

TOWN OF DENTON, MARYLAND

FINANCIAL REPORT

JUNE 30, 2023

TOWN OF DENTON, MARYLAND

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INDEPENDENT AUDITORS' REPORT

Town of Denton, Maryland
Denton, Maryland

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Denton, Maryland (the "Town") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town'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, business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2023, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended June 30, 2023, the Town adopted new accounting guidance from the Government Accounting Standards Board (GASB) Statement No. 96, "*Subscription-Based Information Technology Arrangements*". Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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 Town'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 Town'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 Town'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 and required supplementary information (RSI), as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The other supplementary information (OSI), as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The OSI, as listed in the table of contents is the responsibility of management and has been derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the OSI, as listed in the table of contents is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2023 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 Town's internal control over financial reporting and compliance.

A handwritten signature in dark ink, appearing to read "UHY LLP", is positioned above the typed name and date.

Salisbury, Maryland
December 21, 2023

Town of Denton, Maryland Management Discussion and Analysis Year Ended June 30, 2023

As Management of the Town of Denton, Maryland (the "Town"), we offer readers the Town's financial statements. This narrative overview and analysis of the financial activities of the Town are for the fiscal year ending June 30, 2023. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements which will follow this narrative.

FINANCIAL HIGHLIGHTS

- The Town's combined net position was \$32,500,927, with \$22,703,070 of that amount invested in capital assets, net of related debt.
- The governmental activities total net position increased by \$2,012,251.
- The business-type activities total net position increased by \$646,603.
- The Town's governmental funds reported a combined fund balance of \$8,484,086, of which \$6,866,028 is unassigned.
- The Town's governmental funds fund balance increased by \$943,021 during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements provide two views of the Town's financial position: the Government-wide Financial Statements and the Fund Financial Statements.

On the Government-wide Financial Statements, the statements summarize all of the Town's funds into one statement using the full accrual method of accounting.

- The Statement of Net Position provides information on assets, deferred outflows, liabilities, deferred inflows and the difference, which is called net position. Over time increases and decreases in net position can serve as a barometer of financial health. The Statement of Net Position is similar to a balance sheet in private sector accounting.
- The Statement of Activities reflects revenue and expenses that report the underlying cause of the change in net position. All changes in net position are reported as the change occurs. This means the statement includes depreciation on the assets. This statement does not report any capital projects. Capital projects are reported on the Statement of Net Position.

Town of Denton, Maryland
Management Discussion and Analysis
Year Ended June 30, 2023

Fund Focus is the traditional governmental accounting which focuses on the individual funds. A fund is defined as a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Funds are used to ensure compliance with finance-related, legal or regulatory compliance. Funds are classified as either governmental funds, proprietary funds or fiduciary funds (The Town has no fiduciary funds).

- Governmental Funds are essentially the same as the governmental activities. Governmental funds facilitate cost allocation of centralized services such as building maintenance, street repair, accounting, printing, office equipment, engineering services, etc.
- Governmental funds use a modified accrual basis of accounting. Governmental funds focus on near-term inflows and outflows of spendable resources and on the balances of spendable resources. In the governmental statements, the accounting for items such as capital outlay, depreciation, debt payments, and accrued vacation is different than in the government-wide statements. In government funds, capital outlay and debt principal are reported on the Statement of Revenues, Expenditures and Changes in Fund Balance. Depreciation is not recorded. The rule for reporting accrued vacation is more restrictive. The Balance Sheet for governmental funds does not include any capital assets or long-term debt.

Major Funds – Major funds are the largest funds in terms of assets, liabilities, revenues or expenses. This allows the reader to see more detailed activities of the Major Funds. The following governmental funds meet this requirement:

- General
- Special Projects

Proprietary Funds use the full accrual method of accounting for both government-wide statements and fund level statements. Enterprise funds are used to report business like activities. These funds charge a fee for their services. The Water and Sewer funds are treated as major funds.

Notes to the Financial Statements follow immediately after the basic financial statements. The notes are an integral part of the financial statements. The notes contain many additional disclosures about the financial health of the Town.

Town of Denton, Maryland
Management Discussion and Analysis
Year Ended June 30, 2023

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Net position - The Town's statement of net position provides an overview of the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. Over time, this can provide a good indicator of the Town's fiscal health.

	Governmental Activities		Business Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 13,258,914	\$ 10,433,891	\$ 3,150,782	\$ 2,979,442	\$ 16,409,696	\$ 13,413,333
Capital and intangible assets	14,776,580	14,537,711	12,902,843	12,567,921	27,679,423	27,105,632
Total assets	\$ 28,035,494	\$ 24,971,602	\$ 16,053,625	\$ 15,547,363	\$ 44,089,119	\$ 40,518,965
Deferred outflows	\$ 259,300	\$ 404,302	\$ 118,167	\$ 182,207	\$ 377,467	\$ 586,509
Current and other liabilities	\$ 4,288,398	\$ 2,375,472	\$ 386,814	\$ 682,794	\$ 4,675,212	\$ 3,058,266
Long-term debt outstanding	3,580,357	3,564,055	3,403,796	2,853,024	6,984,153	6,417,079
Total liabilities	\$ 7,868,755	\$ 5,939,527	\$ 3,790,610	\$ 3,535,818	\$ 11,659,365	\$ 9,475,345
Deferred inflows	\$ 170,230	\$ 1,192,819	\$ 136,064	\$ 595,237	\$ 306,294	\$ 1,788,056
Net investment in capital assets	\$ 12,434,907	\$ 11,923,993	\$ 10,268,163	\$ 10,012,482	\$ 22,703,070	\$ 21,936,475
Restricted	1,174,394	905,917	86,321	86,321	1,260,715	992,238
Unrestricted	6,646,508	5,413,648	1,890,634	1,499,712	8,537,142	6,913,360
Total net position	\$ 20,255,809	\$ 18,243,558	\$ 12,245,118	\$ 11,598,515	\$ 32,500,927	\$ 29,842,073

Town of Denton, Maryland
Management Discussion and Analysis
Year Ended June 30, 2023

The Statement of Activities presented below is a condensed version of the more detailed one presented in the Financial Statements section of this report. Program revenues are listed first followed by general revenues and then expenses attributable to each function of the Town's government. The change in net position is equal to the revenues minus expenses and is added (subtracted) to net position beginning of year to reach net position end of year.

	Governmental Activities		Business Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues						
Charge for services	\$ 100,002	\$ 215,525	\$ 2,162,473	\$ 2,200,476	\$ 2,262,475	\$ 2,416,001
Operating grants and contributions	543,986	253,148	-	-	543,986	253,148
Capital grants and contributions	376,735	238,837	605,715	-	982,450	238,837
General revenues						
Property taxes	3,041,491	2,982,659	-	-	3,041,491	2,982,659
Income taxes	588,742	554,853	-	-	588,742	554,853
Other taxes	558,254	557,798	-	-	558,254	557,798
Interest	179,724	21,101	72,193	8,003	251,917	29,104
asset	35,773	26,573	-	-	35,773	26,573
Other	558,162	510,336	-	-	558,162	510,336
Total Revenue	\$ 5,982,869	\$ 5,360,830	\$ 2,840,381	\$ 2,208,479	\$ 8,823,250	\$ 7,569,309
Expenses						
General government	614,670	520,519	-	-	614,670	520,519
Public safety	1,971,712	1,874,269	-	-	1,971,712	1,874,269
Public works	788,956	880,734	-	-	788,956	880,734
Recreation and culture	104,621	151,406	-	-	104,621	151,406
housing	454,400	569,563	-	-	454,400	569,563
Interest on long-term debt	69,959	70,103	-	-	69,959	70,103
Water	-	-	655,137	765,135	655,137	765,135
Sewer	-	-	1,496,225	1,508,879	1,496,225	1,508,879
Industrial park	-	-	8,716	633	8,716	633
Total Expenses	4,004,318	4,066,594	2,160,078	2,274,647	6,164,396	6,341,241
Transfers in (out)	33,700	33,700	(33,700)	(33,700)	-	-
Change in net position	2,012,251	1,327,936	646,603	(99,868)	2,658,854	1,228,068
Net position, beginning of year	18,243,558	16,915,622	11,598,515	11,698,383	29,842,073	28,614,005
Net position end of year	\$ 20,255,809	\$ 18,243,558	\$ 12,245,118	\$ 11,598,515	\$ 32,500,927	\$ 29,842,073

Town of Denton, Maryland
Management Discussion and Analysis
Year Ended June 30, 2023

Governmental activities' revenues totaled \$5,982,869 compared to \$5,360,830 in the prior year. Expenses totaled \$4,044,318 compared to \$4,066,594 in the prior year. The resulting increase in governmental activities' net position for fiscal year 2023 and 2022 were \$2,012,251 and \$1,327,936, respectively. The increase in the change in net position from 2022 to 2023 of \$684,315 mostly relates to an increase in operating and capital grants and contributions, as well as an increase in property and income taxes.

Business type activities' revenues totaled \$2,840,381 compared to \$2,208,479 in the prior year. Expenses totaled \$2,160,078 compared to \$2,274,647 in the prior year. This resulted in an increase in business-type activities' net position \$646,603 for 2023 and a decrease \$99,868 for 2022. The increase in the change in net position from 2022 to 2023 of \$746,471 mostly relates to an increase in capital grants and contributions.

GENERAL FUND BUDGETARY ANALYSIS

- Total revenues were under budget by \$8,179, which mostly relates to taxes being under budget due to uncollected real estate taxes.
- Total expenditures were over budget by \$27,138, which mostly relates to general government being over budget by \$20,241 due to changes from GASB 87, *Leases*. Additional unbudgeted capital outlay of \$20,346 was incurred related to leases for new copiers.
- Actual results exceeded budget by \$652,530 mostly due to a budgeted reserve amount of \$660,301 in which there are no actual expenses.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Town's capital assets as of June 30, 2023, are as follows:

	Capital Asset Summary					
	Governmental Activities		Business Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 1,513,935	\$ 1,513,935	\$ -	\$ -	\$ 1,513,935	\$ 1,513,935
Construction in process	-	-	774,336	194,596	774,336	194,596
Land improvements	2,182,928	1,728,541	-	-	2,182,928	1,728,541
Buildings	5,001,911	4,972,304	-	-	5,001,911	4,972,304
Infrastructure	14,276,543	14,276,543	-	-	14,276,543	14,276,543
Furniture and equipment	1,056,782	702,937	769,849	778,667	1,826,631	1,481,604
Vehicles	1,392,494	1,462,682	-	-	1,392,494	1,462,682
Right-to-use asset	43,655	56,231	-	-	43,655	56,231
Municipal water system	-	-	4,424,225	4,378,291	4,424,225	4,378,291
Municipal sewer system	-	-	19,909,882	19,569,398	19,909,882	19,569,398
Total capital assets	25,468,248	24,713,173	25,878,292	24,920,952	51,346,540	49,634,125
Less accumulated depreciation	10,691,668	10,175,462	12,975,449	12,353,031	23,667,117	22,528,493
Capital and intangible assets, net	\$ 14,776,580	\$ 14,537,711	\$ 12,902,843	\$ 12,567,921	\$ 27,679,423	\$ 27,105,632

Town of Denton, Maryland
Management Discussion and Analysis
Year Ended June 30, 2023

Notable additions included the following:

Description	Governmental Activities	Business-type Activities
Building improvements	\$29,607	
Park Improvements	\$454,387	
Vehicles and equipment	\$460,790	\$303,898
Franklin St. Water Main CIP		\$601,218
Water/Sewer Line Replacement CIP		\$63,069

The Town's long-term liabilities as of June 30, 2023, are as follows:

	Long-Term Liabilities					
	Governmental Activities		Business Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Compensated absences	\$ 297,453	\$ 231,549	\$ 92,159	\$ 99,122	\$ 389,612	\$ 330,671
Net pension liability	1,133,134	943,948	516,385	425,410	1,649,519	1,369,358
Bonds payable	199,200	202,700	2,056,163	1,921,668	2,255,363	2,124,368
Notes payable	2,025,603	2,287,080	908,839	962,553	2,934,442	3,249,633
Bond premium	20,744	21,574	38,528	40,068	59,272	61,642
Finance leases	71,769	89,733	-	-	71,769	89,733
Right-to-use leases	24,357	12,631	-	-	24,357	12,631
Total long-term debt	\$ 3,772,260	\$ 3,789,215	\$ 3,612,074	\$ 3,448,821	\$ 7,384,334	\$ 7,238,036

A detailed listing of long-term debt is provided in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- For FY2024, because of the reassessment of real property values conducted by the State in January 2023, the Town anticipates an increase in tax revenues to reflect the rise in property values. However, for FY2024, the Town has reduced the real property tax rate from \$.74/\$100 of value to \$.72/\$100, and continues to maintain a 3% Homestead Tax Credit Cap. The Town anticipates the real property revenues will gradually increase due to proposed new commercial construction.
- Hotel Tax Revenues have stabilized and have returned to pre-Pandemic figures.
- The Unemployment rate as of October 2023 is down to 1.7%, lower than it was in previous years. However, the Town of Denton still has several employment vacancies. Vacancies seem to be a result of the declining workforce.
- With the State of Maryland's legislation raising the minimum wage and the combination of inflation increasing the cost of goods and service, the Town has found it necessary to increase wages to retain employees and is having to offer higher starting salaries to get qualified applicants, all of which will need to be accounted for in upcoming budgets.
- The cost of goods and services has increased tremendously, including rising fuel cost, cost of new equipment, repair cost and project cost all affecting an increase in the cost of operations. That combined with the decline in being able to get supplies in a timely manner may have an unfavorable effect on future budgets. The rising cost of materials and labor for road reconstruction projects continues to interfere with the ability to fully repair, maintain and keep up

Town of Denton, Maryland
Management Discussion and Analysis
Year Ended June 30, 2023

with deteriorating roads, resulting in many road projects being postponed. Eventually the Town may have to consider taking on new debt.

- The rate of inflation has dropped slightly from the prior year; however, the Town remains concerned that the rising cost of goods and services may have a negative impact on families and local businesses within our community, which could result in difficulties collecting property taxes and utility revenues in a timely manner. The Town works with the State LIHWAP to assist many residents unable to pay their utility bills experiencing hardships, whether due to unemployment or illness. The Town also assists residents to see if they are eligible to apply for tax credits and grant funding.
- The Town has worked with the State Department of Commerce to obtain an extension on the One Maryland Loan Program used for the prior acquisition of Industrial Park Properties. The Town recently hired a Commercial Realtor that is assisting the Town in selling the vacant lots located within the Denton Industrial Park to qualifying businesses. In FY2024, the Town anticipates most of the eight lots available with the fund to be applied toward the State DOC Loan.
- Since FY2022, the Town has acquired vehicles through the Enterprise Fleet Management Lease Program and plans to lease some additional vehicles in FY2024. It is becoming difficult to find suitable vehicles because of the heavy demand and the cost has risen significantly due to inflation.
- The Town has secured Bond Financing and Grant Funds through the Maryland Department of the Environment (MDE) and is anticipated to complete the project for upgrading the water lines on Franklin Street. With the rise in material costs and services, the project costs are higher than originally planned, which reduced the scope of the project.
- Utilizing the ARPA Funds, the Town is committed to extending utility lines to areas in the community where no public service is currently available. The engineering and design for the utility line extensions is complete and the project construction is scheduled to begin in FY2024.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Director of Finance, 4 N. 2nd St. Denton, Maryland 21629.

TOWN OF DENTON, MARYLAND
STATEMENT OF NET POSITION
June 30, 2023

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 12,000,241	\$ 1,559,943	\$ 13,560,184
Tax receivables	14,917	-	14,917
Service charge receivable	-	481,088	481,088
Lease receivable	-	63,327	63,327
Note receivable	353,633	-	353,633
Other receivable	19,710	-	19,710
Internal balances	18,543	(18,543)	-
Due from other governments	535,350	609,796	1,145,146
Land held for resale	316,520	455,171	771,691
Capital assets, not being depreciated	1,513,935	774,336	2,288,271
Capital and intangible assets, net	13,262,645	12,128,507	25,391,152
Total assets	28,035,494	16,053,625	44,089,119
DEFERRED OUTFLOWS OF RESOURCES			
Pension	259,300	118,167	377,467
LIABILITIES			
Accounts payable and accrued expenses	110,121	178,536	288,657
Unearned revenues	3,986,374	-	3,986,374
Bonds and notes payable	165,323	208,278	373,601
Finance lease	18,878	-	18,878
Right-to-use lease	7,702	-	7,702
Due in more than one year:			
Compensated absences	297,453	92,159	389,612
Net pension liability	1,133,134	516,385	1,649,519
Bonds and notes payable	2,080,224	2,795,252	4,875,476
Finance lease	52,891	-	52,891
Right-to-use lease	16,655	-	16,655
Total liabilities	7,868,755	3,790,610	11,659,365
DEFERRED INFLOWS OF RESOURCES			
Pension	170,230	77,577	247,807
Lease receivable	-	58,487	58,487
Total deferred inflows of resources	170,230	136,064	306,294
NET POSITION			
Net investment in capital assets	12,434,907	10,268,163	22,703,070
Restricted	1,174,394	86,321	1,260,715
Unrestricted	6,646,508	1,890,634	8,537,142
Total net position	\$ 20,255,809	\$ 12,245,118	\$ 32,500,927

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

TOWN OF DENTON, MARYLAND

STATEMENT OF ACTIVITIES

Year Ended June 30, 2023

		Program Revenue			Net (Expense) Revenue and Changes in Net Position		
					Primary Government		
Function/Program	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES							
General government	\$ 614,670	\$ 67,193	\$ 38,392	\$ -	\$ (509,085)	\$ -	\$ (509,085)
Public safety	1,971,712	15,151	503,410	9,062	(1,444,089)	-	(1,444,089)
Public works	788,956	9,092	-	-	(779,864)	-	(779,864)
Recreation and culture	104,621	5,259	-	367,348	267,986	-	267,986
Urban development and housing	454,400	3,307	2,184	325	(448,584)	-	(448,584)
Interest on long-term debt	69,959	-	-	-	(69,959)	-	(69,959)
Total governmental activities	4,004,318	100,002	543,986	376,735	(2,983,595)	-	(2,983,595)
BUSINESS-TYPE ACTIVITIES							
Water	655,137	823,768	-	316,953	-	485,584	485,584
Sewer	1,496,225	1,338,705	-	288,762	-	131,242	131,242
Industrial park	8,716	-	-	-	-	(8,716)	(8,716)
Total business-type activities	2,160,078	2,162,473	-	605,715	-	608,110	608,110
Total Primary Government	\$ 6,164,396	\$ 2,262,475	\$ 543,986	\$ 982,450	\$ (2,983,595)	\$ 608,110	\$ (2,375,485)

General Revenues

Taxes:			
Property	3,041,491	-	3,041,491
Income	588,742	-	588,742
Other	558,254	-	558,254
Interest	179,724	72,193	251,917
Gain on sale/disposal of assets	35,773	-	35,773
Other	558,162	-	558,162
Total General Revenues	4,962,146	72,193	5,034,339
Transfers in (out)	33,700	(33,700)	-
Change in Net Position	2,012,251	646,603	2,658,854
Net Position, Beginning of Year	18,243,558	11,598,515	29,842,073
Net Position, End of Year	\$ 20,255,809	\$ 12,245,118	\$ 32,500,927

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

TOWN OF DENTON, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

	General Fund	Special Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 6,813,870	\$ 3,961,939	\$ 1,224,432	\$ 12,000,241
Receivables:				
Taxes	14,917	-	-	14,917
Notes	-	-	353,633	353,633
Other receivables	13,803	-	5,907	19,710
Due from other funds	18,543	-	-	18,543
Due from other governments	202,586	214,647	118,117	535,350
Total assets	\$ 7,063,719	\$ 4,176,586	\$ 1,702,089	\$ 12,942,394
Liabilities, deferred inflows and fund balances				
Liabilities:				
Accounts payable and accrued expenses	\$ 107,921	\$ 1,367	\$ 833	\$ 110,121
Unearned revenues	81,590	3,904,784	-	3,986,374
Total liabilities	189,511	3,906,151	833	4,096,495
Deferred inflows of resources:				
Business loans	-	-	353,633	353,633
Unavailable revenue-property taxes	8,180	-	-	8,180
Total deferred inflows of resources	8,180	-	353,633	361,813
Fund balances:				
Restricted	-	270,435	903,959	1,174,394
Assigned	-	-	443,664	443,664
Unassigned	6,866,028	-	-	6,866,028
Total fund balances	6,866,028	270,435	1,347,623	8,484,086
Total liabilities, deferred inflows and fund balances	\$ 7,063,719	\$ 4,176,586	\$ 1,702,089	\$ 12,942,394

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

TOWN OF DENTON, MARYLAND

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION June 30, 2023

Total fund balances, governmental funds	\$ 8,484,086
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Amounts reported for governmental activities in the statement of net position are different because:

Capital and intangible assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.

Capital assets	14,752,687
Intangible assets	23,893

Land held for resale used in governmental activities are not financial resources and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.

316,520

Deferred outflows of resources - pension

259,300

Certain resources are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the governmental funds. Those deferred inflow of resources consist of:

Property tax	8,180
Business loans	353,633

Deferred inflows of resources - pension

(170,230)

Some liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position. Those liabilities consist of:

Compensated absences	(297,453)
Net pension liability	(1,133,134)
Bonds payable	(199,200)
Notes payable	(2,025,603)
Bond premium	(20,744)
Finance leases	(71,769)
Right-to-use lease	(24,357)

Net position of governmental activities in the Statement of Net Position

<u>\$ 20,255,809</u>

TOWN OF DENTON, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2023

	General Fund	Special Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 3,921,199	\$ -	\$ 286,461	\$ 4,207,660
Licenses and permits	62,573	-	27,554	90,127
Revenue from other agencies	273,324	647,884	-	921,208
Service charges	9,388	-	-	9,388
Interest income	-	140,760	38,964	179,724
Miscellaneous	415,140	22,394	120,628	558,162
Total revenues	4,681,624	811,038	473,607	5,966,269
Expenditures				
Current:				
General government	654,722	-	-	654,722
Public safety:				
Police	1,620,619	28,500	-	1,649,119
Fire	112,988	-	-	112,988
Zoning	495,936	-	-	495,936
Public works	544,256	38,392	97,035	679,683
Recreation and culture	73,928	-	-	73,928
Urban development and housing	76,515	28,105	67,135	171,755
Capital outlay and projects	353,640	589,086	2,058	944,784
Debt service - principal	221,757	-	61,184	282,941
Debt service - interest	28,300	-	41,659	69,959
Total expenditures	4,182,661	684,083	269,071	5,135,815
Excess (deficiency) of revenues over (under) expenditures	498,963	126,955	204,536	830,454
Other financing sources (uses)				
Transfers in	74,700	-	-	74,700
Transfers out	-	-	(41,000)	(41,000)
Proceeds from sale of assets	3,846	-	-	3,846
Insurance reimbursement	54,675	-	-	54,675
Lease proceeds	20,346	-	-	20,346
Total other financing sources (uses)	153,567	-	(41,000)	112,567
Net change in fund balances	652,530	126,955	163,536	943,021
Fund balance - beginning	6,213,498	143,480	1,184,087	7,541,065
Fund balance - ending	\$ 6,866,028	\$ 270,435	\$ 1,347,623	\$ 8,484,086

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

TOWN OF DENTON, MARYLAND

RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES Year Ended June 30, 2023

Net change in fund balances, governmental funds	\$ 943,021
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:	
Capital outlay	924,438
Intangible right-to-use asset	20,346
Depreciation expense	(674,539)
Amortization expense	(8,628)
Governmental funds only report the disposal of assets to the extent proceeds are received for the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the cost of assets disposed of, less accumulated depreciation.	
	(22,748)
Loan proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Position. In the current period, loans of this amount were issued:	
Intangible right-to-use lease	(20,346)
Governmental funds report repayment of debt principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities.	
Bonds payable	4,330
Notes payable	261,477
Finance leases	17,964
Intangible right-to-use leases	8,620
Revenues are reported in the statement of activities on the accrual basis and in the governmental funds when they provide for current financial resources.	
The net difference consist of:	
Property tax	(19,173)
Business loans	(45,008)
Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:	
(Increase) decrease in compensated absences	(65,904)
Increase (decrease) in deferred outflows of resources - pensions	(145,002)
(Increase) decrease in deferred inflows of resources - pensions	1,022,589
(Increase) decrease in net pension liability	(189,186)
Change in net position of governmental activities	<u>\$ 2,012,251</u>

TOWN OF DENTON, MARYLAND
STATEMENT OF FUND NET POSITION
BUSINESS-TYPE ACTIVITIES
June 30, 2023

	Water Fund	Sewer Fund	Nonmajor Industrial Park Fund	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,014,318	\$ 516,657	\$ 28,968	\$ 1,559,943
Receivables:				
Service charges	168,189	312,899	-	481,088
Leases receivable	63,327	-	-	63,327
Due from other governments	608,221	1,575	-	609,796
Total current assets	1,854,055	831,131	28,968	2,714,154
Noncurrent assets:				
Land held for resale	-	-	455,171	455,171
Capital assets, net	2,958,303	9,944,540	-	12,902,843
Total noncurrent assets	2,958,303	9,944,540	455,171	13,358,014
Total assets	4,812,358	10,775,671	484,139	16,072,168
Deferred Outflows of Resources				
Deferred outflows related to pensions	45,183	72,984	-	118,167
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	165,112	13,424	-	178,536
Due to other funds	-	-	18,543	18,543
Bonds and notes payable	34,541	173,737	-	208,278
Total current liabilities	199,653	187,161	18,543	405,357
Noncurrent liabilities:				
Compensated absences	33,951	58,208	-	92,159
Net pension liability	197,447	318,938	-	516,385
Bonds and notes payable	1,252,880	1,173,522	368,850	2,795,252
Total noncurrent liabilities	1,484,278	1,550,668	368,850	3,403,796
Total liabilities	1,683,931	1,737,829	387,393	3,809,153
Deferred Inflows of Resources				
Deferred inflows related to pensions	29,663	47,914	-	77,577
Deferred inflows related to leases	58,487	-	-	58,487
Total deferred inflows of resources	88,150	47,914	-	136,064
Net position				
Net investment in capital assets	1,670,882	8,597,281	-	10,268,163
Restricted	-	-	86,321	86,321
Unrestricted	1,414,578	465,631	10,425	1,890,634
Total net position	\$ 3,085,460	\$ 9,062,912	\$ 96,746	\$ 12,245,118

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

TOWN OF DENTON, MARYLAND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION
BUSINESS-TYPE ACTIVITIES
Year Ended June 30, 2023

	Water Fund	Sewer Fund	Nonmajor Industrial Park Fund	Total
Operating revenues				
Charges for services, net	\$ 802,648	\$ 1,202,535	\$ -	\$ 2,005,183
Vacant lots	-	12,283	-	12,283
Other revenues	21,120	123,887	-	145,007
Total operating revenues	823,768	1,338,705	-	2,162,473
Operating expenses				
Salaries and wages	230,779	393,677	-	624,456
Fringe benefits	104,430	168,350	-	272,780
Pension liability adjustment	(112,361)	(192,617)	-	(304,978)
Materials and supplies	3,475	6,423	140	10,038
Electric and telephone	72,650	111,442	-	184,092
Automotive expenses	15,444	21,858	-	37,302
Professional services	9,443	10,536	8,576	28,555
Repairs and maintenance	77,515	96,308	-	173,823
Depreciation and amortization	136,099	495,624	-	631,723
Other operating expenses	87,941	361,334	-	449,275
Total operating expenses	625,415	1,472,935	8,716	2,107,066
Operating income (loss)	198,353	(134,230)	(8,716)	55,407
Nonoperating revenues (expenses)				
Intergovernmental revenues	316,953	288,762	-	605,715
Interest income	45,709	24,910	1,574	72,193
Interest expense	(29,722)	(23,290)	-	(53,012)
Net nonoperating revenues (expenses)	332,940	290,382	1,574	624,896
Income (loss) before transfers	531,293	156,152	(7,142)	680,303
Transfers in	26,000	-	-	26,000
Transfers out	(16,782)	(42,918)	-	(59,700)
Change in net position	540,511	113,234	(7,142)	646,603
Total net position - beginning	2,544,949	8,949,678	103,888	11,598,515
Total net position - ending	\$ 3,085,460	\$ 9,062,912	\$ 96,746	\$ 12,245,118

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

TOWN OF DENTON, MARYLAND
STATEMENT OF CASH FLOWS
BUSINESS-TYPE ACTIVITIES
Year Ended June 30, 2023

	Water Fund	Sewer Fund	Nonmajor Industrial Park Fund	Total
OPERATING ACTIVITIES:				
Receipts from customers	\$ 223,927	\$ 1,330,802	\$ -	\$ 1,554,729
Payments to vendors	(134,186)	(646,812)	(9,008)	(790,006)
Payments to employees	(339,511)	(564,688)	-	(904,199)
Net cash provided (used) by operating activities	(249,770)	119,302	(9,008)	(139,476)
NONCAPITAL FINANCING ACTIVITIES:				
Transfers in (out)	9,218	(42,918)	-	(33,700)
Net cash provided (used) by noncapital financing activities	9,218	(42,918)	-	(33,700)
CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets	(674,629)	(293,556)	-	(968,185)
Issuance of long-term debt	306,335	-	-	306,335
Receipts from capital grants	316,953	288,762	-	605,715
Principal paid on long-term debt	(37,104)	(189,990)	-	(227,094)
Interest paid on long-term debt	(29,722)	(23,290)	-	(53,012)
Net cash used by capital and related financing activities	(118,167)	(218,074)	-	(336,241)
INVESTING ACTIVITIES:				
Interest income	45,709	24,910	1,574	72,193
Net cash provided by investing activities	45,709	24,910	1,574	72,193
Net change in cash and cash equivalents	(313,010)	(116,780)	(7,434)	(437,224)
Cash and cash equivalents, beginning of year	1,327,328	633,437	36,402	1,997,167
Cash and cash equivalents, end of year	\$ 1,014,318	\$ 516,657	\$ 28,968	\$ 1,559,943
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 198,353	\$ (134,230)	\$ (8,716)	\$ 55,407
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization expense	137,639	495,624	-	633,263
Pension obligation	(112,361)	(192,617)	-	(304,978)
Lease - right-to-use asset	585	-	-	585
Changes in assets and liabilities:				
Receivables	(600,426)	(7,903)	-	(608,329)
Accounts and other payables	130,742	(38,911)	(292)	91,539
Compensated absences	(4,302)	(2,661)	-	(6,963)
Net cash provided (used) by operating activities	\$ (249,770)	\$ 119,302	\$ (9,008)	\$ (139,476)

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

TOWN OF DENTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

Note 1. Description of Town of Denton, Maryland

The Town of Denton, Maryland (the "Town") began as a tiny settlement on the Choptank River in 1781 and quickly became a trade center for a wide agricultural area. Today, the Town serves as the seat of Caroline County and provides a range of municipal services, including general administration, public safety, economic and community development, street maintenance and sanitation, and water and wastewater utilities.

A. Financial Reporting Entity

In evaluating how to define the Town, for financial reporting purposes, management has considered all potential component units. The decision of whether to include a potential component unit was made by applying the criteria set forth in the GASB standards related to component units. The basis, but not the only criterion for including a potential component unit, is the exercise of oversight responsibility by the Town's elected officials. Based upon the application of these criteria, there are no component units accompanying these statements.

Note 2. Summary of Significant Accounting Policies

The financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The most significant of the Town's accounting policies are described below.

A. Basis of Presentation

The Town's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities display information about the Town as a whole. These statements include the financial activities of the Town. The statements distinguish between those activities of the Town that are governmental and those that are considered business-type activities.

TOWN OF DENTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

Note 2. Summary of Significant Accounting Policies (continued)

A. Basis of Presentation (continued)

The statement of net position presents the financial condition of the governmental and business-type activities of the Town at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Town's governmental activities and for business-type activities of the Town. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Town, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from general revenues of the Town.

FUND FINANCIAL STATEMENTS

During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at a more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The Town uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

GOVERNMENTAL FUNDS

Governmental funds are those 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 purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Town's governmental funds:

General Fund (major) accounts for all revenues and expenditures applicable to the general operations of the Town, which are not accounted for in other funds.

TOWN OF DENTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

Note 2. Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

Special Revenue Funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. Special Revenue Funds consist of the *non-major* Business Loan Fund (loans made to various businesses for economic development) and the *non-major* Highway Fund (various highway improvement projects).

Capital Projects Funds accounts for other general capital improvement projects of the Town using the *major* Special Projects (various economic, urban, and housing development projects) and the *non-major* Capital Improvement Fund (other projects) to account for the projects.

PROPRIETARY FUNDS

Enterprise funds account for operations that are financed in a manner similar to private business enterprises. The Proprietary Fund measurement focus is based upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of the Water (*major*), Sewer (*major*), and Industrial Park (*non-major*) (accounts for parcels of land purchased by the Town for future development and sale to private businesses) Funds.

The total enterprise fund columns in the proprietary fund Statement of Net Position and Statement of Revenues, Expenses and Changes in Fund Net Position are equal to the business-type activity column in the government-wide statements.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net position. The Town does not have any fiduciary funds.

C. Measurement Focus

Government-wide financial statements – The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the Town are included on the statement of net position.

Fund financial statements – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds.

TOWN OF DENTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

Note 2. Summary of Significant Accounting Policies (continued)

C. Measurement Focus (continued)

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the Town finances and meets the cash flow needs of its proprietary activities.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter (within 60 days after year end) to be used to pay liabilities of the current fiscal year.

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include primarily grants. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Town must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Town on a reimbursable basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under modified accrual basis, the following revenue sources are considered both measurable and available at year end: charges for services, fines and forfeitures, state-levied locally shared taxes (including gasoline tax and motor vehicle license tax), grants, interest and rent.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated assets during the year is reported in the operating statement as an expense with a like amount reported as donated revenue. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

TOWN OF DENTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

Note 2. Summary of Significant Accounting Policies (continued)

E. Budgetary Process

The following procedures are used by the Town in establishing the budgetary data reflected in the financial statements.

1. At or before the first Town Council meeting in April of each year, the Mayor submits to the Town Council a budget for the ensuing fiscal year and an accompanying message.
2. The budget shows in detail all estimated income, proposed expenditures for current operations and capital expenditures. Total proposed expenditures cannot exceed the total of estimated income and applied surplus, if any.
3. A public hearing is conducted to obtain citizen comments.
4. The Town Council adopts the budget on or before June 10. However, if the budget is not adopted by July 1, 1/12 of the current budget can be extended for a 30 day period by majority vote.
5. The budget is legally enacted through passage of an appropriations ordinance.
6. All budgets are adopted on a basis consistent with GAAP.
7. Appropriations lapse at June 30 for all Town departments.
8. All budget data presented in the accompanying financial statements is the legally amended or revised budget as of June 30.

F. Property Tax

By June 10 of each year, the Town Council adopts a budget, effective the following July 1, which establishes the property tax levy for the coming year. Tax bills are due and payable on July 1 and are considered in arrears on the following October 1. Property on which taxes remain unpaid for six months after the original due date is sold at public auction in the manner prescribed by State law.

G. Cash and cash equivalents

The Town considers cash and cash equivalents to be all highly liquid investments with a maturity of three months or less.

TOWN OF DENTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

Note 2. Summary of Significant Accounting Policies (continued)

H. Allowance for uncollectible accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. There was no allowance recorded at June 30, 2023.

I. Land held for resale

Land held for resale is carried at the lower of cost or net realizable value. Cost includes the original acquisition price and all development costs.

J. Capital Assets

General capital assets are those assets not specifically related to activities reported in proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical costs) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Town maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add value to the asset or materially extend an asset's life are not.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

	Governmental Activities Useful Lives	Business-type Activities Useful Lives
Land improvements	5 - 40	N/A
Buildings	15 - 40	N/A
Infrastructure	15 - 40	N/A
Furniture and equipment	5 – 7	5 - 10
Vehicles	5	N/A
Water and sewer systems	N/A	25 - 75

TOWN OF DENTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

Note 2. Summary of Significant Accounting Policies (continued)

K. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet 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 that applies to a future period(s) and so will not be recognized as an outflow or resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position and/or balance sheet 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 that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

The Town has items, which arises only on a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the items, *unavailable revenue and business loans*, are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and businesses loans. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

In addition, see Note 8 for further details relating to the deferred outflows / inflows of resources relating to the Town's pension plan.

L. Vacation and sick pay liability

Town employees earn vacation and sick leave at various rates. Accumulated vacation and half of accumulated sick leave is paid upon termination for all employees with more than five years of service. The current portions are not recorded as liabilities in the governmental funds' financial statements until they have matured as a result of employee resignations and retirements. In the proprietary funds, both the expense and the liability are recorded as benefits are earned. All vacation pay is accrued when incurred in the government-wide financial statements.

M. Net Position

Net position represents the net amount of assets, deferred outflows or resources, liabilities and deferred inflows of resources. Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Restricted components of net position are reported when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by grantors, contributors, creditors, or laws and regulations of other governments.

Restricted resources are applied first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Furthermore, committed fund balances are reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those fund balance classifications can be used.

TOWN OF DENTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

Note 2. Summary of Significant Accounting Policies (continued)

N. Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can only be spent for specific purposes because of the Town charter or code, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed – amounts that can be used only for specific purposes determined by formal action by the Town Council ordinance or resolutions.

Assigned – amounts that are designated by the Council or management with intent to be used for specific purposes, but are neither restricted nor committed by ordinance or resolution.

Unassigned – amounts not included in other spendable classifications.

The Town typically uses restricted fund balances first, followed by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Treasurer has the authority to deviate from this policy if it is in the best interest of the Town.

O. Due to/from other funds and Transfers

On fund financial statements, receivables and payables resulting from interfund loans or interfund services provided and used are classified as “Due to/from other funds.” Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net position. The only interfund balances which remain on the government-wide statement of net position are those between governmental and business-type activities. These amounts are reflected as “Internal Balances.”

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flow of cash or goods from one fund to another without a requirement for repayment are reported as Interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in enterprise funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

P. Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

TOWN OF DENTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

Note 2. Summary of Significant Accounting Policies (continued)

Q. New Accounting Pronouncements

The Town adopted Government Accounting Standards Board's Statement No. 96, *Subscription-Based Information Technology Arrangements*, on July 1, 2022. This statement's objective is to improve financial reporting for subscription-based information technology arrangements (SBITA) by requiring recognition of certain assets and liabilities for subscription-based information technology arrangements. The Town did not have any subscription-based information technology arrangements at June 30, 2023.

Note 3. Cash and Cash Equivalents

Deposits: At year end, the carrying value of the Town's deposits with banks and financial institutions was \$13,560,184 and the bank balance was \$14,576,716, all of which was covered by Federal Depository Insurance or collateralized in accordance with Article 95, Section 22 of the *Annotated Code of Maryland*.

Investments: In accordance with the *Annotated Code of Maryland* and other applicable laws and regulations, the Town's investment policy permits investments in obligations of the United States or agencies thereof, obligations of the State of Maryland, interest-bearing time deposits and savings accounts in any federally insured banks or savings and loans associations in the State of Maryland, repurchase agreements, and the Maryland Local Government Investment Pool ("MLGIP"), which is carried at amortized cost consistent with the pool's valuation in accordance with GAAP.

At June 30, 2023, the Town's deposit and investment balances are as follows:

	Fair Value
MLGIP	\$ 8,622,532
Deposits	4,937,152
Cash on hand	500
<u>Total cash and cash equivalents</u>	<u>\$ 13,560,184</u>

Interest rate risk: Given the cash flow needs for operations as well as capital and special projects, it is the Town's policy to maintain the liquidity of its investments. The MLGIP is not subject to maturity limits.

Credit risk: The Town's investments in the MLGIP are rated AAAM by Standard and Poor's.

Note 4. Note Receivable

The Business Loan fund has \$353,633 in outstanding loan payments as of June 30, 2023. Business loans are granted by the Town to local businesses with Council approval. Payment terms on these loans vary.

TOWN OF DENTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

Note 5. Due to/from other funds and Transfers

Interfund receivables and payables are usually used by the Town to cover temporary cash deficits in individual funds until grant or similar resources are received. Occasionally, these receivables and payables are used in lieu of short-term external borrowing.

As of June 30, 2023, due to/from other funds are as follows:

	Interfund Receivable	Interfund Payables	Net
General Fund	\$ 18,543	\$ -	\$ 18,543
Special Projects Fund	-	-	-
Business Loan Fund	-	-	-
Capital Improvement Fund	-	-	-
Highway Fund	-	-	-
Water Fund	-	-	-
Sewer Fund	-	-	-
Industrial Park Fund	-	(18,543)	(18,543)
Total	\$ 18,543	\$ (18,543)	\$ -

Interfund transfers represent a transfer of resources from one fund to another without expectation of repayment. Usually, these transfers are undertaken to enable the receiving entity to provide services that the government has determined to be in the best interest of the Town.

As of June 30, 2023, transfers to other funds are as follows:

	Transfers In	Transfers Out	Net
General Fund	\$ 74,700	\$ -	\$ 74,700
Special Projects Fund	-	-	-
Business Loan Fund	-	(20,000)	(20,000)
Capital Improvement Fund	-	(21,000)	(21,000)
Highway Fund	-	-	-
Water Fund	26,000	(16,782)	9,218
Sewer Fund	-	(42,918)	(42,918)
Industrial Park Fund	-	-	-
Total	\$ 100,700	\$ (100,700)	\$ -

TOWN OF DENTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

Note 6. Capital and Intangible Assets

The following is a summary of changes in capital assets for the year ended June 30, 2023:

	June 30, 2022	Additions	Transfers / Deductions	June 30, 2023
GOVERNMENTAL ACTIVITIES				
Capital assets, not being depreciated:				
Land	\$ 1,513,935	\$ -	\$ -	\$ 1,513,935
Total capital assets, not being depreciated	1,513,935	-	-	1,513,935
Capital assets, being depreciated:				
Land improvements	1,728,541	454,387	-	2,182,928
Buildings	4,972,304	29,607	-	5,001,911
Infrastructure	14,276,543	-	-	14,276,543
Furniture and equipment	702,937	374,891	(21,046)	1,056,782
Vehicles	1,462,682	65,553	(135,741)	1,392,494
Total capital assets, being depreciated	23,143,007	924,438	(156,787)	23,910,658
Less accumulated depreciation:				
Land improvements	1,443,509	21,658	-	1,465,167
Buildings	1,905,703	133,221	-	2,038,924
Infrastructure	5,054,597	359,722	-	5,414,319
Furniture and equipment	549,393	78,235	(21,046)	606,582
Vehicles	1,178,204	81,703	(112,993)	1,146,914
Total accumulated depreciation	10,131,406	674,539	(134,039)	10,671,906
Total capital assets, being depreciated, net	13,011,601	249,899	(22,748)	13,238,752
Governmental activities capital assets, net	\$ 14,525,536	\$ 249,899	\$ (22,748)	\$ 14,752,687

Depreciation expense was charged to governmental functions as follows:

General government	\$ 80,240
Public safety	128,943
Public works	183,422
Recreation and culture	43,002
Urban development and housing	238,932
	<u>\$ 674,539</u>

TOWN OF DENTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

Note 6. Capital and Intangible Assets (continued)

Intangible right-to-use asset activity for the year ended June 30, 2023 is as follows:

	June 30, 2022	Additions	Transfers / Deductions	June 30, 2023
Intangible right-to-use assets				
Leased equipment	\$ 56,231	\$ 20,346	\$ (32,922)	\$ 43,655
Less accumulated amortization	44,056	8,628	(32,922)	19,762
Intangible right-to-use assets, net	\$ 12,175	\$ 11,718	\$ -	\$ 23,893

Amortization expense for the period ended June 30, 2023 totaled \$8,628.

	June 30, 2022	Additions	Transfers / Deductions	June 30, 2023
BUSINESS-TYPE ACTIVITIES				
Capital assets, not being depreciated:				
Construction in process	\$ 194,596	\$ 664,287	\$ (84,547)	\$ 774,336
Total capital assets, not being depreciated	194,596	664,287	(84,547)	774,336
Capital assets, being depreciated:				
Municipal water system	4,378,291	45,934	-	4,424,225
Municipal sewer system	19,569,398	255,937	84,547	19,909,882
Machinery and equipment	778,667	2,027	(10,845)	769,849
Total capital assets, being depreciated	24,726,356	303,898	73,702	25,103,956
Less accumulated depreciation:				
Municipal water system	2,164,956	104,203	-	2,269,159
Municipal sewer system	9,662,269	471,286	-	10,133,555
Machinery and equipment	525,806	57,774	(10,845)	572,735
Total accumulated depreciation	12,353,031	633,263	(10,845)	12,975,449
Total capital assets, being depreciated, net	12,373,325	(329,365)	84,547	12,128,507
Business-type activities capital assets, net	\$ 12,567,921	\$ 334,922	\$ -	\$ 12,902,843

Depreciation expense was charged to business-type activities as follows:

Water	\$ 137,639
Sewer	495,624
	\$ 633,263

TOWN OF DENTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

Note 7. Long-term Obligations

The following is a summary of the changes in long-term debt obligations:

	Balances June 30, 2022	Additions	Retirements and Repayments	Balances June 30, 2023	Amount Due In One Year
Governmental activities:					
Compensated absences	\$ 231,549	\$ 65,904	\$ -	\$ 297,453	\$ -
Net pension liability	943,948	189,186	-	1,133,134	-
Bonds payable	202,700	-	3,500	199,200	5,250
Bond premium	21,574	-	830	20,744	830
Notes payable	2,287,080	-	261,477	2,025,603	159,243
Finance leases	89,733	-	17,964	71,769	18,878
Intangible right-to-use lease	12,631	20,346	8,620	24,357	7,702
Total governmental activities long-term obligations	\$ 3,789,215	\$ 275,436	\$ 292,391	\$ 3,772,260	\$ 191,903
Business-type activities					
Compensated absences	\$ 99,122	\$ -	\$ 6,963	\$ 92,159	\$ -
Net pension liability	425,410	90,975	-	516,385	-
Bonds payable	1,921,668	306,335	171,840	2,056,163	187,277
Bond premium	40,068	-	1,540	38,528	1,540
Notes payable	962,553	-	53,714	908,839	19,461
Total business-type activities long-term obligations	\$ 3,448,821	\$ 397,310	\$ 234,057	\$ 3,612,074	\$ 208,278

Interest expense in the governmental activities and business-type activities for the year ended June 30, 2023 is \$69,959 and \$53,012, respectively.

TOWN OF DENTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

Note 7. Long-term Obligations (continued)

Annual requirements to amortize governmental activities bonds and notes payable and related interest is as follows:

Year Ending June 30,	Bonds		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest
2024	\$ 6,080	\$ 7,302	\$ 159,243	\$ 52,715
2025	6,080	7,035	159,100	55,534
2026	6,080	6,768	154,788	51,127
2027	6,080	6,500	147,684	46,896
2028	6,080	6,233	361,210	42,326
2029 - 2033	37,400	26,534	292,612	153,598
2034 - 2038	44,400	19,337	177,571	118,721
2039 - 2043	51,400	12,545	187,262	85,772
2044 - 2048	56,344	4,813	217,445	47,856
2049 - 2052	-	-	168,688	9,596
Total	\$ 219,944	\$ 97,067	\$ 2,025,603	\$ 664,141

Annual requirements to amortize business-type activities bonds and notes payable and related interest is as follows:

Year Ending June 30,	Bonds		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest
2024	\$ 188,817	\$ 27,115	\$ 19,461	\$ 16,361
2025	68,215	26,329	387,558	15,706
2026	68,724	25,322	19,380	15,034
2027	69,238	24,313	19,509	14,337
2028	69,756	23,298	13,070	13,768
2029 - 2033	363,639	99,982	71,545	62,646
2034 - 2038	380,542	73,638	83,077	51,114
2039 - 2043	406,879	47,689	96,468	37,723
2044 - 2048	408,872	19,394	112,017	22,174
2049 - 2053	70,009	1,690	86,754	4,944
Total	\$ 2,094,691	\$ 368,770	\$ 908,839	\$ 253,807

TOWN OF DENTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

Note 7. Long-term Obligations (continued)

The following is a summary of governmental activities bonds and notes payable as of June 30, 2023:

\$207,507 Highway fund share of CDA bond, due in semi-annual interest payments and annual principal payments through 2048, interest at 2.591%.	\$ 199,200
Bond premium	20,744
Total bonds payable	219,944
\$1,210,440 Highway fund share of 5 th Ave project loan issued by USDA, due in quarterly installments of \$4,333 until 2052, interest at 3.01%.	993,149
\$145,000 installment note payable, due in monthly payments of \$806 variable interest at 65% of Prime Rate floating with a floor 2.11% and a ceiling of 2.99% for 15 years.	33,266
\$685,000 installment note payable, due in monthly principal payments of \$2,854, variable interest at 65% of Prime Rate floating with a floor of 2.11% and a ceiling of 2.99% for 15 years with a 20 year amortization.	271,969
\$1,100,000 installment note payable, due in monthly payments of \$4,583, variable interest at 65% of Prime Rate floating with a floor of 2.11% and a ceiling of 2.99% for 15 years with a 20 year amortization.	391,031
\$38,193 installment note payable, financing of one police car, due in monthly payments of \$869 through 2025, interest at 2.99%.	18,534
\$20,000 Highway fund share of installment note payable, financing of one excavator, split due in monthly payments of \$361 through 2024, interest at 3.23%.	1,353
Intermediary relending program note, issued by the USDA, of which \$745,000 was drawn down, due in annual payments of \$31,837 through 2036, interest at 1%.	316,301
Total notes payable	2,025,603
Total Governmental Activities bonds and notes payable	\$ 2,245,547

TOWN OF DENTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

Note 7. Long-term Obligations (continued)

The following is a summary of business-type activities bonds and notes payable as of June 30, 2023:

\$2,332,577 MDE bond issued September 23, 2004, due in annual installments of \$121,589 including interest at 0.4% through February 2024.	\$ 121,107
\$53,500 MDE bond issued January 28, 2011, due in annual installments including interest at 1.2% through February 2031.	22,942
\$1,401,007 Water Quality State Revolving Fund bond, semi-annual interest payments and annual principal payments, interest at 0.9% through February 2048.	1,160,497
\$633,388 MDE bond issued June 23, 2022, due in annual installments of \$23,832 including interest at 0.8% through February 2053.	381,117
\$385,925 Water fund share of CDA bond, due in semi-annual interest payments and annual principal payments through 2048, interest at 2.591%.	370,500
Bond premium	38,528
Total bonds payable	2,094,691
\$140,000, Rural Development Loan due in quarterly installments of \$1,892 including interest at 4.5%, through September 2027.	27,112
\$623,560 Water and Sewer fund share of 5th Ave project loan issued by USDA, due in quarterly installments of \$6,709 until 2052, interest at 3.01%.	511,476
\$57,343 Water and Sewer fund share of installment note payable, financing of one excavator, split due in monthly payments of \$1,038 through 2024, interest at 3.23%.	1,401
\$370,000 State note to be repaid from net proceeds of the sale of lots in the new industrial park after the first \$125,000 is retained by the Town. All proceeds in excess of that are to go towards the repayment, which is due 2025, no interest.	368,850
Total notes payable	908,839
Total Business-type Activities bonds and notes payable	\$ 3,003,530

TOWN OF DENTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

Note 8. Pension and Retirement Plans

Organization

The State Retirement Agency is the administrator of the Maryland State Retirement and Pension System (the System). The System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland to provide retirement allowances and other benefits to State employees, teachers, police, judges, legislators, and employees of participating governmental units. Responsibility for the System's administration and operation is vested in a 15-member Board of Trustees. The System is made up of two cost-sharing employer pools: the "State Pool" and the "Municipal Pool". The State Pool consists of the State agencies, boards of education, community colleges, and libraries. The Municipal Pool consists of participating governmental units that elected to join the System. Neither pool shares in each other's actuarial liabilities, thus participating governmental units that elect to join the System (the "Municipal Pool") share in the liabilities of the Municipal Pool only. The State Retirement Agency issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State Retirement and Pension System of Maryland, 120 E. Baltimore Street, Suite 1660, Baltimore, Maryland 21202-1600 or on-line at www.sra.maryland.gov.

The System is comprised of the Teachers' Retirement and Pension Systems, Employees' Retirement and Pension Systems, State Police Retirement System, Judges' Retirement System, and the Law Enforcement Officers' Pension System.

Generally, employees of the Town participate in the Employees' Retirement and Pension Systems (Employee's Systems). The Employees' Systems are cost sharing multiple-employer defined benefit pension plans.

Basis of Accounting

The System's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. For purposes of measuring 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 System and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

TOWN OF DENTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

Note 8. Pension Plan (continued)

Covered Members

Employees' Retirement and Pension Systems

On October 1, 1941, the Employees' Retirement System was established to provide retirement allowances and other benefits to State employees, elected and appointed officials and the employees of participating governmental units. Effective January 1, 1980, the Employees' Retirement System was essentially closed to new members and the Employees' Pension system was established. As a result, State employees (other than correctional officers) and employees of participating governmental units hired after December 31, 1979, became members of the Employees' Pension System as a condition of employment, while all State correctional officers and members of the Maryland General Assembly continue to be enrolled as members of the Employees' Retirement System. On or after January 1, 2005, an individual who is a member of the Employees' Retirement System may not transfer membership to the Employees' Pension System.

Summary of Significant Plan Provisions

All plan benefits are specified by the State Personnel and Pensions Article of the Annotated Code of Maryland. For all individuals who are members of the Employees', Teachers', Correctional Officers' or State Police Retirement System on or before June 30, 2011, retirement allowances are computed using both the highest three years' Average Final Compensation (AFC) and the actual number of years of accumulated creditable service. For all individuals who are members of the pension systems of the State Retirement and Pension System on or before June 30, 2011, pension allowances are computed using both the highest three consecutive years' AFC and the actual number of years of accumulated creditable service. For any individual who becomes a member of one of the pension systems on or after July 1, 2011, pension allowances are computed using both the highest five consecutive year's AFC and the actual number of years of accumulated creditable service. Various retirement options are available under each system which ultimately determines how a retiree's benefit allowance will be computed. Some of these options require actuarial reductions based on the retiree's and/or designated beneficiary's attained age and similar actuarial factors.

Beginning July 1, 2011, the member contribution rate was increased for members of the Employees' Pension Systems from 5% to 7%, in fiscal year 2013.

In addition, the benefit attributable to service on or after July 1, 2011 in many of the pension systems now will be subject to different cost-of-living adjustments (COLA) that is based on the increase in the Consumer Price Index (CPI) and capped at 2.5% or 1.0% based on whether the market value investment return for the preceding calendar year was higher or lower than the investment return assumption used in the valuation.

TOWN OF DENTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

Note 8. Pension Plan (continued)

A brief summary of the retirement eligibility requirements of and the benefits available under the various systems in effect during fiscal year 2022 are as follows:

Service Retirement Allowances

A member of either the Teachers' or Employees' Retirement System is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable service regardless of age. The annual retirement allowance equals $1/55$ (1.81%) of the member's AFC multiplied by the number of years of accumulated creditable service.

An individual who is a member of either the Teachers' or Employees' Pension System on or before June 30, 2011, is eligible for full retirement benefits upon the earlier of attaining age 62, with specified years of eligibility service, or accumulating 30 years of eligibility service regardless of age. An individual who becomes a member of either the Teachers' or Employees' Pension System on or after July 1, 2011, is eligible for full retirement benefits if the member's combined age and eligibility service equals at least 90 years or if the member is at least age 65 and has accrued at least 10 years of eligibility service.

For most individuals who retired from either the Teachers' or Employees' Pension System on or before June 30, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.4% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. With certain exceptions, for individuals who are members of the Teachers' or Employees' Pension System on or after July 1, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.8% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. Beginning July 1, 2011, any new member of the Teachers' or Employees' Pension System shall earn an annual pension allowance equal to 1.5% of the member's AFC multiplied by the number of years of creditable service accumulated as a member of the Teachers' or Employee's Pension System.

Exceptions to these benefit formulas apply to members of the Employees' Pension System, who are employed by a participating governmental unit that does not provide the 1998 or 2006 enhanced pension benefits or the 2011 reformed pension benefits. The pension allowance for those members equals 0.8% of the member's AFC up to the social security integration level (SSIL), plus 1.5% of the member's AFC in excess of the SSIL, multiplied by the number of years of accumulated creditable service. For the purpose of computing pension allowances, the SSIL is the average of the social security wage bases for the past 35 calendar years ending with the year the retiree separated from service.

TOWN OF DENTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

Note 8. Pension Plan (continued)

Vested Allowances

Any individual who is a member of the State Retirement and Pension System on or before June 30, 2011 (other than a judge or a legislator), and who terminates employment before attaining retirement age but after accumulating 5 years of eligibility service is eligible for a vested retirement allowance. Any individual who joins the State Retirement and Pension System on or after July 1, 2011 (other than a judge or a legislator), and who terminates employment before attaining retirement age but after accumulating 10 years of eligibility service is eligible for a vested retirement allowance. A member, who terminates employment prior to attaining retirement age and before vesting, receives a refund of all member contributions and interest.

Early Service Retirement

A member of either the Teachers' or Employees' Retirement System may retire with reduced benefits after completing 25 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree either attains age 60 or would have accumulated 30 years of creditable service, whichever is less. The maximum reduction for a Teachers' or Employees' Retirement System member is 30%.

An individual who is a member of either the Teachers' or Employees' Pension System on or before June 30, 2011 may retire with reduced benefits upon attaining age 55 with a least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 62. The maximum reduction for these members of the Teachers' or Employees' Pension System is 42%. An individual who become a member of either the Teachers' or Employees' Pension System on or after July 1, 2011, may retire with reduced benefits upon attaining age 60 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 65. The maximum reduction for these members of the Teachers' or Employees' Pensions System is 30%.

Members of the State Police, Judges', Law Enforcement Officers' and Local Fire and Police Systems are not eligible for early service benefits.

Disability and Death Benefits

Generally, a member covered under retirement plan provisions who is permanently disabled after 5 years of service receives a service allowance based on a minimum percentage (usually 25%) of the member's AFC. A member covered under pension plan provisions who is permanently disabled after accumulating 5 years of eligibility service receives a service allowance computed as if service had continued with no change in salary until the retiree attained age 62. A member (other than a member of the Maryland General Assembly or a judge, both of which are ineligible for accidental disability benefits) who is permanently and totally disabled as the result of an accident occurring in the line of duty receives 2/3 (66.7%) of the member's AFC plus an annuity based on all member contributions and interest. Death benefits are equal to a member's annual salary as of the date of death plus all member contributions and interest.

TOWN OF DENTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

Note 8. Pension Plan (continued)

Adjusted Retirement Allowances

Retirement and pension allowances are increased annually to provide for changes in the cost of living according to prescribed formulae. Such adjustments for retirees are based on the annual change in the CPI. For the Teachers' and Employees' Retirement Systems (TRS/ERS) the method by which the annual COLA's are computed depends upon elections made by members who were active on July 1, 1984 (or within 90 days of returning to service, for members who were inactive on July 1, 1984) enabling the member to receive either an unlimited COLA, a COLA limited to 5% or a two part combination COLA depending upon the COLA election made by the member.

However, beginning July 1, 2011, for benefits attributable to service earned on or after July 1, 2011, in all of the systems except the judges' and legislators' systems, the adjustment is capped in the lesser of 2.5% or the increase in CPI if the most recent calendar year market value rate of return was greater than or equal to the assumed rate. The adjustment is capped at the lesser of 1% or the increase in CPI if the market value return was less than the assumed rate of return. In years in which COLAs would be less than zero due to a decline in the CPI, retirement allowances will not be adjusted. COLAs in succeeding years are adjusted until the difference between the negative COLA that would have applied and the zero COLA is fully recovered.

Actuarial Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	In the 2022 actuarial valuation, 2.25% general, 2.75% wage. In the 2021 actuarial valuation, 2.25% general, 2.75% wage.
Salary Increases	In the 2022 actuarial valuation, 2.75% to 11.25%. In the 2021 actuarial valuation, 2.75% to 9.25%.
Investment Rate of Return	In the 2022 actuarial valuation, 6.80%. In the 2021 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.

TOWN OF DENTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

Note 8. Pension Plan (continued)

Investments

The long-term expected rate of return on pension plan investments was determined using a 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 Board of Trustees after considering input from the System's investment consultant(s) and actuary(s). For each major asset class that is included in the System's target asset allocation as of June 30, 2022, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real
Public Equity	34%	6.0%
Private Equity	16%	8.4%
Rate Sensitive	21%	1.2%
Credit Opportunity	8%	4.9%
Real Assets	14%	5.2%
Absolute Return	7%	3.5%
Total	100%	

The above was the Board of Trustees adopted asset allocation policy and best estimate of geometric real rates of return for each major asset class as of June 30, 2022.

For the year ended June 30, 2022, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was -2.97%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

TOWN OF DENTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

Note 8. Pension Plan (continued)

Discount rate

A single discount rate of 6.80% was used to measure the total pension liability. The 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 this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these 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.

Sensitivity of the Net Pension Liability

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan’s net pension liability, calculated using a single discount rate of 7.40%, as well as what the plan’s net pension liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher:

System	1% Decrease to 5.80%	Discount Rate 6.80%	1% Increase to 7.8%
Employees	\$ 2,530,889	\$ 1,649,519	\$ 918,189

TOWN OF DENTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

Note 8. Pension Plan (continued)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2022, 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 calculated as follows by the System(s):

1. Calculate the net pension liability for the entire System. For purposes of funding the System, all calculations are determined on an actuarial basis and are completed through the development of rates based on two separate asset pools, one for employees of the State of Maryland (the State) and one for the Participating Governmental Units ("PGUs"). These pools are kept on an actuarial basis and allow for the State to fund only State employees and PGUs to fund only PGU employees. For the accounting of the System, however, the assets of the System are accounted in a single pool which is audited annually.
2. Determined the total contributions to the System by the State and PGUs, inclusive of any underfunding of contributions.
3. Calculated for each participating government, their percentage of the adjusted System contribution by dividing the total adjusted System contribution into each PGU's contribution.
4. Provide each PGU its adjusted percentage of contribution and the System's net pension liability and other related amounts as of June 30, 2022, under GASB No. 67 requirements.

At June 30, 2023, the Town reported the following related to pensions:

Employer's proportionate (percentage) of the collective net pension liability	0.0082441%
Employer's proportionate share of the collective net pension liability	\$ 1,649,519
Pension expense recognized by the employer for the year ended June 30, 2023	\$ (799,820)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 183,908	\$ (16,625)
Net difference between projected and actual investment earnings on pension plan investments	-	(4,995)
Differences between expected and actual experience	-	(117,763)
Change in proportion	-	(108,424)
Contributions subsequent to measurement date	193,559	-
	<u>\$ 377,467</u>	<u>\$ (247,807)</u>

TOWN OF DENTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

Note 8. Pension Plan (continued)

The \$193,559 of deferred outflows of resources resulting from the Town's contributions to the Employees' Systems subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources will be amortized over a five-year period.

Net deferred outflows / (inflows) will be amortized as follows:

Year Ended June 30:		
2024	\$	(34,954)
2025		(34,014)
2026		(58,759)
2027		92,372
2028		(28,544)
Total	\$	(63,899)

For the year ended June 30, 2023 the Town's total payroll for all employees was \$2,242,224. Total covered payroll was \$1,770,889. Covered payroll refers to all compensation paid by the Town to active employees covered by Employees' Systems.

Effective July 1, 2022, all police officers enrolled in the Employees' Retirement and Pension System were transferred to the Law Enforcement Officers' Pension System ("LEOPS"). As a result of this transfer, the Town received a new entrant credit \$341,593 as of the fiscal year beginning July 1, 2023. This amount will be amortized with level dollar credits of \$27,855 over a 25-year period. These annual credits will be deducted from the annual LEOPS pension invoice beginning in December 2023.

Note 9. Leases

The Town implemented guidance of GASB 87, *Leases*, at July 1, 2021 for accounting and reporting of leases.

The following is a summary of governmental activities finance leases as of June 30, 2023:

Police car lease; 2021 Dodge Charger unit # 252T5K, principal and interest payable in monthly installments of \$628, interest at 4.4%, maturing 2027.	\$	23,349
Police car lease; 2021 Dodge Charger unit # 252T82, principal and interest payable in monthly installments of \$702, interest at 4.3%, maturing 2027.		27,364
Public works truck lease; 2022 Ford Maverick unit # 25MVHD, principal and interest payable in monthly installments of \$511, interest at 6.8%, maturing 2027.		21,056
	\$	71,769

TOWN OF DENTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

Note 9. Leases (continued)

Future minimum lease payments under these finance leases are as follows:

<u>Fiscal Year Ending June 30,</u>	
2024	\$ 22,087
2025	22,087
2026	22,087
2027	12,461
	<u>78,722</u>
Less amounts representing interest	6,953
	<u>\$ 71,769</u>

Interest on the above capital leases was \$4,123 for the year ended June 30, 2023.

The cost of equipment acquired under the above capital lease arrangements, as included in capital assets totaled \$120,849 (including upfitting) and the related accumulated depreciation was \$33,690 at June 30, 2023.

Town as Lessee

As of July 1, 2021, the Town had a lease agreement for a copier. Payments under this lease total approximately \$6,300 per year. The lease agreement in place for this copier began during fiscal year 2017 and expired during fiscal year 2023. For purposes of discounting future payments on this lease, the Town used its incremental borrowing rate in place at the time of lease inception of 2.60%. This lease agreement and copier were replaced with a new lease agreement and copier upon expiration. Accordingly, the leased equipment and accumulated amortization were disposed.

As of July 1, 2021, the Town had a lease agreement for a copier. Payments under this lease total approximately \$3,000 per year. The lease agreement in place for this copier began during fiscal year 2019 and will expire during fiscal year 2024. For purposes of discounting future payments on this lease, the Town used its incremental borrowing rate in place at the time of lease inception of 2.46%. The leased equipment and accumulated amortization of the right-to-use assets are outlined in Note 6.

As of July 1, 2021, the Town had a lease agreement for a copier. Payments under this lease total approximately \$700 per year. The lease agreement in place for this copier began during fiscal year 2020, and was replaced with a new lease agreement and copier during December 2022. Accordingly, the leased equipment and accumulated amortization were disposed.

As of July 1, 2021, the Town had a lease agreement for a copier. Payments under this lease total approximately \$2,000 per year. The lease agreement in place for this copier began during fiscal year 2020 and will expire during fiscal year 2025. For purposes of discounting future payments on this lease, the Town used its incremental borrowing rate in place at the time of lease inception of 2.46%. The leased equipment and accumulated amortization of the right-to-use assets are outlined in Note 6.

TOWN OF DENTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

Note 9. Leases (continued)

During March 2023, the Town entered into a lease agreement for a copier. Payments under this lease total approximately \$4,300 per year. The lease agreement in place for this copier began during fiscal year 2023 and will expire during fiscal year 2028. For purposes of discounting future payments on this lease, the Town used its incremental borrowing rate in place at the time of lease inception of 7.75%. The leased equipment and accumulated amortization of the right-to-use assets are outlined in Note 6.

During March 2023, the Town entered into a lease agreement for a copier. Payments under this lease total approximately \$600 per year. The lease agreement in place for this copier began during fiscal year 2023 and will expire during fiscal year 2028. For purposes of discounting future payments on this lease, the Town used its incremental borrowing rate in place at the time of lease inception of 7.75%. The leased equipment and accumulated amortization of the right-to-use assets are outlined in Note 6.

The following is a summary of the changes in right-to-use lease obligations:

	Balances June 30, 2022	Additions	Retirements and Repayments	Balances June 30, 2023	Amount Due In One Year
Governmental activities:					
Intangible right-to-use lease	\$ 12,631	\$ 20,346	\$ 8,620	\$ 24,357	\$ 7,702

The future minimum lease payments are approximately as follows:

	Equipment		
	Principal	Interest	Total
2024	\$ 7,702	\$ 1,438	\$ 9,140
2025	4,833	1,087	5,920
2026	4,151	771	4,922
2027	4,484	437	4,921
2028	3,187	93	3,280
Total	\$ 24,357	\$ 3,826	\$ 28,183

Interest expense on the above intangible right-to-use assets was approximately \$800 for the year ended June 30, 2023.

Town as Lessor

The Town entered into a lease in July 2022 to rent space on the Town's water tower, monthly installments of \$637 through June 2027, at which time there is an option to renew for an additional five-year period at a 5% increase.

The Town entered into a lease in August 2019 to rent space on the Town's water tower, annual installments of \$12,063 through July 2024, at which time there is an option to renew for an additional five-year period at a 10% increase.

TOWN OF DENTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

Note 9. Leases (continued)

The Town entered into a lease in November 2019 to rent space on the Town's water tower, initial monthly installments of \$1,391 increasing 3% annually through October 2024, at which time there is an option to renew for an additional five-year period.

Total rental income for the year ended June 30, 2023 related to the above leases was approximately \$34,000.

Note 10. 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's risk financing techniques include participation in a public entity pool and the purchase of commercial insurance.

For general, property, excess, and environmental liability coverage, the Town is a member of the Maryland Local Government Insurance Trust (LGIT). This trust is a public entity risk pool, which is owned and directed by the local governments that subscribe to its coverages and operates under the terms of a Trust Agreement.

Subscribers to coverage by LGIT share in the risk among participants of the pools. As a result, the Town's annual premium requirements are affected by the loss experience of the various insurance pools in which it participates. The Town may be required to make additional assessments from time to time. These amounts are recorded as an expenditure when they are probable and can be reasonably estimated. Conversely, favorable performance of certain insurance pools may result in reduced premiums.

The Town is fully insured for workers' compensation, employee health, and accident insurance through commercial insurance, and employees are bonded to limit the loss to the Town in the event of employees committing acts of embezzlement or theft. There has been no significant reduction in insurance coverage from the prior year by major categories of risk, and amounts of settlements have not exceeded insurance coverage for each of the past three fiscal years.

Note 11. Related Party Transaction

The Town expects to have in the ordinary course of business lending, transactions with Town Council members. The Town believes these transactions are made on substantially the same terms as those prevailing at the time for comparable transactions with other persons and do not involve more than a normal risk of collectability or present any unfavorable terms. As of June 30, 2023 there are no outstanding loans to Town Council members.

TOWN OF DENTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

Note 12. Commitments, Contingencies and Subsequent Events

In the normal course of business, there are outstanding various commitments and contingent liabilities in addition to the normal encumbrances for the purchase of goods and services. The Town does not anticipate losses as a result of these transactions.

In the normal course of operations, the Town received grant funds from various Federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

Note 13. Individual Fund Disclosures

The following fund had an excess of expenditures over appropriations for the year ended June 30, 2023:

<u>Fund</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess of Actual Over Budgeted Expenditures</u>
General fund	\$ 4,155,523	\$ 4,182,661	\$ (27,138)

Funds available to provide for the excess expenditures were made available from other sources including revenues exceeding budgeted amounts, within these funds. In management's opinion the excess expenditures had no material impact on the financial results of the Town.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF DENTON, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Taxes	\$ 3,559,884	\$ 3,929,378	\$ 3,921,199	\$ (8,179)
Licenses and permits	26,200	62,573	62,573	-
Revenue from other agencies	88,163	273,324	273,324	-
Service charges	6,150	9,388	9,388	-
Miscellaneous	114,775	415,140	415,140	-
Total revenues	3,795,172	4,689,803	4,681,624	(8,179)
Expenditures				
Current:				
General government	662,839	728,344	748,585	(20,241)
Public safety:				
Police	1,749,190	1,731,284	1,731,267	17
Fire	112,988	112,988	112,988	-
Zoning	642,805	510,090	509,804	286
Public works	521,938	567,908	567,906	2
Recreation and culture	156,798	184,741	184,743	(2)
Urban development and housing	215,729	77,310	77,311	(1)
Debt service - principal	156,074	218,330	221,757	(3,427)
Debt service - interest	55,544	24,528	28,300	(3,772)
Total expenditures	4,273,905	4,155,523	4,182,661	(27,138)
Excess (deficiency) of revenues over (under) expenditures	(478,733)	534,280	498,963	(35,317)
Other financing sources (uses)				
Transfers in	61,500	67,500	74,700	7,200
Proceeds from sale of assets	-	3,846	3,846	-
Insurance reimbursement	-	54,675	54,675	-
Reserve	417,233	(660,301)	-	660,301
Lease proceeds	-	-	20,346	20,346
Total other financing sources (uses)	478,733	(534,280)	153,567	687,847
Net change in fund balances	\$ -	\$ -	\$ 652,530	\$ 652,530

TOWN OF DENTON, MARYLAND

MARYLAND STATE RETIREMENT AND PENSION SYSTEMS

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (as of measurement date)

June 30, 2023

Measurement Date	Employer's Proportion (Percentage) of the Collective NPL A	Employer's Proportion Share of the Collective NPL B	Employer's Covered Employee Payroll C	Proportionate Share as a Percentage of Covered Payroll (B / C)	Plan's Total Fiduciary Net Position D	Plan's Total Pension Liability E	Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (D / E)
June 30, 2014	0.0097460%	\$ 1,729,543	\$ 1,392,250	124%	\$ 45,339,988,000	\$ 63,086,719,000	72%
June 30, 2015	0.0110670%	2,299,809	1,448,844	159%	45,789,840,000	66,571,552,000	69%
June 30, 2016	0.0113618%	2,680,707	1,458,891	184%	45,365,927,000	68,959,954,000	66%
June 30, 2017	0.0108927%	2,355,405	1,468,367	160%	48,987,184,000	70,610,885,000	69%
June 30, 2018	0.0121930%	2,558,278	1,592,428	161%	51,827,233,000	72,808,833,000	71%
June 30, 2019	0.0127803%	2,636,022	1,669,757	158%	53,943,420,000	74,569,030,000	72%
June 30, 2020	0.0136530%	3,085,735	1,865,162	165%	54,586,037,000	77,187,397,000	71%
June 30, 2021	0.0091277%	1,369,358	1,964,162	70%	67,604,500,000	82,606,805,000	82%
June 30, 2022	0.0082441%	1,649,519	1,867,634	88%	64,310,991,000	84,319,523,000	76%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which the information is available.

TOWN OF DENTON, MARYLAND
MARYLAND STATE RETIREMENT AND PENSION SYSTEMS
SCHEDULE OF CONTRIBUTIONS (as of fiscal year end)
June 30, 2023

Fiscal Year	Contractually Required Contribution A	Actual Contribution B	Contribution Deficiency (Excess) (A - B)	Employer's Covered Employee Payroll C	Actual Contribution as a Percentage of Covered Payroll (B / C)
2015	\$ 233,251	\$ 233,251	\$ -	\$ 1,448,844	16%
2016	221,337	221,337	-	1,458,891	15%
2017	221,703	221,703	-	1,468,367	15%
2018	243,137	243,137	-	1,592,428	15%
2019	262,444	262,444	-	1,669,757	16%
2020	292,726	292,726	-	1,865,162	16%
2021	201,130	201,130	-	1,964,162	10%
2022	188,155	188,155	-	1,780,085	11%
2023	193,559	193,559	-	1,770,889	11%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which the information is available.

TOWN OF DENTON, MARYLAND
MARYLAND STATE RETIREMENT AND PENSION SYSTEMS
ACTUARIAL ASSUMPTIONS - PENSION PLAN
June 30, 2023

Changes in Benefit Terms

There were no benefit changes during the year.

Changes in Assumptions

Discount rate remains unchanged from 6.80%.

Method and Assumptions used in Calculations of Actuarially Determined Contributions

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 year closed amortization period ending June 30, 2039; 17 years remaining.
Asset Valuation Model	Five-year smoothed market (max. 120% and min. 80% of market value).
Inflation	In the 2022 actuarial valuation, 2.25% general, 2.75% wage. In the 2021 actuarial valuation, 2.25% general, 2.75% wage.
Salary Increases	In the 2022 actuarial valuation, 2.75% to 11.25%. In the 2021 actuarial valuation, 2.75% to 9.25%.
Investment Rate of Return	In the 2022 actuarial valuation, 6.80%. In the 2021 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.

OTHER SUPPLEMENTARY INFORMATION

TOWN OF DENTON, MARYLAND
OTHER SUPPLEMENTARY INFORMATION
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2023

	Business Loan Fund	Capital Improvement	Highway Fund	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ 747,233	\$ 443,664	\$ 33,535	\$ 1,224,432
Receivables:				
Notes	353,633	-	-	353,633
Other	5,907	-	-	5,907
Due from other governments	-	-	118,117	118,117
Total assets	\$ 1,106,773	\$ 443,664	\$ 151,652	\$ 1,702,089
Liabilities, deferred inflows and fund balances				
Liabilities:				
Accounts payable and accrued expenses	\$ 2	\$ -	\$ 831	\$ 833
Total liabilities	2	-	831	833
Deferred inflows of resources:				
Business loans	353,633	-	-	353,633
Fund balances:				
Restricted	753,138	-	150,821	903,959
Assigned	-	443,664	-	443,664
Total fund balances	753,138	443,664	150,821	1,347,623
Total liabilities and fund balances	\$ 1,106,773	\$ 443,664	\$ 151,652	\$ 1,702,089

TOWN OF DENTON, MARYLAND
OTHER SUPPLEMENTARY INFORMATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2023

	Business Loan Fund	Capital Improvement	Highway Fund	Total Nonmajor Governmental Funds
Revenues				
Taxes	\$ -	\$ -	\$ 286,461	\$ 286,461
Licenses and permits	-	27,554	-	27,554
Interest income	23,504	15,460	-	38,964
Miscellaneous	105,083	-	15,545	120,628
Total revenues	128,587	43,014	302,006	473,607
Expenditures				
Current:				
Public works	-	-	97,035	97,035
Urban development and housing	67,135	-	-	67,135
Capital outlay and projects	-	-	2,058	2,058
Debt service - principal	28,391	-	32,793	61,184
Debt service - interest	3,447	-	38,212	41,659
Total expenditures	98,973	-	170,098	269,071
Excess (deficiency) of revenues over (under) expenditures	29,614	43,014	131,908	204,536
Other financing sources (uses)				
Transfers out	(20,000)	(21,000)	-	(41,000)
Total other financing sources (uses)	(20,000)	(21,000)	-	(41,000)
Net change in fund balances	9,614	22,014	131,908	163,536
Fund balance - beginning	743,524	421,650	18,913	1,184,087
Fund balance - ending	\$ 753,138	\$ 443,664	\$ 150,821	\$ 1,347,623

TOWN OF DENTON, MARYLAND
OTHER SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - HIGHWAY FUND
Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Taxes	\$ 278,480	\$ 278,480	\$ 286,461	\$ 7,981
Miscellaneous	-	-	15,545	15,545
Total revenues	278,480	278,480	302,006	23,526
Expenditures				
Current:				
Public works	249,905	249,905	99,093	150,812
Debt service - principal	31,831	31,831	32,793	(962)
Debt service - interest	39,175	39,175	38,212	963
Total expenditures	320,911	320,911	170,098	150,813
Excess (deficiency) of revenues over (under) expenditures	(42,431)	(42,431)	131,908	174,339
Other financing sources (uses)				
Transfers in	69,000	69,000	-	(69,000)
Reserve	(26,569)	(26,569)	-	26,569
Total other financing sources (uses)	42,431	42,431	-	(42,431)
Net change in fund balances	\$ -	\$ -	\$ 131,908	\$ 131,908

TOWN OF DENTON, MARYLAND
OTHER SUPPLEMENTARY INFORMATION
INCOME AND EXPENSE DETAIL
BUDGET AND ACTUAL
WATER FUND
Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Operating revenues				
Charges for services, net	\$ 705,131	\$ 705,131	\$ 802,648	\$ 97,517
Other revenues	10,700	10,700	21,120	10,420
Total operating revenues	715,831	715,831	823,768	107,937
Operating expenses				
Salaries and wages	283,037	283,037	230,779	52,258
Fringe benefits	140,149	140,149	104,430	35,719
Pension liability adjustment	-	-	(112,361)	112,361
Materials and supplies	3,700	3,700	3,475	225
Electric and telephone	73,825	73,825	72,650	1,175
Automotive expenses	13,800	13,800	15,444	(1,644)
Professional services	1,169,435	1,169,435	9,443	1,159,992
Repairs and maintenance	109,225	109,225	77,515	31,710
Depreciation and amortization	-	-	136,099	(136,099)
Other operating expenses	188,230	188,230	87,941	100,289
Total operating expenses	1,981,401	1,981,401	625,415	1,355,986
Operating income (loss)	(1,265,570)	(1,265,570)	198,353	1,463,923
Nonoperating revenues (expenses)				
Intergovernmental revenues	1,075,600	1,075,600	316,953	(758,647)
Interest income	1,000	1,000	45,709	44,709
Debt service - principal payments	(39,075)	(39,075)	-	39,075
Debt service - interest expense	(31,550)	(31,550)	(29,722)	1,828
Reserve	246,845	246,845	-	(246,845)
Net nonoperating revenues (expenses)	1,252,820	1,252,820	332,940	(919,880)
Income (loss) before transfers	(12,750)	(12,750)	531,293	544,043
Transfers in	26,000	26,000	26,000	-
Transfers out	(13,250)	(13,250)	(16,782)	(3,532)
Change in net position	\$ -	\$ -	\$ 540,511	\$ 540,511

TOWN OF DENTON, MARYLAND
OTHER SUPPLEMENTARY INFORMATION
INCOME AND EXPENSE DETAIL
BUDGET AND ACTUAL
SEWER FUND
Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
Operating revenues				
Charges for services, net	\$ 1,100,605	\$ 1,100,605	\$ 1,202,535	\$ 101,930
Vacant lots	12,277	12,277	12,283	6
Other revenues	117,500	117,500	123,887	6,387
Total operating revenues	1,230,382	1,230,382	1,338,705	108,323
Operating expenses				
Salaries and wages	438,405	438,405	393,677	44,728
Fringe benefits	214,992	214,992	168,350	46,642
Pension liability adjustment	-	-	(192,617)	192,617
Materials and supplies	4,000	4,000	6,423	(2,423)
Electric and telephone	99,325	99,325	111,442	(12,117)
Automotive expenses	18,675	18,675	21,858	(3,183)
Professional services	20,801	20,801	10,536	10,265
Repairs and maintenance	140,100	140,100	96,308	43,792
Depreciation	-	-	495,624	(495,624)
Other operating expenses	318,056	318,056	361,334	(43,278)
Total operating expenses	1,254,354	1,254,354	1,472,935	(218,581)
Operating income (loss)	(23,972)	(23,972)	(134,230)	(110,258)
Nonoperating revenues (expenses)				
Intergovernmental revenues	-	-	288,762	288,762
Interest income	650	650	24,910	24,260
Debt service - principal payments	(193,177)	(193,177)	-	193,177
Debt service - interest expense	(25,727)	(25,727)	(23,290)	2,437
Reserve	281,476	281,476	-	(281,476)
Net nonoperating revenues (expenses)	63,222	63,222	290,382	227,160
Income (loss) before transfers	39,250	39,250	156,152	116,902
Transfers out	(39,250)	(39,250)	(42,918)	(3,668)
Change in net position	\$ -	\$ -	\$ 113,234	\$ 113,234

**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**

Town of Denton, Maryland
Denton, 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, each major fund, and the aggregate remaining fund information of the Town of Denton, Maryland (the "Town") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 21, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) as a basis for designing 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 Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town'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.

A handwritten signature in dark ink, reading "UHY LLP". The letters are stylized and cursive, with the "U" and "H" being particularly prominent.

Salisbury, Maryland
December 21, 2023