportionate share of the net pension liability which is a decrease of \$186,480 from the previous year's liability. The net pension liability was measured as of June 30, 2021, 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.

For the year ended June 30, 2022, the Town recognized pension expense of \$29,716.

At June 30, 2022, 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	\$ 94,828	\$ 19,373
Net difference between projected & actual investment earnings	85,840	266,010
Differences between expected & actual experience	-	47,027
Net changes in proportional share	116,269	1,606
Contributions subsequent to the measurement date	<u>93,393</u>	<u>-</u>
	<u>\$ 390,330</u>	<u>\$ 334,016</u>
Other deferred inflows:		
Unearned grant revenue - ARPA		386,237
Unearned lease revenue		<u>266,193</u>
		<u>\$ 986,446</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, 2022 reduce net pension liability for the year ended June 30, 2023. 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.

BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND
Notes to the Financial Statements
June 30, 2022

NOTE 9- RETIREMENT PLAN (Continued)

The following table shows the amortization of the related balances:

Years Ending June 30,	
2023	\$ 8,154
2024	4,603
2025	10,615
2026	27,555
2027	<u>(13,848)</u>
	<u>\$ 37,079</u>

Actuarial Assumptions

The total pension liability as of June 30, 2022 was determined by rolling forward the Employees Maryland State Retirement and Pension System's total pension liability as of the June 30, 2021 actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Actuarial Valuation Date	June 30, 2021
Inflation	In the 2021 actuarial valuation, 2.60% general, 3.10% wage In the 2020 actuarial valuation, 2.60% general, 3.10% wage
Salary Increases	In the 2021 actuarial valuation, 2.75% to 9.25% In the 2020 actuarial valuation, 3.10% to 11.60%
Investment Rate of Return	In the 2021 actuarial valuation, 6.80% In the 2020 actuarial valuation, 7.40%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2019 valuation pursuant to the 2018 experience study for the period July 1, 2014 to June 30, 2018.
Mortality	Various versions of the Pub-2010 Mortality Tables for males and females with projected generational mortality improvements based on the MP-2018 fully generational mortality Improvements scale for males and females.

BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND
Notes to the Financial Statements
June 30, 2022

NOTE 9- RETIREMENT PLAN (Continued)

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:

Asset Class	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public equity	37%	4.7%
Private equity	13%	6.5%
Rate sensitive	19%	-0.4%
Credit opportunity	9%	2.6%
Real asse	14%	4.2%
Absolute return	8%	2.0%
	<u>100%</u>	

Discount rate

The discount rate used to measure the total pension liability was 6.80%. This single discount rate was based on the expected rate of return on pension plan investments of 6.80%. The projection of cash flows used to determine 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:

BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND
Notes to the Financial Statements
June 30, 2022

NOTE 9- RETIREMENT PLAN (Continued)

	1% Decrease	Current Discount Rate	1% Increase
	<u>5.80</u>	<u>6.8</u>	<u>7.8</u>
Town's proportionate share of the net pension liability	<u>\$ 1,001,831</u>	<u>\$ 588,230</u>	<u>\$ 245,143</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.

NOTE 10- 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, 2022 approximated \$76,875.

NOTE 11- 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 January 30, 2024, 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 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, 2022

	<u>Original Budget</u>	<u>Final Appropriated Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Local property taxes				
Real estate, net of discounts	\$ 1,407,464	\$ 1,407,464	\$ 1,437,987	\$ 30,523
Tangible personal property	58,084	58,084	63,066	4,982
Penalties & interest	<u>11,402</u>	<u>11,402</u>	<u>11,243</u>	<u>(159)</u>
Total Revenues from Local Taxes	<u>1,476,950</u>	<u>1,476,950</u>	<u>1,512,296</u>	<u>35,346</u>
Local income taxes	<u>1,017,058</u>	<u>1,017,058</u>	<u>1,159,013</u>	<u>141,955</u>
Other local taxes	<u>29,189</u>	<u>29,189</u>	<u>33,669</u>	<u>4,480</u>
Intergovernmental revenues				
Tax equity program	657,252	657,252	669,781	12,529
Highway user revenues	212,080	220,640	251,528	30,888
Grants	1,342,513	1,382,788	859,860	(522,928)
State police grant	26,347	26,347	25,689	(658)
Bank shares grant	-	-	1,491	1,491
Miscellaneous grants	<u>-</u>	<u>-</u>	<u>20,185</u>	<u>20,185</u>
	<u>2,238,192</u>	<u>2,287,027</u>	<u>1,828,534</u>	<u>(458,493)</u>
Licenses & permits				
Planning & zoning	5,500	23,290	-	(23,290)
Franchise (cable) taxes	51,715	51,715	51,190	(525)
Permit fees	6,500	6,500	42,205	35,705
Park pavilion fees	2,500	2,500	2,900	400
Business & traders licenses	<u>4,500</u>	<u>4,500</u>	<u>4,952</u>	<u>452</u>
Total Revenues from Licenses & Permits	<u>70,715</u>	<u>88,505</u>	<u>101,247</u>	<u>12,742</u>
Miscellaneous				
Farm lease	5,883	5,883	5,408	(475)
Interest income	991	991	1,111	120
Miscellaneous income	6,500	23,000	34,761	11,761
Improvement fees	<u>91,000</u>	<u>91,000</u>	<u>105,500</u>	<u>14,500</u>
Total revenues from miscellaneous	<u>104,374</u>	<u>120,874</u>	<u>146,780</u>	<u>\$ 25,906</u>
Total Revenues	<u>\$ 4,936,478</u>	<u>\$ 5,019,603</u>	<u>\$ 4,781,539</u>	<u>\$ (238,064)</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, 2022

	<u>Original Budget</u>	<u>Final Appropriated Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures				
General government				
Legislative				
Salaries and benefits	21,000	21,000	20,650	350
Other operating costs	<u>32,155</u>	<u>32,155</u>	<u>35,067</u>	<u>(2,912)</u>
Total legislative	<u>53,155</u>	<u>53,155</u>	<u>55,717</u>	<u>(2,562)</u>
Executive				
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>
Professional services				
Other operating costs	<u>25,052</u>	<u>34,027</u>	<u>6,440</u>	<u>27,587</u>
Total professional fees	<u>25,052</u>	<u>34,027</u>	<u>6,440</u>	<u>27,587</u>
Planning & zoning				
Salaries and benefits	52,139	52,139	55,024	(2,885)
Other operating costs	<u>23,653</u>	<u>23,653</u>	<u>23,847</u>	<u>(194)</u>
Total planning & zoning	<u>75,792</u>	<u>75,792</u>	<u>78,871</u>	<u>(3,079)</u>
General services				
Salaries and benefits	290,583	290,583	204,993	85,590
Other operating costs	106,826	106,826	1,290	105,536
Capital outlay	<u>104,000</u>	<u>104,000</u>	<u>118,825</u>	<u>(14,825)</u>
Total general government	<u>501,409</u>	<u>501,409</u>	<u>325,108</u>	<u>176,301</u>
Municipal Operations				
Salaries and benefits	309,792	309,792	539,016	(229,224)
Other operating costs	<u>69,995</u>	<u>69,995</u>	<u>238,531</u>	<u>(168,536)</u>
Total municipal operations	<u>379,787</u>	<u>379,787</u>	<u>777,547</u>	<u>(397,760)</u>
Total General Government	<u>\$ 1,045,395</u>	<u>\$ 1,054,370</u>	<u>\$ 1,253,883</u>	<u>\$ (199,513)</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, 2022

	<u>Original Budget</u>	<u>Final Appropriated Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures (Continued)				
Public safety				
Salaries and benefits	30,912	30,912	21,120	9,792
Other operating costs	437,901	437,901	443,987	(6,086)
Fire and rescue donations	20,000	20,000	20,000	-
Total Public Safety	<u>\$ 488,813</u>	<u>\$ 488,813</u>	<u>\$ 485,107</u>	<u>\$ 3,706</u>
Public Works				
Salaries and benefits	100,527	100,527	83,008	17,519
Other operating costs	825,133	825,133	685,673	139,460
Capital outlay	3,343,100	3,343,100	2,262,868	1,080,232
Total sanitation & waste removal	<u>\$ 4,268,760</u>	<u>\$ 4,268,760</u>	<u>\$ 3,031,549</u>	<u>\$ 1,237,211</u>
Parks, recreation & culture				
Salaries and benefits	38,995	38,995	36,619	2,376
Other operating costs	99,586	99,586	107,312	(7,726)
Capital outlay	113,350	147,225	44,008	103,217
Total parks, recreation & culture	<u>\$ 251,931</u>	<u>\$ 285,806</u>	<u>\$ 187,939</u>	<u>\$ 97,867</u>
Main Street				
Salaries and benefits	52,443	52,443	50,471	1,972
Other operating costs	14,535	54,810	404,731	(349,921)
Capital outlay	-	-	5,718	(5,718)
Total Main Street	<u>\$ 66,978</u>	<u>\$ 107,253</u>	<u>\$ 460,920</u>	<u>\$ (353,667)</u>
Miscellaneous				
Salaries and benefits	349,416	349,416	387,761	(38,345)
Other operating costs	111,831	111,831	101,320	10,511
Total miscellaneous	<u>\$ 461,247</u>	<u>\$ 461,247</u>	<u>\$ 489,081</u>	<u>\$ (27,834)</u>
Debt Service				
Principal payments	124,500	124,500	170,407	(45,907)
Interest payments	71,759	71,759	73,463	(1,704)
Total debt service	<u>\$ 196,259</u>	<u>\$ 196,259</u>	<u>\$ 243,870</u>	<u>\$ (47,611)</u>
Total Expenditures	<u>\$ 6,779,383</u>	<u>\$ 6,862,508</u>	<u>\$ 6,152,349</u>	<u>\$ 710,159</u>
Budgeted Use of Fund Balance	<u>\$ 1,996,419</u>	<u>\$ 1,996,419</u>	<u>\$ -</u>	<u>\$ 1,996,419</u>
Excess of Revenues over Expenditures	<u>\$ 153,514</u>	<u>\$ 153,514</u>	<u>\$ (1,370,810)</u>	<u>\$ 1,048,196</u>

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

As of June 30:	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability*	0.0039%	0.0034%	0.0034%	0.0031%	0.0030%	0.0027%	0.0028%	0.0023%
Town's proportionate share of the net pension liability*	\$ 588,230	\$ 774,710	\$ 704,509	\$ 643,194	\$ 639,824	\$ 637,015	\$ 586,272	\$ 402,331
Town's covered-employee payroll	\$ 1,053,738	\$ 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	55.82%	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	81.84%	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>
2022	\$ 93,393	\$ 93,393	\$ -	\$ 1,053,738	8.86%
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, 2022, 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 January 30, 2024.

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.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of 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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2022-001 and 2022-002 to be consider to be material weaknesses.

**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 2022-003.

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
January 30, 2024**

**Burgess and Commissioners of Middletown, Maryland
Schedule of Findings and Responses
For the Year Ended June 30, 2022**

Financial Statement Findings

Material Weaknesses in Internal Controls:

Finding 2022-001 – 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 2022, 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 November 2022, the Town hired a new Financial Officer who was responsible for cleaning up and closing the books for both fiscal year 2021 and fiscal year 2022, in order to get the books and records in an acceptable fashion to be audited.

In addition as noted below in Finding 2022-002, the bank reconciliations were not performed for the entire fiscal year. Also, the fiscal year 2021 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, and had gotten severely behind in the completion of annual audits.

Effect: The Burgess and Commissioners were not provided accurate financial statements to fulfill their overall responsibility of financial oversight and monitoring and several material adjustments were needed to bring the books and records to an acceptable state.

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 FY2022 Financial Statements, in January 2024. 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 to get the delinquent statements completed as quickly as possible.

**Burgess and Commissioners of Middletown, Maryland
Schedule of Findings and Responses
For the Year Ended June 30, 2022**

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 2022-002 – 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 2022, 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 starting in November 2022, with some months not being completed until August 2023.

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 FY2022 Financial Statements, in January 2024. 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 to get the delinquent statements completed as quickly as possible.

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 and have appropriate review of those reconciliations on a monthly basis.

**Burgess and Commissioners of Middletown, Maryland
Schedule of Findings and Responses
For the Year Ended June 30, 2022**

Compliance Findings

Finding 2022-003 – 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 2022 audit report was not filed by October 31, 2022 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 and is currently catching up on required audit submissions. The fiscal year 2021 audit report was completed and submitted to the State in August 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 FY2022 Financial Statements, in January 2024. 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 to get the delinquent statements completed as quickly as possible.

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.