

**TOWN OF DENTON, MARYLAND**

**FINANCIAL REPORT**

**JUNE 30, 2024**

# TOWN OF DENTON, MARYLAND

## TABLE OF CONTENTS

	Page(s)
<b>INDEPENDENT AUDITORS' REPORT</b>	1 - 3
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	4 - 10
<b>FINANCIAL STATEMENTS</b>	
Statement of Net Position	11
Statement of Activities	12
Balance Sheet - Governmental Funds	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	15
Reconciliation of the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances to the Statement of Activities	16
Statement of Fund Net Position - Business-Type Activities	17
Statement of Revenues, Expenses and Changes in Fund Net Position - Business-Type Activities	18
Statement of Cash Flows - Business-Type Activities	19
<b>NOTES TO FINANCIAL STATEMENTS</b>	20 - 48
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	49
Budgetary Comparison Schedule - General Fund	50
Maryland State Retirement and Pension Systems Schedule of the Proportionate Share of the Net Pension Liability	51
Schedule of Contributions	52
Actuarial Assumptions	53
<b>OTHER SUPPLEMENTARY INFORMATION</b>	54
Combining Balance Sheets - Nonmajor Governmental Funds	55
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds	56
Budgetary Comparison Schedule - Highway Fund	57
Income and Expense Detail - Budget and Actual - Water Fund	58
Income and Expense Detail - Budget and Actual - Sewer Fund	59
<b>Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	60 - 61



## 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, 2024, 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, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the 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.

#### ***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 20, 2024 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.



Salisbury, Maryland  
December 20, 2024

## **Town of Denton, Maryland Management Discussion and Analysis Year Ended June 30, 2024**

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, 2024. 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 \$35,936,394, with \$25,519,001 of that amount invested in capital assets, net of related debt.
- The governmental activities total net position increased by \$139,090.
- The business-type activities total net position increased by \$3,296,377.
- The Town's governmental funds reported a combined fund balance of \$8,939,305, of which \$6,980,328 is unassigned.
- The Town's governmental funds fund balance increased by \$455,219 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, 2024**

**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
- Business Loan

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, 2024**

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	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 10,576,577	\$ 13,258,914	\$ 3,361,127	\$ 3,150,782	\$ 13,937,704	\$ 16,409,696
Capital and intangible assets	14,432,503	14,776,580	15,945,384	12,902,843	30,377,887	27,679,423
<b>Total assets</b>	<b>\$ 25,009,080</b>	<b>\$ 28,035,494</b>	<b>\$ 19,306,511</b>	<b>\$ 16,053,625</b>	<b>\$ 44,315,591</b>	<b>\$ 44,089,119</b>
<b>Deferred outflows</b>	<b>\$ 658,630</b>	<b>\$ 259,300</b>	<b>\$ 122,154</b>	<b>\$ 118,167</b>	<b>\$ 780,784</b>	<b>\$ 377,467</b>
Current and other liabilities	\$ 1,193,173	\$ 4,288,398	\$ 902,810	\$ 386,814	\$ 2,095,983	\$ 4,675,212
Long-term debt outstanding	3,892,767	3,580,357	2,923,703	3,403,796	6,816,470	6,984,153
<b>Total liabilities</b>	<b>\$ 5,085,940</b>	<b>\$ 7,868,755</b>	<b>\$ 3,826,513</b>	<b>\$ 3,790,610</b>	<b>\$ 8,912,453</b>	<b>\$ 11,659,365</b>
<b>Deferred inflows</b>	<b>\$ 186,871</b>	<b>\$ 170,230</b>	<b>\$ 60,657</b>	<b>\$ 136,064</b>	<b>\$ 247,528</b>	<b>\$ 306,294</b>
Net investment in capital assets	\$ 12,198,751	\$ 12,434,907	\$ 13,320,250	\$ 10,268,163	\$ 25,519,001	\$ 22,703,070
Restricted	1,451,796	1,174,394	-	86,321	1,451,796	1,260,715
Unrestricted	6,744,352	6,646,508	2,221,245	1,890,634	8,965,597	8,537,142
<b>Total net position</b>	<b>\$ 20,394,899</b>	<b>\$ 20,255,809</b>	<b>\$ 15,541,495</b>	<b>\$ 12,245,118</b>	<b>\$ 35,936,394</b>	<b>\$ 32,500,927</b>



**Town of Denton, Maryland**  
**Management Discussion and Analysis**  
**Year Ended June 30, 2024**

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	
	2024	2023	2024	2023	2024	2023
<b>Revenues</b>						
Program revenues						
Charge for services	\$ 105,207	\$ 100,002	\$ 2,400,720	\$ 2,162,473	\$ 2,505,927	\$ 2,262,475
Operating grants and contributions	286,365	543,986	-	-	286,365	543,986
Capital grants and contributions	62,447	376,735	3,141,766	605,715	3,204,213	982,450
General revenues						
Property taxes	3,174,622	3,041,491	-	-	3,174,622	3,041,491
Income taxes	633,529	588,742	-	-	633,529	588,742
Other taxes	633,278	558,254	-	-	633,278	558,254
Interest	244,008	179,724	85,791	72,193	329,799	251,917
Gain on asset disposal	25,542	35,773	-	-	25,542	35,773
Other	595,362	558,162	-	-	595,362	558,162
<b>Total Revenue</b>	<b>\$ 5,760,360</b>	<b>\$ 5,982,869</b>	<b>\$ 5,628,277</b>	<b>\$ 2,840,381</b>	<b>\$ 11,388,637</b>	<b>\$ 8,823,250</b>
<b>Expenses</b>						
General government	837,708	614,670	-	-	837,708	614,670
Public safety	3,036,327	1,971,712	-	-	3,036,327	1,971,712
Public works	1,040,183	788,956	-	-	1,040,183	788,956
Recreation and culture	245,804	104,621	-	-	245,804	104,621
Urban development and	423,582	454,400	-	-	423,582	454,400
Interest on long-term debt	71,366	69,959	-	-	71,366	69,959
Water	-	-	754,038	655,137	754,038	655,137
Sewer	-	-	1,536,768	1,496,225	1,536,768	1,496,225
Industrial park	-	-	7,394	8,716	7,394	8,716
<b>Total Expenses</b>	<b>5,654,970</b>	<b>4,004,318</b>	<b>2,298,200</b>	<b>2,160,078</b>	<b>7,953,170</b>	<b>6,164,396</b>
Transfers in (out)	33,700	33,700	(33,700)	(33,700)	-	-
<b>Change in net position</b>	<b>139,090</b>	<b>2,012,251</b>	<b>3,296,377</b>	<b>646,603</b>	<b>3,435,467</b>	<b>2,658,854</b>
Net position, beginning of year	20,255,809	18,243,558	12,245,118	11,598,515	32,500,927	29,842,073
Net position end of year	<b>\$ 20,394,899</b>	<b>\$ 20,255,809</b>	<b>\$ 15,541,495</b>	<b>\$ 12,245,118</b>	<b>\$ 35,936,394</b>	<b>\$ 32,500,927</b>

**Town of Denton, Maryland  
Management Discussion and Analysis  
Year Ended June 30, 2024**

Governmental activities' revenues totaled \$5,760,360 compared to \$5,982,869 in the prior year. Expenses totaled \$5,654,970 compared to \$4,044,318 in the prior year. The resulting increase in governmental activities' net position for fiscal year 2024 and 2023 were \$139,090 and \$2,012,251, respectively. The decrease in the change in net position from 2023 to 2024 of \$1,873,161 mostly relates to an increase in expenditures for public safety and public works.

Business type activities' revenues totaled \$5,628,277 compared to \$2,840,381 in the prior year. Expenses totaled \$2,298,200 compared to \$2,160,078 in the prior year. This resulted in an increase in business-type activities' net position \$3,296,377 for 2024 and an increase of \$646,603 for 2023. The increase in the change in net position from 2023 to 2024 of \$2,649,774 mostly relates to an increase in capital grants and contributions.

**GENERAL FUND BUDGETARY ANALYSIS**

- Total revenues were under budget by \$2,009.
- Total expenditures were over budget by \$147,796, which mostly relates to public safety being over budget by \$137,367 due to changes from GASB 87, *Leases*. Additional unbudgeted capital outlay of \$136,867 was incurred related to leases for new vehicles and copiers.
- Actual results exceeded budget by \$114,300 mostly due to a budgeted reserve amount of \$116,020 in which there are no actual expenses.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

The Town's capital assets as of June 30, 2024, are as follows:

	Capital Asset Summary					
	Governmental Activities		Business Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	\$ 1,513,935	\$ 1,513,935	\$ -	\$ -	\$ 1,513,935	\$ 1,513,935
Construction in process	-	-	4,170,292	774,336	4,170,292	774,336
Land improvements	2,182,928	2,182,928	-	-	2,182,928	2,182,928
Buildings	5,017,736	5,001,911	-	-	5,017,736	5,001,911
Infrastructure	14,404,200	14,276,543	-	-	14,404,200	14,276,543
Furniture and equipment	1,082,490	1,056,782	904,295	769,849	1,986,785	1,826,631
Vehicles	1,588,313	1,392,494	-	-	1,588,313	1,392,494
Right-to-use asset	63,508	43,655	-	-	63,508	43,655
Municipal water system	-	-	4,468,738	4,424,225	4,468,738	4,424,225
Municipal sewer system	-	-	19,952,799	19,909,882	19,952,799	19,909,882
Total capital assets	<b>25,853,110</b>	25,468,248	<b>29,496,124</b>	25,878,292	<b>55,349,234</b>	51,346,540
Less accumulated depreciation	<b>11,420,607</b>	10,691,668	<b>13,550,740</b>	12,975,449	<b>24,971,347</b>	23,667,117
Capital and intangible assets, net	<b>\$ 14,432,503</b>	\$ 14,776,580	<b>\$ 15,945,384</b>	\$ 12,902,843	<b>\$ 30,377,887</b>	\$ 27,679,423

**Town of Denton, Maryland  
Management Discussion and Analysis  
Year Ended June 30, 2024**

Notable additions included the following:

<b>Description</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Building improvements	\$15,825	
Street paving	\$127,657	
Vehicles and equipment	\$274,247	\$221,876
Franklin St. Water Main CIP		\$492,580
Water/Sewer Line Replacement CIP		\$2,903,376

The Town's long-term liabilities as of June 30, 2024, are as follows:

	Long-Term Liabilities					
	Governmental Activities		Business Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Compensated absences	\$ 307,132	\$ 297,453	\$ 105,727	\$ 92,159	\$ 412,859	\$ 389,612
Net pension liability	1,541,789	1,133,134	285,950	516,385	1,827,739	1,649,519
Bonds payable	193,950	199,200	2,068,525	2,056,163	2,262,475	2,255,363
Notes payable	1,827,772	2,025,603	519,621	908,839	2,347,393	2,934,442
Bond premium	19,914	20,744	36,988	38,528	56,902	59,272
Finance leases	169,773	71,769	-	-	169,773	71,769
Right-to-use leases	22,343	24,357	-	-	22,343	24,357
<b>Total long-term debt</b>	<b>\$ 4,082,673</b>	<b>\$ 3,772,260</b>	<b>\$ 3,016,811</b>	<b>\$ 3,612,074</b>	<b>\$ 7,099,484</b>	<b>\$ 7,384,334</b>

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**

- The Town's real property value reassessments were last conducted by the State in January 2023. The Town anticipates a slight increase in real estate tax revenues to reflect the rise in property values. However, for FY2025, the Town reduced the real property tax rate from \$.72/\$100 of value to \$.69/\$100, and the Town 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.
- The Town of Denton has recently been successful in hiring and filling most employee positions that have been vacant for some time. The combination of the State of Maryland's higher minimum wage and the rising inflation causing a constant increasing of 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 needs 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 and increasing the cost of operations, having 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 with deteriorating roads, resulting in many road projects being postponed. Eventually, the Town may have to consider taking on new debt.

**Town of Denton, Maryland**  
**Management Discussion and Analysis**  
**Year Ended June 30, 2024**

- The rate of inflation continues to fluctuate, and the Town remains concerned that the rising cost of goods and services is having a negative impact on families and local businesses within our community. In FY2024, the State ended their LIHWAP that assisted many residents in the past that were struggling and unable to pay their utility bills. The impact of inflation on the State's funding program ending could result in difficulties collecting property taxes and utility revenues in a timely manner.
- In FY2024, the State Aid for Police Protection Program reduced the amount of revenue significantly that the State previously projected for the Town that was anticipated. Recently the State of Maryland has announced the anticipation of a several billion-dollar deficits going into future years. The Town's largest economic concern is the threat of a potential loss of revenue from the State of Maryland for SAPP, Highway User Revenues, and other programs, which could cause the Town to consider reduction in services and/or increase in taxes.
- The Town is working on a water and sewer rate study that could result in having to charge higher utility rates.

**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. 2<sup>nd</sup> St. Denton, Maryland 21629.

**TOWN OF DENTON, MARYLAND**  
**STATEMENT OF NET POSITION**  
**June 30, 2024**

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 10,262,204	\$ 2,065,517	\$ 12,327,721
Tax receivables	4,217	-	4,217
Service charge receivable	-	519,018	519,018
Lease receivable	-	28,081	28,081
Note receivable	317,485	-	317,485
Other receivable	21,998	-	21,998
Internal balances	(742,013)	742,013	-
Due from other governments	396,166	6,498	402,664
Land held for resale	316,520	-	316,520
Capital assets, not being depreciated	1,513,935	4,170,292	5,684,227
Capital and intangible assets, net	12,918,568	11,775,092	24,693,660
<b>Total assets</b>	<b>25,009,080</b>	<b>19,306,511</b>	<b>44,315,591</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension	658,630	122,154	780,784
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	92,128	809,702	901,830
Unearned revenues	911,139	-	911,139
Bonds and notes payable	165,180	93,108	258,288
Finance lease	18,878	-	18,878
Right-to-use lease	5,848	-	5,848
Due in more than one year:			
Compensated absences	307,132	105,727	412,859
Net pension liability	1,541,789	285,950	1,827,739
Bonds and notes payable	1,876,456	2,532,026	4,408,482
Finance lease	150,895	-	150,895
Right-to-use lease	16,495	-	16,495
<b>Total liabilities</b>	<b>5,085,940</b>	<b>3,826,513</b>	<b>8,912,453</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension	186,871	34,659	221,530
Lease receivable	-	25,998	25,998
<b>Total deferred inflows of resources</b>	<b>186,871</b>	<b>60,657</b>	<b>247,528</b>
<b>NET POSITION</b>			
Net investment in capital assets	12,198,751	13,320,250	25,519,001
Restricted	1,451,796	-	1,451,796
Unrestricted	6,744,352	2,221,245	8,965,597
<b>Total net position</b>	<b>\$ 20,394,899</b>	<b>\$ 15,541,495</b>	<b>\$ 35,936,394</b>

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

**TOWN OF DENTON, MARYLAND**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2024**

Function/Program	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position			Total
		Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest	Primary Government		
					Governmental Activities	Business-Type Activities	
<b>GOVERNMENTAL ACTIVITIES</b>							
General government	\$ 837,708	\$ 62,284	\$ 144,687	\$ -	\$ (630,737)	\$ -	\$ (630,737)
Public safety	3,036,327	17,230	113,556	6,000	(2,899,541)	-	(2,899,541)
Public works	1,040,183	13,341	-	-	(1,026,842)	-	(1,026,842)
Recreation and culture	245,804	7,501	-	-	(238,303)	-	(238,303)
Urban development and housing	423,582	4,851	28,122	56,447	(334,162)	-	(334,162)
Interest on long-term debt	71,366	-	-	-	(71,366)	-	(71,366)
<b>Total governmental activities</b>	<b>5,654,970</b>	<b>105,207</b>	<b>286,365</b>	<b>62,447</b>	<b>(5,200,951)</b>	<b>-</b>	<b>(5,200,951)</b>
<b>BUSINESS-TYPE ACTIVITIES</b>							
Water	754,038	796,608	-	1,109,402	-	1,151,972	1,151,972
Sewer	1,536,768	1,474,881	-	2,032,364	-	1,970,477	1,970,477
Industrial park	7,394	129,231	-	-	-	121,837	121,837
<b>Total business-type activities</b>	<b>2,298,200</b>	<b>2,400,720</b>	<b>-</b>	<b>3,141,766</b>	<b>-</b>	<b>3,244,286</b>	<b>3,244,286</b>
<b>Total Primary Government</b>	<b>\$ 7,953,170</b>	<b>\$ 2,505,927</b>	<b>\$ 286,365</b>	<b>\$ 3,204,213</b>	<b>\$ (5,200,951)</b>	<b>\$ 3,244,286</b>	<b>\$ (1,956,665)</b>
<b>General Revenues</b>							
Taxes:							
Property					3,174,622	-	3,174,622
Income					633,529	-	633,529
Other					633,278	-	633,278
Interest					244,008	85,791	329,799
Gain on sale/disposal of assets					25,542	-	25,542
Other					595,362	-	595,362
<b>Total General Revenues</b>					<b>5,306,341</b>	<b>85,791</b>	<b>5,392,132</b>
Transfers in (out)					33,700	(33,700)	-
<b>Change in Net Position</b>					<b>139,090</b>	<b>3,296,377</b>	<b>3,435,467</b>
<b>Net Position, Beginning of Year</b>					<b>20,255,809</b>	<b>12,245,118</b>	<b>32,500,927</b>
<b>Net Position, End of Year</b>					<b>\$ 20,394,899</b>	<b>\$ 15,541,495</b>	<b>\$ 35,936,394</b>

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

**TOWN OF DENTON, MARYLAND**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2024**

	General Fund	Special Projects	Business Loan Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 6,985,536	\$ 1,975,474	\$ 754,944	\$ 546,250	\$ 10,262,204
Receivables:					
Taxes	4,217	-	-	-	4,217
Notes	-	-	317,485	-	317,485
Other receivables	13,006	-	8,992	-	21,998
Due from other funds	-	-	-	-	-
Due from other governments	169,734	81,942	-	144,490	396,166
<b>Total assets</b>	<b>\$ 7,172,493</b>	<b>\$ 2,057,416</b>	<b>\$ 1,081,421</b>	<b>\$ 690,740</b>	<b>\$ 11,002,070</b>
<b>Liabilities, deferred inflows and fund balances</b>					
<b>Liabilities:</b>					
Accounts payable and accrued expenses	\$ 91,496	\$ -	\$ 157	\$ 475	\$ 92,128
Due to other funds	-	742,013	-	-	742,013
Unearned revenues	100,669	810,470	-	-	911,139
<b>Total liabilities</b>	<b>192,165</b>	<b>1,552,483</b>	<b>157</b>	<b>475</b>	<b>1,745,280</b>
<b>Deferred inflows of resources:</b>					
Business loans	-	-	317,485	-	317,485
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>317,485</b>	<b>-</b>	<b>317,485</b>
<b>Fund balances:</b>					
Restricted	-	504,933	763,779	183,084	1,451,796
Assigned	-	-	-	507,181	507,181
Unassigned	6,980,328	-	-	-	6,980,328
<b>Total fund balances</b>	<b>6,980,328</b>	<b>504,933</b>	<b>763,779</b>	<b>690,265</b>	<b>8,939,305</b>
<b>Total liabilities, deferred inflows and fund balances</b>	<b>\$ 7,172,493</b>	<b>\$ 2,057,416</b>	<b>\$ 1,081,421</b>	<b>\$ 690,740</b>	<b>\$ 11,002,070</b>

*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, 2024

Total fund balances, governmental funds	\$ 8,939,305
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	14,411,012
Intangible assets	21,491
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	658,630
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:	
Business loans	317,485
Deferred inflows of resources - pension	(186,871)
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	(307,132)
Net pension liability	(1,541,789)
Bonds payable	(193,950)
Notes payable	(1,827,772)
Bond premium	(19,914)
Finance leases	(169,773)
Right-to-use lease	(22,343)
Net position of governmental activities in the Statement of Net Position	<u>\$ 20,394,899</u>



**TOWN OF DENTON, MARYLAND**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2024**

	General Fund	Special Projects	Business Loan Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 4,097,456	\$ -	\$ -	\$ 352,153	\$ 4,449,609
Licenses and permits	55,732	-	-	40,428	96,160
Revenue from other agencies	101,153	248,146	-	-	349,299
Service charges	8,560	-	-	-	8,560
Interest income	-	188,955	30,147	24,906	244,008
Miscellaneous	527,830	25,243	36,405	5,884	595,362
<b>Total revenues</b>	<b>4,790,731</b>	<b>462,344</b>	<b>66,552</b>	<b>423,371</b>	<b>5,742,998</b>
<b>Expenditures</b>					
Current:					
General government	719,398	-	-	-	719,398
Public safety:					
Police	2,046,323	19,891	-	-	2,066,214
Fire	114,700	-	-	-	114,700
Zoning	687,150	-	-	-	687,150
Public works	582,106	144,687	-	127,930	854,723
Recreation and culture	167,396	-	-	-	167,396
Urban development and housing	81,855	63,268	4,074	-	149,197
Capital outlay and projects	288,956	-	-	128,773	417,729
Debt service - principal	173,686	-	28,674	33,655	236,015
Debt service - interest	32,787	-	3,163	35,416	71,366
<b>Total expenditures</b>	<b>4,894,357</b>	<b>227,846</b>	<b>35,911</b>	<b>325,774</b>	<b>5,483,888</b>
Excess (deficiency) of revenues over (under) expenditures	(103,626)	234,498	30,641	97,597	259,110
<b>Other financing sources (uses)</b>					
Transfers in	55,517	-	-	-	55,517
Transfers out	-	-	(20,000)	(1,817)	(21,817)
Proceeds from sale of assets	5,010	-	-	-	5,010
Insurance reimbursement	20,532	-	-	-	20,532
Lease proceeds	136,867	-	-	-	136,867
<b>Total other financing sources (uses)</b>	<b>217,926</b>	<b>-</b>	<b>(20,000)</b>	<b>(1,817)</b>	<b>196,109</b>
Net change in fund balances	114,300	234,498	10,641	95,780	455,219
Fund balance - beginning	6,866,028	270,435	753,138	594,485	8,484,086
Fund balance - ending	\$ 6,980,328	\$ 504,933	\$ 763,779	\$ 690,265	\$ 8,939,305

*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, 2024

Net change in fund balances, governmental funds \$ 455,219

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	411,800
Intangible right-to-use asset	5,929
Depreciation expense	(753,475)
Amortization expense	(8,331)

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:

Finance lease	(130,938)
Intangible right-to-use lease	(5,929)

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	6,080
Notes payable	197,831
Finance leases	32,934
Intangible right-to-use leases	7,943

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	(8,180)
Business loans	(36,148)

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	(9,679)
Increase (decrease) in deferred outflows of resources - pensions	399,330
(Increase) decrease in deferred inflows of resources - pensions	(16,641)
(Increase) decrease in net pension liability	(408,655)

Change in net position of governmental activities \$ 139,090

**TOWN OF DENTON, MARYLAND**  
**STATEMENT OF FUND NET POSITION**  
**BUSINESS-TYPE ACTIVITIES**  
**June 30, 2024**

	Water Fund	Sewer Fund	Nonmajor Industrial Park Fund	Total
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 1,427,868	\$ 413,136	\$ 224,513	\$ 2,065,517
Receivables:				
Service charges	165,172	353,846	-	519,018
Leases receivable	28,081	-	-	28,081
Due from other funds	226,001	516,012	-	742,013
Due from other governments	2,440	4,058	-	6,498
<b>Total current assets</b>	<b>1,849,562</b>	<b>1,287,052</b>	<b>224,513</b>	<b>3,361,127</b>
Noncurrent assets:				
Land held for resale	-	-	-	-
Capital assets, net	4,280,414	11,664,970	-	15,945,384
<b>Total noncurrent assets</b>	<b>4,280,414</b>	<b>11,664,970</b>	<b>-</b>	<b>15,945,384</b>
<b>Total assets</b>	<b>6,129,976</b>	<b>12,952,022</b>	<b>224,513</b>	<b>19,306,511</b>
<b>Deferred Outflows of Resources</b>				
Deferred outflows related to pensions	49,186	72,968	-	122,154
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and accrued expenses	235,905	573,542	255	809,702
Bonds and notes payable	40,458	52,650	-	93,108
<b>Total current liabilities</b>	<b>276,363</b>	<b>626,192</b>	<b>255</b>	<b>902,810</b>
Noncurrent liabilities:				
Compensated absences	41,239	64,488	-	105,727
Net pension liability	115,140	170,810	-	285,950
Bonds and notes payable	1,411,184	1,120,842	-	2,532,026
<b>Total noncurrent liabilities</b>	<b>1,567,563</b>	<b>1,356,140</b>	<b>-</b>	<b>2,923,703</b>
<b>Total liabilities</b>	<b>1,843,926</b>	<b>1,982,332</b>	<b>255</b>	<b>3,826,513</b>
<b>Deferred Inflows of Resources</b>				
Deferred inflows related to pensions	13,956	20,703	-	34,659
Deferred inflows related to leases	25,998	-	-	25,998
<b>Total deferred inflows of resources</b>	<b>39,954</b>	<b>20,703</b>	<b>-</b>	<b>60,657</b>
<b>Net position</b>				
Net investment in capital assets	2,828,772	10,491,478	-	13,320,250
Restricted	-	-	-	-
Unrestricted	1,466,510	530,477	224,258	2,221,245
<b>Total net position</b>	<b>\$ 4,295,282</b>	<b>\$ 11,021,955</b>	<b>\$ 224,258</b>	<b>\$ 15,541,495</b>

*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, 2024**

	Water Fund	Sewer Fund	Nonmajor Industrial Park Fund	Total
<b>Operating revenues</b>				
Charges for services, net	\$ 772,596	\$ 1,319,660	\$ -	\$ 2,092,256
Vacant lots	-	12,110	-	12,110
Other revenues	24,012	143,111	129,231	296,354
<b>Total operating revenues</b>	<b>796,608</b>	<b>1,474,881</b>	<b>129,231</b>	<b>2,400,720</b>
<b>Operating expenses</b>				
Salaries and wages	293,723	427,029	-	720,752
Fringe benefits	118,651	173,189	-	291,840
Pension liability adjustment	(102,017)	(175,323)	-	(277,340)
Materials and supplies	3,850	6,606	15	10,471
Electric and telephone	72,020	119,115	-	191,135
Automotive expenses	16,503	18,825	-	35,328
Professional services	48,519	15,669	1,248	65,436
Repairs and maintenance	85,354	123,231	-	208,585
Depreciation and amortization	116,939	456,812	-	573,751
Other operating expenses	70,158	349,509	6,131	425,798
<b>Total operating expenses</b>	<b>723,700</b>	<b>1,514,662</b>	<b>7,394</b>	<b>2,245,756</b>
<b>Operating income (loss)</b>	<b>72,908</b>	<b>(39,781)</b>	<b>121,837</b>	<b>154,964</b>
<b>Nonoperating revenues (expenses)</b>				
Intergovernmental revenues	1,109,402	2,032,364	-	3,141,766
Interest income	48,632	31,484	5,675	85,791
Interest expense	(30,338)	(22,106)	-	(52,444)
<b>Net nonoperating revenues (expenses)</b>	<b>1,127,696</b>	<b>2,041,742</b>	<b>5,675</b>	<b>3,175,113</b>
<b>Income (loss) before transfers</b>	<b>1,200,604</b>	<b>2,001,961</b>	<b>127,512</b>	<b>3,330,077</b>
Transfers in	26,000	-	-	26,000
Transfers out	(16,782)	(42,918)	-	(59,700)
<b>Change in net position</b>	<b>1,209,822</b>	<b>1,959,043</b>	<b>127,512</b>	<b>3,296,377</b>
<b>Total net position - beginning</b>	<b>3,085,460</b>	<b>9,062,912</b>	<b>96,746</b>	<b>12,245,118</b>
<b>Total net position - ending</b>	<b>\$ 4,295,282</b>	<b>\$ 11,021,955</b>	<b>\$ 224,258</b>	<b>\$ 15,541,495</b>

*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, 2024

	Water Fund	Sewer Fund	Nonmajor Industrial Park Fund	Total
<b>OPERATING ACTIVITIES:</b>				
Receipts from customers	\$ 1,408,163	\$ 1,431,451	\$ 129,231	\$ 2,968,845
Payments to vendors	(224,071)	(72,837)	(7,139)	(304,047)
Payments to employees	(405,086)	(593,938)	-	(999,024)
Net cash provided by operating activities	779,006	764,676	122,092	1,665,774
<b>NONCAPITAL FINANCING ACTIVITIES:</b>				
Due to/from other funds	(226,001)	(516,012)	(18,543)	(760,556)
Transfers in (out)	9,218	(42,918)	-	(33,700)
Net cash used by noncapital financing activities	(216,783)	(558,930)	(18,543)	(794,256)
<b>CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from land held for resale	-	-	455,171	455,171
Acquisition of capital assets	(1,440,590)	(2,177,242)	-	(3,617,832)
Issuance of long-term debt	207,112	-	-	207,112
Receipts from capital grants	1,109,402	2,032,364	-	3,141,766
Principal paid on long-term debt	(42,891)	(173,767)	(368,850)	(585,508)
Interest paid on long-term debt	(30,338)	(22,106)	-	(52,444)
Net cash (used) provided by capital and related financing activities	(197,305)	(340,751)	86,321	(451,735)
<b>INVESTING ACTIVITIES:</b>				
Interest income	48,632	31,484	5,675	85,791
Net cash provided by investing activities	48,632	31,484	5,675	85,791
Net change in cash and cash equivalents	413,550	(103,521)	195,545	505,574
Cash and cash equivalents, beginning of year	1,014,318	516,657	28,968	1,559,943
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,427,868</b>	<b>\$ 413,136</b>	<b>\$ 224,513</b>	<b>\$ 2,065,517</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ 72,908	\$ (39,781)	\$ 121,837	\$ 154,964
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization expense	118,479	456,812	-	575,291
Pension obligation	(102,017)	(175,323)	-	(277,340)
Lease - right-to-use asset	2,757	-	-	2,757
Changes in assets and liabilities:				
Receivables	608,798	(43,430)	-	565,368
Accounts and other payables	70,793	560,118	255	631,166
Compensated absences	7,288	6,280	-	13,568
Net cash provided by operating activities	\$ 779,006	\$ 764,676	\$ 122,092	\$ 1,665,774

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, 2024**

**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, 2024**

**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, 2024**

**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 *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, 2024**

**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, 2024**

**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, 2024

**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, 2024.

**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, 2024**

**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, 2024**

**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, 2024

**Note 2. Summary of Significant Accounting Policies (continued)**

**Q. Federal Program**

The Town does not normally spend \$750,000 of federal revenues on an annual basis, however because they were the recipient of Coronavirus State and Local Fiscal Recovery Funds (CSLFRF), the Town expended in excess of \$750,000 in 2024. As allowed under 2CFR Part 200, Part F, the Town is eligible and has elected to have a compliance examination, which will be issued separately.

**Note 3. Cash and Cash Equivalents**

Deposits: At year end, the carrying value of the Town's deposits with banks and financial institutions was \$12,327,721 and the bank balance was \$13,711,585, 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. Amortized cost related to MLGIP investments is equivalent to fair value.

At June 30, 2024, the Town's deposit and investment balances are as follows:

	Fair Value
MLGIP	\$ 9,018,233
Deposits	3,308,988
Cash on hand	500
<hr/>	
Total cash and cash equivalents	\$ 12,327,721

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 \$317,485 in outstanding loan payments as of June 30, 2024. 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, 2024

**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, 2024, due to/from other funds are as follows:

	<b>Interfund Receivable</b>	<b>Interfund Payables</b>	<b>Net</b>
General Fund	\$ -	\$ -	\$ -
Special Projects Fund	-	(742,013)	(742,013)
Business Loan Fund	-	-	-
Nonmajor governmental funds	-	-	-
Water Fund	226,001	-	226,001
Sewer Fund	516,012	-	516,012
Industrial Park Fund	-	-	-
<b>Total</b>	<b>\$ 742,013</b>	<b>\$ (742,013)</b>	<b>\$ -</b>

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, 2024, transfers to other funds are as follows:

	<b>Transfers In</b>	<b>Transfers Out</b>	<b>Net</b>
General Fund	\$ 55,517	\$ -	\$ 55,517
Special Projects Fund	-	-	-
Business Loan Fund	-	(20,000)	(20,000)
Nonmajor governmental funds	-	(1,817)	(1,817)
Water Fund	26,000	(16,782)	9,218
Sewer Fund	-	(42,918)	(42,918)
Industrial Park Fund	-	-	-
<b>Total</b>	<b>\$ 81,517</b>	<b>\$ (81,517)</b>	<b>\$ -</b>

**TOWN OF DENTON, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2024**

**Note 6. Capital and Intangible Assets**

The following is a summary of changes in capital assets for the year ended June 30, 2024:

	June 30, 2023	Additions	Transfers / Deductions	June 30, 2024
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets, not being depreciated:				
Land	\$ 1,513,935	\$ -	\$ -	\$ 1,513,935
<b>Total capital assets, not being depreciated</b>	<b>1,513,935</b>	<b>-</b>	<b>-</b>	<b>1,513,935</b>
Capital assets, being depreciated:				
Land improvements	2,182,928	-	-	2,182,928
Buildings	5,001,911	15,825	-	5,017,736
Infrastructure	14,276,543	127,657	-	14,404,200
Furniture and equipment	1,056,782	25,708	-	1,082,490
Vehicles	1,392,494	242,610	(46,791)	1,588,313
<b>Total capital assets, being depreciated</b>	<b>23,910,658</b>	<b>411,800</b>	<b>(46,791)</b>	<b>24,275,667</b>
Less accumulated depreciation:				
Land improvements	1,465,167	49,582	-	1,514,749
Buildings	2,038,924	140,157	-	2,179,081
Infrastructure	5,414,319	358,890	-	5,773,209
Furniture and equipment	606,582	103,436	-	710,018
Vehicles	1,146,914	101,410	(46,791)	1,201,533
<b>Total accumulated depreciation</b>	<b>10,671,906</b>	<b>753,475</b>	<b>(46,791)</b>	<b>11,378,590</b>
<b>Total capital assets, being depreciated, net</b>	<b>13,238,752</b>	<b>(341,675)</b>	<b>-</b>	<b>12,897,077</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 14,752,687</b>	<b>\$ (341,675)</b>	<b>\$ -</b>	<b>\$ 14,411,012</b>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 93,496
Public safety	163,537
Public works	181,931
Recreation and culture	76,303
Urban development and housing	238,208
	<b>\$ 753,475</b>



**TOWN OF DENTON, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended June 30, 2024

**Note 6. Capital and Intangible Assets (continued)**

Intangible right-to-use asset activity for the year ended June 30, 2024 is as follows:

	June 30, 2023	Additions	Transfers / Deductions	June 30, 2024
Intangible right-to-use assets				
Leased equipment	\$ 43,655	\$ 5,929	\$ 13,924	\$ 63,508
Less accumulated amortization	19,762	8,331	13,924	42,017
<b>Intangible right-to-use assets, net</b>	<b>\$ 23,893</b>	<b>\$ (2,402)</b>	<b>\$ -</b>	<b>\$ 21,491</b>

Amortization expense for the period ended June 30, 2024 totaled \$8,331.

	June 30, 2023	Additions	Transfers / Deductions	June 30, 2024
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets, not being depreciated:				
Construction in process	\$ 774,336	\$ 3,395,956	\$ -	\$ 4,170,292
<b>Total capital assets, not being depreciated</b>	<b>774,336</b>	<b>3,395,956</b>	<b>-</b>	<b>4,170,292</b>
Capital assets, being depreciated:				
Municipal water system	4,424,225	44,513	-	4,468,738
Municipal sewer system	19,909,882	42,917	-	19,952,799
Machinery and equipment	769,849	134,446	-	904,295
<b>Total capital assets, being depreciated</b>	<b>25,103,956</b>	<b>221,876</b>	<b>-</b>	<b>25,325,832</b>
Less accumulated depreciation:				
Municipal water system	2,269,159	90,496	-	2,359,655
Municipal sewer system	10,133,555	422,599	-	10,556,154
Machinery and equipment	572,735	62,196	-	634,931
<b>Total accumulated depreciation</b>	<b>12,975,449</b>	<b>575,291</b>	<b>-</b>	<b>13,550,740</b>
<b>Total capital assets, being depreciated, net</b>	<b>12,128,507</b>	<b>(353,415)</b>	<b>-</b>	<b>11,775,092</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 12,902,843</b>	<b>\$ 3,042,541</b>	<b>\$ -</b>	<b>\$ 15,945,384</b>

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

Water	\$ 118,479
Sewer	456,812
	<b>\$ 575,291</b>

**TOWN OF DENTON, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended June 30, 2024

**Note 7. Long-term Obligations**

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

	Balances June 30, 2023	Additions	Retirements and Repayments	Balances June 30, 2024	Amount Due In One Year
<b>Governmental activities:</b>					
Compensated absences	\$ 297,453	\$ 9,679	\$ -	\$ 307,132	\$ -
Net pension liability	1,133,134	408,655	-	1,541,789	-
Bonds payable	199,200	-	5,250	193,950	5,250
Bond premium	20,744	-	830	19,914	830
Notes payable	2,025,603	-	197,831	1,827,772	159,100
Finance leases	71,769	130,938	32,934	169,773	18,878
Intangible right-to-use lease	24,357	5,929	7,943	22,343	5,848
<b>Total governmental activities long-term obligations</b>	<b>\$ 3,772,260</b>	<b>\$ 555,201</b>	<b>\$ 244,788</b>	<b>\$ 4,082,673</b>	<b>\$ 189,906</b>
<b>Business-type activities</b>					
Compensated absences	\$ 92,159	\$ 13,568	\$ -	\$ 105,727	\$ -
Net pension liability	516,385	-	230,435	285,950	-
Bonds payable	2,056,163	207,112	194,750	2,068,525	72,860
Bond premium	38,528	-	1,540	36,988	1,540
Notes payable	908,839	-	389,218	519,621	18,708
<b>Total business-type activities long-term obligations</b>	<b>\$ 3,612,074</b>	<b>\$ 220,680</b>	<b>\$ 815,943</b>	<b>\$ 3,016,811</b>	<b>\$ 93,108</b>

Interest expense in the governmental activities and business-type activities for the year ended June 30, 2024 is \$71,366 and \$52,444, respectively.

**TOWN OF DENTON, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended June 30, 2024

**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
2025	\$ 6,080	\$ 7,035	\$ 159,100	\$ 48,499
2026	6,080	6,768	154,784	44,363
2027	6,080	6,500	144,599	40,396
2028	6,080	6,233	327,472	36,093
2029	7,830	5,966	56,279	27,657
2030 - 2034	37,400	24,964	282,991	121,313
2035 - 2039	47,900	18,023	166,161	94,328
2040 - 2044	51,400	11,085	192,943	67,546
2045 - 2049	45,014	3,190	224,042	36,447
2050 - 2053	-	-	119,401	5,024
Total	\$ 213,864	\$ 89,764	\$ 1,827,772	\$ 521,666

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
2025	\$ 74,400	\$ 27,115	\$ 18,708	\$ 15,706
2026	74,958	26,329	19,380	15,034
2027	75,522	25,322	19,509	14,337
2028	76,091	24,313	13,070	13,768
2029	79,915	23,298	13,467	13,371
2030 - 2034	395,929	99,982	73,716	60,475
2035 - 2039	423,693	73,638	85,598	48,593
2040 - 2044	445,030	47,689	99,395	34,796
2045 - 2049	374,526	19,394	115,416	18,775
2050 - 2054	85,449	1,690	61,362	2,588
Total	\$ 2,105,513	\$ 368,770	\$ 519,621	\$ 237,443

**TOWN OF DENTON, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2024**

**Note 7. Long-term Obligations (continued)**

The following is a summary of governmental activities bonds and notes payable as of June 30, 2024:

\$207,507 Highway fund share of CDA bond, due in semi-annual interest payments and annual principal payments through 2048, interest at 2.591%.	\$ 193,950
Bond premium	19,914
<hr/>	
Total bonds payable	213,864
\$1,210,440 Highway fund share of 5 <sup>th</sup> Ave project loan issued by USDA, due in quarterly installments of \$4,333 until 2052, interest at 3.01%.	968,875
\$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.	20,515
\$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.	226,492
\$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.	313,520
\$38,193 installment note payable, financing of one police car, due in monthly payments of \$869 through 2025, interest at 2.99%.	10,743
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%.	287,627
<hr/>	
Total notes payable	1,827,772
<hr/>	
Total Governmental Activities bonds and notes payable	\$ 2,041,636
<hr/>	

**TOWN OF DENTON, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2024**

**Note 7. Long-term Obligations (continued)**

The following is a summary of business-type activities bonds and notes payable as of June 30, 2024:

\$53,500 MDE bond issued January 28, 2011, due in annual installments including interest at 1.2% through February 2031.	\$ 20,193
\$1,401,007 Water Quality State Revolving Fund bond, semi-annual interest payments and annual principal payments, interest at 0.9% through February 2048.	1,118,118
\$633,388 MDE bond issued June 23, 2022, due in annual installments of \$23,832 including interest at 0.8% through February 2053.	569,464
\$385,925 Water fund share of CDA bond, due in semi-annual interest payments and annual principal payments through 2048, interest at 2.591%.	360,750
Bond premium	36,988
<hr/>	
Total bonds payable	2,105,513
\$140,000, Rural Development Loan due in quarterly installments of \$1,892 including interest at 4.5%, through September 2027.	20,650
\$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%.	498,971
<hr/>	
Total notes payable	519,621
<hr/>	
Total Business-type Activities bonds and notes payable	<b>\$ 2,625,134</b>

**TOWN OF DENTON, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2024**

**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](http://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, 2024**

**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, 2024**

**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 2023 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, 2024**

**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, 2024**

**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, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	In the 2023 actuarial valuation, 2.25% general, 2.75% wage. In the 2022 actuarial valuation, 2.25% general, 2.75% wage.
Salary Increases	In the 2023 actuarial valuation, 2.75% to 11.25%. In the 2022 actuarial valuation, 2.75% to 11.25%.
Investment Rate of Return	In the 2023 actuarial valuation, 6.80%. In the 2022 actuarial valuation, 6.80%.
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2019 valuation pursuant to the 2018 experience study for the period July 1, 2014 to June 30, 2018.
Mortality	Various versions of the Pub- 2010 Mortality Tables for males and females with projected generational mortality improvements based on the MP- 2018 fully generational mortality improvements scale for males and females.

**TOWN OF DENTON, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2024**

**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, 2023, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real
Public Equity	34%	6.9%
Private Equity	16%	8.6%
Rate Sensitive	20%	2.6%
Credit Opportunity	9%	5.6%
Real Assets	15%	5.4%
Absolute Return	<u>6%</u>	4.4%
Total	<u>100%</u>	

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, 2023.

For the year ended June 30, 2023, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was 3.11%. 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, 2024**

**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 6.80%, 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 7.80%
Employees	\$ 2,710,167	\$ 1,827,739	\$ 1,095,475

**TOWN OF DENTON, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended June 30, 2024

**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, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town’s proportion of the net pension liability was 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, 2023, under GASB No. 67 requirements.

At June 30, 2024, the Town reported the following related to pensions:

Employer's proportionate (percentage) of the collective net pension liability	0.0079362%
Employer's proportionate share of the collective net pension liability	\$ 1,827,739
Pension expense recognized by the employer for the year ended June 30, 2024	\$ 176,065

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes in assumptions	\$ 125,615	\$ (6,489)
Net difference between projected and actual investment earnings on pension plan investments	163,490	-
Differences between expected and actual experience	64,240	(78,025)
Change in proportion	-	(137,016)
Contributions subsequent to measurement date	427,439	-
	<u>\$ 780,784</u>	<u>\$ (221,530)</u>

**TOWN OF DENTON, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2024**

**Note 8. Pension Plan (continued)**

The \$427,439 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, 2025. 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:		
2025	\$	8,093
2026		(15,729)
2027		129,758
2028		13,358
2029		(3,665)
<b>Total</b>	<b>\$</b>	<b>131,815</b>

For the year ended June 30, 2024 the Town’s total payroll for all employees was \$2,830,591. Total covered payroll was \$2,254,442. 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 through December 2047.

**TOWN OF DENTON, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended June 30, 2024

**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, 2024:

Police car lease; 2021 Dodge Charger unit # 252T5K, principal and interest payable in monthly installments of \$628, interest at 4.4%, maturing 2027.	\$ 16,713
Police car lease; 2021 Dodge Charger unit # 252T82, principal and interest payable in monthly installments of \$702, interest at 4.3%, maturing 2027.	19,974
Public works truck lease; 2022 Ford Maverick unit # 25MVHD, principal and interest payable in monthly installments of \$511, interest at 6.8%, maturing 2027.	16,204
Police car lease; 2023 Dodge Charger unit # 26K7JV, principal and interest payable in monthly installments of \$880, interest at 7.8%, maturing 2029.	39,301
Police car lease; 2023 Dodge Charger unit # 26K7JW, principal and interest payable in monthly installments of \$885, interest at 7.8%, maturing 2029.	38,904
Police car lease; 2023 Dodge Charger unit # 26K7JX, principal and interest payable in monthly installments of \$880, interest at 7.8%, maturing 2029.	38,677
	<b>\$ 169,773</b>

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

<u>Fiscal Year Ending June 30,</u>	
2025	\$ 53,826
2026	53,826
2027	44,200
2028	31,738
2029	11,281
	194,871
<u>Less amounts representing interest</u>	<u>25,098</u>
<u>Present value of net minimum lease payments</u>	<u>\$ 169,773</u>

Interest on the above capital leases was \$8,304 for the year ended June 30, 2024.

The cost of equipment acquired under the above capital lease arrangements, as included in capital assets totaled \$284,126 (including upfitting) and the related accumulated depreciation was \$78,725 at June 30, 2024.

**TOWN OF DENTON, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2024**

**Note 9. Leases (continued)**

*Town as Lessee*

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 expired 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 \$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.

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.

During April 2024, the Town entered into a lease agreement for a copier. Payments under this lease total approximately \$1,500 per year. The lease agreement in place for this copier began during fiscal year 2024 and will expire during fiscal year 2029. 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 8.5%. 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, 2023		Retirements and Repayments		Balances June 30, 2024		Amount Due In One Year
		Additions					
<b>Governmental activities:</b>							
Intangible right-to-use lease	\$ 24,357	\$ 5,929	\$ 7,943	\$ 22,343	\$ 5,848		



**TOWN OF DENTON, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended June 30, 2024

**Note 9. Leases (continued)**

The future minimum lease payments are approximately as follows:

	Equipment		
	Principal	Interest	Total
2025	\$ 5,848	\$ 1,531	\$ 7,379
2026	5,256	1,126	6,382
2027	5,687	695	6,382
2028	4,497	244	4,741
2029	1,055	38	1,093
Total	\$ 22,343	\$ 3,634	\$ 25,977

Interest expense on the above intangible right-to-use assets was approximately \$1,600 for the year ended June 30, 2024.

*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.

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, 2024 related to the above leases was approximately \$37,000.

**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.

**TOWN OF DENTON, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2024**

**Note 10. Risk Management (continued)**

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, 2024 there are no outstanding loans to Town Council members.

**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, 2024:

Fund	Budgeted Expenditures	Actual Expenditures	Excess of Actual Over Budgeted Expenditures
General fund	\$ 4,746,561	\$ 4,894,357	\$ (147,796)
Sewer Fund	1,455,552	1,514,662	(59,110)

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, 2024**

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>Revenues</b>				
Taxes	\$ 3,769,089	\$ 4,097,458	\$ 4,097,456	\$ (2)
Licenses and permits	26,200	55,732	55,732	-
Revenue from other agencies	117,323	101,153	101,153	-
Service charges	6,150	8,561	8,560	(1)
Miscellaneous	161,683	525,818	527,830	2,012
<b>Total revenues</b>	<b>4,080,445</b>	<b>4,788,722</b>	<b>4,790,731</b>	<b>2,009</b>
<b>Expenditures</b>				
Current:				
General government	803,622	719,105	719,398	(293)
Public safety:				
Police	2,469,409	2,099,988	2,237,355	(137,367)
Fire	116,700	114,700	114,700	-
Zoning	903,299	723,548	726,482	(2,934)
Public works	648,889	605,472	605,473	(1)
Recreation and culture	319,779	202,620	202,621	(1)
Urban development and housing	140,100	81,854	81,855	(1)
Debt service - principal	159,109	179,793	173,686	6,107
Debt service - interest	53,840	19,481	32,787	(13,306)
<b>Total expenditures</b>	<b>5,614,747</b>	<b>4,746,561</b>	<b>4,894,357</b>	<b>(147,796)</b>
Excess (deficiency) of revenues over (under) expenditures	(1,534,302)	42,161	(103,626)	(145,787)
<b>Other financing sources (uses)</b>				
Transfers in	46,500	48,317	55,517	7,200
Proceeds from sale of assets	-	5,010	5,010	-
Insurance reimbursement	-	20,532	20,532	-
Reserve	1,487,802	(116,020)	-	116,020
Lease proceeds	-	-	136,867	136,867
<b>Total other financing sources (uses)</b>	<b>1,534,302</b>	<b>(42,161)</b>	<b>217,926</b>	<b>260,087</b>
<b>Net change in fund balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 114,300</b>	<b>\$ 114,300</b>

**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, 2024

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%
June 30, 2023	0.0079362%	1,827,739	1,770,889	103%	64,892,973,000	87,923,284,000	74%

**TOWN OF DENTON, MARYLAND**  
**MARYLAND STATE RETIREMENT AND PENSION SYSTEMS**  
**SCHEDULE OF CONTRIBUTIONS (as of fiscal year end)**  
**June 30, 2024**

<b>Fiscal Year</b>	<b>Contractually Required Contribution A</b>	<b>Actual Contribution B</b>	<b>Contribution Deficiency (Excess) (A - B)</b>	<b>Employer's Covered Employee Payroll C</b>	<b>Actual Contribution as a Percentage of Covered Payroll (B / C)</b>
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	-	1,867,634	10%
2023	193,559	193,559	-	1,770,889	11%
2024	427,439	427,439	-	2,254,442	19%

**TOWN OF DENTON, MARYLAND**  
**MARYLAND STATE RETIREMENT AND PENSION SYSTEMS**  
**ACTUARIAL ASSUMPTIONS - PENSION PLAN**  
**June 30, 2024**

**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 2023 actuarial valuation, 2.25% general, 2.75% wage. In the 2022 actuarial valuation, 2.25% general, 2.75% wage.
Salary Increases	In the 2023 actuarial valuation, 2.75% to 11.25%. In the 2022 actuarial valuation, 2.75% to 11.25%.
Investment Rate of Return	In the 2023 actuarial valuation, 6.80%. In the 2022 actuarial valuation, 6.80%.
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2019 valuation pursuant to the 2018 experience study for the period July 1, 2014 to June 30, 2018.
Mortality	Various versions of the Pub- 2010 Mortality Tables for males and females with projected generational mortality improvements based on the MP-2018 fully generational mortality improvements scale for males and females.

## **OTHER SUPPLEMENTARY INFORMATION**



**TOWN OF DENTON, MARYLAND**  
**OTHER SUPPLEMENTARY INFORMATION**  
**COMBINING BALANCE SHEETS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2024**

	Capital Improvement	Highway Fund	Total Nonmajor Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 507,181	\$ 39,069	\$ 546,250
Due from other governments	-	144,490	144,490
<b>Total assets</b>	<b>\$ 507,181</b>	<b>\$ 183,559</b>	<b>\$ 690,740</b>
<b>Liabilities, deferred inflows and fund balances</b>			
Liabilities:			
Accounts payable and accrued expenses	\$ -	\$ 475	\$ 475
<b>Total liabilities</b>	<b>-</b>	<b>475</b>	<b>475</b>
Fund balances:			
Restricted	-	183,084	183,084
Assigned	507,181	-	507,181
<b>Total fund balances</b>	<b>507,181</b>	<b>183,084</b>	<b>690,265</b>
<b>Total liabilities and fund balances</b>	<b>\$ 507,181</b>	<b>\$ 183,559</b>	<b>\$ 690,740</b>

**TOWN OF DENTON, MARYLAND**  
**OTHER SUPPLEMENTARY INFORMATION**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2024**

	Capital Improvement	Highway Fund	Total Nonmajor Governmental Funds
<b>Revenues</b>			
Taxes	\$ -	\$ 352,153	\$ 352,153
Licenses and permits	40,428	-	40,428
Interest income	24,906	-	24,906
Miscellaneous	-	5,884	5,884
<b>Total revenues</b>	<b>65,334</b>	<b>358,037</b>	<b>423,371</b>
<b>Expenditures</b>			
Current:			
Public works	-	127,930	127,930
Capital outlay and projects	-	128,773	128,773
Debt service - principal	-	33,655	33,655
Debt service - interest	-	35,416	35,416
<b>Total expenditures</b>	<b>-</b>	<b>325,774</b>	<b>325,774</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>65,334</b>	<b>32,263</b>	<b>97,597</b>
<b>Other financing sources (uses)</b>			
Transfers out	(1,817)	-	(1,817)
<b>Total other financing sources (uses)</b>	<b>(1,817)</b>	<b>-</b>	<b>(1,817)</b>
Net change in fund balances	63,517	32,263	95,780
Fund balance - beginning	443,664	150,821	594,485
<b>Fund balance - ending</b>	<b>\$ 507,181</b>	<b>\$ 183,084</b>	<b>\$ 690,265</b>

**TOWN OF DENTON, MARYLAND**  
**OTHER SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - HIGHWAY FUND**  
**Year Ended June 30, 2024**

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>Revenues</b>				
Taxes	\$ 349,296	\$ 349,296	\$ 352,153	\$ 2,857
Miscellaneous	-	-	5,884	5,884
<b>Total revenues</b>	<b>349,296</b>	<b>349,296</b>	<b>358,037</b>	<b>8,741</b>
<b>Expenditures</b>				
Current:				
Public works	280,216	280,216	256,703	23,513
Debt service - principal	30,972	30,972	33,655	(2,683)
Debt service - interest	38,108	38,108	35,416	2,692
<b>Total expenditures</b>	<b>349,296</b>	<b>349,296</b>	<b>325,774</b>	<b>23,522</b>
Excess (deficiency) of revenues over (under) expenditures	-	-	32,263	32,263
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Reserve	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 32,263</b>	<b>\$ 32,263</b>

**TOWN OF DENTON, MARYLAND**  
**OTHER SUPPLEMENTARY INFORMATION**  
**INCOME AND EXPENSE DETAIL**  
**BUDGET AND ACTUAL**  
**WATER FUND**  
**Year Ended June 30, 2024**

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>Operating revenues</b>				
Charges for services, net	\$ 732,765	\$ 732,765	\$ 772,596	\$ 39,831
Other revenues	10,700	10,700	24,012	13,312
<b>Total operating revenues</b>	<b>743,465</b>	<b>743,465</b>	<b>796,608</b>	<b>53,143</b>
<b>Operating expenses</b>				
Salaries and wages	297,256	297,256	293,723	3,533
Fringe benefits	148,978	148,978	118,651	30,327
Pension liability adjustment	-	-	(102,017)	102,017
Materials and supplies	3,700	3,700	3,850	(150)
Electric and telephone	76,065	76,065	72,020	4,045
Automotive expenses	44,000	44,000	16,503	27,497
Professional services	864,181	864,181	48,519	815,662
Repairs and maintenance	67,600	67,600	85,354	(17,754)
Depreciation and amortization	-	-	116,939	(116,939)
Other operating expenses	203,650	203,650	70,158	133,492
<b>Total operating expenses</b>	<b>1,705,430</b>	<b>1,705,430</b>	<b>723,700</b>	<b>981,730</b>
<b>Operating income (loss)</b>	<b>(961,965)</b>	<b>(961,965)</b>	<b>72,908</b>	<b>1,034,873</b>
<b>Nonoperating revenues (expenses)</b>				
Intergovernmental revenues	1,111,920	1,111,920	1,109,402	(2,518)
Interest income	2,000	2,000	48,632	46,632
Debt service - principal payments	(43,281)	(43,281)	-	43,281
Debt service - interest expense	(34,637)	(34,637)	(30,338)	4,299
Reserve	(86,787)	(86,787)	-	86,787
<b>Net nonoperating revenues (expenses)</b>	<b>949,215</b>	<b>949,215</b>	<b>1,127,696</b>	<b>178,481</b>
<b>Income (loss) before transfers</b>	<b>(12,750)</b>	<b>(12,750)</b>	<b>1,200,604</b>	<b>1,213,354</b>
Transfers in	26,000	26,000	26,000	-
Transfers out	(13,250)	(13,250)	(16,782)	(3,532)
<b>Change in net position</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,209,822</b>	<b>\$ 1,209,822</b>

**TOWN OF DENTON, MARYLAND**  
**OTHER SUPPLEMENTARY INFORMATION**  
**INCOME AND EXPENSE DETAIL**  
**BUDGET AND ACTUAL**  
**SEWER FUND**  
**Year Ended June 30, 2024**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
<b>Operating revenues</b>				
Charges for services, net	\$ 1,261,810	\$ 1,261,810	\$ 1,319,660	\$ 57,850
Vacant lots	12,283	12,283	12,110	(173)
Other revenues	119,645	119,645	143,111	23,466
<b>Total operating revenues</b>	<b>1,393,738</b>	<b>1,393,738</b>	<b>1,474,881</b>	<b>81,143</b>
<b>Operating expenses</b>				
Salaries and wages	432,269	432,269	427,029	5,240
Fringe benefits	212,627	212,627	173,189	39,438
Pension liability adjustment	-	-	(175,323)	175,323
Materials and supplies	4,500	4,500	6,606	(2,106)
Electric and telephone	101,325	101,325	119,115	(17,790)
Automotive expenses	34,975	34,975	18,825	16,150
Professional services	15,930	15,930	15,669	261
Repairs and maintenance	151,800	151,800	123,231	28,569
Depreciation	-	-	456,812	(456,812)
Other operating expenses	502,126	502,126	349,509	152,617
<b>Total operating expenses</b>	<b>1,455,552</b>	<b>1,455,552</b>	<b>1,514,662</b>	<b>(59,110)</b>
<b>Operating income (loss)</b>	<b>(61,814)</b>	<b>(61,814)</b>	<b>(39,781)</b>	<b>22,033</b>
<b>Nonoperating revenues (expenses)</b>				
Intergovernmental revenues	-	-	2,032,364	2,032,364
Interest income	650	650	31,484	30,834
Debt service - principal payments	(176,298)	(176,298)	-	176,298
Debt service - interest expense	(24,089)	(24,089)	(22,106)	1,983
Reserve	300,801	300,801	-	(300,801)
<b>Net nonoperating revenues (expenses)</b>	<b>101,064</b>	<b>101,064</b>	<b>2,041,742</b>	<b>1,940,678</b>
<b>Income (loss) before transfers</b>	<b>39,250</b>	<b>39,250</b>	<b>2,001,961</b>	<b>1,962,711</b>
Transfers out	(39,250)	(39,250)	(42,918)	(3,668)
<b>Change in net position</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,959,043</b>	<b>\$ 1,959,043</b>



## **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, 2024, 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 20, 2024.

### **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.

The image shows a handwritten signature in dark ink that reads "UHY LLP". The letters are stylized and cursive, with the "U" and "H" being particularly prominent.

Salisbury, Maryland  
December 20, 2024