



# Middletown

**BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND**

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

**For the Year Ended June 30, 2024**

**BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND**  
**For the Year Ended June 30, 2024**

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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, 2024, 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, 2024, 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.

##### ***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.

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 - 11 and 42 - 46 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 October 18, 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**  
**October 18, 2024**

**The Burgess and Commissioners of Middletown, Maryland  
Management's Discussion and Analysis  
For the Year Ended June 30, 2024**

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, 2024. 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 \$24,622,122 (net position) as of June 30, 2024.
- Total net position is comprised of the following:
  - (1) Invested in capital assets of \$23,181,205 which includes property and equipment net of accumulated depreciation, \$28,496,914 and net of outstanding debt, \$5,315,709, related to the purchase or construction of capital assets and net of the related outstanding loan receivable.
  - (2) Unrestricted net position of \$1,440,917 represents the portion of assets available to maintain the Town's continuing obligations to its citizens and creditors.
- The Town's governmental activities reported a total ending unrestricted net position of \$739,274 this fiscal year. This compares to the prior year ending unrestricted net position of \$547,784 reflecting an increase of \$191,490.
- The Town's business-type activity (Water & Sewer) reported total ending unrestricted net position of \$701,643 compared to \$822,694 reported for the prior fiscal year, a decrease of (\$121,051).

**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 *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

**The Burgess and Commissioners of Middletown, Maryland  
Management's Discussion and Analysis  
For the Year Ended June 30, 2024**

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 the Town's funds are divided into two categories: governmental funds and proprietary funds.

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

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

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

**The Burgess and Commissioners of Middletown, Maryland  
Management’s Discussion and Analysis  
For the Year Ended June 30, 2024**

Budgetary comparison schedules for the general fund are 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 \$24,622,122. This is a \$582,435 increase over last year's net assets of \$24,039,687. The following table provides a summary of the Town's net position on June 30, 2024, and 2023:

**Table 1**

**Town of Middletown**

For years ended June 30,	Governmental Activities		Business-Type Activities		Total		Change
	2024	2023	2024	2023	2024	2023	
<b>Assets</b>							
Current Assets	\$ 1,435,140	\$ 1,208,480	\$ 1,333,160	\$ 1,855,977	\$ 2,768,300	\$ 3,064,457	\$ (296,157)
Capital Assets	11,959,828	11,947,172	16,537,086	16,334,421	28,496,914	28,281,593	215,321
Leased Receivable	-	-	246,201	253,769	246,201	253,769	(7,568)
<b>Total Assets</b>	<b>13,394,968</b>	<b>13,155,652</b>	<b>18,116,447</b>	<b>18,444,167</b>	<b>31,511,415</b>	<b>31,599,819</b>	<b>(88,404)</b>
<b>Deferred outflows of resources</b>	<b>352,619</b>	<b>342,978</b>	<b>168,272</b>	<b>163,593</b>	<b>520,891</b>	<b>506,571</b>	<b>14,320</b>
<b>Total Assets and Deferred outflows of resources</b>	<b>13,747,587</b>	<b>13,498,630</b>	<b>18,284,719</b>	<b>18,607,760</b>	<b>32,032,306</b>	<b>32,106,390</b>	<b>(74,084)</b>
<b>Liabilities</b>							
Current & other liabilities	442,841	446,385	282,487	526,930	725,328	973,315	(247,987)
Net pension liability	650,958	551,277	315,859	267,492	966,817	818,769	148,048
Long-term liabilities	1,555,743	1,727,170	3,472,544	3,589,861	5,028,287	5,317,031	(288,744)
<b>Total Liabilities</b>	<b>2,649,542</b>	<b>2,724,832</b>	<b>4,070,890</b>	<b>4,384,283</b>	<b>6,720,432</b>	<b>7,109,115</b>	<b>(388,683)</b>
<b>Deferred inflows of resources</b>	<b>124,108</b>	<b>184,365</b>	<b>565,644</b>	<b>773,223</b>	<b>689,752</b>	<b>957,588</b>	<b>(267,836)</b>
<b>Total Liabilities and Deferred inflows of resources</b>	<b>2,773,650</b>	<b>2,909,197</b>	<b>4,636,534</b>	<b>5,157,506</b>	<b>7,410,184</b>	<b>8,066,703</b>	<b>(656,519)</b>
<b>Net Position</b>							
Invested in capital assets, net of related debt	10,234,663	10,041,649	12,946,542	12,627,560	23,181,205	22,669,209	511,996
Unrestricted	739,274	547,784	701,643	822,694	1,440,917	1,370,478	70,439
<b>Total Net Position</b>	<b>\$ 10,973,937</b>	<b>\$ 10,589,433</b>	<b>\$ 13,648,185</b>	<b>\$ 13,450,254</b>	<b>\$ 24,622,122</b>	<b>\$ 24,039,687</b>	<b>\$ 582,435</b>

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.



**The Burgess and Commissioners of Middletown, Maryland  
Management's Discussion and Analysis  
For the Year Ended June 30, 2024**

**Budget to Actual Comparison – General Fund**

As presented in the required supplementary information section of the financial statements, for the year ending June 30, 2024, the total budgeted revenues for the General Fund were \$4,911,963 and actual revenues were \$4,831,124, for variance of (\$80,839). This variance is mostly the result of grant revenues coming in approximately \$325,000 lower than anticipated and our local income taxes coming in approximately \$247,000 higher than anticipated. Program Open Space Grant applications are pending State approval before projects can be started thus causing a delay in recognizing grant revenue.

The total budgeted expenditure for the General Fund was \$5,432,051 and the actual expenditures were \$4,425,517 for a variance of \$1,006,534. The majority of this variance is due to the capital outlay projects not getting started as early as anticipated within parks and recreation. And an intentional delay in purchasing a new truck within the municipal operations.

**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, 2024, the Town's unassigned governmental fund balance increased by \$424,076 to a balance of \$1,075,042. 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, 2024, reported a balance of \$701,643, a decrease of \$121,051 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, 2024 and 2023. As shown, governmental activities increased the Town's net position by \$384,504 representing 66% 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 \$535,752, or 26%. The Town's revenues from governmental activities totaled \$4,648,368, for the fiscal year ended June 30, 2024. Revenue from taxes represented 80% of total revenue. The major sources of tax revenue for the Town were real estate and personal property taxes of \$1,584,077, state income and highway user taxes of \$1,397,526 and county taxes of \$755,387.

**The Burgess and Commissioners of Middletown, Maryland  
Management's Discussion and Analysis  
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The Town's expenditures from governmental activities totaled \$4,263,864 for the fiscal year ended June 30, 2024. Expenditures of general government comprised the largest portion of total expenditures from governmental activities and totaled \$1,723,902 or 40% and public works is the second largest expense at \$1,355,424 or 32%.

**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 \$197,931 for the fiscal year ended June 30, 2024. The major sources of revenue are utility service charges for water and sewer which was \$2,013,903 or 80% of total revenues.

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

Fiscal years ended June 30,	Governmental Activities		Business-Type Activities		Total		Change
	2024	2023	2024	2023	2024	2023	
<b>Revenues</b>							
General revenues							
Property taxes	\$ 1,584,077	\$ 1,550,568	\$ -	\$ -	\$ 1,584,077	\$ 1,550,568	\$ 33,509
Income taxes	1,397,526	1,311,687	-	-	1,397,526	1,311,687	85,839
County taxes	755,387	671,867	-	-	755,387	671,867	83,520
Other income	32,143	36,670	153,290	205,104	185,433	241,774	(56,341)
Interest income	20,212	11,446	30,599	21,241	50,811	32,687	18,124
Program revenues							
Charges for Service	158,672	79,660	2,013,903	1,701,192	2,172,575	1,780,852	391,723
Operating Grants & Contributions	336,203	364,855	33,544	-	369,747	364,855	4,892
Capital Grants & Contributions	364,148	645,024	298,876	1,873,560	663,024	2,518,584	(1,855,560)
<b>Total Revenues</b>	<b>4,648,368</b>	<b>4,671,777</b>	<b>2,530,212</b>	<b>3,801,097</b>	<b>7,178,580</b>	<b>8,472,874</b>	<b>(1,294,294)</b>
<b>Expenditures</b>							
General government	1,723,902	1,482,919	-	-	1,723,902	1,482,919	240,983
Public safety	409,325	492,672	-	-	409,325	492,672	(83,347)
Parks & recreation	236,453	276,012	-	-	236,453	276,012	(39,559)
Public works	1,355,424	1,140,997	-	-	1,355,424	1,140,997	214,427
Economic Development	112,169	68,590	-	-	112,169	68,590	43,579
Miscellaneous	360,478	601,514	-	-	360,478	601,514	(241,036)
Interest expense	66,113	73,321	149,724	142,840	215,837	216,161	(324)
Water & sewer utilities	-	-	2,182,557	2,099,278	2,182,557	2,099,278	83,279
<b>Total Expenditures</b>	<b>4,263,864</b>	<b>4,136,025</b>	<b>2,332,281</b>	<b>2,242,118</b>	<b>6,596,145</b>	<b>6,378,143</b>	<b>218,002</b>
<b>Net Position</b>							
Change in net position	384,504	535,752	197,931	1,558,979	582,435	2,094,731	(1,512,296)
Beginning net position	10,589,433	10,053,681	13,450,254	11,891,275	24,039,687	21,944,956	2,094,731
<b>Total Net Position</b>	<b>\$ 10,973,937</b>	<b>\$ 10,589,433</b>	<b>\$ 13,648,185</b>	<b>\$ 13,450,254</b>	<b>\$ 24,622,122</b>	<b>\$ 24,039,687</b>	<b>\$ 582,435</b>

**Capital Assets and Debt Administration**

*Capital Assets* - The Town of Middletown's investment in capital assets, including construction in progress ("CIP"), for its governmental and business-type activities as of June 30, 2024, was \$28,496,914, 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.

**The Burgess and Commissioners of Middletown, Maryland  
Management’s Discussion and Analysis  
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Major capital asset events during the fiscal year included the following:

- I & I project for Jefferson to Walnut St.- \$996,835
- Linden Blvd. Waterline - \$744,750
- Remsberg Waterline - \$471,625
- Cone Branch St. Mill & Overlay - \$268,619
- Vactor Trailer Equipment - \$264,990

**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, 2024 and 2023 was \$28,496,914 and \$28,281,593, respectively. Combined capital assets, net of accumulated depreciation for both the governmental and business type activities increased by 1% from the prior year.

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

	Governmental Activities		Business-Type Activities		Total		Change
	2024	2023	2024	2023	2024	2023	
<b>Non-Depreciable Assets</b>							
Land	\$ 3,837,515	\$ 3,837,515	\$ 403,196	\$ 403,196	\$ 4,240,711	\$ 4,240,711	\$ -
Construction in progress	515,381	175,179	294,649	2,156,634	810,030	2,331,813	(1,521,783)
<b>Total Non-Depreciable Assets</b>	<u>4,352,896</u>	<u>4,012,694</u>	<u>697,845</u>	<u>2,559,830</u>	<u>5,050,741</u>	<u>6,572,524</u>	<u>(1,521,783)</u>
<b>Depreciable Assets</b>							
Buildings	514,378	554,628	1,693	3,160	516,071	557,788	(41,717)
Machinery & equipment	289,778	305,765	367,790	28,689	657,568	334,454	323,114
Parks & recreation	539,043	581,860	-	-	539,043	581,860	(42,817)
Vehicles	89,842	116,513	31,733	28,255	121,575	144,768	(23,193)
Streets	6,088,611	6,249,979	-	-	6,088,611	6,249,979	(161,368)
Right-to-use asset - leased equipment	85,280	125,733	-	-	85,280	125,733	(40,453)
Sewer collection	-	-	3,815,011	2,973,202	3,815,011	2,973,202	841,809
Water distribution	-	-	11,333,735	10,451,560	11,333,735	10,451,560	882,175
Water meters	-	-	282,858	282,858	282,858	282,858	-
Springs	-	-	6,421	6,867	6,421	6,867	(446)
<b>Total Depreciable Assets</b>	<u>7,606,932</u>	<u>7,934,478</u>	<u>15,839,241</u>	<u>13,774,591</u>	<u>23,446,173</u>	<u>21,709,069</u>	<u>1,737,104</u>
<b>Total Capital Assets -Net</b>	<u>\$11,959,828</u>	<u>\$11,947,172</u>	<u>\$16,537,086</u>	<u>\$16,334,421</u>	<u>\$28,496,914</u>	<u>\$28,281,593</u>	<u>\$215,321</u>

**Long-term Debt**

As disclosed in the following table, total outstanding debt, excluding the line of credit, was \$5,315,709 representing repayments of \$296,675 during the fiscal year ended June 30, 2024. 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.

**The Burgess and Commissioners of Middletown, Maryland  
Management’s Discussion and Analysis  
For the Year Ended June 30, 2024**

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

	Governmental Activities		Business-Type Activities		Total		Change
	2024	2023	2024	2023	2024	2023	
Infrastructure bonds- street expansion	\$ 34,500	\$ 51,000	\$ -	\$ -	\$ 34,500	\$ 51,000	\$ (16,500)
Infrastructure bonds- street improvements	1,585,500	1,701,500	-	-	1,585,500	1,701,500	(116,000)
Capital lease equipment	82,778	128,631	-	-	82,778	128,631	(45,853)
Infrastructure bonds- water distribution	-	-	-	-	-	-	-
Infrastructure bonds- water distribution	-	-	3,605,000	3,722,000	3,605,000	3,722,000	(117,000)
Net unamortized bond premiums & discounts	<u>22,387</u>	<u>24,392</u>	<u>(14,456)</u>	<u>(15,139)</u>	<u>7,931</u>	<u>9,253</u>	<u>(1,322)</u>
<b>Total Long-Term Debt</b>	<u>\$ 1,725,165</u>	<u>\$ 1,905,523</u>	<u>\$ 3,590,544</u>	<u>\$ 3,706,861</u>	<u>\$ 5,315,709</u>	<u>\$ 5,612,384</u>	<u>\$ (296,675)</u>

**Economic Environment**

The Town's economic environment is dependent on the Town's ability to balance residential and commercial growth within the town limits, while seeking to grow tax and utility rate revenues to maintain its current level of service to the Town's residents. Continuing inflation, high materials and vendor services cost, and a sharp increase in state property value assessments being the major factors in developing the budget for fiscal year 2025.

The General Fund operating expenditures budget for FY25 is \$4,305,104, an increase of 13.71% over the prior year. The higher than usual increase is due, in large part, to increased tax revenues and increased investment in capital improvement projects, up \$426,836 for the fiscal year 2025 budget. With inflation and operational costs continuing to climb, 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 is also continuing to audit our internal processes - like utility metering and billing - to identify process errors and potential efficiencies, to better capture costs and increase revenues, without tax, utility rate, or fee increases for residents.

There are several large infrastructure projects on the Town’s horizon, resulting from asset end of life, state and federal mandates, or needed upgrades. In the Town’s 5-year Capital Improvement Program, there is over \$4 million in planned public infrastructure projects. Also, the Maryland Department of the Environment notified that the Town’s 1970s-era wastewater treatment lagoon will no longer meet treatment standards in 2026 and replacement is necessary. The project’s preliminary engineering report is approximately 95% complete and the cost to decommission the lagoon and relocate service out of the floodplain is approximately \$40 million, with \$30 million (75%) likely subsidized by the Maryland Bay Restoration Fund.

## **The Burgess and Commissioners of Middletown, Maryland Management's Discussion and Analysis For the Year Ended June 30, 2024**

The Town's "Springline" water main brings approximately one third of the Town's potable water into the municipal drinking water treatment and distribution systems, from natural springs on Braddock Mountain. The 5-mile raw water main was installed in the 1890s and 1930s, it's beyond its useful life, and the replacement cost for this critical utility infrastructure is approximately \$8 million. During the 2023 Legislative Session, the Town received a \$250,000 Legislative Bond Initiative (Bond Bill) to subsidize the first phase of the project. In FY24, the Town was awarded another \$150,000 for the project, through the Rural Maryland Council's RMPIF Grant Program. The first phase of the Springline replacement is scheduled for October or November 2024, and the budgeted cost is \$550,000.

PFAS, or per- and polyfluoroalkyl substances, also known as "forever chemicals," have been identified by the Environmental Protection Agency and the Maryland Department of the Environment as carcinogenic. PFAS are a group of over 4,000 human-made chemicals, used in consumer products and manufacturing since the 1940s, that have been detected in the Town's water supply and wastewater treatment systems. State and Federal mandates to remove PFAS from drinking water and wastewater systems are imminent and required testing has begun. The cost of the new treatment infrastructure is expected to be more than \$1 million. The Town participated in a mass tort lawsuit to recover capital and operational expenses, which is expected to result in cash settlements to the Town, totaling approximately \$350,000. The Town also applied for available grant funding through the Maryland Department of the Environment (MDE). In June, MDE notified that we've been awarded a PFAS pilot study grant of \$925,000, which will fund the planning, design, and construction of PFAS filtration infrastructure, for the Wiles Branch Water Treatment Plant.

The Town will continue to prioritize available State and Federal financial resources, to sustain essential services and the estimated \$53 million in near- and mid-term 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, 2024**

	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	
<b>Assets</b>			
Cash and cash equivalents	\$ 1,223,333	\$ 745,343	\$ 1,968,676
Receivables			
Due from customers	-	435,140	435,140
Taxes receivable	196	-	196
Due from other governments	173,790	-	173,790
Due from others	-	118,756	118,756
Lease receivable - current	-	7,567	7,567
Prepaid expenses	37,821	26,354	64,175
Capital assets			
Capital assets, net of accumulated depreciation	11,444,447	16,242,437	27,686,884
Construction in progress	515,381	294,649	810,030
Capital assets, net	11,959,828	16,537,086	28,496,914
Lease receivable - noncurrent	-	246,201	246,201
<b>Total Assets</b>	13,394,968	18,116,447	31,511,415
<b>Deferred Outflows of Resources</b>			
Deferred outflows of resources related to pension	352,619	168,272	520,891
<b>Total Assets and Deferred Outflows of Resources</b>	13,747,587	18,284,719	32,032,306
<b>Liabilities</b>			
Accounts payable	\$ 147,287	\$ 41,015	\$ 188,302
Accrued operating expenses	59,950	119,344	179,294
Accrued compensated absences	66,182	-	66,182
Other accrued liabilities	-	4,128	4,128
Current maturities of long-term debt	169,422	118,000	287,422
Net pension liability	650,958	315,859	966,817
Long-term debt	1,555,743	3,472,544	5,028,287
<b>Total Liabilities</b>	2,649,542	4,070,890	6,720,432
<b>Deferred Inflows of Resources</b>			
Deferred inflows of resources	124,108	565,644	689,752
<b>Total Liabilities and Deferred Inflows of Resources</b>	2,773,650	4,636,534	7,410,184
<b>Net Position</b>			
invested in capital assets - net of related debt	10,234,663	12,946,542	23,181,205
Unrestricted	739,274	701,643	1,440,917
<b>Total Net Position</b>	\$ 10,973,937	\$ 13,648,185	\$ 24,622,122

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, 2024**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government</b>							
Governmental activities							
General government	\$ (1,723,902)	\$ 81,605	\$ 20,491	\$ -	\$ (1,621,806)	\$ -	\$ (1,621,806)
Public works	(1,355,424)	74,160	306,813	36,675	(937,776)	-	(937,776)
Public safety	(409,325)	-	8,899	-	(400,426)	-	(400,426)
Parks & recreation	(236,453)	2,907	-	327,473	93,927	-	93,927
Economic development	(112,169)	-	-	-	(112,169)	-	(112,169)
Miscellaneous	(360,478)	-	-	-	(360,478)	-	(360,478)
Interest expense	(66,113)	-	-	-	(66,113)	-	(66,113)
Total governmental activities	<u>(4,263,864)</u>	<u>158,672</u>	<u>336,203</u>	<u>364,148</u>	<u>(3,404,841)</u>	<u>-</u>	<u>(3,404,841)</u>
Business-type activities							
Water and sewer services	(2,332,281)	2,013,903	33,544	298,876	-	14,042	14,042
Total business-type activities	<u>(2,332,281)</u>	<u>2,013,903</u>	<u>33,544</u>	<u>298,876</u>	<u>-</u>	<u>14,042</u>	<u>14,042</u>
<b>Total primary government</b>	<b>\$ (6,596,145)</b>	<b>\$ 2,172,575</b>	<b>\$ 369,747</b>	<b>\$ 663,024</b>	<b>(3,404,841)</b>	<b>14,042</b>	<b>(3,390,799)</b>
General Revenues							
Taxes							
Property					1,584,077	-	1,584,077
Income					1,397,526	-	1,397,526
County shared					755,387	-	755,387
Other local taxes					15,134	-	15,134
Rental income					5,900	141,561	147,461
Other income					11,109	11,729	22,838
Interest income					20,212	30,599	50,811
<b>Total general revenues</b>					<u>3,789,345</u>	<u>183,889</u>	<u>3,973,234</u>
<b>Change in net position</b>					384,504	197,931	582,435
<b>Net position - beginning of year</b>					<u>10,589,433</u>	<u>13,450,254</u>	<u>24,039,687</u>
<b>Net position - end of year</b>					<u>\$ 10,973,937</u>	<u>\$ 13,648,185</u>	<u>\$ 24,622,122</u>

The accompanying notes are an integral part of this statement.

**BURGESS AND COMMISSIONERS OF MIDDLETOWN , MARYLAND**  
**Balance Sheet**  
**Governmental Fund**  
**June 30, 2024**

**Assets**

Cash and cash equivalents	\$	1,223,333
Taxes receivable		196
Due from other governments		173,790
Prepaid expenses		<u>37,821</u>

**Total Assets** \$ 1,435,140

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

Liabilities

Accounts payable	\$	147,287
Accrued operating expenses		<u>45,163</u>
Total Liabilities		<u>192,450</u>

Deferred Inflows of Resources

Unavailable revenue - intergovernmental		<u>101,648</u>
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Total Liabilities and Deferred Inflows of Resources 294,098

Fund Balances

Nonspendable:

Prepaid expenses		37,821
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Assigned to:

Community events		27,397
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Unassigned		<u>1,075,824</u>
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Total Fund Balances 1,141,042

**Total Liabilities, Deferred Inflows of Resources,  
and Fund Balances** \$ 1,435,140



**BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Fund**  
**For the Year Ended June 30, 2024**

	<b>General</b>	<b>Total Governmental Fund</b>
<b>Revenues</b>		
Local property taxes	\$ 1,584,077	\$ 1,584,077
Local income taxes	1,397,526	1,397,526
Other local taxes	15,134	15,134
Intergovernmental revenues	1,638,499	1,638,499
Service charges	74,160	74,160
Licenses & permits	84,507	84,507
Interest income	20,212	20,212
Rental income	5,900	5,900
Other revenue	11,109	11,109
Total Revenues	4,831,124	4,831,124
<b>Expenditures</b>		
General government	1,597,988	1,597,988
Public works	1,195,059	1,195,059
Public safety	409,325	409,325
Parks & recreation	532,832	532,832
Economic development	112,169	112,169
Miscellaneous	330,700	330,700
Debt service	247,444	247,444
Total Expenditures	4,425,517	4,425,517
<b>Excess of Revenues over Expenditures</b>	405,607	
Fund Balance - July 1, 2023	735,435	
<b>Fund Balance - June 30, 2024</b>	<b>\$ 1,141,042</b>	
 <b>Adjustments for the Statement of Activities</b>		
Capital outlay		696,955
Depreciation and amortization expense		(684,299)
Compensated absences		(2,556)
Debt service expenditures		178,354
Change in interest accrual		973
Decrease in deferred inflows - unavailable revenue		(182,752)
Amortization of bond premium		2,004
Net pension adjustment		(29,782)
Change in Net Position of Governmental Activities		<b>\$ 384,504</b>

**BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND**  
**Reconciliation of Fund Balance to Net Position of Governmental Activities**  
**June 30, 2024**

Fund balances - governmental funds	\$ 1,141,042
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.	11,959,828
Accrued interest payable does not require the use of current resources and therefore are not reported as a liability in the governmental fund.	(14,787)
Long-term liabilities are not due and payable in the upcoming year and therefore are not reported in the governmental fund.	
Compensated absences	(66,182)
Net pension liability	(650,958)
Long-term debt obligations	(1,725,165)
Unamortized deferred outflows of resources - pensions	352,619
Unamortized deferred inflows of resources - pensions	(124,108)
Deferred inflows of resources - unavailable grant revenue	<u>101,648</u>
Net position - governmental activities	<u>\$ 10,973,937</u>

**BURGESS AND COMMISSIONERS OF MIDDLETOWN , MARYLAND**  
**Statement of Net Position**  
**Proprietary Fund - Water and Sewer**  
**June 30, 2024**

**Assets**

Current Assets

Cash and cash equivalents	\$ 745,343
Due from customers	435,140
Due from others	118,756
Lease receivable - current	7,567
Prepaid expenses	<u>26,354</u>
Total Current Assets	<u>1,333,160</u>

Non Current Assets

Capital Assets

Capital assets - net of accumulated depreciation	16,242,437
Construction in progress	<u>294,649</u>
Total capital assets, net	<u>16,537,086</u>
Lease receivable - noncurrent	<u>246,201</u>
Total Noncurrent Assets	<u>16,783,287</u>

**Deferred Outflows of Resources**

Deferred outflows of resources related to pension	<u>168,272</u>
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**Total Assets and Deferred Outflows of Resources**

18,284,719

**Liabilities**

Current Liabilities

Accounts payable	\$ 41,015
Accrued operating expenses	119,344
Other accrued liabilities	4,128
Current maturities of long-term debt	<u>118,000</u>
Total Current Liabilities	<u>282,487</u>

Noncurrent Liabilities

Net pension liability	315,859
Long-term debt - net of current maturities	<u>3,472,544</u>
Total Noncurrent Liabilities	<u>3,788,403</u>

Total Liabilities

4,070,890

**Deferred Inflows of Resources**

Deferred inflows of resources	<u>565,644</u>
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**Total Liabilities and Deferred Inflows of Resources**

4,636,534

**Net Position**

Invested in capital assets - net of related debt	12,946,542
Unrestricted	<u>701,643</u>

**Total Net Position**

\$ 13,648,185

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, 2024**

**Operating Revenues**

Charges for services		
Water fees	\$	955,092
Sewer fees		709,328
Intergovernmental revenues - operating grants		33,544
Rental income		<u>141,561</u>
Total Operating Revenues		<u>1,839,525</u>

**Operating Expenses**

Salaries		619,497
Sewer system expenses		424,839
Depreciation and amortization		687,024
Water system expenses		268,125
Vehicles and equipment		28,386
Administrative		<u>154,686</u>
Total Operating Expenses		<u>2,182,557</u>

**Operating loss** (343,032)

**Nonoperating Income (Expenses)**

Capital improvement fees	\$	349,483
Intergovernmental revenues - capital grants		298,876
Interest income		30,599
Other non-operating revenues		11,729
Interest expense		<u>(149,724)</u>
		<u>540,963</u>

<b>Change in Net Position</b>		197,931
Net Position, beginning of year		<u>13,450,254</u>
<b>Net Position, end of year</b>	\$	<u><u>13,648,185</u></u>

**BURGESS AND COMMISSIONERS OF MIDDLETOWN , MARYLAND**  
**Statement of Cash Flows**  
**Proprietary Fund - Water and Sewer**  
**For the Year Ended June 30, 2024**

**Cash flows from operating activities**

Cash received from charges for services	\$ 1,543,652
Cash received from lessees	148,205
Cash received from others	69,052
Cash payments for goods & services	(1,159,365)
Cash payments to employees for services	(600,009)
Net cash provided by operating activities	<u>1,535</u>

**Cash flows from capital and related financing activities**

Purchases of property & equipment and current year construction costs	(889,689)
Cash received from other governments - capital grants	136,353
Principal paid on long-term debt	(117,000)
Proceeds from surcharge fees	349,483
Interest paid	(139,045)
Other cash received	11,729
Net cash used in capital and related financing activities	<u>(648,169)</u>

**Cash flows from investing activities**

Investment income	<u>30,599</u>
Net increase in cash, cash equivalents	(616,035)
Cash and cash equivalents - beginning of year	<u>1,361,378</u>
Cash and cash equivalents - end of year	<u><u>\$ 745,343</u></u>

**BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND**  
**Statement of Cash Flows**  
**Proprietary Fund - Water and Sewer**  
**For the Year Ended June 30, 2024**

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

Operating loss	\$ (343,032)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation & amortization	687,024
Amortization of bond discount	683
Construction in progress adjustments	(1,451)
Changes in operating assets and liabilities:	
Customer accounts receivable	(120,768)
Other receivables	35,508
Lease receivable	6,644
Prepaid expenses	(7,034)
Deferred outflows of resources	(4,679)
Accounts payable	(275,526)
Accrued operating expenses	20,855
Net pension liability	48,367
Deferred inflows of resources	(45,056)
Net cash provided by operating activities	<u>\$ 1,535</u>

**BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND**  
**Notes to the Financial Statements**  
**June 30, 2024**

**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, 2024**

**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, 2024**

**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, 2024**

**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, 2024, 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, 2024**

**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, 2024**

**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, 2024**

**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, 2024 was \$664,860,489. The property tax rate was \$.232 per \$100 of assessed value.

**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, 2024**

**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 2024, 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, 2024**

**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 \$1,968,476; the bank balance was \$2,025,652 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, 2024.

Included in cash and cash equivalents, the Town had \$122,629 invested in the Maryland Local Government Investment Pool (MLGIP) as of June 30, 2024. 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, 2024 was 5.36% for the MLGIP.

**NOTE 4- CAPITAL ASSETS**

A summary of changes in capital assets for governmental activities for the year ended June 30, 2024 are as follows:

	Balances July 1, 2023	Additions	Disposals	Transfers & Adjustments	Balances June 30, 2024
<b>GOVERNMENTAL ACTIVITIES</b>					
Capital assets not being depreciated					
Land	\$ 3,837,515	\$ -	\$ -	\$ -	\$ 3,837,515
Construction in progress	<u>175,179</u>	<u>608,821</u>	<u>-</u>	<u>(268,619)</u>	<u>515,381</u>
Total capital assets not being depreciated	4,012,694	608,821	-	(268,619)	4,352,896
Capital assets being depreciated					
Buildings & improvements	1,557,588	13,535	-	-	1,571,123
Machinery & equipment	1,188,685	14,815	-	-	1,203,500
Municipal parks	1,507,500	35,237	-	-	1,542,737
Vehicles	615,986	-	-	-	615,986
Streets	10,046,949	24,547	-	268,619	10,340,115
Right-to-use asset; leased equipment	<u>180,397</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>180,397</u>
Total capital assets being depreciated	15,097,105	88,134	-	268,619	15,453,858
Less accumulated depreciation and amortization					
Buildings & improvements	1,002,960	53,785	-	-	1,056,745
Machinery & equipment	882,920	30,802	-	-	913,722
Municipal parks	925,640	78,054	-	-	1,003,694
Vehicles	499,473	26,671	-	-	526,144
Streets	3,796,970	454,534	-	-	4,251,504
Right-to-use asset; leased equipment	<u>54,664</u>	<u>40,453</u>	<u>-</u>	<u>-</u>	<u>95,117</u>
Total accumulated depreciation and amortization	<u>7,162,627</u>	<u>684,299</u>	<u>-</u>	<u>-</u>	<u>7,846,926</u>
Governmental Activities, Capital Assets - Net	<u>\$ 11,947,172</u>	<u>\$ 12,656</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,959,828</u>

**BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND**  
**Notes to the Financial Statements**  
**June 30, 2024**

**NOTE 4- CAPITAL ASSETS** (Continued)

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

Governmental activities:	
Public services	\$ 454,534
General government	151,711
Parks & recreation	<u>78,054</u>
Total governmental activities	<u>\$ 684,299</u>

A summary of changes in capital assets for business-type activities for the year ended June 30, 2024 are as follows:

	Balances July 1, 2023	Additions	Disposals	Transfers & Adjustments	Balances June 30, 2024
<b>BUSINESS-TYPE ACTIVITIES</b>					
Capital assets not being depreciated					
Land	\$ 403,196	\$ -	\$ -	\$ -	\$ 403,196
Construction in progress	<u>2,156,634</u>	<u>385,353</u>	-	<u>(2,247,338)</u>	<u>294,649</u>
Total capital assets not being depreciated	2,559,830	385,353	-	(2,247,338)	697,845
Capital assets being depreciated					
Sewer collection	8,229,903	74,136	-	996,835	9,300,874
Water distribution	15,582,360	101,770	-	1,216,375	16,900,505
Water meters	399,400	-	-	-	399,400
Springs	17,383	-	-	-	17,383
Equipment	143,673	318,010	-	34,128	495,811
Vehicles	188,202	10,420	-	-	198,622
Buildings	<u>32,675</u>	-	-	-	<u>32,675</u>
Total capital assets being depreciated	24,593,596	504,336	-	2,247,338	27,345,270
Less accumulated depreciation for					
Sewer collection	5,256,701	229,162	-	-	5,485,863
Water distribution	5,130,800	435,970	-	-	5,566,770
Water meters	116,542	-	-	-	116,542
Springs	10,516	446	-	-	10,962
Equipment	114,984	13,037	-	-	128,021
Vehicles	159,947	6,942	-	-	166,889
Buildings	<u>29,515</u>	<u>1,467</u>	-	-	<u>30,982</u>
Total accumulated depreciation	<u>10,819,005</u>	<u>687,024</u>	-	-	<u>11,506,029</u>
Business-Type Activities, Capital Assets - Net	<u>\$ 16,334,421</u>	<u>\$ 202,665</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,537,086</u>

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

Business-type activities:	
Water & sewer utilities	<u>\$ 687,024</u>



**BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND**  
**Notes to the Financial Statements**  
**June 30, 2024**

**NOTE 5- LEASE RECEIVABLE & LESSOR AGREEMENT**

The Town executed a lease agreement with Comcast for the rental of certain real property of the Town, 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, 2024, the Sewer Fund recognized \$15,818 in lease revenue and \$13,021 related to lease payments received from this lease. As of year-end, \$253,768 is reported as a lease receivable and \$234,555 as a 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:

	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2025	\$ 7,567	\$ 12,688
2026	8,551	12,310
2027	9,604	11,883
2028	10,730	11,402
2029	11,930	10,866
2030-2034	80,618	44,037
2035-2039	124,768	19,740
	<u>\$ 253,768</u>	<u>\$ 122,926</u>

**NOTE 6- LINE OF CREDIT**

The Town has a revolving line of credit totaling \$2 million, bearing interest at prime minus 1.00% (7.5% at June 30, 2024). The Town did not borrow any funds from the line of credit during the year ended June 30, 2024. There was no outstanding balance at year-end. The line of credit matures on March 1, 2027.

**BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND**  
**Notes to the Financial Statements**  
**June 30, 2024**

**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.

In August 2022, the Town entered into a new 63 month lease agreement for office and IT related equipment. The agreement requires monthly payments of \$3,854 through September 2027. This agreement qualifies for recognition as a financing lease under GASB 87, as noted above and is valued at a net present value of \$137,760, using a discount rate of 5%, the Town's estimated incremental borrowing rate.

The fiscal year transactions as it relates to 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, 2024. 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%.

**BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND**  
**Notes to the Financial Statements**  
**June 30, 2024**

**NOTE 8- LONG TERM DEBT (Continued)**

The bond is collateralized by all local government payments, including money, securities, bank deposits, and any other investments and receivables. The final payment is due in April 2035.

Business-Type Activities:

The 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, 2024.

The following is a summary of changes in long-term debt for the year ended June 30, 2024:

	Balance July 1, 2023	Increase	Decrease	Balance June 30, 2024	Balance Due Within One Year
<b>Governmental Activities</b>					
Infrastructure Series A Bond	\$ 51,000	\$ -	\$ (16,500)	\$ 34,500	\$ 17,000
Infrastructure Series A Bond	1,701,500	-	(116,000)	1,585,500	119,500
Unamortized bond premium	24,392	-	(2,005)	22,387	-
Capital leases payable	<u>128,631</u>	<u>-</u>	<u>(45,853)</u>	<u>82,778</u>	<u>32,922</u>
Total Governmental Activities	1,905,523	-	(180,358)	1,725,165	169,422
<b>Business-type Activities</b>					
Infrastructure Series A Bond	\$ 3,722,000	\$ -	\$ (117,000)	\$ 3,605,000	\$ 118,000
Unamortized bond discount	<u>(15,139)</u>	<u>-</u>	<u>683</u>	<u>(14,456)</u>	<u>-</u>
Total Business-type Activities	<u>3,706,861</u>	<u>-</u>	<u>(116,317)</u>	<u>3,590,544</u>	<u>118,000</u>
Total Long-Term Debt	<u>\$ 5,612,384</u>	<u>\$ -</u>	<u>\$ (296,675)</u>	<u>\$ 5,315,709</u>	<u>\$ 287,422</u>

**BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND**  
**Notes to the Financial Statements**  
**June 30, 2024**

**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:

	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 169,422	\$ 63,072	\$ 118,000	\$ 134,958
2026	166,561	56,498	119,000	130,527
2027	154,295	49,431	125,000	125,767
2028	134,500	43,290	131,000	120,767
2029	139,000	43,238	136,000	116,680
2030-2034	768,500	122,152	751,000	511,760
2035-2039	170,500	8,247	900,000	388,770
2040-2044	-	-	1,085,000	210,704
2045-2049	-	-	240,000	17,024
	<u>\$ 1,702,778</u>	<u>\$ 385,928</u>	<u>\$ 3,605,000</u>	<u>\$ 1,756,957</u>

**Interest Expense**

For the year ended June 30, 2024, total interest was \$215,837 and reported as follows: interest expense of \$66,113 for governmental activities and \$149,724 for business-type activities. Cash paid for interest for business-type activities was \$139,045.

**BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND**  
**Notes to the Financial Statements**  
**June 30, 2024**

**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, 2024**

**NOTE 9- RETIREMENT PLAN** (Continued)

**Plan Costs**

At June 30, 2024, the Town reported a liability of \$966,817 for its proportionate share of the net pension liability which is an increase of \$148,048 from the previous year's liability. The net pension liability was measured as of June 30, 2023, 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, 2024, the Town recognized pension expense of \$188,698.

At June 30, 2024, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Outflows of Resources</u>	<u>Inflows of Resources</u>
Changes in assumptions	\$ 51,960	\$ 8,056
Net difference between projected & actual investment earnings	224,911	131,207
Differences between expected & actual experience	27,734	40,710
Net changes in proportional share	77,886	777
Contributions subsequent to the measurement date	<u>138,400</u>	<u>-</u>
	<u>\$ 520,891</u>	<u>\$ 180,750</u>
Other deferred inflows:		
Unearned grant revenue		274,447
Unearned lease revenue		<u>234,555</u>
		<u>\$ 689,752</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, 2024 reduce net pension liability for the year ended June 30, 2025. Deferred inflows and outflows related to non-investment activity are being amortized over their estimated remaining service life of ranging from 5.44 to 5.72 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, 2024**

**NOTE 9- RETIREMENT PLAN** (Continued)

The following table shows the amortization of the related balances:

<u>June 30,</u>	
2025	\$ (55,254)
2026	(38,319)
2027	(79,723)
2028	(24,281)
2029	(4,165)
	<u>\$ (201,742)</u>

**Actuarial Assumptions**

The total pension liability as of June 30, 2024 was determined by rolling forward the Employees Maryland State Retirement and Pension System's total pension liability as of the June 30, 2023 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, 2023
Inflation	In the 2023 actuarial valuation, 2.25% general, 2.75% wage In the 2022 actuarial valuation, 2.25% general, 2.75% wage
Salary Increases	In the 2023 actuarial valuation, 2.75% to 11.25% In the 2022 actuarial valuation, 2.75% to 11.25%
Investment Rate of Return	In the 2023 actuarial valuation, 6.80% In the 2022 actuarial valuation, 6.80%
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 2019 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, 2024**

**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:

<b>Asset Class</b>	<b>2023</b>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public equity	34%	6.9%
Private equity	16%	8.6%
Rate sensitive	20%	2.6%
Credit opportuni	9%	5.6%
Real assets	15%	5.4%
Absolute return	6%	4.4%
	<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, 2024**

**NOTE 9- RETIREMENT PLAN** (Continued)

	1% Decrease	Current Discount Rate	1% Increase
	<u>5.80</u>	<u>6.80</u>	<u>7.80</u>
Town's proportionate share of the net pension liability	<u>\$ 1,433,588</u>	<u>\$ 966,817</u>	<u>\$ 579,470</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- DEFERRED COMPENSATION PLAN**

The Town implemented a deferred compensation plan in accordance with Internal Revenue Code Section 457 (b) in January 2024. The 457(b) plan is available to all employees, except crossing guards. This plan is a defined contribution plan and has nine active participants as of June 30, 2024.

The 457(b) plan permits employees to defer a portion of their salary until future years, which the employees are fully vested in upon contribution. Employees can defer up to the lesser of \$23,000, and up to an additional \$7,500 catch-up for employees age 50 or over, or 100% of their includable salaries over the plan year. No Town contributions were made to the 457(b) plan for the year ended June 30, 2024.

All amounts of compensation deferred under this plan and all income attributable to those amounts are held in trust for the exclusive benefit of participants and their beneficiaries. The assets will not be diverted to any other purpose. The plan administrator, John Hancock, is the trustee of the investments.

**NOTE 11- 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, 2024 approximated \$79,686.

**BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND**  
**Notes to the Financial Statements**  
**June 30, 2024**

**NOTE 12- 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 October 18, 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.

On July 10, 2024, the Town entered into a contract to purchase land for \$725,000. A downpayment of \$145,000 will be paid on or before closing and at closing, the Town shall deliver to a Purchase Money Deed of Trust, in the principal amount of \$580,000. Closing is expected to occur in October 2024. The Note will bear interest at the current market rate at the time of closing and shall be paid in full no later than October 31, 2039. Payments of principal and interest due under the Note shall be amortized over a period not to exceed fifteen years.

## REQUIRED SUPPLEMENTARY INFORMATION

**BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget to Actual - General Fund**  
**For the Year Ended June 30, 2024**

	<u>Original Budget</u>	<u>Final Appropriated Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>				
<b>Local property taxes</b>				
Real estate, net of discounts	\$ 1,485,041	\$ 1,485,041	\$ 1,517,306	\$ 32,265
Tangible personal property	57,418	57,418	55,163	(2,255)
Penalties & interest	12,031	12,031	11,608	(423)
Total Revenues from Local Taxes	<u>1,554,490</u>	<u>1,554,490</u>	<u>1,584,077</u>	<u>29,587</u>
<b>Local income taxes</b>	<u>1,150,000</u>	<u>1,150,000</u>	<u>1,397,526</u>	<u>247,526</u>
<b>Other local taxes</b>	<u>21,312</u>	<u>21,312</u>	<u>15,134</u>	<u>(6,178)</u>
<b>Intergovernmental revenues</b>				
Tax equity program	755,387	755,387	755,387	-
Highway user revenues	302,242	306,813	240,402	(66,411)
Grants	957,071	957,071	631,320	(325,751)
State police grant	-	-	8,899	8,899
Bank shares grant	1,490	1,490	1,491	1
Miscellaneous grants	1,000	1,000	1,000	-
Total Intergovernmental revenues	<u>2,017,190</u>	<u>2,021,761</u>	<u>1,638,499</u>	<u>(383,262)</u>
<b>Service charges</b>				
Improvement fees	73,080	73,080	74,160	1,080
Total Revenues from service charges	<u>73,080</u>	<u>73,080</u>	<u>74,160</u>	<u>1,080</u>
<b>Licenses &amp; permits</b>				
Planning & zoning	-	-	-	-
Franchise (cable) taxes	50,525	50,525	46,563	(3,962)
Permit fees	22,621	22,621	30,886	8,265
Park pavilion fees	3,121	3,121	2,902	(219)
Business & traders licenses	4,000	4,000	4,156	156
Total Revenues from Licenses & Permits	<u>80,267</u>	<u>80,267</u>	<u>84,507</u>	<u>4,240</u>
<b>Miscellaneous</b>				
Farm lease	5,883	5,883	5,900	17
Interest income	1,170	1,170	20,212	19,042
Miscellaneous income	4,000	4,000	11,109	7,109
Total revenues from miscellaneous	<u>11,053</u>	<u>11,053</u>	<u>37,221</u>	<u>26,168</u>
<b>Total Revenues</b>	<u>\$ 4,907,392</u>	<u>\$ 4,911,963</u>	<u>\$ 4,831,124</u>	<u>\$ (80,839)</u>

**BURGESS AND COMMISSIONERS OF MIDDLETOWN, MARYLAND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget to Actual - General Fund**  
**For the Year Ended June 30, 2024**

	<u>Original Budget</u>	<u>Final Appropriated Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Expenditures</b>				
<b>General government</b>				
<b>Legislative</b>				
Salaries and benefits	21,600	21,600	21,900	(300)
Other operating costs	34,119	34,119	32,192	1,927
Total legislative	<u>55,719</u>	<u>55,719</u>	<u>54,092</u>	<u>1,627</u>
<b>Executive</b>				
Salaries and benefits	10,500	10,500	10,650	(150)
Total executive	<u>10,500</u>	<u>10,500</u>	<u>10,650</u>	<u>(150)</u>
<b>Professional services</b>				
Other operating costs	63,003	63,003	85,050	(22,047)
Total professional fees	<u>63,003</u>	<u>63,003</u>	<u>85,050</u>	<u>(22,047)</u>
<b>Planning &amp; zoning</b>				
Salaries and benefits	97,065	97,065	133,508	(36,443)
Other operating costs	11,700	16,700	25,290	(8,590)
Total planning & zoning	<u>108,765</u>	<u>113,765</u>	<u>158,798</u>	<u>(45,033)</u>
<b>General services</b>				
Salaries and benefits	447,453	447,453	279,390	168,063
Other operating costs	225,015	189,284	16,099	173,185
Capital outlay	66,000	66,000	14,818	51,182
Total general services	<u>738,468</u>	<u>702,737</u>	<u>310,307</u>	<u>392,430</u>
<b>Municipal Operations</b>				
Salaries and benefits	368,195	368,195	724,281	(356,086)
Other operating costs	97,073	100,173	241,275	(141,102)
Capital outlay	220,200	220,200	13,535	206,665
Total municipal operations	<u>685,468</u>	<u>688,568</u>	<u>979,091</u>	<u>(290,523)</u>
Total General Government	<u>\$ 1,661,923</u>	<u>\$ 1,634,292</u>	<u>\$ 1,597,988</u>	<u>\$ 36,304</u>

**BURGESS AND COMMISSIONERS OF MIDDLETOWN , MARYLAND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget to Actual - General Fund**  
**For the Year Ended June 30, 2024**

	<u>Original Budget</u>	<u>Final Appropriated Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Expenditures (Continued)</b>				
<b>Public safety</b>				
Salaries and benefits	34,572	34,572	22,504	12,068
Other operating costs	330,301	330,301	366,821	(36,520)
Fire and rescue donations	20,000	20,000	20,000	-
Total Public Safety	<u>\$ 384,873</u>	<u>\$ 384,873</u>	<u>\$ 409,325</u>	<u>\$ (24,452)</u>
<b>Public Works</b>				
Salaries and benefits	73,766	73,766	93,355	(19,589)
Other operating costs	848,576	848,576	807,535	41,041
Capital outlay	488,865	490,534	294,169	196,365
Total Public Works	<u>\$ 1,411,207</u>	<u>\$ 1,412,876</u>	<u>\$ 1,195,059</u>	<u>\$ 217,817</u>
<b>Parks, recreation &amp; culture</b>				
Salaries and benefits	41,571	41,571	73,394	(31,823)
Other operating costs	96,579	97,735	85,005	12,730
Capital outlay	956,960	956,960	374,433	582,527
Total parks, recreation & culture	<u>\$ 1,095,110</u>	<u>\$ 1,096,266</u>	<u>\$ 532,832</u>	<u>\$ 563,434</u>
<b>Main Street</b>				
Salaries and benefits	56,033	56,033	102,093	(46,060)
Other operating costs	8,000	8,000	10,076	(2,076)
Total Main Street	<u>\$ 64,033</u>	<u>\$ 64,033</u>	<u>\$ 112,169</u>	<u>\$ (48,136)</u>
<b>Miscellaneous</b>				
Salaries and benefits	417,314	417,314	190,869	226,445
Other operating costs	226,068	226,068	139,831	86,237
Total miscellaneous	<u>\$ 643,382</u>	<u>\$ 643,382</u>	<u>\$ 330,700</u>	<u>\$ 312,682</u>
<b>Debt Service</b>				
Principal payments	132,500	132,500	180,358	(47,858)
Interest payments	63,829	63,829	67,086	(3,257)
Total debt service	<u>\$ 196,329</u>	<u>\$ 196,329</u>	<u>\$ 247,444</u>	<u>\$ (51,115)</u>
<b>Total Expenditures</b>	<u>\$ 5,456,857</u>	<u>\$ 5,432,051</u>	<u>\$ 4,425,517</u>	<u>\$ 1,006,534</u>
<b>Budgeted Use of Fund Balance</b>	<u>\$ 1,042,263</u>	<u>\$ 1,042,263</u>	<u>\$ -</u>	<u>\$ 1,042,263</u>
<b>Excess of Revenues over Expenditures</b>	<u>\$ 492,798</u>	<u>\$ 522,175</u>	<u>\$ 405,607</u>	<u>\$ (45,110)</u>

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

<b>As of June 30:</b>	<b><u>2024</u></b>	<b><u>2023</u></b>	<b><u>2022</u></b>	<b><u>2021</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>
Town's proportion of the net pension liability*	0.0042%	0.0041%	0.0039%	0.0034%	0.0034%	0.0031%	0.0030%	0.0027%	0.0028%
Town's proportionate share of the net pension liability*	\$ 966,817	\$ 818,769	\$ 588,230	\$ 774,710	\$ 704,509	\$ 643,194	\$ 639,824	\$ 637,015	\$ 586,272
Town's covered-employee payroll	\$ 1,419,749	\$ 1,335,060	\$ 1,053,738	\$ 976,446	\$ 888,658	\$ 888,986	\$ 821,164	\$ 853,025	\$ 708,846
Town's proportionate share of the net pension liability as a percentage of covered-employee payroll	68.10%	61.33%	55.82%	79.34%	79.28%	72.35%	77.92%	74.68%	82.71%
Plan fiduciary net position as a percentage of the total pension liability	73.81%	76.27%	81.84%	70.72%	72.34%	71.18%	69.38%	65.79%	68.78%

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

Notes:

- 1 Changes of Benefit Terms: There were no changes of benefit terms.
- 2 Changes of Assumptions -See note 12

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

<b>Year ended June 30</b>	<b><u>Contractually Required Contribution</u></b>	<b><u>Actual Employer Contributions</u></b>	<b><u>Contribution Deficiency (Excess)</u></b>	<b><u>Town's Covered Employee Payroll</u></b>	<b><u>Contributions as a % of Covered Employee Payroll</u></b>
2024	\$ 138,400	\$ 138,400	\$ -	\$ 1,419,749	9.75%
2023	102,386	102,386	-	1,335,060	7.67%
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%





**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, 2024, 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 October 18, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Burgess and Commissioners of Middletown, Maryland  
Independent Auditors' Report  
For the Year Ended June 30, 2024**

**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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**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  
October 18, 2024**