
**VILLAGE OF MARTIN'S
ADDITIONS, MARYLAND**

**Financial Statements,
Supplementary Information and
Independent Auditor's Reports**

**For the Years Ended
June 30, 2024 and 2023**

LSWG

**CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS**

VILLAGE OF MARTIN’S ADDITIONS, MARYLAND
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June 30, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

To the Chairperson and Council of the
Village of Martin's Additions, Maryland

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the general fund of the Village of Martin's Additions, Maryland, as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Village of Martin's Additions, Maryland's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Village of Martin's Additions, Maryland, as of June 30, 2024 and 2023, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Village of Martin's Additions, Maryland and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village of Martin's Additions, Maryland's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 Village of Martin's Additions, Maryland's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village of Martin's Additions, Maryland's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2024, on our consideration of the Village of Martin's Additions, Maryland'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 Village of Martin's Additions, Maryland'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 Village of Martin's Additions, Maryland's internal control over financial reporting and compliance.

LSWG, P.A.

Rockville, Maryland
October 28, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Village of Martin's Additions, we offer the Village of Martin's Additions financial statements and this narrative overview and analysis of the financial activities of the Village of Martin's Additions for the fiscal year ended June 30, 2024. We encourage readers to consider the following information.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the Village of Martin's Additions exceeded its liabilities and deferred inflows at the close of the fiscal year by \$6,144,753 (net position). Of this amount, \$5,181,565 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$952,554.
- As of the close of the fiscal year, the Village of Martin's Additions governmental funds reported an ending fund balance of \$5,343,735, an increase of \$929,776 in comparison with the prior year. Of the total fund balance, \$2,841,968 is available for spending at the government's discretion (unassigned fund balance) and \$2,500,000 has been assigned for street improvements, capital projects and a reserve fund. The remaining \$1,767 is nonspendable as it represents prepaid expenses.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements. (Exhibits A-1, A-2 and A-3) The government-wide financial statements are designed to provide readers with a broad overview of the Village of Martin's Additions finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Village of Martin's Additions 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 Village of Martin's Additions is improving or deteriorating.

The statement of program activities presents information showing how the government'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 the 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 (e.g., uncollected taxes).

Both of the government-wide financial statements of the Village of Martin's Additions are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Village of Martin's Additions include general government, public works, public safety, and recreation. The government-wide financial statements report only on the Village of Martin's Additions.

Fund financial statements. (Exhibits A-4 and A-5) 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 Village of Martin's Additions, 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 Village of Martin's Additions are governmental 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 government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Village of Martin's Additions maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of which is considered to be a major fund.

The Village of Martin's Additions adopts an annual appropriated budget for its general fund. A budgetary comparison schedule (Exhibit B-1) has been provided for the general fund to demonstrate compliance with this Budget.

Notes to the basic 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as one useful indicator of a government's financial position. In the case of the Village of Martin's Additions, assets exceeded liabilities by \$6,144,753 at the close of the most recent fiscal year.

Approximately 15% of the Village of Martin's Additions total assets reflect its investment in capital assets (e.g., land, buildings, machinery, and equipment). The Village of Martin's Additions uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Village of Martin's Additions Net Position

	Governmental Activities
Current and other assets	\$ 5,969,758
Noncurrent assets	<u>992,722</u>
Total assets	<u>6,962,480</u>
Deferred Outflows	<u>-</u>
Current liabilities	78,077
Noncurrent liabilities	<u>178,267</u>
Total liabilities	<u>256,344</u>
Deferred Inflows	<u>561,383</u>
Invested in capital assets	963,188
Unrestricted	<u>5,181,565</u>
Total net position	<u>\$ 6,144,753</u>

The unrestricted net position of \$5,181,565 may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities increased the Village of Martin's Additions net position by \$952,554. Revenues increased by \$325,645 from fiscal year 2023 to fiscal year 2024. The significant changes included: ARPA grant revenues increased \$399,845, interest income increased \$127,092 and income taxes decreased \$176,083.

Expenses increased \$39,926 from fiscal year 2023 to fiscal year 2024. The significant changes included: building and zoning expenses decreased \$24,350, public works increased \$41,142 and recreation increased \$19,975.

Village of Martin's Additions Changes in Net Position

	Governmental Activities
Revenues:	
Program revenues:	
Charges for services	\$ 18,308
Operating grants and contributions	451,023
General revenues:	
Taxes	1,021,066
Other	<u>346,013</u>
Total Revenues	1,836,410
Expenses:	
General government	356,218
Building & zoning	60,560
Public works	349,754
Public safety	41,262
Recreation	69,958
Interest	<u>6,104</u>
Total Expenses	<u>883,856</u>
Increase in net position	952,554
Net position, July 1, 2023	<u>5,192,199</u>
Net position, June 30, 2024	<u>\$ 6,144,753</u>

Taxes of \$1,021,066 comprised 56% of the total revenues of \$1,836,410. The taxes include both property and income taxes.

CAPITAL ASSETS

At the end of fiscal year 2024, the Village's governmental activities have invested \$25,250 in infrastructure and \$17,573 of construction in progress, as reflected in the following schedule. Total depreciation for the 2024 fiscal year was \$31,095 and accumulated depreciation for all assets was \$290,545. Net capital assets for the Village at the end of the fiscal year were \$972,405.

Governmental Activities - Capital Assets

	Governmental Activities
Non-Depreciable Assets	\$17,573
Depreciable Capital Assets	
Infrastructure	1,216,602
Equipment	27,394
Leasehold Improvements	<u>1,381</u>
Total Capital Assets	1,262,950
Accumulated Depreciation on Depreciable Capital Assets	<u>(290,545)</u>
Net Capital Assets	<u>\$ 972,405</u>

Governmental Activities – Lease Asset

	Governmental Activities
Lease Asset – current portion	\$ 22,163
Lease Asset – noncurrent portion	<u>20,318</u>
Total Lease Assets	<u>\$ 42,481</u>
Lease Liability – current portion	25,771
Lease Liability – noncurrent portion	<u>25,926</u>
Total Lease Liabilities	<u>\$ 51,697</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

The Village of Martin's Additions uses fund accounting to ensure and demonstrate compliance with finance related requirements.

Governmental funds. The focus of the Village of Martin's Additions governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village of Martin's Additions financing requirements.

Total general fund revenue was \$1,836,410. This was a \$335,474 increase over fiscal year 2023. The increase was largely a result of a \$399,845 increase in grants, an increase in miscellaneous revenues (largely interest income) of \$126,290 and a decrease in taxes – state shared of \$166,254.

Total general fund expenditures were \$906,634. This was an increase of \$40,349 over the prior year. The increase is largely a result of the public works costs increasing \$26,806 and recreation expenses increasing \$19,975.

Total fund balance increased \$295,125 for a total fund balance of \$5,343,735. Of this amount \$2,841,968 is unassigned and can be used for future plans of the Village, \$2,500,000 is assigned for future capital projects and a reserve and \$1,767 is nonspendable as expenses have been prepaid.

General fund budgetary highlights. Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original Budget once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as County and State grants; and (3) increases in appropriations that become necessary to maintain services. During the fiscal year the Village made amendments that fall into category one above. A detailed analysis of these changes can be found in Exhibit B-1 of the financial statements.

There were a few significant budget versus actual variances. Income tax revenues received were \$232,509 more than budgeted as the Village budgets conservatively. Also, state highway user revenues were \$10,998 more than budgeted and American Rescue Plan Act grant revenues were \$399,845 more than budgeted. Due to much higher interest rates, interest income was \$211,427 more than budgeted.

There were several actual expense amounts that were less than budgeted, largely in the designated funds which were budgeted at \$2,500,000 and total current year expenses were \$57,822. Also, managerial and office salaries were \$11,073 less than budgeted.

ECONOMIC FACTORS

Overall, fiscal year 2024 was a very positive year. The Village provided all the services budgeted for and completed the year by adding \$929,776 to the fund balance.

The Village Council maintained a conservative approach in formulating the fiscal year 2025 budget to ensure that the Village has a healthy financial position into the future. In fiscal year 2025, the Village plans to utilize the American Rescue Plan funds to enhance the safety and usability of Village streets, address drainage issues, and tackle other eligible projects.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Village of Martin's Additions finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Village Manager of the Village of Martin's Additions, 7013B Brookville Road, Chevy Chase, Maryland, 20815.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Statements of Net Position
June 30,

	Governmental Activities 2024	Governmental Activities 2023
Assets		
Current Assets		
Cash and cash equivalents	\$ 33,154	\$ 27,118
Certificate of deposit	270,630	257,384
Investments	5,621,883	5,183,345
Receivables, net	-	1,055
Due from other governments	20,161	10,659
Prepaid expenses	1,767	1,767
Lease asset - current portion	22,163	22,163
Total Current Assets	5,969,758	5,503,491
Noncurrent Assets		
Right of use asset, net	20,318	42,481
Capital assets, net	972,404	960,677
Total Noncurrent Assets	992,722	1,003,158
Total Assets	6,962,480	6,506,649
Deferred Outflows	-	-
Liabilities		
Current Liabilities		
Accounts payable	23,747	69,910
Refundable deposits	18,730	36,230
Lease liability - current portion	25,771	23,386
State tax credit liability - current portion	9,829	9,829
Total Current Liabilities	78,077	139,355
Noncurrent Liabilities		
Lease liability - net of current portion	25,926	51,696
State tax credit liability - net of current portion	152,341	162,170
Total Noncurrent Liabilities	178,267	213,866
Total Liabilities	256,344	353,221
Deferred Inflows	561,383	961,229
Net Position		
Invested in capital assets, net	963,188	950,239
Unrestricted	5,181,565	4,241,960
Total Net Position	\$ 6,144,753	\$ 5,192,199

The accompanying notes are an integral part of these statements.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND

Statement of Program Activities

For the Year Ended June 30, 2024

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenue		Net (Expenses) Revenue and Changes in Net Position Governmental Activities	Total
			Charges for Services	Operating Grants and Contributions		
Governmental Activities						
General government	\$ 356,218	\$ 6,104	\$ 11,038	\$ 168,341	\$ (176,839)	\$ (176,839)
Building and zoning	60,560	-	7,270	-	(53,290)	(53,290)
Public works	349,754	-	-	282,682	(67,072)	(67,072)
Public safety	41,262	-	-	-	(41,262)	(41,262)
Recreation	69,958	-	-	-	(69,958)	(69,958)
Interest	6,104	(6,104)	-	-	(6,104)	(6,104)
Total Governmental Activities	<u>\$ 883,856</u>	<u>\$ -</u>	<u>\$ 18,308</u>	<u>\$ 451,023</u>	(414,525)	(414,525)
General Revenues						
Property taxes					38,557	38,557
Income taxes					982,509	982,509
Intergovernmental					54,285	54,285
Interest					291,427	291,427
Miscellaneous					301	301
Total General Revenues					<u>1,367,079</u>	<u>1,367,079</u>
Change in Net Position					952,554	952,554
Net Position, Beginning of Year					<u>5,192,199</u>	<u>5,192,199</u>
Net Position, End of Year					<u>\$ 6,144,753</u>	<u>\$ 6,144,753</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND

Statement of Program Activities

For the Year Ended June 30, 2023

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenue		Net (Expenses) Revenue and Changes in Net Position Governmental Activities	Total
			Charges for Services	Operating Grants and Contributions		
Governmental Activities						
General government	\$ 349,662	\$ 8,286	\$ 8,768	\$ 8,955	\$ (331,939)	\$ (331,939)
Building and zoning	84,910	-	40,481	-	(44,429)	(44,429)
Public works	308,612	-	-	32,819	(275,793)	(275,793)
Public safety	42,477	-	-	-	(42,477)	(42,477)
Recreation	49,983	-	-	-	(49,983)	(49,983)
Interest	8,286	(8,286)	-	-	(8,286)	(8,286)
Total Governmental Activities	<u>\$ 843,930</u>	<u>\$ -</u>	<u>\$ 49,249</u>	<u>\$ 41,774</u>	(752,907)	(752,907)
General Revenues						
Property taxes					44,082	44,082
Income taxes					1,158,592	1,158,592
Intergovernmental					50,404	50,404
Interest					164,335	164,335
Miscellaneous					2,329	2,329
Total General Revenues					<u>1,419,742</u>	<u>1,419,742</u>
Change in Net Position					666,835	666,835
Net Position, Beginning of Year					<u>4,525,364</u>	<u>4,525,364</u>
Net Position, End of Year					<u>\$ 5,192,199</u>	<u>\$ 5,192,199</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND

Balance Sheets
Governmental Funds
June 30,

	2024	2023
	General	General
	<u>Fund</u>	<u>Fund</u>
Assets		
Cash and cash equivalents	\$ 33,154	\$ 27,118
Certificate of deposit	270,630	257,384
Investments	5,621,883	5,183,345
Receivables, net	-	1,055
Due from other governments	20,161	10,659
Prepaid expenses	<u>1,767</u>	<u>1,767</u>
Total Assets	<u>5,947,595</u>	<u>5,481,328</u>
Deferred Outflows	<u>-</u>	<u>-</u>
Liabilities		
Accounts payable	23,747	69,910
Refundable deposits	<u>18,730</u>	<u>36,230</u>
Total Liabilities	<u>42,477</u>	<u>106,140</u>
Deferred Inflows	<u>561,383</u>	<u>961,229</u>
Fund Balances		
Nonspendable	1,767	1,767
Assigned	2,500,000	2,500,000
Unassigned	<u>2,841,968</u>	<u>1,912,192</u>
Total Fund Balances	<u>\$ 5,343,735</u>	<u>\$ 4,413,959</u>
Reconciliation of Total Governmental Fund Balances		
To Net Position of the Governmental Activities		
Total Governmental Fund Balances	\$ 5,343,735	\$ 4,413,959
Right to use lease assets used for governmental activities are not financial resources and therefore not reported in the funds	42,481	64,644
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(213,867)	(247,081)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>972,404</u>	<u>960,677</u>
Net Position of Governmental Activities	<u>\$ 6,144,753</u>	<u>\$ 5,192,199</u>

The accompanying notes are an integral part of these statements.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Statements of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Years Ended June 30,

	2024	2023
	General	General
	Fund	Fund
Revenues		
Property taxes	\$ 38,557	\$ 44,082
Taxes - state shared	982,509	1,148,763
Licenses and permits	18,308	49,250
Intergovernmental	95,283	83,223
Grants	399,845	-
Miscellaneous	<u>301,908</u>	<u>175,618</u>
 Total Revenues	 1,836,410	 1,500,936
Expenditures		
General government	422,881	428,098
Public works	362,704	335,898
Public safety	41,262	42,477
Recreation	69,958	49,983
Debt service	<u>9,829</u>	<u>9,829</u>
 Total Expenditures	 <u>906,634</u>	 <u>866,285</u>
 Excess of Revenues Over (Under) Expenditures	 929,776	 634,651
 Fund Balance - Beginning of Year	 <u>4,413,959</u>	 <u>3,779,308</u>
 Fund Balance - End of Year	 <u><u>\$ 5,343,735</u></u>	 <u><u>\$ 4,413,959</u></u>

The accompanying notes are an integral part of these statements.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Reconciliation of the Statements of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statements of Program Activities
For the Years Ended June 30,

	<u>2024</u>	<u>2023</u>
Net Change in Fund Balance - Total Governmental Funds	\$ 929,776	\$ 634,651
Amounts reported for governmental activities in the Statement of Program Activities are different because:		
Debt service payments in the Statement of Revenues, Expenses and Changes in Fund Balance does (does not) require the use of current financial resources and therefore are not reported as an expense in the Government-wide financial statements	33,213	31,051
Amortization expense for right to use lease asset	(22,163)	(22,163)
Governmental funds report capital outlays as expenditures. However, in the Statement of Program Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation does (does not) exceed capital outlay in the current period.	<u>11,728</u>	<u>23,296</u>
Net Change in Net Position - Governmental Activities	<u><u>\$ 952,554</u></u>	<u><u>\$ 666,835</u></u>

The accompanying notes are an integral part of these statements.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Financial Statements
June 30, 2024 and 2023

Note 1 - Summary of Significant Accounting Policies

A. Financial Reporting Entity

The Village of Martin's Additions, Maryland (the Village) was incorporated in 1985 under the laws of the State of Maryland. The Village operates under a Council form of government consisting of a Council Chairperson and Village Council. The Village Council has the authority to appoint a Village Manager who shall be responsible for the day-to-day operations of the Village government and for carrying out the policies determined and approved by the Village government. The Village provides the following services as authorized by its charter: public safety (traffic), streets, sanitation, building permits and general administration services. The basic financial statements of the Village have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental and financial reporting principles. The Village previously implemented accounting and financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for States and Local Governments*. GASB Statement No. 34 added the following components to the financial statements:

Management's Discussion and Analysis – A narrative introduction and analytical overview of the government's financial activities. This analysis is similar to analysis the private sector provides in their annual reports.

Government-Wide Financial Statements – These include financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter. The government-wide statements include the Statement of Net Position and the Statement of Program Activities.

Statement of Net Position – The Statement of Net Position displays the financial position of the Village. All assets, deferred outflows, liabilities and deferred inflows of resources associated with the operation of the Village are included on the Statement of Net Position. The net position of a government is broken into three categories –1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Program Activities – The Statement of Program Activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Financial Statements
June 30, 2024 and 2023

Note 1 - Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

Budgetary Comparison Schedules – Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The Village and many other governments revise their original budgets over the course of the year for a variety of reasons.

The financial statements were prepared in accordance with GASB Statement No. 14, The Financial Reporting Entity, which establishes standards for defining and reporting on the financial reporting entity. The definition of the financial reporting entity is based upon the concept that elected officials are accountable to their constituents for their actions. One of the objectives of financial reporting is to provide users of financial statements with the basis for assessing the accountability of the elected officials. The financial reporting entity consists of the Village of Martin's Additions, Maryland. There are no organizations for which the Village is financially accountable and there are no component units of the Village.

B. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the Village as a whole) and fund financial statements. The reporting model focus is on both the Village as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary fund. The government-wide financial statements (i.e., the statement of net position and the statement of program activities) report information on all of the activities of the Village. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for support. The Village has only one governmental fund, the general fund, to account for all activities of the government, and does not have any business type activities or fiduciary activities at this time.

The statement of program activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Financial Statements
June 30, 2024 and 2023

Note 1 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide statements are reported using the economic resources measurement focus, and the accrual basis of accounting. Reimbursements are reported as reduction to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when the grantor eligibility requirements are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Village considers revenue to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation debt principal and interest payments which are reported as expenditures in the year due.

Property taxes, franchise fees, utility taxes, licenses, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Village reports unearned revenues on its governmental funds balance sheet. Unearned revenues arise from taxes levied in the current year which are for subsequent years' operations. For governmental fund financial statements unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received before the Village has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Village has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

The Village reports the following major governmental funds:

The General Fund – This is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Financial Statements
June 30, 2024 and 2023

Note 1 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Assets

1. Deposits and Investments

Cash and cash equivalents, which are cash and short-term investments with maturities of three months or less, include cash on hand and demand deposit accounts.

2. Prepaid Expenses

Prepaid expenses record payments to vendors that benefit future reporting periods. Prepaid expenses are similarly reported in government-wide and fund financial statements.

3. Capital Assets

Capital assets, which include equipment, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. General infrastructure assets acquired prior to July 1, 2004 are not reported in the basic financial statements. As of June 30, 2024 and 2023, \$1,216,602 and \$1,191,352, respectively, of infrastructure has been recorded in these financial statements.

Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Financial Statements
June 30, 2024 and 2023

Note 1 - Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Assets (continued)

3. Capital Assets (continued)

Property, plant and equipment of the Village are depreciated using the straight line method over the following estimated useful lives:

Office equipment - 5 to 7 years
Sidewalks and curbs – 40 years
Leasehold improvements – 10 years

4. Property Taxes

Property taxes were assessed and collected by Montgomery County and subsequently remitted to the Village. Property taxes are assessed on July 1st and are due and payable one half by September 30th and one half by December 31st. All unpaid taxes levied July 1st become delinquent on October 1st and January 1st. The residential real property tax rates for the Village for fiscal years ended June 30, 2024 and 2023 were \$.002 and \$.005 per \$100 of assessed taxable value, respectively. The public utilities tax rates for fiscal years ended June 30, 2024 and 2023 were \$1.45 per \$100 of assessed taxable value. The personal property tax rates for fiscal years ended June 30, 2024 and 2023 was \$0 and \$.50 per \$100 of assessed taxable value, respectively. Procedures for the collection of delinquent taxes by Montgomery County are provided for in the laws of Maryland.

5. Long-Term Debt

In the government-wide financial statements, outstanding debt is reported as a liability. Long-term debt for governmental activities is not reported as a liability in the fund financial statements. Long-term debt consists of an office lease and state tax liability.

6. Right to Use Asset

The Village has recorded a right to use asset in accordance with GASB 87 – *Leases*. The right to use asset was initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives plus ancillary charges necessary to place the lease in service. The right to use asset is amortized on a straight-line basis over the life of the related lease.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Financial Statements
June 30, 2024 and 2023

Note 1 - Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Assets (continued)

7. Net Position

Net positions represent the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the government-wide financial statements. Net positions are classified in the following categories:

Invested in capital assets, net of related debt – This amount consists of capital assets net of accumulated depreciation as well as lease assets and reduced by any outstanding debt or lease liabilities that are attributed to the acquisition, construction, or improvement of the assets.

Restricted net position – This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted net position – This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

The Village applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

8. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Village does not have any of this type of item.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Financial Statements
June 30, 2024 and 2023

Note 1 - Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Assets (continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Village considered grant revenue collected but not spent to be deferred inflows of resources. See Note 6 for deferred inflows related to grant revenue.

Note 2 – Reconciliation of Government-Wide and Fund Financial Statements

- A. Explanation of certain differences between the governmental fund balance and the government-wide statement of net position:

The governmental fund balance sheets include a reconciliation between fund balance – total government funds and net position – governmental activities as reported in the government-wide statements of net position.

Note 3 – Detailed Notes on All Funds

- A. Deposits and Investments

Deposits

State statutes require all deposits be insured by the Federal Deposit Insurance Corporation (FDIC) or fully collateralized. The Village administration is authorized to invest in those instruments authorized by Maryland Statutes. Cash and cash equivalents, as presented on the balance sheets and statements of net position, includes demand deposits.

At June 30, 2024 and 2023, the carrying amounts of the Village's deposits were \$303,784 and \$27,118, respectively, and the bank balances totaled \$36,052 and \$32,136 respectively.

Certificate of Deposit

The Village has a certificate of deposit maturing in February 2025 with an interest rate of 4.99%. The certificate of deposit balance was \$270,630 and \$257,384 at June 30, 2024 and 2023, respectively. Of these balances, \$250,000 is covered by FDIC with the remaining balances of \$20,630 and \$7,384 being uninsured and uncollateralized at June 30, 2024 and 2023.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Financial Statements
June 30, 2024 and 2023

Note 3 – Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

Investments - Maryland Local Government Investment Pool

The Village is a participant of the Maryland Local Government Investment Pool (MLGIP), which provides all local government units of the State a safe investment vehicle for the short-term investment of funds. The State Legislature created MLGIP with the passage of Article 95 22G, of the Annotated Code of Maryland. The MLGIP, under the administrative control of the State Treasurer, has been managed by a single Baltimore-based financial institution, PNC Bank. An MLGIP advisory committee of current participants was formed to review, on a quarterly basis, the activities of the Fund and to provide suggestions to enhance the pool. The MLGIP has an AAAM rating. The fair value of the pool is the same as the value of the pooled shares. At June 30, 2024 and 2023, the Village had \$5,621,883 and \$5,183,345, respectively invested in the Pool.

Investment Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the Village will not be able to recover all or a portion of the value of its investments or collateral securities that are in the possession of an outside party. There are three categories of custodial credit risk. Category 1 includes investments that are insured or registered or where securities are held by the Village or its agents, in the Village's name. Category 2 includes uninsured and unregistered investments for which the counterparty's trust department or agent in the Village's name holds the securities. Category 3 includes uninsured and unregistered where the securities are held by the financial institution's trust department or agent, but not in the Village's name. At June 30, 2024 and 2023, all of the Village investments are insured or registered, or for which the securities are held by the Village or its agent in the Village's name or are invested in the MLGIP.

Fair Value

The Village categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Financial Statements
June 30, 2024 and 2023

Note 3 – Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

The Village has the following recurring fair value measurements as of June 30, 2024 and 2023:

- Maryland Local Government Investment Pool mutual funds of \$5,621,883 and \$5,183,345, respectively and are valued using quoted market prices (Level 1 inputs).

B. Receivables

Receivables as of June 30, 2024 and 2023, for the Village's major governmental fund, including the applicable allowances for uncollectible accounts, are as follows:

General Fund:	<u>2024</u>	<u>2023</u>
Receivables	\$ -	\$ 1,055
Less: Allowance for uncollectibles	-	-
	<u>\$ -</u>	<u>\$ 1,055</u>

Due from other governments represents accrued revenue and consists of the following at June 30:

	<u>2024</u>	<u>2023</u>
General Fund:		
State	\$ 17,410	\$ 10,281
County	<u>2,751</u>	<u>378</u>
Total	<u>\$ 20,161</u>	<u>\$ 10,659</u>

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Financial Statements
June 30, 2024 and 2023

Note 3 – Detailed Notes on All Funds (continued)

C. Right of Use Lease Asset

The Village has recorded a right of use lease asset for the leased office space. The lease is discussed in the commitments section of Note 3E. The right of use lease asset is amortized on a straight line basis over the term of the lease.

Right of use lease asset activity for the year ended June 30, 2024 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Right of Use Lease Asset				
Office space	\$ 131,133	\$ -	\$ -	\$ 131,133
Less: accumulated amortization	<u>(66,489)</u>	<u>(22,163)</u>	<u>-</u>	<u>(88,652)</u>
Right of Use Lease Asset, Net	<u>\$ 64,644</u>	<u>\$(22,163)</u>	<u>\$ -</u>	<u>\$ 42,481</u>

Right of use lease activity for the year ended June 30, 2023 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Right of Use Lease Asset				
Office space	\$ 131,133	\$ -	\$ -	\$ 131,133
Less: accumulated amortization	<u>(44,326)</u>	<u>(22,163)</u>	<u>-</u>	<u>(66,489)</u>
Right of Use Lease Asset, Net	<u>\$ 86,807</u>	<u>\$(22,163)</u>	<u>\$ -</u>	<u>\$ 64,644</u>

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Financial Statements
June 30, 2024 and 2023

Note 3 – Detailed Notes on All Funds (continued)

D. Capital Assets

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

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Capital assets, being depreciated				
Other assets	\$ 2,450	\$ -	\$ -	\$ 2,450
Equipment	24,944	-	-	24,944
Leasehold improvements	1,381	-	-	1,381
Infrastructure	<u>1,191,352</u>	<u>25,250</u>	<u>-</u>	<u>1,216,602</u>
Total capital assets being depreciated	1,220,127	25,250	-	1,245,377
Less accumulated depreciation for:				
Equipment	(27,394)	-	-	(27,394)
Leasehold improvements	(1,381)	-	-	(1,381)
Infrastructure	<u>(230,675)</u>	<u>(31,095)</u>	<u>-</u>	<u>(261,770)</u>
Total accumulated depreciation	(259,450)	(31,095)	-	(290,545)
Total capital assets, being depreciated, net	<u>960,677</u>	<u>(5,845)</u>	<u>-</u>	<u>954,832</u>
Capital assets not being depreciated:				
Construction-in-progress	<u>-</u>	<u>17,573</u>	<u>-</u>	<u>17,573</u>
Governmental activities capital assets, net	<u>\$ 960,677</u>	<u>\$ 11,728</u>	<u>\$ -</u>	<u>\$ 972,405</u>

Depreciation expense was charged to function/programs of the primary government as follows for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Governmental activities		
General government	\$ -	\$ 3,990
Public works	<u>31,095</u>	<u>30,314</u>
Total Depreciation Expense	<u>\$ 31,095</u>	<u>\$ 34,304</u>

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Financial Statements
June 30, 2024 and 2023

Note 3 – Detailed Notes on All Funds (continued)

E. Long-Term Debt

The Village has a lease for office space. The lease agreement qualifies as an “other than short-term lease” under GASB 87 and therefore has been recorded at the present value of the future minimum lease payments as of the date of its inception.

The lease agreement was executed in 2006 and requires 240 monthly payments until May 1, 2026. Current monthly lease payments are \$2,473 with various increases throughout the lease. The lease liability is measured at a discount rate of 9.75%, which was the prime rate plus 2% at lease inception. The Village has recorded a right to use asset with a net book value of \$42,481 and \$64,644 on June 30, 2024 and 2023, respectively. The Village has an option to renew this lease for an additional ten year term.

Total rent expense for the fiscal years ended June 30, 2024 and 2023 was \$28,267 and \$29,676, respectively.

The future minimum lease obligations and the net present value of the minimum lease payments are as follows:

Year Ending	Principal	Interest	
<u>June 30</u>	<u>Payments</u>	<u>Payments</u>	<u>Total</u>
2025	\$ 25,771	\$ 3,909	\$ 29,680
2026	25,925	1,281	27,206
2027	-	-	-
2028	-	-	-
2029	-	-	-

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Financial Statements
June 30, 2024 and 2023

Note 3 – Detailed Notes on All Funds (continued)

E. Long-Term Debt (continued)

The following summarizes the changes in long-term liabilities for the year ended June 30, 2024:

	Beginning	Increase/	Ending	Amount Due
	<u>Balance</u>	<u>(Decrease)</u>	<u>Balance</u>	<u>Within</u>
				<u>One Year</u>
Lease liability	\$ 75,082	\$ (23,385)	\$ 51,697	\$ 25,771
State tax credit liability	<u>171,999</u>	<u>(9,829)</u>	<u>162,170</u>	<u>9,829</u>
	<u>\$ 247,081</u>	<u>\$ (33,214)</u>	<u>\$ 213,867</u>	<u>\$ 35,600</u>

The following summarizes the changes in long-term liabilities for the year June 30, 2023:

	Beginning	Increase/	Ending	Amount Due
	<u>Balance</u>	<u>(Decrease)</u>	<u>Balance</u>	<u>Within</u>
				<u>One Year</u>
Lease liability	\$ 96,304	\$ (21,222)	\$ 75,082	\$ 23,386
State tax credit liability	<u>181,828</u>	<u>(9,829)</u>	<u>171,999</u>	<u>9,829</u>
	<u>\$ 278,132</u>	<u>\$ (31,051)</u>	<u>\$ 247,081</u>	<u>\$ 33,215</u>

F. Fund Balance

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

Nonspendable – such as fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable and property held for resale. Prepaid expenses of \$1,767 and \$1,767 are classified as nonspendable at June 30, 2024 and 2023.

Restricted fund balance – includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers or through enabling legislation. The Village has no restricted fund balances.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Financial Statements
June 30, 2024 and 2023

Note 3 – Detailed Notes on All Funds (continued)

F. Fund Balance (continued)

Committed fund balance – includes amounts that can be used only for the specific purposes determined by a formal action of the Village of Martin's Additions. The Village has no committed fund balances.

Assigned fund balance – includes amounts to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. The Village has the following assigned fund balances at June 30:

	<u>2024</u>	<u>2023</u>
Streets	\$ 500,000	\$ 500,000
Walkability	500,000	500,000
Other Capital projects	500,000	500,000
Reserve	<u>1,000,000</u>	<u>1,000,000</u>
Total Assigned Fund Balance	<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>

Unassigned fund balance – is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Order of Fund Balance Spending Policy

The Village's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year.

First non-spendable fund balance is determined. Then restricted fund balances for specific purposes are determined, followed by committed fund balance and assigned fund balance. Unassigned fund balance cannot fall to a negative balance.

Note 4 – Commitment and Contingencies

A. Risk Management

The Village is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Village's general liability risks are financed through participation in the Local Government Insurance Trust which is a self-insurance pool. The Village paid annual premiums of \$1,906 and \$2,661 for the fiscal years ended June 30, 2024 and 2023, respectively to the pool for its general, auto, worker's compensation, public official bond and property insurance coverage. Claims over the past three years have been significantly less than that amount.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Financial Statements
June 30, 2024 and 2023

Note 4 – Commitment and Contingencies (continued)

A. Risk Management (continued)

The agreement with the pool provides that it will be self-sustaining through member premiums, and will reinsure through commercial companies for claims in excess of \$1,000,000 in aggregate. Settled claims resulting from these risks have not exceeded insurance coverage, and no significant reductions in insurance coverage have occurred, in any of the past three years.

B. Employee's Pension Plan

In 2010, the Village adopted a 457 retirement plan. This plan allows employees to contribute to the plan. To be qualified an employee has to have six months of service with the Village and be at least 18 years of age. Employee contributions are 100% vested.

Note 5 – Wynne Case

Maryland's individual income tax is composed of a state and a local rate. Maryland residents are allowed a credit for taxes paid to other states, but the credit is allowed against only the state portion of the tax and not against the local tax portion. The U.S. Supreme Court ruled this practice to be unconstitutional because it results in double taxation of income earned outside of Maryland. As a result, the State of Maryland is requiring Maryland local governments to refund the estimated portion of income tax paid to the local governments in previous years, consisting of the local portion of the tax, that the state may have to re-pay taxpayers that file amended returns claiming a refund for the credit applicable to the local tax rate. The Town's obligation for State taxes to be refunded to the State are recorded in the liabilities section of the Statements of Net Position. This amount will be repaid to the State over eighty quarters beginning May 2021 through a reduction in the income tax payments.

	Beginning		Ending	Amount Due
	<u>Balance</u>	<u>Reductions</u>	<u>Balance</u>	<u>Within</u>
				<u>One Year</u>
State of Maryland	<u>\$ 171,999</u>	<u>\$ (9,829)</u>	<u>\$ 162,170</u>	<u>\$ 9,829</u>

Note 6 – Deferred Inflows

The American Rescue Plan Act (ARPA) was signed into Federal law in March of 2021, and established the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program. This program provides financial support to State and Local governments in responding to the economic and public health impacts of COVID-19 and in their efforts to contain impacts on their communities, residents, and businesses. These funds may be used to cover eligible program costs incurred during the period beginning on March 3, 2021 and ending on December 31, 2024, as

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Financial Statements
June 30, 2024 and 2023

Note 6 – Deferred Inflows (continued)

long as the award funds incurred by December 31, 2024 are expended by December 31, 2026. Any funds not obligated or expended for eligible uses during this period must be returned to the U.S. Treasury.

The Village applied for and was awarded SLFRF funding passed through the State of Maryland in the amount of \$978,728 of which \$489,181 was received in August of 2021 and \$489,547 was received in August of 2022. Eligible expenditures incurred during the fiscal years ended June 30, 2024 and 2023 were \$399,845 and \$0, respectively. The remaining \$561,383 has been included in deferred inflows at June 30, 2024. Revenue recognition of these funds will be deferred until the related eligible expenditures are incurred.

Note 7 – Upcoming Accounting Standards

GASB Statement NO. 101, *Compensated Absences*, issued June 2022, will be effective for the Village beginning with its fiscal year ending June 30, 2025. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. This Statement amends the existing requirements to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (As long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The Village's management has not yet determined the effect this Statement will have on the Village's financial statements.

Note 8 – Subsequent Events

Management has evaluated subsequent events through October 28, 2024, the date that the financial statements were available to be issued. There were no significant events to report.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2024

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Taxes				
Local				
Real property tax	\$ 6,000	\$ 6,000	\$ 11,176	\$ 5,176
Utility property tax	15,000	15,000	24,892	9,892
Personal property, ordinary business tax	-	-	2,489	2,489
Total Taxes - Local	21,000	21,000	38,557	17,557
State Shared				
Income tax	750,000	750,000	982,509	232,509
Total Taxes - State Shared	750,000	750,000	982,509	232,509
Total Taxes	771,000	771,000	1,021,066	250,066
Licenses and Permits				
Permit fees	15,000	15,000	7,270	(7,730)
Cable T.V. franchise fees	11,000	11,000	11,038	38
Total Licenses and Permits	26,000	26,000	18,308	(7,692)
Intergovernmental Revenues				
State highway user	30,000	30,000	40,998	10,998
County revenue sharing	50,400	50,400	54,285	3,885
Total Intergovernmental Revenues	\$ 80,400	\$ 80,400	\$ 95,283	\$ 14,883

(continued)

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2024

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Grants				
American Rescue Plan Act	\$ -	\$ -	\$ 399,845	\$ 399,845
Total Grants	-	-	399,845	399,845
Miscellaneous				
Interest	80,000	80,000	291,427	211,427
Holiday fund	9,000	9,000	10,180	1,180
Other	-	-	301	301
Total Miscellaneous	89,000	89,000	301,908	212,908
Total Revenues	<u>\$ 966,400</u>	<u>\$ 966,400</u>	<u>\$ 1,836,410</u>	<u>\$ 870,010</u>

(continued)

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2024

Expenditures	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
General Government				
Financial Administration				
Managerial and office salaries	\$ 194,000	\$ 161,000	\$ 149,927	\$ 11,073
Payroll taxes and benefits	19,400	19,400	25,143	(5,743)
Accounting and auditing	17,000	17,000	18,903	(1,903)
Dues and subscriptions	10,000	10,000	9,687	313
Information technology	15,000	15,000	16,881	(1,881)
Legal	55,000	75,000	76,631	(1,631)
Office lease	32,000	32,000	35,790	(3,790)
Office expenses	15,000	15,000	6,503	8,497
Office furniture and equipment	2,000	2,000	-	2,000
Telephone	3,500	3,500	3,118	382
Printing and mailing	2,000	2,000	1,150	850
Insurance	8,000	8,000	5,208	2,792
Total Financial Administration	<u>372,900</u>	<u>359,900</u>	<u>348,941</u>	<u>10,959</u>
Other General Government				
Aging in Place	6,000	6,000	3,200	2,800
Building and permitting	86,000	66,000	60,560	5,440
GIS update	5,000	5,000	-	5,000
Holiday fund	9,000	9,000	10,180	(1,180)
Total Other General Government	<u>106,000</u>	<u>86,000</u>	<u>73,940</u>	<u>12,060</u>
Total General Government Expenditures	<u>\$ 478,900</u>	<u>\$ 445,900</u>	<u>\$ 422,881</u>	<u>\$ 23,019</u>

(continued)

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2024

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Public Works				
Highways and Streets				
Street lighting - PEPCO	\$ 4,000	\$ 4,000	\$ 4,084	\$ (84)
Tree maintenance	30,000	30,000	28,005	1,995
Tree planting initiatives	15,000	29,000	28,163	837
Street cleaning	25,000	38,000	37,290	710
Street maintenance - other	10,000	16,000	15,441	559
Right-of-way landscaping	10,000	10,000	11,018	(1,018)
Composting	22,800	22,800	12,813	9,987
Snow removal services	45,000	25,000	19,321	5,679
Total Highway and Streets	161,800	174,800	156,135	18,665
Designated Funds				
Designated - walkability	500,000	500,000	14,488	485,512
Designated - streets	500,000	500,000	25,250	474,750
Designated - capital projects	500,000	500,000	18,084	481,916
Designated - reserve	1,000,000	1,000,000	-	1,000,000
Total Designated Funds	2,500,000	2,500,000	57,822	2,442,178
Sanitation and Waste Removal				
Waste collection and recycling	146,000	146,000	146,572	(572)
Leaf bags	10,000	10,000	1,677	8,323
Recycling bins	1,000	1,000	498	502
Total Sanitation & Waste Removal	157,000	157,000	148,747	8,253
Total Public Works	\$ 2,818,800	\$ 2,831,800	\$ 362,704	\$ 2,469,096

(continued)

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2024

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Public Safety				
Police salaries	\$ 40,000	\$ 40,000	\$ 33,800	\$ 6,200
Police payroll taxes	4,000	4,000	2,704	1,296
Traffic engineering	5,000	5,000	4,758	242
Total Public Safety	49,000	49,000	41,262	7,738
Recreation				
Elections	10,000	20,000	19,875	125
Community events	48,500	58,500	50,083	8,417
Total Recreation	58,500	78,500	69,958	8,542
Debt Service	-	-	9,829	(9,829)
Total Expenditures	<u>\$ 3,405,200</u>	<u>\$ 3,405,200</u>	<u>\$ 906,634</u>	<u>\$ 2,498,566</u>

The accompanying notes are an integral part of this schedule.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Required Supplementary Information
June 30, 2024

Note 1 – Summary of Significant Budget Policies

The Village Council annually adopts a budget for the General Fund of the primary government. All appropriations are legally controlled at the departmental level for the General Fund. On May 11, 2023, the Village Council approved the original adopted budget for the fiscal year ended June 30, 2024. The Village Council approved amendments to the budget on June 20, 2024.

The budget is integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compares the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the accompanying Budgetary Comparison Schedule for the General Fund presents actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

Note 2 – Material Violations

There were no material violations of the annual appropriated budgets for the General Fund for the fiscal year ended June 30, 2024. In addition, there were no excesses of budgetary expenditures for the period.



**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***

To the Chairperson and Council of the
Village of Martin's Additions, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of the Village of Martin's Additions, Maryland, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Village of Martin's Additions, Maryland's basic financial statements, and have issued our report thereon dated October 28, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village of Martin's Additions, Maryland's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Martin's Additions, Maryland's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Martin's Additions, Maryland's internal control.

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

Our consideration of internal control was for the limited purpose described in the 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 were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Martin's Additions, Maryland's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a

direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

LSWG, P.A.

Rockville, Maryland
October 28, 2024

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