



THE COMMISSIONERS OF LEONARDTOWN
Financial Statements
June 30, 2024
With Independent Auditor's Report

The Commissioners of Leonardtown
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June 30, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Commissioners of Leonardtown:

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of The Commissioners of Leonardtown, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise The Commissioners of Leonardtown's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of The Commissioners of Leonardtown, 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 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 Commissioners of Leonardtown, 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 Commissioners of Leonardtown'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.

Auditor's 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 auditor's 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 Commissioners of Leonardtown'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 Commissioners of Leonardtown'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 on pages 4 through 11 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to this required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The Commissioners of Leonardtown's basic financial statements. The schedules on pages 37 through 41 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedules referred to above and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 schedules referred to above and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2024, on our consideration of The Commissioners of Leonardtown’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 effectiveness of The Commissioners of Leonardtown’s 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 Commissioners of Leonardtown’s internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads 'Withum Smith + Brown, PC'. The signature is written in a cursive, flowing style.

December 30, 2024

The Commissioners of Leonardtown Management's Discussion and Analysis – Unaudited June 30, 2024

As management of The Commissioners of Leonardtown (the "Town"), we offer readers of the Town financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2024. Please read it in conjunction with the Town's financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$68,587,464 (net position). Of this amount, \$7,148,807 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors, \$143,666 is restricted for future road maintenance, \$8,359,125 is restricted for future growth-related projects (impact fees), and \$52,935,866 is invested in capital assets, net of related debt.
- During FY24, the Town's total net position increased by \$1,225,770. After excluding depreciation expense, *governmental activities* yielded an addition to net position of \$882,369. This increase resulted from an increase in income tax and interest income and current year investments in capital assets in part funded with capital grants and contributions. After excluding depreciation expense and capital grant and contributions, the *business type activities* yielded an addition to net position of \$575,615. The water and sewer departments yielded favorable operating results for FY24 coupled with an increase in interest income.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$2,626,705, an increase of \$348,649 from the prior year. Fund balance is reported in the following categories: \$143,666 is restricted for future road maintenance and \$412,502 is *assigned* for a number of specific purposes. The most significant portion of assigned fund balance \$209,672 is to fund FY25 approved expenditures that are in excess of projected revenues. The next highest amounts are \$73,380 for waterfront revitalization and \$52,800 is parking fee in lieu revenue collected in prior years that is assigned for future parking projects. Note 8 provides a detailed accounting of the assigned portion of fund balance. The remaining \$2,070,537 is *unassigned* and available for spending and exceeds the Town Council's target threshold of 50% of General Fund operating expenditures.
- The increase in General Fund fund balance of \$138,977 in the governmental funds is tied to the surplus revenues primarily related to income tax and interest income and expenditures less than budget. Since a surplus was anticipated prior to the end of FY24, the approved FY25 budget included using some of this surplus to fund one-time expenditures.
- In FY23, the Town commenced the wastewater treatment plant expansion project which is being funded by the issuance of its Infrastructure Bonds Series of 2023A in the amount of \$8,090,910 and a combination of funding received through American Rescue Plan Act ("ARPA") and impact fees collected. At the close of the most recent fiscal year, \$10,313,474 has been completed and capitalized as construction in progress related to the project. The project is anticipated to be complete by early FY25.
- In FY24, the Town commenced the waterfront revitalization project expending \$155,866 related to the project which was funded with prior year fund balance. In May 2024, the Town closed on financing through the issuance of its Infrastructure Bonds Series of 2024A in the amount of \$5,578,191 which will also be used with remaining ARPA funding and impact fees collected to pay for the \$8,826,000 million project.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

**The Commissioners of Leonardtown
Management's Discussion and Analysis – Unaudited
June 30, 2024**

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods such as uncollected property taxes and earned, but unused, vacation leave.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, planning and zoning, public safety, public works, community development and recreation and parks. The business-type activities of the Town include water, wastewater and refuse collection.

The government-wide financial statements can be found on pages 12 and 13 of this report.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Fund financial statements focus on the Town's most significant funds rather than the Town as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation.

The Town adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with its budget.

The basic governmental fund financial statements can be found on pages 14 through 18 of this report.

**The Commissioners of Leonardtown
Management’s Discussion and Analysis – Unaudited
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Proprietary Funds

The Town maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses one enterprise fund to account for its water, wastewater and refuse collection services.

Proprietary fund statements provide the same type of information as the government-wide financial statement, only in more detail.

The proprietary fund financial statements can be found on pages 19 through 22 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 through 36 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the Town, assets exceeded liabilities by \$68,746,018 at the close of the most recent fiscal year.

By far, the largest portion of the Town’s net position (77.18 percent) reflects its investment in capital assets (e.g., land, building, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The next largest portion of the Town’s net position (12.40 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$7,148,807 may be used to meet the government’s ongoing obligations to citizens and creditors.

Statement of Net Position

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|----------------------------------|--------------------------------|---------------|---------------------------------|---------------|---------------------------------|---------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Current and other assets | \$ 3,497,573 | \$ 4,628,731 | #REF! | \$ 22,863,907 | #REF! | \$ 27,492,638 |
| Capital assets | 24,845,814 | 25,235,598 | 38,496,811 | 32,788,841 | 63,342,625 | 58,024,439 |
| Total assets | 28,343,387 | 29,864,329 | #REF! | 55,652,748 | #REF! | 85,517,077 |
| Long-term debt outstanding | 550,898 | 640,184 | 20,201,908 | 14,820,530 | 20,752,806 | 15,460,714 |
| Other liabilities | 899,373 | 2,350,675 | 576,435 | 343,994 | 1,475,808 | 2,694,669 |
| Total liabilities | 1,450,271 | 2,990,859 | 20,778,343 | 15,164,524 | 22,228,614 | 18,155,383 |
| Net investment in capital assets | 24,406,551 | 24,688,656 | 28,529,315 | 27,166,843 | 52,935,866 | 51,855,499 |
| Restricted | 143,666 | 237,562 | 8,359,125 | 10,535,714 | 8,502,791 | 10,773,276 |
| Unrestricted | 2,371,404 | 1,947,252 | 4,777,403 | 2,785,667 | 7,148,807 | 4,732,919 |
| Total net position | \$ 26,921,621 | \$ 26,873,470 | \$ 41,665,843 | \$ 40,488,224 | \$ 68,587,464 | \$ 67,361,694 |

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

**The Commissioners of Leonardtown
Management’s Discussion and Analysis – Unaudited
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Statement of Change in Net Position

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|------------------------------------|--------------------------------|----------------------|---------------------------------|----------------------|---------------------------------|----------------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 26,992 | \$ 58,871 | \$ 3,131,307 | \$ 2,988,238 | \$ 3,158,299 | \$ 3,047,109 |
| Operating grants and contributions | 449,389 | 481,643 | 46,115 | - | 495,504 | 481,643 |
| Capital grants and contributions | 57,600 | 4,987,585 | 2,380,917 | 5,024,374 | 2,438,517 | 10,011,959 |
| General revenues | | | | | - | - |
| Property taxes | 916,388 | 841,697 | - | - | 916,388 | 841,697 |
| Other taxes | 1,205,277 | 1,157,388 | - | - | 1,205,277 | 1,157,388 |
| Other | 386,305 | 285,687 | 897,970 | 468,501 | 1,284,275 | 754,188 |
| Total revenues | <u>3,041,951</u> | <u>7,812,871</u> | <u>6,456,309</u> | <u>8,481,113</u> | <u>9,498,260</u> | <u>16,293,984</u> |
| Expenses | | | | | | |
| General government | 715,839 | 599,747 | - | - | 715,839 | 599,747 |
| Community development | 412,536 | 340,343 | - | - | 412,536 | 340,343 |
| Planning and zoning | 176,203 | 211,032 | - | - | 176,203 | 211,032 |
| Public safety | 96,178 | 91,530 | - | - | 96,178 | 91,530 |
| Public works | 884,477 | 1,208,401 | - | - | 884,477 | 1,208,401 |
| Recreation and parks | 691,141 | 445,318 | - | - | 691,141 | 445,318 |
| Interest expense | 17,426 | 21,148 | - | - | 17,426 | 21,148 |
| Wastewater | - | - | 3,195,191 | 3,266,646 | 3,195,191 | 3,266,646 |
| Water | - | - | 763,802 | 561,841 | 763,802 | 561,841 |
| Refuse | - | - | 1,319,697 | 1,030,019 | 1,319,697 | 1,030,019 |
| Total expenses | <u>2,993,800</u> | <u>2,917,519</u> | <u>5,278,690</u> | <u>4,858,506</u> | <u>8,272,490</u> | <u>7,776,025</u> |
| Change in net position | 48,151 | 4,895,352 | 1,177,619 | 3,622,607 | 1,225,770 | 8,517,959 |
| Net position - beginning of year | <u>26,873,470</u> | <u>21,978,118</u> | <u>40,488,224</u> | <u>36,865,617</u> | <u>67,361,694</u> | <u>58,843,735</u> |
| Net position - end of year | <u>\$ 26,921,621</u> | <u>\$ 26,873,470</u> | <u>\$ 41,665,843</u> | <u>\$ 40,488,224</u> | <u>\$ 68,587,464</u> | <u>\$ 67,361,694</u> |

Governmental Activities

Governmental activities increased the Town’s net position by \$48,151. The surplus was primarily due to increases in both income tax and interest income.

Business-Type Activities

Business-type activities increased the Town’s net position by \$1,177,619. Depreciation expense of \$1,778,913 was offset by favorable departmental operating results and the capital contributions detailed below.

- ARPA funding \$1,588,519
- Impact fees of \$694,600
- Capacity allocation fees of \$147,798

FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Town’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town’s financing requirements. In particular, *unassigned* fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

The Commissioners of Leonardtown Management's Discussion and Analysis – Unaudited June 30, 2024

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$2,626,705 an increase of \$348,649 in comparison to the prior year. Approximately 78.83 percent of this total amount \$ 2,070,537 constitutes *unassigned* fund balance, which is available for spending at the government's discretion. The next largest component of fund balance is *assigned* for several specific purposes and totals \$412,502. The intended uses of this balance are detailed in Note 8. \$143,666 of fund balance is restricted for future road maintenance.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,070,537 while total fund balance increased to \$2,417,033. As a measure of the General Fund's liquidity, it may be useful to compare *unassigned* fund balance to total fund expenditures. *Unassigned* fund balance of the General Fund represents 77.16 percent of budgeted FY25 General Fund operating expenditures.

Total fund balance of the Town's General Fund increased by \$138,977 during the current fiscal year. As mentioned before, this increase is tied to the surplus revenues primarily related to income tax and interest income and expenditures less than budget.

Proprietary Fund

The Town's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Proprietary Fund at the end of the year amounted to \$4,777,403. The total increase in net position for the fund was \$1,177,619. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's financial highlights, business-type activities and capital assets and debt administration.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, revenues were higher than budgetary estimates by \$554,616 and expenditures were \$189,369 less than budgeted.

- As mentioned previously, better than anticipated income tax revenue accounted for a portion of the General Fund revenue surplus. This revenue source can be volatile, as it is tied to the timing of residents filing income tax returns. In addition, a favorable variance in interest income on the Town's investments due to an increase in interest rates and amounts available for investment accounted for 63.45% of the revenue surplus.
- General Fund expenditures for the Town as a whole were in line with expectations. Public works expenditures less than budget accounted for the majority of the overall favorable variance in expenditures. Details of all departmental results can be found in the supplemental reports found on pages 37 - 39.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2024, amounts to \$63,342,625 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, streets, infrastructure, machinery and equipment. The total increase in the Town's investment in capital assets was 9.17% (a 1.57% decrease for governmental activities and a 17.41% increase for business-type activities).

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Current year capital assets additions of \$7,931,317 was offset by depreciation expense of \$2,613,131. Current year major capital additions consisted of \$7,139,322 construction in progress for the wastewater treatment plant expansion project.

Capital Assets (Net of Depreciation)

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|------------------------------------|--------------------------------|----------------------|---------------------------------|----------------------|---------------------------------|----------------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Land | \$ 4,899,561 | \$ 4,899,561 | \$ 221,718 | \$ 221,718 | \$ 5,121,279 | \$ 5,121,279 |
| Construction in progress | 313,038 | 19,505 | 10,692,527 | 3,383,999 | 11,005,565 | 3,403,504 |
| Building and improvements | 1,361,379 | 1,427,658 | 17,141,266 | 18,453,877 | 18,502,645 | 19,881,535 |
| Improvements, other than buildings | 3,309,770 | 3,432,123 | - | - | 3,309,770 | 3,432,123 |
| Infrastructure | 14,961,844 | 15,456,529 | 10,274,514 | 10,548,760 | 25,236,358 | 26,005,289 |
| Machinery and equipment | 222 | 222 | 166,786 | 180,487 | 167,008 | 180,709 |
| Total capital assets, net | <u>\$ 24,845,814</u> | <u>\$ 25,235,598</u> | <u>\$ 38,496,811</u> | <u>\$ 32,788,841</u> | <u>\$ 63,342,625</u> | <u>\$ 58,024,439</u> |

Additional information on the Town’s capital assets can be found in Note 5 of this report.

Debt Administration

At the end of the current fiscal year, the Town had total debt outstanding of \$14,533,55. \$439,263 is the balance of mortgage debt related to property acquisition at the Wharf Park. \$5,173,249 is a note payable to the Maryland Water Quality Financing Administration related to the Enhanced Nutrient Removal Project for the wastewater treatment plant. \$13,413,191 are bonds payable and \$1,615,468 of bond premiums issued and administered through Department of Housing and Community Development (“DHCD”) Community Development Administration (“CDA”) to finance the wastewater treatment plant expansion project and the Meadows Run water tower project. The Town’s total debt increased by \$5,386,423 including \$6,107,616 aggregate issuance of bonds payable and premiums for its Infrastructure Bonds Series of 2024A, \$664,033 of principal repayments and \$57,160 amortization of bond premiums.

Additional information on the Town’s long-term debt can be found in Note 6 of this report.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

- Residential and commercial growth in Leonardtown remain robust. Clark’s Rest continues to prosper and add new residents to Leonardtown. As of the end of the fiscal year homes had been occupied. The total project includes 344 residential units, and a large storage facility was recently completed and open for business. The construction of the Hamptons apartment complex is complete, and units are occupied. Property taxes for this location are subject to a tax abatement agreement and will not add to the property tax revenue budget until fiscal year 2026. The residential neighborhood of Meadows at Town Run began construction in 2019 and will build out 107 single family homes. As of the end of the fiscal year 90 homes had been occupied. Meadows at Town Run II has received concept approval and should begin construction in mid-2023. This development will consist of 12 single family homes, 147 townhomes and 4 36-unit apartment buildings.
- Approved by the State of Maryland legislature in FY18, significant increases to municipal highway user revenue will occur for five years, with the first year being FY20. The additional revenue will be used to fund annually increasing snow removal expenditures and road maintenance projects. As new neighborhoods are occupied, the Town will be required to maintain an increasing number of road miles.
- There is no significant change in the type or level of services to be provided.

The Commissioners of Leonardtown Management's Discussion and Analysis – Unaudited June 30, 2024

- *Unassigned* fund balance is in line with Council's target threshold of 50% of General Fund operating expenditures. This is a direct result of surplus income tax revenue and positive operating results.
- Water rates were not increased for FY25. Town ordinance number 82 generally requires an automatic 2% rate increase, but a thorough financial study, as allowed by the ordinance, did not result in the need for this increase. However, sewer rates were increased by 2% in accordance with the ordinance.
- Town Council approved a two-year extension of the existing contract with WB Waste Solutions for trash collection services in Leonardtown. The contract has been extended through June 30, 2025. Significant increases in fuel, labor and cost of goods are affecting the trash collection pricing dramatically. The Council was able to negotiate a 26% increase instead of the 50% plus increase being experienced elsewhere.
- The infusion of federal funds from the Coronavirus Aid, Relief and Economic Security Act (CARES) of 2020 and the ARPA of 2021 have served to stabilize local government funding to ensure maintenance of services.
- Leonardtown has received its first allocation of ARPA funding in the amount of \$1,883,816. The second payment was received in 2023 in the amount of \$1,885,226. These funds have specific limitations on how they can be used. Given the magnitude of upcoming infrastructure projects, Council has committed these funds to construction of a new water tower and expansion of the wastewater treatment plant.
- The Town has created a new way to experience downtown by connecting amenities and destinations through an enhanced alley network that links the square, hotel, public parking lot, and Fenwick Street which will be used to display public art, walking paths and locations for small events. The total amount of Phase I of the project is approximately \$400,000 and was funded with a combination of grants and local funding from the Town.
- Work on the Downtown and Waterfront Strategic Plan continue to be a high priority to the Town Council as the Tudor Hall Development is anticipated to move forward next fiscal year. This 400-acre farm is the future of the Town and how it is developed is critical to the future of its economic viability. The need to be proactive rather than reactive in the implementation of its development remains on the forefront of Town planning. Significant fund balance has been set aside for the waterfront development in the last two budgets and planning has continued each year since 2018.
- The major wastewater treatment plant expansion from a treatment capacity of .68 mgd to 1 million gallons per day is well underway and is anticipated to be complete in late 2024 at a cost of \$18,066,289. The project was funded with \$3,038,413 of ARPA funds, \$9,000,000 of bonds administered through the Maryland Dept of Housing and Community Development and the remainder from previously collected impact fees. This expansion is needed to accommodate future growth in the Town. Two other major capital projects include the construction of a 1-million-gallon water storage tank and a new production well. The tower project is slated to go to bid in early FY25 and is expected to cost approximately 6.3 million dollars and a production well estimated at 2.5 million dollars will follow in the next few months. To fund these projects the Town pursued a second bond issuance of \$6,000,000 and will use the balance of ARPA funding and water impact fees previously collected. Both bond issuance debt service will be paid from future impact fee collection. The sewer impact fee increased to \$18,000 in 2022 and the water impact fee will need to be increased later in 2024 to meet the required debt service.
- Leonardtown continues to maintain a healthy level of unassigned fund balance in FY24 and remains financially sound. The focus remains on the future development of the waterfront and 400-acre Tudor Hall development for its growth and commercial expansion. Funding large infrastructure projects to accommodate the growth will continue to be an important part of the planning process and to protect existing residents and businesses.

**The Commissioners of Leonardtown
Management's Discussion and Analysis – Unaudited
June 30, 2024**

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Treasurer, P. O. Box 1, Leonardtown, MD 20650.

**The Commissioners of Leonardtown
Statement of Net Position
June 30, 2024**

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|--------------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 320,585 | \$ - | \$ 320,585 |
| Investments | 7,190,413 | - | 7,190,413 |
| Accounts receivable | 6,418 | 793,440 | 799,858 |
| Intergovernmental receivables | 350,239 | 150,631 | 500,870 |
| Interest receivable | 28,505 | 39,685 | 68,190 |
| Internal balances | (4,370,082) | 4,370,082 | - |
| Noncurrent assets | | | |
| Restricted cash and investments | - | 8,359,125 | 8,359,125 |
| Long-term debt proceeds held in escrow | - | 10,234,412 | 10,234,412 |
| Capital assets, not being depreciated | 5,212,599 | 10,914,245 | 16,126,844 |
| Depreciable assets, net | <u>19,633,215</u> | <u>27,582,566</u> | <u>47,215,781</u> |
| Total assets | <u>\$ 28,371,892</u> | <u>\$ 62,444,186</u> | <u>\$ 90,816,078</u> |
| Liabilities | | | |
| Accounts payable | \$ 174,553 | \$ 224,877 | \$ 399,430 |
| Other liabilities | 60,443 | 37,989 | 98,432 |
| Accrued interest payable | - | 189,496 | 189,496 |
| Unearned revenue | 664,377 | - | 664,377 |
| Noncurrent liabilities | | | |
| Due within one year | | | |
| Long-term debt, current year | 94,078 | 832,103 | 926,181 |
| Compensated absences, current year | 96,582 | 10,934 | 107,516 |
| Health reimbursement obligation, current year | 15,053 | 63,618 | 78,671 |
| Customer utility deposits | - | 49,521 | 49,521 |
| Due in more than one year | | | |
| Long-term debt, net of current portion | <u>345,185</u> | <u>19,369,805</u> | <u>19,714,990</u> |
| Total liabilities | <u>1,450,271</u> | <u>20,778,343</u> | <u>22,228,614</u> |
| Net position | | | |
| Net investment in capital assets | 24,406,551 | 28,529,315 | 52,935,866 |
| Restricted for | | | |
| Road maintenance | 143,666 | - | 143,666 |
| Impact fees | - | 8,359,125 | 8,359,125 |
| Unrestricted | <u>2,371,404</u> | <u>4,777,403</u> | <u>7,148,807</u> |
| Total net position | <u>26,921,621</u> | <u>41,665,843</u> | <u>68,587,464</u> |
| Total liabilities and net position | <u>\$ 28,371,892</u> | <u>\$ 62,444,186</u> | <u>\$ 90,816,078</u> |

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

**The Commissioners of Leonardtown
Statement of Activities
Year Ended June 30, 2024**

| Functions/Programs | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | |
|------------------------------------|---------------------|----------------------------|--|--|----------------------------|-----------------------------|----------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Primary Government | | | | | | | |
| Governmental activities | | | | | | | |
| General government | \$ 715,839 | \$ - | \$ - | \$ - | \$ (715,839) | \$ - | \$ (715,839) |
| Community development | 412,536 | - | 92,646 | 57,600 | (262,290) | - | (262,290) |
| Planning and zoning | 176,203 | 26,992 | - | - | (149,211) | - | (149,211) |
| Public safety | 96,178 | - | 29,305 | - | (66,873) | - | (66,873) |
| Public works | 884,477 | - | 327,438 | - | (557,039) | - | (557,039) |
| Recreation and parks | 691,141 | - | - | - | (691,141) | - | (691,141) |
| Interest expense on long-term debt | 17,426 | - | - | - | (17,426) | - | (17,426) |
| Total governmental activities | <u>2,993,800</u> | <u>26,992</u> | <u>449,389</u> | <u>57,600</u> | <u>(2,459,819)</u> | <u>-</u> | <u>(2,459,819)</u> |
| Business-type activities | | | | | | | |
| Wastewater | 3,195,191 | 1,338,532 | 46,115 | 2,213,937 | - | 403,393 | 403,393 |
| Water | 763,802 | 528,090 | - | 166,980 | - | (68,732) | (68,732) |
| Refuse | 1,319,697 | 1,264,685 | - | - | - | (55,012) | (55,012) |
| Total business-type activities | <u>5,278,690</u> | <u>3,131,307</u> | <u>46,115</u> | <u>2,380,917</u> | <u>-</u> | <u>279,649</u> | <u>279,649</u> |
| Total primary government | <u>\$ 8,272,490</u> | <u>\$ 3,158,299</u> | <u>\$ 495,504</u> | <u>\$ 2,438,517</u> | <u>(2,459,819)</u> | <u>279,649</u> | <u>(2,180,170)</u> |
| General revenues | | | | | | | |
| | | | | | 916,388 | - | 916,388 |
| | | | | | 1,121,019 | - | 1,121,019 |
| | | | | | 84,258 | - | 84,258 |
| | | | | | 30,077 | - | 30,077 |
| | | | | | 355,879 | 882,959 | 1,238,838 |
| | | | | | 349 | 15,011 | 15,360 |
| | | | | | <u>2,507,970</u> | <u>897,970</u> | <u>3,405,940</u> |
| | | | | | 48,151 | 1,177,619 | 1,225,770 |
| | | | | | <u>26,873,470</u> | <u>40,488,224</u> | <u>67,361,694</u> |
| | | | | | | | |
| | | | | | <u>\$ 26,921,621</u> | <u>\$ 41,665,843</u> | <u>\$ 68,587,464</u> |

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

**The Commissioners of Leonardtown
Balance Sheet – Governmental Funds
Year Ended June 30, 2024**

| | <u>Major Funds</u> | | <u>Total</u> |
|---|-------------------------|-----------------------------|-------------------------------|
| | <u>General</u> | <u>Capital Projects</u> | <u>Governmental Funds</u> |
| Assets | | | |
| Cash and cash equivalents | \$ 320,585 | \$ - | \$ 320,585 |
| Investments | 7,190,413 | - | 7,190,413 |
| Accounts receivable | 6,418 | - | 6,418 |
| Intergovernmental receivables | 350,239 | - | 350,239 |
| Interest receivable | 28,505 | - | 28,505 |
| Due from other funds | <u>-</u> | <u>975,803</u> | <u>975,803</u> |
| Total assets | <u>\$ 7,896,160</u> | <u>\$ 975,803</u> | <u>\$ 8,871,963</u> |
| Liabilities | | | |
| Accounts payable | \$ 72,799 | \$ 101,754 | \$ 174,553 |
| Other liabilities | 60,443 | - | 60,443 |
| Unearned revenue | - | 664,377 | 664,377 |
| Due to other funds | <u>5,345,885</u> | <u>-</u> | <u>5,345,885</u> |
| Total liabilities | <u>5,479,127</u> | <u>766,131</u> | <u>6,245,258</u> |
| Fund balances | | | |
| Restricted | 143,666 | - | 143,666 |
| Assigned | 202,830 | 209,672 | 412,502 |
| Unassigned | <u>2,070,537</u> | <u>-</u> | <u>2,070,537</u> |
| Total fund balances | <u>2,417,033</u> | <u>209,672</u> | <u>2,626,705</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 7,896,160</u> | <u>\$ 975,803</u> | <u>\$ 8,871,963</u> |

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

**The Commissioners of Leonardtown
 Reconciliation of the Balance Sheet of Governmental Funds to Net Position of
 Governmental Activities
 Year Ended June 30, 2024**

| | |
|--|-----------------------------|
| Fund balance of governmental funds | \$ 2,626,705 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets used in governmental activities are not current financial resources and are not reported in the governmental funds. | 24,845,814 |
| Long-term liabilities are not due and payable in the current period and are not reported as liabilities in the governmental funds. | |
| Mortgage obligation | (439,263) |
| Accrued compensated absences | (96,582) |
| Health reimbursement obligations | <u>(15,053)</u> |
| Net position of governmental activities | <u>\$ 26,921,621</u> |

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

**The Commissioners of Leonardtown
Statement of Revenues, Expenditures, and Changes in Fund Balance –
Governmental Funds
Year Ended June 30, 2024**

| | <u>Major Funds</u> | | <u>Total</u> |
|--|---------------------|-----------------------------|-------------------------------|
| | <u>General</u> | <u>Capital Projects</u> | <u>Governmental Funds</u> |
| Revenues | | | |
| Taxes | \$ 2,262,921 | \$ - | \$ 2,262,921 |
| Licenses and permits | 71,340 | - | 71,340 |
| Intergovernmental | 159,291 | - | 159,291 |
| Charges for services | 10,403 | - | 10,403 |
| Miscellaneous | <u>537,996</u> | <u>-</u> | <u>537,996</u> |
| Total revenues | <u>3,041,951</u> | <u>-</u> | <u>3,041,951</u> |
| Expenditures | | | |
| Current | | | |
| General government | 713,178 | - | 713,178 |
| Community development | 391,547 | - | 391,547 |
| Planning and zoning | 175,746 | - | 175,746 |
| Public safety | 96,178 | - | 96,178 |
| Public works | 713,294 | 1,249 | 714,543 |
| Recreation and parks | 252,063 | 224,942 | 477,005 |
| Debt service | | | |
| Principal | 107,679 | - | 107,679 |
| Interest | <u>17,426</u> | <u>-</u> | <u>17,426</u> |
| Total expenditures | <u>2,467,111</u> | <u>226,191</u> | <u>2,693,302</u> |
| Excess (deficiency) of revenues over expenditures | 574,840 | (226,191) | 348,649 |
| Other financing (uses) | | | |
| Transfers in (out) | <u>(435,863)</u> | <u>435,863</u> | <u>-</u> |
| Net change in fund balance | 138,977 | 209,672 | 348,649 |
| Fund balances | | | |
| Beginning of year | <u>2,278,056</u> | <u>-</u> | <u>2,278,056</u> |
| End of year | <u>\$ 2,417,033</u> | <u>\$ 209,672</u> | <u>\$ 2,626,705</u> |

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

**The Commissioners of Leonardtown
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
 Balance of Governmental Funds to the Statement of Activities
 Year Ended June 30, 2024**

Net change in fund balance - total governmental funds \$ 348,649

Amounts reported for governmental activities in the statement of activities (page 11) are different because:

The issuance of long-term debt (e.g., bonds, loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds but does not affect net position.

Repayment of principal 107,679

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of capital assets are capitalized and subsequently depreciated over their useful life.

Acquisition and construction of capital assets 444,434
 Depreciation expense (834,218)

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Change in compensated absences (14,162)
 Change in health reimbursement obligations (4,231)

Change in net position of governmental activities \$ 48,151

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

**The Commissioners of Leonardtown
Budgetary Comparison Statement – General Fund
Year Ended June 30, 2024**

| | <u>Budget</u> | | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
|---|------------------|------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 2,140,618 | \$ 2,140,618 | \$ 2,262,921 | \$ 122,303 |
| Licenses and permits | 80,800 | 80,800 | 71,340 | (9,460) |
| Intergovernmental | 135,136 | 135,136 | 159,291 | 24,155 |
| Charges for services | 3,000 | 3,000 | 10,403 | 7,403 |
| Miscellaneous | 127,781 | 127,781 | 537,996 | 410,215 |
| Total revenues | <u>2,487,335</u> | <u>2,487,335</u> | <u>3,041,951</u> | <u>554,616</u> |
| Expenditures | | | | |
| General government | 676,693 | 676,693 | 713,178 | (36,485) |
| Community development | 412,097 | 412,097 | 391,547 | 20,550 |
| Planning and zoning | 220,450 | 220,450 | 175,746 | 44,704 |
| Public safety | 104,083 | 104,083 | 96,178 | 7,905 |
| Public works | 900,162 | 900,162 | 713,294 | 186,868 |
| Recreation and parks | 217,890 | 217,890 | 252,063 | (34,173) |
| Debt service | 125,105 | 125,105 | 125,105 | - |
| Total expenditures | <u>2,656,480</u> | <u>2,656,480</u> | <u>2,467,111</u> | <u>189,369</u> |
| Excess (deficiency) of revenues over expenditures | (169,145) | (169,145) | 574,840 | 743,985 |
| Other financing sources (uses) | | | | |
| Appropriation of prior year fund balance | 605,529 | 605,529 | - | (605,529) |
| Transfer to capital projects | (124,921) | (124,921) | (124,400) | 521 |
| Committed to waterfront revitalization | <u>(311,463)</u> | <u>(311,463)</u> | <u>(311,463)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>169,145</u> | <u>169,145</u> | <u>(435,863)</u> | <u>(605,008)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | 138,977 | <u>\$ 138,977</u> |
| Fund balance | | | | |
| Beginning of year | | | <u>2,278,056</u> | |
| End of year | | | <u>\$ 2,417,033</u> | |

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

**The Commissioners of Leonardtown
Statement of Net Position – Proprietary Fund – Water, Wastewater and Refuse
Collection
Year Ended June 30, 2024**

Assets

Current assets

| | |
|-------------------------------|------------------|
| Accounts receivable | \$ 793,440 |
| Intergovernmental receivables | 150,631 |
| Other receivables | 39,685 |
| Due from other funds | <u>4,370,082</u> |
| Total current assets | <u>5,353,838</u> |

Noncurrent assets

| | |
|--|-------------------|
| Restricted cash and cash equivalents | 8,359,125 |
| Long-term debt proceeds held in escrow | 10,234,412 |
| Capital assets not being depreciated | 10,914,245 |
| Depreciable capital assets, net | <u>27,582,566</u> |
| Total noncurrent assets | <u>57,090,348</u> |

| | |
|--------------|----------------------|
| Total assets | <u>\$ 62,444,186</u> |
|--------------|----------------------|

Liabilities and Net Position

Current liabilities

| | |
|--|------------------|
| Accounts payable | \$ 224,877 |
| Accrued interest payable | 189,496 |
| Intergovernmental payable | 36,840 |
| Other liabilities | 1,149 |
| Customer deposits | 49,521 |
| Compensated absences, current portion | 10,934 |
| Health reimbursement obligation, current portion | 63,618 |
| Long-term debt, current portion | <u>832,103</u> |
| Total current liabilities | <u>1,408,538</u> |

Noncurrent liabilities

| | |
|--|-------------------|
| Long-term debt, net of current portion | <u>19,369,805</u> |
| Total noncurrent liabilities | <u>19,369,805</u> |
| Total liabilities | <u>20,778,343</u> |

Net position

| | |
|------------------------------------|----------------------|
| Net investment in capital assets | 28,529,315 |
| Restricted | |
| Impact fees | 8,359,125 |
| Unrestricted | <u>4,777,403</u> |
| Total net position | <u>41,665,843</u> |
| Total liabilities and net position | <u>\$ 62,444,186</u> |

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

**The Commissioners of Leonardtown
Statement of Revenues, Expenses, and Changes in Net Position –Proprietary Fund –
Water, Wastewater and Refuse Collection
Year Ended June 30, 2024**

| | |
|---|----------------------|
| Operating revenues | |
| Water service charges | \$ 528,090 |
| Sewer service charges | 1,172,703 |
| Refuse collection charges | 1,264,685 |
| Operating grant from MDE | 46,115 |
| Metcomm service fees | 165,829 |
| Late charges/fees collected | 5,632 |
| Total operating revenues | <u>3,183,054</u> |
| Operating expenses | <u>2,931,004</u> |
| Operating income before depreciation | 252,050 |
| Depreciation | <u>1,778,913</u> |
| Operating loss | <u>(1,526,863)</u> |
| Nonoperating revenues (expenses) | |
| Interest income | 882,959 |
| Other income | 9,379 |
| Interest expense | (627,277) |
| Bond issuance costs | (107,615) |
| Bond premium amortization | 57,160 |
| Metcomm debt service reimbursement | 108,959 |
| Total nonoperating revenues (expenses) | <u>323,565</u> |
| Loss before capital contributions | <u>(1,203,298)</u> |
| Capital contributions | |
| Impact fees | 694,600 |
| Capacity allocation fees | 147,798 |
| Intergovernmental revenues | 1,538,519 |
| Total capital contributions | <u>2,380,917</u> |
| Change in net position | 1,177,619 |
| Total net position | |
| Beginning of year | <u>40,488,224</u> |
| End of year | <u>\$ 41,665,843</u> |

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

**The Commissioners of Leonardtown
Statement of Cash Flows – Proprietary Fund – Water, Wastewater and Refuse Collection
Year Ended June 30, 2024**

Operating activities

| | |
|---|----------------|
| Receipts from customers and users | \$ 3,138,265 |
| Payments to suppliers | (2,096,000) |
| Payments to employees | (748,839) |
| Late charges/fees collected | <u>5,632</u> |
| Net cash provided by operating activities | <u>299,058</u> |

Noncapital financing activities

| | |
|---|--------------------|
| Net due from other funds | (2,038,702) |
| Other income | <u>9,379</u> |
| Net cash used for noncapital financing activities | <u>(2,029,323)</u> |

Capital and related financing activities

| | |
|--|--------------------|
| Acquisition and construction of capital assets | (7,486,883) |
| Capital contribution | |
| Capacity allocation fees | 147,798 |
| Impact fees | 694,600 |
| Intergovernmental revenues | 1,538,519 |
| Net deposit to long-term debt held in escrow | (1,148,604) |
| Proceeds from bonds payable | 5,578,191 |
| Proceeds from bond premium | 529,425 |
| Payment of bond issuance costs | (107,615) |
| Metcomm debt service reimbursement | 95,194 |
| Principal paid on long-term debt | (556,354) |
| Interest paid on long-term debt | <u>(587,634)</u> |
| Net cash used for capital and related financing activities | <u>(1,303,363)</u> |

Investing activities

| | |
|---|----------------|
| Interest income | <u>843,274</u> |
| Net decrease in cash and cash equivalents | (2,190,354) |

Cash and cash equivalents

| | |
|-------------------|---------------------|
| Beginning of year | <u>10,535,714</u> |
| End of year | <u>\$ 8,345,360</u> |

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

**The Commissioners of Leonardtown
Statement of Cash Flows – Proprietary Fund – Water, Wastewater and Refuse Collection
Year Ended June 30, 2024**

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

| | |
|---|-------------------|
| Operating loss | \$ (1,526,863) |
| Adjustments to reconcile operating loss to net cash provided by operating activities | |
| Depreciation | 1,778,913 |
| (Increase) decrease in | |
| Accounts receivable | (43,793) |
| Intergovernmental receivables | (60,605) |
| Increase (decrease) in | |
| Accounts payable and accrued expenses | 142,343 |
| Intergovernmental payable | (3,436) |
| Other liabilities | 1,149 |
| Customer deposits | 4,636 |
| Compensated absences | (538) |
| Health reimbursement obligations | <u>7,252</u> |
| Net cash provided by operating activities | <u>\$ 299,058</u> |

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

The Commissioners of Leonardtown
Notes to Financial Statements
June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Commissioners of Leonardtown (the "Town") is a municipal corporation governed by an elected mayor and five-member council ("Town Council"). The Town provides most basic local governmental services except education, which is provided through the St. Mary's County Board of Education.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all non-fiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and the proprietary fund. The General Fund and Capital Projects Fund are major funds and reported in separate columns. The other governmental fund column represents the single remaining special revenue fund.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The financial statements of the Town are prepared in accordance with U.S. generally accepted accounting principles ("GAAP") as applicable to governments.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. However, there is one exception to this policy. In cases of reimbursement grants, revenues are recognized when eligible expenditures are made. This policy allows revenue to be recognized in the same period as the grant expenditures. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, health reimbursement claims, and claims and judgments, are recorded only when payment is due.

The Commissioners of Leonardtown
Notes to Financial Statements
June 30, 2024

Those revenues susceptible to accrual are property taxes, taxes collected by the state and county on behalf of the Town, franchise taxes, revenue from other agencies, charges for services and interest revenue. Licenses, permits, penalties and interest (on property taxes) and other revenues become measurable and available when cash is received by the Town and are recognized as revenue at that time.

The Town has two major governmental funds, the General Fund and the Capital Projects Fund. The General Fund is used to account for all activities of the government not accounted for in some other fund. The General Fund accounts for the normal recurring activities of the Town such as general government, community development, planning and zoning, law enforcement, public works and recreation and parks. These activities are financed primarily by property taxes, other taxes, service charges and grants from other governmental units.

The Capital Projects Fund is used to account for all financial resources used for acquisition or construction of major capital facilities not financed by the Proprietary Fund. Transfers are used to move unrestricted revenues collected in the General Fund for use in the Capital Projects Fund.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and delivering goods in connection with the fund's principal ongoing operations such as charges to customers for services and expenses such as salaries, product costs, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town operates one proprietary fund which accounts for water, wastewater and refuse collection services provided to users.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first then unrestricted resources as they are needed.

Assets, Liabilities, and Net Position or Equity

Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. All Town cash receipt and disbursement transactions are initiated in the General Fund, and amounts applicable to other funds are transferred through the respective interfund receivable and payable accounts.

Statutes authorize the Town to invest in obligations of the United States government, its agencies or instrumentalities, certificates of deposit, prime banker's acceptances, investment grade obligations of state and local governments and public authorities, certain money market mutual funds, savings and loan association deposits, and the Maryland Local Government Investment Pool.

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For purposes of the Statement of Cash Flows, the proprietary fund type considers all highly liquid investments (including restricted assets) with a remaining maturity of three months or less when purchased to be cash equivalents.

Restricted cash and investments consist of water and sewer impact fees collected by the Town but not yet expended for certain capital improvements.

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Restricted cash and investments consist of water and sewer impact fees collected by the Town but not yet expended for certain capital improvements.

Receivables and Payables

Trade and property taxes receivables are generally fully collectible due to the Town's ability to put a lien on property for past due amounts. During FY24, there were no utility customers that required write off of uncollectible amounts.

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Restricted Net Assets

Impact fees collected for new water and sewer connections are classified as restricted on the Statement of Net Position because they are maintained in separate investment accounts, and their use is limited by ordinance to growth related projects.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, sidewalks, storm drains and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or extend asset lives are not capitalized. Expenditures for major assets and improvements are capitalized as projects are constructed.

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Exhaustible capital assets of the General Fund and Proprietary Fund are depreciated, which is charged as an expense against their operations. Depreciation has been provided over the estimated useful lives using the straight-line method. Estimated useful lives are generally as follows:

| <u>Description</u> | <u>Estimated Life (Years)</u> |
|-----------------------------------|-----------------------------------|
| Buildings and improvements | 5-50 |
| Wastewater and collection systems | 15-50 |
| Water system | 15-50 |
| Equipment and vehicles | 5-20 |

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statements of net position.

Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick leave. 100 percent of vacation pay and sick leave balances in excess of 960 hours are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Each employee may carry over a maximum of 80 hours vacation leave at the end of each fiscal year. Payments for unused sick leave are limited to a total of 480 hours. At June 30, 2024, compensated absences totaled \$107,516.

Health Reimbursement Account Contributions

It is the Town's policy to permit employees to accumulate contributions made by the Town to their individual health reimbursement accounts. All health reimbursement contributions are accrued when incurred in the government wide financial statements. Governmental fund financial statements report these expenses as claims are made and classify unspent health reimbursement balances as assigned fund balance. At June 30, 2024, this liability was \$78,671.

Fund Equity

The government-wide and business-type activities financial statements utilize a net position presentation with three classifications.

- **Net investment in capital assets** – This category groups all capital assets including infrastructure into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributed to the acquisition, construction or improvement of these assets reduce the balance in this category.
- **Restricted net position** – This category presents external restrictions imposed by creditors, grantors or laws and regulations of other governments.
- **Unrestricted net position** – This category presents the net position of the Town, not restricted for any purpose.

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In the fund financial statements, fund balance is reported in five classifications. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are as follows:

- **Nonspendable** – The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact.
- **Restricted** – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditor, grantors, contributors or laws and regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.
- **Committed** – The committed fund balance classification includes amounts that can be used only for specific purposes imposed by formal action of the Town Council set in place prior to the end of the reporting period. Those committed amounts cannot be used for any other purpose unless the Town Council removes or changes the specified use by taking the same type of action it employed to previously commit those balances.
- **Assigned** – The assigned fund balance classification reflects the intended use of resources for specific purposes but do not meet the criteria to be classified as restricted or committed. These assignments are primarily established by the Town Council, but the Council may also choose to delegate that authority to another body or official.
- **Unassigned** – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in other classifications. In the special revenue fund, the unassigned classification is used only to report a deficit balance.

In the absence of a formal policy, the Town shall use the following hierarchy for spending resources: restricted fund balances shall be used first, followed in order by committed, assigned and then unassigned.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The Mayor and Town Council follow these procedures in establishing the budget data reflected in the financial statements:

- 1) Prior to May 20th of any fiscal year, the Mayor shall have prepared a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures at the department level and the means of financing them.
- 2) A public hearing is conducted to obtain taxpayer comments.
- 3) The budget is adopted through a majority vote by the Town Council prior to June 30.
- 4) All budget amendments between funds and/or categories must be submitted to the Mayor and Council for approval. The Treasurer is authorized to approve budget amendments within categories.
- 5) Formal budgetary integration is employed as a management control device during the year for the General Fund.

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- 6) Appropriations not spent or encumbered lapse at the end of the fiscal year.
- 7) Budgets are adopted on a basis consistent with generally accepted accounting principles (“GAAP”).
- 8) The budgeted amounts included in the Town's financial statements are as originally adopted, or as amended and approved by Town Council.

3. DEPOSITS AND INVESTMENTS

Custodial credit risk for deposits is the risk that, in the event of bank failure, the Town’s deposits might not be recovered. At year-end the Town was not in compliance with state law which requires that deposits with financial institutions by local government units be fully collateralized.

At year-end, the carrying amount of the Town's deposits was \$320,585 and the bank balance was \$424,727. The bank balance and certificates of deposit balance were partially covered by \$250,000 federal depository insurance and an additional \$2,961,000 (market value at June 30, 2024) in securities pledged as collateral held by the Bank’s agent in the Bank’s name.

The Town's investments at June 30, 2024, are shown below.

| | <u>Amount</u> | <u>Fair Value</u> |
|---|---------------|-------------------|
| Investment in Maryland Local Government Investment Pool | \$ 14,876,135 | \$ 14,876,135 |
| Certificates of deposit | \$ 673,403 | \$ 673,403 |

The Maryland Local Government Investment Pool ("MLGIP") is managed by PNC Capital Advisors, LLC and administered by the State Treasurer. MLGIP is rated AAAM by Standard and Poors (its highest rating for money market funds). The MLGIP seeks to maintain a constant unit value of \$1.00. Unit value is computed using the amortized cost method. In addition, the net asset value of the Pool, marked to market, is calculated and maintained on a daily basis to ensure a \$1.00 per unit constant value.

At June 30, 2024, approximately 56.20% of the MLGIP balance is reported in the Proprietary Fund. Investment income earned on those accounts is reported in the Proprietary Fund. The remainder of the MLGIP balance is reported in the General Fund and, along with several other cash accounts, represents commingled cash balances utilized for receipts and disbursements for all funds.

4. PROPERTY TAX

Real property taxes are levied, due and payable on July 1 of each fiscal year with levies based on assessments as certified by the State of Maryland Department of Assessments and Taxation. On October 1, such taxes are overdue and in arrears, at which time a penalty of 3 percent is assessed and interest begins accruing at 1 percent for each month property taxes are delinquent. In accordance with local law, property with delinquent taxes must be sold following state-provided procedures or by local tax sale. Delinquent taxes are collected, after the eighteenth month of delinquency, by tax sales conducted by St. Mary’s County.

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5. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2024 was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|---------------------|------------------|---------------------------|
| Government activities | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 4,899,561 | \$ - | \$ - | \$ 4,899,561 |
| Construction in progress | <u>19,505</u> | <u>313,038</u> | <u>19,505</u> | <u>313,038</u> |
| Total assets not being depreciated | <u>4,919,066</u> | <u>313,038</u> | <u>19,505</u> | <u>5,212,599</u> |
| Capital assets being depreciated | | | | |
| Buildings and improvements | 2,141,325 | - | - | 2,141,325 |
| Improvements other than buildings | 6,569,672 | 150,901 | - | 6,720,573 |
| Streets and infrastructure | 19,390,184 | - | - | 19,390,184 |
| Machinery and equipment | <u>129,830</u> | <u>-</u> | <u>-</u> | <u>129,830</u> |
| Total capital assets being depreciated | <u>28,231,011</u> | <u>150,901</u> | <u>-</u> | <u>28,381,912</u> |
| Accumulated depreciation | | | | |
| Buildings and improvements | (713,667) | (66,278) | - | (779,945) |
| Improvements other than buildings | (3,137,549) | (273,254) | - | (3,410,803) |
| Streets and infrastructure | (3,933,655) | (494,686) | - | (4,428,341) |
| Machinery and equipment | <u>(129,608)</u> | <u>-</u> | <u>-</u> | <u>(129,608)</u> |
| Total accumulated depreciation | <u>(7,914,479)</u> | <u>(834,218)</u> | <u>-</u> | <u>(8,748,697)</u> |
| Total capital assets being depreciated, net | <u>20,316,532</u> | <u>(683,317)</u> | <u>-</u> | <u>19,633,215</u> |
| Governmental activities capital assets, net | <u>\$ 25,235,598</u> | <u>\$ (370,279)</u> | <u>\$ 19,505</u> | <u>\$ 24,845,814</u> |
| | | | | |
| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
| Business-type activities | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 221,718 | \$ - | \$ - | \$ 221,718 |
| Construction in progress | <u>3,383,999</u> | <u>7,308,528</u> | <u>-</u> | <u>10,692,527</u> |
| Total assets not being depreciated | <u>3,605,717</u> | <u>7,308,528</u> | <u>-</u> | <u>10,914,245</u> |
| Capital assets being depreciated | | | | |
| Buildings and improvements | 32,050,354 | 23,351 | - | 32,073,705 |
| Streets and infrastructure | 16,094,290 | 126,240 | - | 16,220,530 |
| Machinery and equipment | <u>910,030</u> | <u>28,764</u> | <u>-</u> | <u>938,794</u> |
| Total capital assets being depreciated | <u>49,054,674</u> | <u>178,355</u> | <u>-</u> | <u>49,233,029</u> |
| Accumulated depreciation | | | | |
| Buildings and improvements | (13,596,477) | (1,335,962) | - | (14,932,439) |
| Streets and infrastructure | (5,545,530) | (400,487) | - | (5,946,017) |
| Machinery and equipment | <u>(729,543)</u> | <u>(42,464)</u> | <u>-</u> | <u>(772,007)</u> |
| Total accumulated depreciation | <u>(19,871,550)</u> | <u>(1,778,913)</u> | <u>-</u> | <u>(21,650,463)</u> |
| Total capital assets being depreciated, net | <u>29,183,124</u> | <u>(1,600,558)</u> | <u>-</u> | <u>27,582,566</u> |
| Business-type activities capital assets, net | <u>\$ 32,788,841</u> | <u>\$ 5,707,970</u> | <u>\$ -</u> | <u>\$ 38,496,811</u> |

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

Governmental activities

| | |
|--|-------------------|
| General government | \$ 31,756 |
| Community development | 28,133 |
| Public Works | 498,406 |
| Recreation and parks | <u>275,923</u> |
| Total depreciation expense - governmental activities | <u>\$ 834,218</u> |

Business-type activities

| | |
|---|---------------------|
| Water | \$ 186,934 |
| Sewer | <u>1,591,979</u> |
| Total depreciation expense - business-type activities | <u>\$ 1,778,913</u> |

6. NONCURRENT LIABILITIES

Changes in long-term debt and liabilities for the year ended June 30, 2024, are as follows:

| | <u>Balance at July 1, 2023</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance at July 1, 2024</u> | <u>Due Within One Year</u> |
|----------------------------------|------------------------------------|---------------------|-------------------|------------------------------------|--------------------------------|
| Governmental activities | | | | | |
| Mortgage payable | \$ 546,942 | \$ - | \$ 107,679 | \$ 439,263 | \$ 94,078 |
| Health reimbursement obligations | 10,822 | 4,231 | - | 15,053 | 15,053 |
| Compensated absences | <u>82,420</u> | <u>14,162</u> | <u>-</u> | <u>96,582</u> | <u>96,582</u> |
| | <u>\$ 640,184</u> | <u>\$ 18,393</u> | <u>\$ 107,679</u> | <u>\$ 550,898</u> | <u>\$ 205,713</u> |
| Business-type activities | | | | | |
| Notes payable | \$ 5,523,693 | \$ - | \$ 350,444 | \$ 5,173,249 | \$ 356,752 |
| Bonds payable | 8,040,910 | 5,578,191 | 205,910 | 13,413,191 | 418,191 |
| Bond premium | 1,143,203 | 529,425 | 57,160 | 1,615,468 | 57,160 |
| Health reimbursement obligations | 56,366 | 7,252 | - | 63,618 | 63,618 |
| Compensated absences | 11,473 | - | 539 | 10,934 | 10,934 |
| Customer deposits | <u>44,885</u> | <u>4,636</u> | <u>-</u> | <u>49,521</u> | <u>49,521</u> |
| | <u>\$ 14,820,530</u> | <u>\$ 6,119,504</u> | <u>\$ 614,053</u> | <u>\$ 20,325,981</u> | <u>\$ 956,176</u> |
| | <u>\$ 15,460,714</u> | <u>\$ 6,137,897</u> | <u>\$ 721,732</u> | <u>\$ 20,876,879</u> | <u>\$ 1,161,889</u> |

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Notes to Financial Statements
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Long-term debt amounts are comprised of the following as of June 30, 2024:

| <u>Description</u> | <u>Collateral</u> | <u>Due</u> | <u>Rate</u> | <u>Principal</u> |
|---|----------------------------------|------------|-------------|----------------------|
| Governmental activities | | | | |
| Mortgage payable | Secured by real property | 09/01/2025 | 3.50% | <u>\$ 439,263</u> |
| Business-type activities | | | | |
| Maryland Water Quality Financing Administration 2015 | Pledged water and sewer revenues | 02/01/2037 | 1.80% | \$ 5,173,249 |
| Maryland Department of Housing and Community Development 2023 | Pledged water and sewer revenues | 04/01/2043 | 3.83% | 7,835,000 |
| Maryland Department of Housing and Community Development 2024 | Pledged water and sewer revenues | 04/01/2044 | 4.24% | <u>5,578,191</u> |
| | | | | <u>\$ 18,586,440</u> |

On April 20, 2023, the Town issued Infrastructure Bonds Series of 2023A (the "Series of 2023A Bonds") through the Maryland Department of Housing and Community Development ("DHCD") Community Development Administration ("CDA") to borrow a maximum of \$8,040,910 to be used for the Town's wastewater treatment plant expansion project and to pay for the costs of issuance. The proceeds from the Series of 2023A Bonds are held and invested by the CDA in an escrow account to be administered and disbursed by the CDA for project costs. The amount available in the escrow account including accrued interest was \$4,234,412 at June 30, 2024.

On May 16, 2024, the Town issued Infrastructure Bonds Series of 2024A (the "Series of 2024A Bonds") through the Maryland Department of Housing and Community Development ("DHCD") Community Development Administration ("CDA") to borrow a maximum of \$5,578,191 to be used for the Town's Meadow's Run water tower project and to pay for the costs of issuance. The proceeds from the Series of 2024a Bonds are held and invested by the CDA in an escrow account to be administered and disbursed by the CDA for project costs. The amount available in the escrow account including accrued interest was \$6,000,000 at June 30, 2024.

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Notes to Financial Statements
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Debt service requirements on long-term debt for years ending June 30, are as follows:

| | Governmental Activities | | Business-type Activities | |
|-----------|--------------------------------|------------------|---------------------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2025 | \$ 94,078 | \$ 14,464 | \$ 774,943 | \$ 800,948 |
| 2026 | 345,185 | 3,098 | 813,173 | 760,813 |
| 2027 | - | - | 839,711 | 730,928 |
| 2028 | - | - | 876,365 | 699,890 |
| 2029 | - | - | 888,140 | 667,175 |
| 2030-2034 | - | - | 5,031,664 | 2,801,374 |
| 2035-2039 | - | - | 5,127,444 | 1,759,889 |
| 2040-2044 | - | - | 4,235,000 | 614,923 |
| | <u>\$ 439,263</u> | <u>\$ 17,562</u> | <u>\$ 18,586,440</u> | <u>\$ 8,835,940</u> |

7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables, which are for temporary balances between funds where cash is pooled, consisted of the following at June 30, 2024:

| | <u>Interfund Receivables</u> | <u>Interfund Payables</u> |
|-----------------------|------------------------------|---------------------------|
| General Fund | \$ - | \$ 5,345,885 |
| Capital Projects Fund | 975,803 | - |
| Proprietary Fund | 4,370,082 | - |
| | <u>\$ 5,345,885</u> | <u>\$ 5,345,885</u> |

A summary of interfund transfers for the year ended June 30, 2024 is as follows:

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|-----------------------|---------------------|----------------------|
| General Fund | \$ - | \$ 435,863 |
| Capital Projects Fund | 435,863 | - |
| | <u>\$ 435,863</u> | <u>\$ 435,863</u> |

Interfund transfers represent annual appropriations to subsidize capital projects.

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8. FUND BALANCE

The Commissioners of Leonardtown complies with Governmental Accounting Standards Board ("GASB") Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which sets forth guidance on classifying and reporting fund balances for governmental funds. The following categories are reported in the governmental funds.

Restricted

| | |
|---|-------------------|
| Highway user revenue (road maintenance) | \$ <u>143,666</u> |
|---|-------------------|

Assigned

| | |
|---------------------------|-------------------|
| Capital projects | \$ 209,672 |
| Waterfront revitalization | 73,380 |
| Parking fees-in-lieu | 52,800 |
| HRA liabilities | 15,053 |
| War memorial maintenance | 6,468 |
| Encumbrances | <u>55,129</u> |
| | <u>\$ 202,830</u> |

9. DEFERRED COMPENSATION PLAN

The Town has a deferred compensation plan available to all Town employees which is established in accordance with the Internal Revenue Code section 457. A deferred compensation plan offers employees an opportunity to defer a portion of their wages, along with the related federal and state income tax, until future years. For eligible employees, the Town contributes an amount equal to 5% of an employee's salary. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plan is administered by the Mission Square. The Town's only responsibility is to withhold the amounts from employees' payroll and forward those amounts and the Town's contribution to the plan administrator. Total expense incurred by the Town was \$59,256, and total employee contributions were \$61,300 for the year ended June 30, 2024.

The plan administrator has the responsibility for investing the deferred monies, maintaining detailed accounting records for both the individual employee and the Town, and disbursing funds to plan participants. Generally, the plan assets, including all income earned and rights purchased, are the exclusive property of the participants and are not assets of the Town. The only exception to this occurs when employees do not complete one year of service with the Town. In those cases, all Town contributions, including income earnings, are returned to the Town directly from the plan administrator.

10. HEALTH REIMBURSEMENT ACCOUNT

All full time Town employees are eligible for health insurance coverage through the Town's small group plan. The Town is responsible for paying 80% of the plan premium for each employee. Effective June 1, 2021, the Town renewed its single-employer health insurance and Health Reimbursement Account ("*HRA*") plan. A HRA is an IRS approved, employer funded defined contribution plan account that can be used to pay for qualified medical expenses for the employee or his/her dependents.

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As part of the annual budget approval process, the Town Council sets the annual contribution to each eligible employee's HRA account. The medical plan for individual coverage has a \$1,500 annual deductible; all other plans have a \$3,000 annual deductible. For FY24, the town contribution to each HRA account was approved at \$1,500 per participating employee. There are eight active employees and two inactive employees covered by the plan. The Town's contribution is available to each employee on the first day of the plan year. Unspent funds accumulate for each employee without expiration. Employees separating from service are allowed to access their HRA accounts and continue to make reimbursement claims for qualified medical expenses. The total contribution to employee accounts was \$15,000 for the year ended June 30, 2024. All health reimbursement contributions are accrued when incurred in the government wide, proprietary fund and budgetary basis financial statements. Governmental fund financial statements report these expenses as claims are made and unspent health reimbursement balances fall in the *assigned* fund balance category. Claims totaling \$13,917 were reimbursed before June 30, 2024. The remainder carries over to future years and is recorded as a liability in the government wide statement of net position. The total HRA plan liability at June 30, 2024, is \$78,671.

The third-party plan administrator, Further, has the responsibility for managing employee health reimbursement accounts, ensuring claims are valid and in accordance with Internal Revenue Code Section 213(d) and reimbursing employees when claims are made.

11. METCOMM AGREEMENT

The Town has entered into an agreement with St. Mary's County Metropolitan Commission whereby certain areas outside the Town's jurisdiction receive sewer service from Leonardtown rather than from the County. In exchange, the Metropolitan Commission ("Metcomm") is billed its pro-rata share of operating and debt service costs. In the current year, the Town earned \$165,829 of operational reimbursement and \$108,959 of debt service reimbursement based on the aforementioned agreement. As the Town makes debt service payments on its long-term debt, Metcomm reimburses the Town its proportionate share of the debt service.

12. 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 related disasters. The Town is a member of the Local Government Insurance Trust sponsored by the Maryland Municipal League ("MML"), and the Maryland Association of Counties. The LGIT is a self-insured public entity risk pool offering general liability, excess liability, business auto liability, police legal liability, public official liability, environmental liability and property coverage. The Town utilizes LGIT for its liability, property and employee bond coverages. Commercial policies for flood, and workers' compensation coverages are purchased from private insurance companies.

LGIT is capitalized at an actuarially determined level to provide financial stability for its local government members and to reduce the possibility of assessments. The trust is owned by the participating counties, cities, and towns and managed by a Board of Trustees elected by the members. Annual premiums are assessed for the various policy coverages. The agreement for the formation of LGIT provides that the trust will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of annual premiums. Settled claims, if any, resulting from these risks have not exceeded commercial insurance coverage for the current year or the three prior years.

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June 30, 2024

13. CONDUIT DEBT

On February 13, 2017, The Commissioners of Leonardtown approved Resolution 1-17 authorizing the Town, as a conduit borrower, to issue and sell economic development revenue bonds in an amount not to exceed \$24,000,000 and to loan the proceeds to St. Mary's Ryken Inc. These bonds were issued pursuant to the provisions of the Maryland Economic Development Revenue Bond Act and are to be used by St. Mary's Ryken to refund a previously outstanding bond and finance additional improvements to its high school campus. These bonds are limited obligations of the Town and are not considered debts against the general credit or taxing powers of the Town. At June 30, 2024, the outstanding principal balance was \$15,195,158.

14. COMMITMENTS AND CONTINGENCIES

On May 10, 2021, the Town Council approved Task Order #24 with GHD, Inc. to provide technical assistance required to apply for a new water appropriation permit for a new water production well and the complementary update required in the St. Mary's Comprehensive Water and Sewer Master Plan. The amount of this task order is \$15,000 and \$8,750 remains to be paid at June 30, 2024.

On September 12, 2022, the Town Council approved a contract with Michael F. Ronca and Sons, Inc. for the expansion of the wastewater treatment plant. The cost of the original contract was \$15,221,000 and net change orders were approved resulting in an increase of \$77,192 for a revised contract amount of \$15,298,192 and \$6,951,647 remains to be paid at June 30, 2024.

On September 12, 2022, the Town Council approved Task Order #28 with GHD, Inc. for construction management and inspection services for the expansion of the wastewater treatment plant. The amount of this task order is \$1,450,000 and \$377,000 remains to be paid at June 30, 2024.

On September 11, 2023, the Town Council approved Task Order #20A with GHD, Inc. for the design and engineering of a new elevated water tower that will be constructed in the northern section of Town. The amount of this task order is \$48,000 and \$15,000 remains to be paid at June 30, 2024.

On March 11, 2024, the Town Council approved Task Order #29 with GHD, Inc. to provide production well design services. The amount of this task order is \$142,500 and \$121,075 remains to be paid at June 30, 2024.

On March 11, 2024, the Town Council approved a contract with AB&H Excavating in the amount of \$852,430 and \$827,036 remains unpaid at June 30, 2024. .

On June 10, 2024, the Town Council approved Task Order #20B with GHD, Inc. for construction services for the Meadows at Tower Run elevated storage tank in the amount of \$438,000 and had not begun prior to June 30, 2024, so the full amount of the contract remains to be paid.

The Town receives financial assistance from the State of Maryland in the form of grants. Expenditures from certain grants are subject to audit by the grantor, and the Town is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of the Town's management, no material refunds will be required as a part of disallowed expenditures.

The Commissioners of Leonardtown
Notes to Financial Statements
June 30, 2024

15. TAX ABATEMENT

On February 13, 2017, the Town Council approved an agreement with TSG Leonardtown LLC ("TSG") which sets out certain financial commitments from the Town and certain infrastructure improvements to be completed by TSG. Using its legislative powers as granted in Sections 201 and 501(25) of the Leonardtown Charter, this agreement stipulates that Leonardtown real property taxes will be abated in full each year until the total abatement reaches \$125,000. The first property tax abatement occurred in FY2018. The abatement for FY2024 was \$28,189. It is expected this property will not be required to pay property taxes until FY2026.

16. SUBSEQUENT EVENTS

Subsequent events and transactions were evaluated for potential recognition in the financial statements through December 30, 2024 which is the date the financial statements were available to be issued. Except as disclosed in Note 14 and below, no additional disclosures are required.

On September 9, 2024, the Town Council approved a contract with Landmark Structures I, Limited Partnership I for the Meadows at Town Run water tower construction in the amount of \$6,899,000.

SUPPLEMENTARY INFORMATION

**The Commissioners of Leonardtown
Schedule of Revenues and Other Financing Sources – Budget and Actual –
General Fund
Year Ended June 30, 2024**

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|-------------------------|---------------------|---|
| Taxes | | | |
| Local property | | | |
| Real property | \$ 790,000 | \$ 784,149 | \$ (5,851) |
| Public utilities | 68,000 | 58,045 | (9,955) |
| Penalties and interest | 3,500 | 1,406 | (2,094) |
| Total property taxes | <u>861,500</u> | <u>843,600</u> | <u>(17,900)</u> |
| Income taxes | <u>1,000,000</u> | <u>1,121,019</u> | <u>121,019</u> |
| Other local taxes | | | |
| Admissions and amusement | <u>50</u> | <u>2,386</u> | <u>2,336</u> |
| Taxes - state shared | | | |
| Highway users | <u>279,068</u> | <u>295,916</u> | <u>16,848</u> |
| Total taxes | <u>2,140,618</u> | <u>2,262,921</u> | <u>122,303</u> |
| Licenses and permits | | | |
| Beer, wine and liquor | 16,800 | 15,546 | (1,254) |
| Traders | 14,000 | 14,531 | 531 |
| CATV franchise | 20,000 | 24,674 | 4,674 |
| Building permits | <u>30,000</u> | <u>16,589</u> | <u>(13,411)</u> |
| Total licenses and permits | <u>80,800</u> | <u>71,340</u> | <u>(9,460)</u> |
| Intergovernmental | | | |
| County tax rebate | 72,786 | 72,788 | 2 |
| Accommodation tax | 40,150 | 57,198 | 17,048 |
| Law enforcement grant | <u>22,200</u> | <u>29,305</u> | <u>7,105</u> |
| Total intergovernmental | <u>135,136</u> | <u>159,291</u> | <u>24,155</u> |
| Charges for services | | | |
| Event fees | 2,000 | 3,450 | 1,450 |
| Sign permits | - | 652 | 652 |
| Occupancy permits | - | 3,411 | 3,411 |
| Zoning and subdivision fees | <u>1,000</u> | <u>2,890</u> | <u>1,890</u> |
| Total charges for services | <u>3,000</u> | <u>10,403</u> | <u>7,403</u> |
| Miscellaneous revenue | | | |
| Restricted Grants | 121,281 | 181,768 | 60,487 |
| Interest income | 4,000 | 355,879 | 351,879 |
| Other income | <u>2,500</u> | <u>349</u> | <u>(2,151)</u> |
| Total miscellaneous revenue | <u>127,781</u> | <u>537,996</u> | <u>410,215</u> |
| Total revenues | <u>2,487,335</u> | <u>3,041,951</u> | <u>554,616</u> |
| Other financing sources | | | |
| Appropriation of prior year fund balance | <u>605,529</u> | <u>-</u> | <u>(605,529)</u> |
| Total revenues and other financing sources | <u>\$ 3,092,864</u> | <u>\$ 3,041,951</u> | <u>\$ (50,913)</u> |

See Independent Auditor's Report.

**The Commissioners of Leonardtown
Schedule of Expenditures and Other Financing Uses – Budget and Actual –
General Fund
Year Ended June 30, 2024**

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|----------------------------------|-------------------------|----------------|---|
| General government | | | |
| Salaries | \$ 356,005 | \$ 344,652 | \$ 11,353 |
| Payroll taxes and benefits | 97,235 | 83,698 | 13,537 |
| Legal counsel | 7,500 | 11,468 | (3,968) |
| Accounting services | 35,600 | 26,600 | 9,000 |
| Professional services | 47,430 | 43,969 | 3,461 |
| Election expenses | - | 200 | (200) |
| Property/Liability insurance | 21,000 | 23,851 | (2,851) |
| Utilities | 25,000 | 19,054 | 5,946 |
| Facility maintenance | 19,985 | 25,544 | (5,559) |
| Equipment maintenance | 3,500 | 3,835 | (335) |
| Office supplies | 10,000 | 9,630 | 370 |
| Postage | 5,750 | 4,401 | 1,349 |
| Travel, meetings, training | 25,000 | 25,918 | (918) |
| Dues, memberships, subscriptions | 5,800 | 7,414 | (1,614) |
| Advertising, public notices | 750 | 996 | (246) |
| Hospitality | 6,000 | 5,275 | 725 |
| Other operating expenses | 1,500 | 4,823 | (3,323) |
| Payments to other agencies | 750 | 750 | - |
| Capital outlay | 7,000 | 70,212 | (63,212) |
| Lease payments | <u>888</u> | <u>888</u> | <u>-</u> |
| Total general government | <u>676,693</u> | <u>713,178</u> | <u>(36,485)</u> |
| Community development | | | |
| Salaries | 127,804 | 136,533 | (8,729) |
| Payroll taxes and benefits | 27,283 | 29,878 | (2,595) |
| Professional services | 70,160 | 69,196 | 964 |
| Other operating expenses | 23,500 | 19,195 | 4,305 |
| Public relations, promotions | 14,250 | 10,978 | 3,272 |
| Arts & entertainment district | 14,000 | 18,089 | (4,089) |
| Main street | 5,000 | 5,145 | (145) |
| Façade grant | 50,000 | 43,800 | 6,200 |
| Tree lighting | 7,600 | 7,486 | 114 |
| Concerts on the square grants | 9,000 | 8,678 | 322 |
| Veteran's day parade | 7,000 | 5,748 | 1,252 |
| Waterfront celebration | 20,000 | 29,616 | (9,616) |
| Boat races | 1,500 | 1,500 | - |
| Movie festival | 4,500 | 4,698 | (198) |
| Capital outlay | <u>30,500</u> | <u>1,007</u> | <u>29,493</u> |
| Total community development | <u>412,097</u> | <u>391,547</u> | <u>20,550</u> |

See Independent Auditor's Report.

**The Commissioners of Leonardtown
Schedule of Expenditures and Other Financing Uses – Budget and Actual –
General Fund
Year Ended June 30, 2024**

| | | | |
|--|---------------------|---------------------|-------------------|
| Planning and zoning | | | |
| Salaries | \$ 120,972 | \$ 125,512 | \$ (4,540) |
| Payroll taxes and benefits | 33,548 | 32,427 | 1,121 |
| Legal counsel | 4,500 | (1,841) | 6,341 |
| Professional services | 50,000 | 11,978 | 38,022 |
| Office supplies | 750 | 821 | (71) |
| Other operating expenses | 4,000 | 1,624 | 2,376 |
| Capital outlay | 6,680 | 5,225 | 1,455 |
| Total planning and zoning | <u>220,450</u> | <u>175,746</u> | <u>44,704</u> |
| Public safety | | | |
| Salaries | 12,560 | 12,782 | (222) |
| Payroll taxes and benefits | 4,433 | 4,326 | 107 |
| Law enforcement | 80,590 | 74,894 | 5,696 |
| Fire department grant | 1,000 | 1,000 | - |
| Rescue squad grant | 1,000 | 1,000 | - |
| Other operating expenses | 500 | 26 | 474 |
| Capital outlay | 4,000 | 2,148 | 1,852 |
| Total public safety | <u>104,083</u> | <u>96,176</u> | <u>7,907</u> |
| Public works | | | |
| Salaries | 82,784 | 61,011 | 21,773 |
| Payroll taxes and benefits | 26,462 | 19,011 | 7,451 |
| Other operating expenses | 22,550 | 11,147 | 11,403 |
| Street sweeping | 46,752 | 41,277 | 5,475 |
| Road maintenance | 409,675 | 331,375 | 78,300 |
| Snow removal | 50,000 | 25,704 | 24,296 |
| Storm drains/sidewalks | 65,000 | 29,450 | 35,550 |
| Street lighting | 48,822 | 49,080 | (258) |
| Buildings and grounds | 92,117 | 91,992 | 125 |
| Signs and maintenance | 20,000 | 33,397 | (13,397) |
| Capital outlay | 36,000 | 19,850 | 16,150 |
| Total public works | <u>900,162</u> | <u>713,294</u> | <u>186,868</u> |
| Recreation and parks | | | |
| Salaries | 28,582 | 28,037 | 545 |
| Payroll taxes and benefits | 7,099 | 6,593 | 506 |
| Utilities | 5,360 | 5,216 | 144 |
| Facility maintenance | 48,340 | 56,504 | (8,164) |
| Other operating expenses | 3,500 | 2,918 | 582 |
| Payments to other agencies | 10,000 | 10,000 | - |
| Buildings and grounds | 80,109 | 101,870 | (21,761) |
| Capital outlay | 34,900 | 40,925 | (6,025) |
| Total recreation and parks | <u>217,890</u> | <u>252,063</u> | <u>(34,173)</u> |
| Debt service | | | |
| Debt service - principal | 107,679 | 107,679 | - |
| Debt service - interest | 17,426 | 17,426 | - |
| Total debt service | <u>125,105</u> | <u>125,105</u> | <u>-</u> |
| Other financing uses | | | |
| Transfer to capital projects | 124,921 | 124,400 | 521 |
| Committed to waterfront revitalization | 311,463 | 311,463 | - |
| Total other financing uses | <u>436,384</u> | <u>435,863</u> | <u>521</u> |
| Total expenditures | <u>\$ 3,092,864</u> | <u>\$ 2,902,972</u> | <u>\$ 189,892</u> |

See Independent Auditor's Report.

**The Commissioners of Leonardtown
Schedule of Operating Revenues and Expenses by Segment – Proprietary Fund
Year Ended June 30, 2024**

| | <u>Wastewater Treatment Plant</u> | <u>Collection System</u> | <u>Water System</u> | <u>Refuse Collection</u> | <u>Total</u> |
|--|---|------------------------------|-------------------------|------------------------------|-----------------------|
| Operating revenues | | | | | |
| Water service charges | \$ - | \$ - | \$ 528,090 | \$ - | \$ 528,090 |
| Sewer service charges | 1,172,703 | - | - | - | 1,172,703 |
| Refuse collection charges | - | - | - | 1,264,685 | 1,264,685 |
| Metcomm service fees | 165,829 | - | - | - | 165,829 |
| MDE operating grant | 46,115 | - | - | - | 46,115 |
| Late charges/fees collected | 5,632 | - | - | - | 5,632 |
| Total operating revenues | <u>1,390,279</u> | <u>-</u> | <u>528,090</u> | <u>1,264,685</u> | <u>3,183,054</u> |
| Operating expenses | | | | | |
| Salaries | 335,068 | 77,135 | 148,560 | 34,590 | 595,353 |
| Payroll taxes and benefits | 94,423 | 20,589 | 40,312 | 6,025 | 161,349 |
| Engineering and consultants | 100 | 2,114 | 1,693 | - | 3,907 |
| Insurance | 29,341 | 8,987 | 6,225 | - | 44,553 |
| Utilities | 137,147 | 10,425 | 62,421 | - | 209,993 |
| Facilities maintenance | 66,474 | 98,670 | 87,554 | - | 252,698 |
| Lab analytical services | 27,852 | - | 3,106 | - | 30,958 |
| Process chemicals | 118,951 | - | 20,349 | - | 139,300 |
| Lab supplies | 5,643 | - | 2,867 | - | 8,510 |
| Safety | 383 | 181 | 440 | - | 1,004 |
| Sludge management | 138,262 | - | - | - | 138,262 |
| Waste disposal contract | - | - | - | 1,269,996 | 1,269,996 |
| Capital outlay | (19,350) | - | 14,934 | - | (4,416) |
| Other operating expenses | 17,392 | 23,206 | 29,853 | 9,086 | 79,537 |
| Total operating expenses | <u>951,686</u> | <u>241,307</u> | <u>418,314</u> | <u>1,319,697</u> | <u>2,931,004</u> |
| Operating income (loss) before depreciation | 438,593 | (241,307) | 109,776 | (55,012) | 252,050 |
| Depreciation | <u>1,370,655</u> | <u>221,324</u> | <u>186,934</u> | <u>-</u> | <u>1,778,913</u> |
| Operating loss | <u>\$ (932,062)</u> | <u>\$ (462,631)</u> | <u>\$ (77,158)</u> | <u>\$ (55,012)</u> | <u>\$ (1,526,863)</u> |

See Independent Auditor's Report.

**The Commissioners of Leonardtown
Schedule of Revenues, Expenses, and Other Financing Sources – Budget and Actual –
Proprietary Fund
Year Ended June 30, 2024**

| | Wastewater Treatment Plant | | | Sewer Collection System | | | Water System | | | Refuse Collection | | |
|---|----------------------------|---------------------|----------------------------------|-------------------------|---------------------|----------------------------------|----------------|-------------------|----------------------------------|-------------------|--------------------|----------------------------------|
| | Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) |
| Revenue | | | | | | | | | | | | |
| Service charges | \$ 1,138,320 | \$ 1,172,703 | \$ 34,383 | \$ - | \$ - | \$ - | \$ 530,000 | \$ 537,469 | \$ 7,469 | \$ 1,032,705 | \$ 1,264,685 | \$ 231,980 |
| Metcomm fees | 391,973 | 274,788 | (117,185) | - | - | - | - | - | - | - | - | - |
| MDE operating grant | 30,000 | 46,115 | 16,115 | - | - | - | - | - | - | - | - | - |
| Capacity allocation charges | - | 147,798 | 147,798 | - | - | - | - | - | - | - | - | - |
| Impact fees | - | 694,600 | 694,600 | - | - | - | - | - | - | - | - | - |
| Miscellaneous income | 14,606 | 759,569 | 744,963 | - | - | - | 45,848 | 129,022 | 83,174 | 2,900 | - | (2,900) |
| Total revenue | <u>1,574,899</u> | <u>3,095,573</u> | <u>1,520,674</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>575,848</u> | <u>666,491</u> | <u>90,643</u> | <u>1,035,605</u> | <u>1,264,685</u> | <u>229,080</u> |
| Expenses | | | | | | | | | | | | |
| Salaries | 309,949 | 335,068 | (25,119) | 66,580 | 77,135 | (10,555) | 132,796 | 148,560 | (15,764) | 37,853 | 34,590 | 3,263 |
| Payroll taxes and benefits | 87,375 | 94,423 | (7,048) | 16,269 | 20,589 | (4,320) | 34,713 | 40,312 | (5,599) | 7,011 | 6,025 | 986 |
| Professional services | 25,000 | 100 | 24,900 | 3,000 | 2,114 | 886 | 32,000 | 1,693 | 30,307 | - | - | - |
| Insurance | 25,500 | 29,341 | (3,841) | 6,000 | 8,987 | (2,987) | 5,500 | 6,225 | (725) | - | - | - |
| Facility maintenance | 75,374 | 66,474 | 8,900 | 33,237 | 98,670 | (65,433) | 23,500 | 87,554 | (64,054) | - | - | - |
| Line maintenance | - | - | - | 40,443 | - | 40,443 | 141,229 | - | 141,229 | - | - | - |
| Utilities | 130,000 | 137,147 | (7,147) | 11,000 | 10,425 | 575 | 67,200 | 62,421 | 4,779 | - | - | - |
| Materials and supplies | 207,433 | 124,977 | 82,456 | 1,646 | 181 | 1,465 | 15,761 | 23,656 | (7,895) | - | - | - |
| Laboratory analysis | 26,536 | 27,852 | (1,316) | - | - | - | 1,734 | 3,106 | (1,372) | - | - | - |
| Sludge management | 171,010 | 138,262 | 32,748 | - | - | - | - | - | - | - | - | - |
| Debt service | 1,047,140 | 627,277 | 419,863 | - | - | - | - | - | - | - | - | - |
| Capital outlay | 75,900 | (19,350) | 95,250 | - | - | - | 13,720 | 14,934 | (1,214) | - | - | - |
| Contingency/reserve fund | 7,523 | - | 7,523 | - | - | - | 83,551 | - | 83,551 | - | - | - |
| Refuse collection contract | - | - | - | - | - | - | - | - | - | 980,992 | 1,269,996 | (289,004) |
| Other operating expenses | 24,384 | 17,392 | 6,992 | 19,322 | 23,206 | (3,884) | 24,144 | 29,853 | (5,709) | 9,749 | 9,086 | 663 |
| Total expenses | <u>2,213,124</u> | <u>1,578,963</u> | <u>634,161</u> | <u>197,497</u> | <u>241,307</u> | <u>(43,810)</u> | <u>575,848</u> | <u>418,314</u> | <u>157,534</u> | <u>1,035,605</u> | <u>1,319,697</u> | <u>(284,092)</u> |
| Excess (deficiency) of revenue over expenses | (638,225) | 1,516,610 | 2,154,835 | (197,497) | (241,307) | (43,810) | - | 248,177 | 248,177 | - | (55,012) | (55,012) |
| Other financing sources (uses) | | | | | | | | | | | | |
| Appropriation of net position | 835,722 | - | (835,722) | - | - | - | - | - | - | - | - | - |
| Excess (deficiency) of revenue and other financing sources over expenses and other financing uses | <u>\$ 197,497</u> | <u>\$ 1,516,610</u> | <u>\$ 1,319,113</u> | <u>\$ (197,497)</u> | <u>\$ (241,307)</u> | <u>\$ (43,810)</u> | <u>\$ -</u> | <u>\$ 248,177</u> | <u>\$ 248,177</u> | <u>\$ -</u> | <u>\$ (55,012)</u> | <u>\$ (55,012)</u> |

See Independent Auditor's Report.

SINGLE AUDIT

**The Commissioners of Leonardtown
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2024**

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u> | <u>Pass- Federal Assistance Listing Number</u> | <u>Through Entity Identifying Number</u> | <u>Federal Expenditures</u> | <u>Pass- Through to Subrecipients</u> |
|---|--|--|---------------------------------|---|
| <u>U.S. Department of Treasury</u> | | | | |
| Passed-Through the State of Maryland | | | | |
| Department of Budget and Management | | | | |
| COVID-19 State and Local Fiscal Recovery Funds | 21.027 | N/A | \$ 1,538,519 | \$ - |

See Independent Auditor's Report.

**The Commissioners of Leonardtown
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024**

1. FEDERAL EXPENDITURES

The Schedule of Expenditures of Federal Awards reflects federal expenditures for all individual grants which were active during the fiscal year.

2. BASIS OF ACCOUNTING

The Town uses the modified accrual method of recording transactions. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

3. INDIRECT COSTS

The Town has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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

INDEPENDENT AUDITOR'S REPORT

To the Commissioners of Leonardtown:

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 Commissioners of Leonardtown, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise The Commissioners of Leonardtown's basic financial statements, and have issued our report thereon dated December 30, 2024.

Report on Internal Control over Financial Reporting

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

Withum Smith & Brown, PC

December 30, 2024

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

To the Commissioners of Leonardtown:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited The Commissioners of Leonardtown's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of The Commissioners of Leonardtown's major federal programs for the year ended June 30, 2024. The Commissioners of Leonardtown's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, The Commissioners of Leonardtown complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of The Commissioners of Leonardtown and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of The Commissioners of Leonardtown's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to The Commissioners of Leonardtown's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on The Commissioners of Leonardtown's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about The Commissioners of Leonardtown's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Commissioners of Leonardtown's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of The Commissioners of Leonardtown's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of The Commissioners of Leonardtown's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

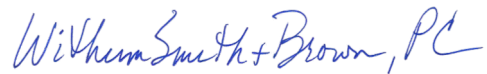
Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Withum Smith + Brown, PC". The signature is written in a cursive, flowing style.

December 30, 2024

**The Commissioners of Leonardtown
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024**

Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements of The Commissioners of Leonardtown were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements of The Commissioners of Leonardtown are reported in the 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 Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of The Commissioners of Leonardtown, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over the major federal award programs are reported in the independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for The Commissioners of Leonardtown expresses an unmodified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The programs tested as major programs were:

Coronavirus State and Local Recovery Funds – ALN Number 21.027
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. The Commissioners of Leonardtown did not qualify as a low-risk auditee.

Findings – Financial Statement Audit

None.

Findings and Questioned Costs – Major Federal Award Programs Audit

None.

Schedule of Prior Year Audit Findings

None.