

TOWN OF UNIVERSITY PARK, MARYLAND

**Financial Statements Together with
Report of Independent Public Accountants**

For the Year Ended June 30, 2023

TOWN OF UNIVERSITY PARK, MARYLAND

Financial Statements Together with Report of Independent Public Accountants

JUNE 30, 2023

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Members of the Town Council
Town of University Park, Maryland

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of the Town of University Park, Maryland (the Town), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town as of June 30, 2023, and the respective changes in financial position 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 (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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



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 GAAS 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 GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of required pension related supplementary information, and schedule of revenues and expenditures- budget and actual- general fund as listed in the accompanying table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial



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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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The schedule of revenue and expenditures- budget and actual- capital projects fund (the Supplemental Schedule) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplemental Schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 Supplemental Schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Owings Mills, Maryland
October 19, 2023

S B & Company, LLC

TOWN OF UNIVERSITY PARK, MARYLAND

Management's Discussion and Analysis For the Year Ended June 30, 2023

This section of the annual financial statements of the Town of University Park, Maryland (the Town) presents a narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2023. Readers are encouraged to consider the information presented here in conjunction with the basic financial statements and the accompanying notes.

Financial Highlights

- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of fiscal year June 30, 2023, by \$6,566,693 (*net position*). Of the total net position, \$4,501,658 (*unrestricted net position*) may be used to meet the Town's ongoing obligations to citizens and creditors. Of the remaining total net position, \$447,176 is restricted for specific purposes (*restricted net position*), and \$1,617,859 is the net investment in capital assets.
- As of June 30, 2023, the Town's governmental funds reported combined ending fund balances of \$5,570,313.
- The Town's total debt decreased by \$312,304 through regularly scheduled principal payments.
- As of the close of the current fiscal year, the unassigned fund balance for the general fund was \$5,123,137 or 120% of total general fund expenditures.

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 of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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 government-wide statements are on a full accrual accounting basis, including the elimination and/or reclassification of internal activities.

TOWN OF UNIVERSITY PARK, MARYLAND

Management's Discussion and Analysis For the Year Ended June 30, 2023

Overview of the Financial Statements (continued)

Government-wide financial statements (continued)

The statement of net position presents information on all of the Town's assets, liabilities, and deferred inflows and outflows of resources. The difference between assets plus deferred outflows and liabilities plus deferred inflows is 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, revenue and expenses are reported in this statement which represent items that will result in cash flows in future fiscal periods (e.g., uncollected 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 revenue (governmental activities) from other functions that are intended to recover all or a significant portion of costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, and public works. The Town has no business-type activities.

The government-wide financial statements can be found on pages 13 and 14 of this report.

Fund financial statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, 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.

TOWN OF UNIVERSITY PARK, MARYLAND

Management's Discussion and Analysis For the Year Ended June 30, 2023

Overview of the Financial Statements (continued)

Governmental funds (continued)

Since the government-wide focus includes the long-term view and the fund focus includes the short-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. 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 governmental fund statement of revenue, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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 this budget. A budgetary comparison statement can be found on pages 38-41 of this report.

Notes to basic financial statements

The notes to the financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements are part of the basic financial statements and can be found on pages 19-34 of this report.

Required supplementary information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary comparison of the Town's General Fund and the Town's proportionate share of the collective Net Pension Liability. Required supplementary information is located on pages 36-41 of this report.

TOWN OF UNIVERSITY PARK, MARYLAND

Management's Discussion and Analysis For the Year Ended June 30, 2023

Government-wide Financial Analysis

Over time, changes in net position serve as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows exceeded liabilities and deferred inflows by \$6,566,693 as of June 30, 2023.

The Town's investment in capital assets, net of depreciation (e.g., buildings, land, improvements, equipment, and vehicles), less any unmatured debt used to acquire or construct those assets represents approximately 25% of net position. 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. An additional portion of the Town's net position (\$447,176 or 7%) represents resources that are restricted by enabling legislation on how they may be used. The remaining balance of unrestricted net position (68%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town reports positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental activities.

STATEMENT OF NET POSITION

A summary of government-wide assets, liabilities and net position is as follows:

	Governmental Activities	
	2023	2022
Assets		
Current and other assets	\$ 7,120,087	\$ 4,249,583
Capital assets, net	4,042,788	4,331,845
Total Assets	11,162,875	8,581,428
Deferred Outflows of Resources	205,792	205,792
Liabilities		
Current liabilities	1,272,648	1,257,531
Long-term liabilities	3,312,937	3,522,435
Total Liabilities	4,585,585	4,779,966
Deferred Inflows of Resources	216,389	216,389
Net Position		
Net investment in capital assets	1,617,859	1,594,612
Restricted	447,176	728,520
Unrestricted	4,501,658	1,467,733
Total Net Position	\$ 6,566,693	\$ 3,790,865

TOWN OF UNIVERSITY PARK, MARYLAND

Management's Discussion and Analysis For the Year Ended June 30, 2023

Government-wide Financial Analysis (continued)

The Town's net position increased \$2,775,828 for the year ended June 30, 2023. Key elements are as follows:

- American Rescue Plan grant of \$2,024,047.
- Speed camera revenue of \$1,642,982 has brought in an increase of steady Public Service revenue in addition to accomplishing traffic calming measures.
- Increased expenditures as a result of spending of the American Rescue Plan grant.

STATEMENT OF ACTIVITIES

The following table summarizes changes in net position for governmental activities during the year:

	Governmental Activities	
	2023	2022
Revenue		
Program revenue:		
Charges for services	\$ 1,699,580	\$ 726,283
Operating grants and contributions	2,212,744	761,591
Capital grants and contributions	225,000	-
General revenue:		
Property taxes	2,518,247	2,514,921
Income taxes	1,321,927	958,592
Other	250,485	36,509
Total Revenue	8,227,983	4,997,896
Program Expenses		
General government	809,291	788,477
Public safety	2,279,466	1,350,776
Public works	2,273,342	2,449,295
Interest on long-term debt	90,056	85,766
Total Program Expenses	5,452,155	4,674,314
Change in Net Position	2,775,828	323,582
Net position, beginning of year	3,790,865	3,467,283
Net Position, End of Year	\$ 6,566,693	\$ 3,790,865

TOWN OF UNIVERSITY PARK, MARYLAND

**Management’s Discussion and Analysis
For the Year Ended June 30, 2023**

Government-wide Financial Analysis (continued)

Governmental Activities

Revenue from the Town’s governmental activities was \$8,227,983, while total expenses were \$5,420,539. The table below presents the cost of each of the Town’s largest services – general government, public safety, and public works, as well as, each service’s net cost (total cost less fees generated by the activities and intergovernmental aid).

	Total Cost of Services		Net Cost (Surplus) of Services	
	2023	2022	2023	2022
General government	\$ 809,291	\$ 787,547	\$ 741,817	\$ 645,718
Public safety	2,279,466	1,350,776	582,536	669,593
Public works	2,273,342	2,449,295	(99,578)	1,784,433
Total	\$ 5,362,099	\$ 4,587,618	\$ 1,224,775	\$ 3,099,744

The net cost shows the financial burden that was placed on the Town’s taxpayers by each of these services.

- The cost of all governmental activities this year, excluding interest, was approximately \$5.4 million. Some of that cost was financed by:
 - Those who directly benefited from the programs (\$1,699,580), or
 - Other governments and organizations that subsidized certain programs with grants and contributions (\$2,437,744).
- The Town financed the remaining \$1.3 million “public benefit” portion of governmental activities with taxes.

TOWN OF UNIVERSITY PARK, MARYLAND

Management's Discussion and Analysis For the Year Ended June 30, 2023

Government-wide Financial Analysis (continued)

General Fund

	<u>2023</u>	<u>Percent of Total</u>	<u>2022</u>	<u>Percent of Total</u>
Revenue				
General property taxes	\$ 2,518,247	32%	\$ 2,514,921	51%
Local income taxes	1,174,794	15%	811,459	17%
Fines, licenses and permits	1,699,580	22%	726,283	15%
Intergovernmental	2,212,744	28%	761,591	16%
Miscellaneous	250,485	3%	36,509	1%
Total Revenue	<u>\$ 7,855,850</u>	<u>100%</u>	<u>\$ 4,850,763</u>	<u>100%</u>

General property taxes comprise the largest source of Town revenue, totaling \$2.5 million (32%) of total revenues for the general fund for fiscal year 2023. Each municipality sets its own property tax rates, within parameters established by the State. For fiscal year 2023, the Town's property tax rate was set at the constant yield rate of \$0.5167 per \$100 of assessed value of real property.

Fines, licenses, and permits, totaling \$1.7 million (22%), reflect fees charged to Town citizens. These primarily support public works, public safety, and various general government administrative services such as permit review, subdivision and site fees.

Local income taxes, totaled \$1.2 million or approximately 15% of total governmental revenue. This revenue source fluctuates with changes in personal income levels, the ups and downs of the economy and also has some association with unemployment rates during the fiscal year.

	<u>2023</u>	<u>Percent of Total</u>	<u>2022</u>	<u>Percent of Total</u>
Expenditures:				
Current operations:				
General government	\$ 745,636	18%	\$ 827,133	20%
Public safety	2,070,863	49%	1,279,574	30%
Public works	1,374,990	32%	1,265,490	30%
Capital outlays	65,554	2%	838,497	20%
Total	<u>\$ 4,257,043</u>	<u>100%</u>	<u>\$ 4,210,694</u>	<u>100%</u>

TOWN OF UNIVERSITY PARK, MARYLAND

Management's Discussion and Analysis For the Year Ended June 30, 2023

Government-wide Financial Analysis (continued)

General Fund Budgetary Highlights

The Town adopts an operating budget as of July 1 each year and amends that budget throughout the year in response to actual events. The Schedule of Revenues and Expenditures - Budget and Actual can be found as part of the Required Supplementary Information, which is located after the Notes on pages 38 through 41. The schedule reports original and final budgets, as well as the variance between actual expenditures and final budget.

Capital Assets and Debt Administration

	Governmental Activities	
	2023	2022
Land	\$ 140,263	\$ 140,263
Buildings	879,586	880,759
Machinery & equipment	448,966	579,896
Capital improvements	2,573,973	2,730,927
Total	\$ 4,042,788	\$ 4,331,845

The Town's total investment in capital assets, for its governmental activities amounts to approximately \$4.0 million and \$4.3 million as of June 30, 2023 and June 30, 2022, respectively (net of accumulated depreciation). This investment in capital assets includes land and land improvements, construction in progress, buildings, improvements, and equipment.

The Town's total investment in capital assets for the current fiscal year, net of depreciation, decreased by approximately \$289 thousand.

Additional information can be found in Note 6 on page 27 of this report.

Debt administration

At the end of the current fiscal year, the Town had total long-term debt outstanding of \$2.7 million in loans and bond commitments.

	Governmental Activities	
	2023	2022
Financed purchase	\$ 51,975	\$ 76,607
Bonds payable	2,372,954	2,660,626
Total	\$ 2,424,929	\$ 2,737,233

Additional information on the Town's long-term debt is located in Note 7 on page 28 of this report.

TOWN OF UNIVERSITY PARK, MARYLAND

Management's Discussion and Analysis For the Year Ended June 30, 2023

Subsequent Items for Future Financial Statements

The General Fund Budget for FY23 is based on a tax rate of \$0.4959 per \$100 of assessment. The FY22 tax rate was \$0.5167 per \$100 of assessment.

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 Town's Treasurer at 6724 Baltimore Avenue, University Park, Maryland 20782.

TOWN OF UNIVERSITY PARK, MARYLAND

**Statement of Net Position
As of June 30, 2023**

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 247,865
Investments	5,906,373
Accounts receivables, net of allowances	335,528
Accounts receivables- income taxes	589,426
Prepaid expenses	15,159
Other assets	25,736
Total Current Assets	<u>7,120,087</u>
Noncurrent Assets	
Non-depreciable assets	140,263
Capital assets, net	3,902,525
Total Noncurrent Assets	<u>4,042,788</u>
Total Assets	<u>11,162,875</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension	<u>205,792</u>
LIABILITIES	
Current Liabilities	
Accounts payable and accrued expenses	920,139
Accrued payroll	60,757
Current portion of long term debt	291,752
Total Current Liabilities	<u>1,272,648</u>
Noncurrent liabilities	
Compensated absences	65,702
Net pension liability	1,114,058
Long term debt, net of current portion	2,133,177
Total Noncurrent Liabilities	<u>3,312,937</u>
Total Liabilities	<u>4,585,585</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension	<u>216,389</u>
NET POSITION	
Net investment in capital assets	1,617,859
Restricted	447,176
Unrestricted	4,501,658
TOTAL NET POSITION	<u>\$ 6,566,693</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF UNIVERSITY PARK, MARYLAND

**Statement of Activities
For the Year Ended June 30, 2023**

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	Total
Primary Government						
Governmental Activities:						
General government	\$ 809,291	\$ 50,961	\$ 16,513	\$ -	\$ (741,817)	\$ (741,817)
Public safety	2,279,466	1,648,619	48,311	-	(582,536)	(582,536)
Public works	2,273,342	-	2,147,920	225,000	99,578	99,578
Interest	90,056	-	-	-	(90,056)	(90,056)
Total Governmental Activities	5,452,155	1,699,580	2,212,744	225,000	(1,314,831)	(1,314,831)
Total Primary Government	<u>\$ 5,452,155</u>	<u>\$ 1,699,580</u>	<u>\$ 2,212,744</u>	<u>\$ 225,000</u>	<u>(1,314,831)</u>	<u>(1,314,831)</u>
			General Revenue:			
			Taxes			
			Property taxes		2,518,247	2,518,247
			Income taxes		1,321,927	1,321,927
			Interest and investment earnings		204,210	204,210
			Miscellaneous		46,275	46,275
			Total General Revenue		<u>4,090,659</u>	<u>4,090,659</u>
			Change in Net Position		<u>2,775,828</u>	<u>2,775,828</u>
			Net position, beginning of year		<u>3,790,865</u>	<u>3,790,865</u>
			Net Position, End of Year		<u>\$ 6,566,693</u>	<u>\$ 6,566,693</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF UNIVERSITY PARK, MARYLAND

**Balance Sheet – Governmental Funds
As of June 30, 2023**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 247,865	\$ -	\$ -	\$ 247,865
Investments	5,906,373	-	-	5,906,373
Accounts receivable	335,528	-	-	335,528
Accounts receivable- income taxes	589,426	-	-	589,426
Prepaid expenses	15,159	-	-	15,159
Other assets	25,736	-	-	25,736
Total Assets	<u>\$ 7,120,087</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,120,087</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 899,591	\$ -	\$ -	\$ 899,591
Accrued salaries	60,757	-	-	60,757
Total Liabilities	<u>960,348</u>	<u>-</u>	<u>-</u>	<u>960,348</u>
DEFERRED INFLOWS OF RESOURCES	<u>589,426</u>	<u>-</u>	<u>-</u>	<u>589,426</u>
FUND BALANCES				
Non-spendable	15,159	-	-	15,159
Restricted	432,017	-	-	432,017
Unassigned	5,123,137	-	-	5,123,137
Total Fund Balances	<u>5,570,313</u>	<u>-</u>	<u>-</u>	<u>5,570,313</u>
Total Liabilities, Deferred Infows of Resources and Fund Balances	<u>\$ 7,120,087</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,120,087</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF UNIVERSITY PARK, MARYLAND

**Reconciliation of the Governmental Fund Balance to the Statement
of Net Position
As of June 30, 2023**

Total Governmental Fund Balances	\$ 5,570,313
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the fund statement.	4,042,788
Receivables pertaining to revenues that are not available in accordance with modified accrual accounting are reported as deferred inflows of resources in the funds.	589,426
Deferred inflows and outflows of resources related to pension.	(10,597)
Net pension liability	(1,114,058)
Compensated absences	(86,250)
Long-term debt	<u>(2,424,929)</u>
Net Position of Governmental Activities	<u><u>\$ 6,566,693</u></u>

The accompanying notes are an integral part of this financial statement.

TOWN OF UNIVERSITY PARK, MARYLAND

**Statement of Revenue, Expenditures, and Change in Fund Balance – Governmental Fund
For the Year Ended June 30, 2023**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUE				
Property taxes	\$ 2,518,247	\$ -	\$ -	\$ 2,518,247
Local income taxes	1,174,794	-	-	1,174,794
Intergovernmental revenue	2,212,744	-	225,000	2,437,744
Fines, licenses and permits	1,699,580	-	-	1,699,580
Interest income	204,210	-	-	204,210
Miscellaneous	46,275	-	-	46,275
Total Revenues	<u>7,855,850</u>	<u>-</u>	<u>225,000</u>	<u>8,080,850</u>
EXPENDITURES				
General government	745,636	-	-	745,636
Public safety	2,070,863	-	-	2,070,863
Public works	1,374,990	-	-	1,374,990
Capital outlays	65,554	-	756,076	821,630
Debt service				
Principal	-	279,845	-	279,845
Interest	-	90,056	-	90,056
Total Expenditures	<u>4,257,043</u>	<u>369,901</u>	<u>756,076</u>	<u>5,383,020</u>
Excess of revenues over (under) expenditures and other financing uses	<u>3,598,807</u>	<u>(369,901)</u>	<u>(531,076)</u>	<u>2,697,830</u>
Other Financing Sources (Uses)				
Transfer in	-	369,901	172,572	542,473
Transfer out	(542,473)	-	-	(542,473)
Total Other Financing Sources (Uses)	<u>(542,473)</u>	<u>369,901</u>	<u>172,572</u>	<u>-</u>
Change in Fund Balance	3,056,334	-	(358,504)	2,697,830
Fund Balance, Beginning of Year	2,513,979	-	358,504	2,872,483
Fund Balance, End of Year	<u>\$ 5,570,313</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,570,313</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF UNIVERSITY PARK, MARYLAND

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2023**

Net Change in Fund Balances - Total Governmental Fund \$ 2,697,830

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense: this is the amount by which depreciation exceeded capital outlays in the current period and loss on disposal of capital assets. (289,057)

Pension/OPEB expense pertaining to the net pension/OPEB liability, deferred inflows, and deferred outflows are not reported in the funds. (131,746)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. 158,396

Some expenses representing the change in long-term liabilities or assets reported in the Statement of Activities, including compensated absences, do not use current financial resources and are not reported as expenditures in the governmental funds. 28,101

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 312,304

Change in Net Position of Governmental Activities \$ 2,775,828

The accompanying notes are an integral part of this financial statement.

TOWN OF UNIVERSITY PARK, MARYLAND

Notes to the Financial Statements For the Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

The Town of University Park, Maryland (the Town) operates under a Mayor and Council form of government. The Town's major operations include public safety, public works and general administrative services.

The accounting policies of the Town conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

In evaluating how to define the Town, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set by the Governmental Accounting Standards Board. Component units are legally separate organizations for which the elected officials of the Town are financially accountable and a financial benefit or burden relationship exists. In addition, component units can be other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the Town's financial statements to be misleading. Based upon the application of criteria set by the Governmental Accounting Standards Board, there are no separate component units of the Town.

Basis of Presentation – Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The Town's funds are grouped into two broad fund categories.

Governmental funds include the General Fund, Debt Service Fund, and Capital Projects Fund. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. The Debt Service Fund is a fund used to account for the debt servicing activity relating to the Town's long term debt. The Capital Project Fund is to be used to account for capital outlays financed by general obligation debt for the acquisition or construction of major capital facilities.

Basis of Accounting - Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Town, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. The Town has no business-type activities.

TOWN OF UNIVERSITY PARK, MARYLAND

Notes to the Financial Statements For the Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting - Government-Wide Financial Statements (continued)

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting, including the reclassification or elimination of internal activity (between funds). This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses and program revenue for each governmental program of the Town. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect costs are allocated to programs. 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 needed. Program revenues include charges paid by the recipients of the goods or services offered by the programs, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue which is not classified as program revenue is presented as general revenue. The comparison of program revenues and expenses identifies the extent to which each program segment is self-financing or draws from the general revenues of the Town. Net position should be reported as restricted when constraints placed on net position and the use is either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Fund Financial Statements

Fund financial statements report detailed information about the Town. The focus of governmental and enterprise financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds, if any, are aggregated and presented in a single column.

Governmental Funds

Town activities pertaining to general government, public safety, public works, recreation, and culture are reported in the governmental funds. All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenue is recognized in the accounting period in which it becomes measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

TOWN OF UNIVERSITY PARK, MARYLAND

Notes to the Financial Statements For the Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e. collectible within the current year or within two months of year-end and available to pay obligations of the current period). These include property taxes, franchise taxes, investment earnings, charges for services and intergovernmental revenue.

Some revenue, though measurable, is not available soon enough in the subsequent year to finance current period obligations. Therefore, some revenue is recorded as receivables and deferred inflows of resources.

Other revenue, including licenses and permits, certain charges for services, and miscellaneous revenue, is recorded as revenue when received in cash because it is generally not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid.

Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Cash and Cash Equivalents

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.

Receivables

Receivables are stated at cost with an allowance for doubtful accounts when, in the opinion of Town management, collection is doubtful.

Receivables as of June 30, 2023 consist of taxes, intergovernmental grants and revenue, and other receivables. Receivables are deemed collectible in full and no allowance for uncollectible accounts has been recorded.

TOWN OF UNIVERSITY PARK, MARYLAND

Notes to the Financial Statements For the Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory of Supplies

Inventories, if any, are stated at cost on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental type funds and expenses in the proprietary type funds when used.

Capital Assets and Depreciation

Capital assets, which include property, plant, equipment and infrastructure assets including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems, and similar items, are reported in the applicable governmental activities columns in the government-wide financial statements. The Town defines capital assets as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of one year. The valuation basis for general capital assets are historical cost or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated. The Town recognizes intangible assets if identifiable, and are amortized over their useful lives if they do not have indefinite useful lives.

The costs of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Property and equipment are not reported in governmental funds. In the fund financial statements, the cost of assets acquired in the governmental funds is charged to the capital outlay expenditures of the department financing the acquisition. Depreciation is not reported in governmental funds.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	20-50 years
Improvements/infrastructure	5-50 years
Machinery and equipment	2-20 years

Restricted Reserves

The Town uses restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Deferred Outflows and Inflows of Resources

A *deferred outflow of resources* represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Likewise, a *deferred inflow of resources* represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

TOWN OF UNIVERSITY PARK, MARYLAND

Notes to the Financial Statements For the Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest Expense

Interest is expensed as incurred.

Compensated Absences

Town policy allows employees to accumulate earned but unused vacation and sick pay benefits. The estimated current portion of the liability for vested vacation leave benefits attributable to the Town's governmental funds is recorded as an expenditure and liability in the respective funds. All vacation pay is accrued when incurred in the government-wide financial statements.

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenue, expenditures, and expenses. Actual results could vary from the estimates that were used.

Equity Classifications

Equity is classified as net position and is displayed in three components.

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings, and reduced or increased by deferred inflows and outflows attributable to the acquisition, construction or improvement of those assets.

Restricted net position – Consists of net position with constraints placed on their use either by 1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation and are reduced by liabilities and deferred inflows of resources related to those constraints.

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

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

TOWN OF UNIVERSITY PARK, MARYLAND

Notes to the Financial Statements For the Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Fund Balances

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

1. Non-Spendable Fund Balance – amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.
2. Restricted Fund Balance – amounts that can be spent only for specific purposes because of restrictions imposed externally by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by the Town Charter, Town Code or enabling legislation.
3. Committed Fund Balance – amounts that can be used only for specific purposes determined by a formal action by Town Council, the Town’s highest level of decision-making authority, ordinance or resolution.
4. Assigned Fund Balance – amounts that are constrained by the Town’s intent that they will be used for specific purposes but are neither restricted nor committed. Pursuant to the Town Charter, the Town Council are authorized to assign amounts for specific purposes.
5. Unassigned Fund Balance – all amounts not included in other spendable classifications.

The Town considers restricted fund balances to be spent for governmental expenditures first when both restricted and unrestricted resources are available. The Town also considers committed fund balances should be spent first when other unrestricted fund balance classifications are available for use.

2. COMPLIANCE AND ACCOUNTABILITY

Requirements for all Funds

The budget shall be prepared and adopted in the form of an Ordinance on or before May 31st of each year. A favorable vote of at least a majority of the total elected membership of the Common Council shall be necessary for adoption. Upon adoption, the Town treasurer is authorized to notify Prince George’s County of the Town’s adopted tax rate. For day-to-day management control, expenditures may not exceed budget at the department level. All annual appropriations lapse at year-end. The Town prepares an annual operating budget on a basis consistent with generally accepted accounting principles.

TOWN OF UNIVERSITY PARK, MARYLAND

Notes to the Financial Statements For the Year Ended June 30, 2023

3. DEPOSITS AND INVESTMENTS

Deposit Policies

The Town's authority to invest surplus cash is derived directly from State law. That law restricts investments to: deposits in financial institutions insured by the Federal Depository Insurance Corporation (FDIC), U.S. Treasury and Agency securities, collateralized repurchase agreements, guaranteed bankers acceptances and the Maryland Local Government Investment Pool.

The Town's deposits are insured or collateralized with securities held by the Town, its agent, or by the pledging financial institution's trust department or agent in the name of the Town.

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned, or the Town will not be able to recover collateral securities in the possession of an outside party. The Town's policy requires deposits to be insured by FDIC, and balances exceeding FDIC limits be secured by collateral. Collateral is to be held by the Town, its agent, or by the pledging financial institution's trust department or agent, in the name of the Town.

As of June 30, 2023, the carrying amounts of the Town's deposits were \$247,865 and the bank balances totaled \$291,135. Of the bank balances, \$250,000 was insured by FDIC. At year-end, the Town's bank balances were not exposed to any custodial credit risk because all deposits were fully insured or collateralized.

Investment Policies

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Town does not have a policy relating to interest rate risk.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town's policy requires deposits to be insured by FDIC and balances exceeding FDIC limits be secured by collateral. Collateral is to be held by the Town, its agent, or by the pledging financial institution's trust department or agent in the name of the Town.

For investments, **custodial credit risk** is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities in the possession of an outside party. Town policy provides that investment collateral is held by a third party custodian with whom the Town has a current custodial agreement in the Town's name.

TOWN OF UNIVERSITY PARK, MARYLAND

Notes to the Financial Statements For the Year Ended June 30, 2023

3. DEPOSITS AND INVESTMENTS (continued)

Investment Policies (continued)

Generally, the Town's investing activities are managed by the Treasurer and the Town Council. Investing is performed in accordance with investment policies adopted by the Town Council complying with State Statutes and the Town Charter. Town funds may be invested in: 1) U.S Treasury Obligations; 2) U.S. Government Agency and U.S. Government-sponsored instrumentalities; 3) Repurchase agreements; 4) Collateralized certificates of deposits (only Maryland commercial banks; and 5) Maryland Local Government Investment Pool (MLGIP).

Investments

The Town has invested \$5,906,373 as of June 30, 2023, in the MLGIP. The fair value of MLGIP investments is determined daily. PNC Bank is currently contracted to operate the MLGIP and may invest in any instrument permitted by Section 6-222 of the State Finance and Procurement Article. The Town's fair value position in the MLGIP is the same as the value of the pool share. The ratings of the MLGIP is AAAM.

4. ACCOUNTS RECEIVABLE

As of June 30, 2023, due from other governments, a component of taxes receivable was comprised of local income tax due from the State of Maryland for \$589,426.

5. PROPERTY TAX

Real estate and personal property taxes are levied based on the State of Maryland assessments. Property taxes include amounts levied against all real property located in the Town. Real property taxes are levied on the first day of July on the assessed value. When taxes are overdue a lien is placed against the property. Taxes are due and payable on the first day of July in the year for which they are levied and become overdue and in arrears on September 30th and December 31st. Penalties and interest are charged on any unpaid taxes. The personal and real property tax rate for fiscal year 2023 were \$2.25 and \$0.4959 per \$100 of assessed value, respectively.

TOWN OF UNIVERSITY PARK, MARYLAND

Notes to the Financial Statements For the Year Ended June 30, 2023

6. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2023 was as follows:

	Balance June 30, 2022	Increases	Decreases	Balance June 30, 2023
Governmental activities:				
Not being depreciated:				
Land	\$ 140,263	\$ -	\$ -	\$ 140,263
Construction in progress	-	-	-	-
Subtotal	<u>140,263</u>	<u>-</u>	<u>-</u>	<u>140,263</u>
Depreciable capital assets:				
Buildings	1,221,748	-	-	1,221,748
Machinery & equipment	3,298,938	-	-	3,298,938
Capital improvements	6,616,963	756,076	-	7,373,039
Subtotal	<u>11,137,649</u>	<u>756,076</u>	<u>-</u>	<u>11,893,725</u>
Total capital assets	<u>11,277,912</u>	<u>756,076</u>	<u>-</u>	<u>12,033,988</u>
Accumulated depreciation:				
Buildings	340,989	1,173	-	342,162
Machinery & equipment	2,719,042	130,930	-	2,849,972
Capital improvements	3,886,036	913,030	-	4,799,066
Subtotal, accumulated depreciation	<u>6,946,067</u>	<u>1,045,133</u>	<u>-</u>	<u>7,991,200</u>
Total Capital Assets, Net	<u>\$ 4,331,845</u>	<u>\$ (289,057)</u>	<u>\$ -</u>	<u>\$ 4,042,788</u>

Depreciation was charged to functions as follows: general government \$53,738; public safety \$143,234; and public works \$848,161.

7. LONG-TERM DEBT

During fiscal year 2014, the Town entered into a financing agreement with STI Institutional and Government Inc. As part of the financing agreement, the Town issued a general obligation bond in the amount of \$2,602,000 to pay the outstanding principal amount on the 2009 and 2011 general obligation bonds. The bond bears an average rate of 2.31% over the life of the bond. Principal and interest is payable semi-annually on January 11 and July 11, beginning on January 11, 2014 and continuing through July 11, 2028.

During the fiscal year 2020, the Town entered into a financing agreement with the Maryland Department of Housing and Community Development Infrastructure Financing Project. As part of the financing agreement, the Town issued a general obligation bond at a premium with gross proceeds from the sale of bonds in the amount of \$1,458,676 to pay for road work and related projects. The bond bears an average rate of 2.54% over the life of the bond. Principal and interest are payable semi-annually on April 1 and October 1 beginning on April 1, 2020 and continuing through 2034.

TOWN OF UNIVERSITY PARK, MARYLAND

**Notes to the Financial Statements
For the Year Ended June 30, 2023**

7. LONG-TERM DEBT (continued)

	<u>June 30, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2023</u>	<u>Amount Due Within 1 Year</u>
Ford F550 lease	\$ 76,607	\$ -	\$ 24,632	\$ 51,975	\$ 25,435
2019 Issue	1,256,000	-	83,500	1,172,500	83,500
2014 Issue	1,272,491	-	171,713	1,100,778	182,817
Bond premium	132,135	-	32,459	99,676	-
Total	<u>\$ 2,737,233</u>	<u>\$ -</u>	<u>\$ 312,304</u>	<u>\$ 2,424,929</u>	<u>\$ 291,752</u>

Principal and interest payments are as follows:

<u>For the Years Ending June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 291,752	\$ 69,654	\$ 361,406
2025	303,984	60,804	364,788
2026	285,411	53,598	339,009
2027	348,486	37,392	385,878
2028	102,000	33,325	135,325
2029-2033	777,938	89,350	867,288
2034	163,707	5,333	169,040
Total	<u>\$ 2,273,278</u>	<u>\$ 349,456</u>	<u>\$ 2,622,734</u>

8. FUND BALANCE REPORTING

Fund balances for the Town’s governmental funds consisted of the following as of June 30, 2023:

Non-Spendable Fund Balance

As of June 30, 2023, non-spendable fund balance was \$15,159 relating to prepaid expenses.

Restricted Fund Balance

As of June 30, 2023, restricted fund balance was \$432,017 related to cemetery, streets and other purposes.

Unassigned Fund Balance

Unassigned fund balance totaled \$5,123,137 in the general fund.

TOWN OF UNIVERSITY PARK, MARYLAND

Notes to the Financial Statements For the Year Ended June 30, 2023

9. RETIREMENT PLAN

The Town participates in the Maryland State Pension System (the System) described below and qualifies as a Participating Governmental Unit (PGU). The State Retirement Agency (the "Agency") is the Plan administrator and fiduciary. Government Accounting Standards Board (GASB) No. 68 requires that a PGU recognize its proportionate share of the System's net pension liability (i.e., unfunded pension liability) and pension expense. The Town's proportionate share of the net pension liability is based on total System contributions and approximates \$1,114,058 as of the measurement date of June 30, 2023.

The Town's fiscal 2023 contribution of \$147,196 is therefore recognized as a pension-related deferred outflow of resources.

A. Description of Plan

The State of Maryland identifies multiple-employer defined benefit pension plans as cost-sharing plans.

The Employees' Pension System of the State of Maryland (Pension System) was established January 1, 1980. The Pension System covers employees hired after December 31, 1979, as well as Retirement System participants who have voluntarily joined the Pension System. The Employees Contributory Pension System of the State of Maryland (Contributory Pension System) was established July 1, 1998. The Town elected to participate in the Contributory Pension System during fiscal year 2010.

Under the terms of the Contributory Pension System, a member hired may retire with full benefits upon attaining age 60 or after completing 30 years of eligible service regardless of age. A member may retire with reduced benefits prior to attaining age 60 after completing 25 years of eligible service. A member terminating employment before attaining retirement age but after completing five years of eligible service becomes eligible for a vested retirement allowance upon age 60.

Under the terms of the Contributory Pension System, a member hired before July 1, 2011 may retire after 30 years of service regardless of age; at age 65 with two years of service; at age 64 with three years of service; at age 63 with four years of service; or at age 62 with at least five years of service. An employee hired before July 1, 2011 may also take early retirement with reduced benefits at age 55 with 15 years of service. A member hired before July 1, 2011 terminating employment before attaining retirement age, but after completing five years of eligible service, becomes eligible for a vested pension allowance upon reaching age 62. Members hired on or after July 1, 2011 may retire when their age and years of eligibility service totals 90 years or at age 65 with 10 years of eligibility service. Members hired on or after July 1, 2011 may retire with reduced benefits at age 60 with 15 years of eligibility service. A member hired on or after July 1, 2011 terminating employment before attaining retirement age but after completing ten years of eligible service becomes eligible for a vested pension allowance upon reaching age 65.

TOWN OF UNIVERSITY PARK, MARYLAND

Notes to the Financial Statements For the Year Ended June 30, 2023

9. RETIREMENT PLAN (continued)

A. Description of Plan (continued)

On retirement from service, a member of any of these plans shall receive an annual service retirement allowance based on the member's average final compensation and years of creditable service multiplied by a factor. This factor varies from 1.2% to 2.0% per eligible service year, depending on employee/employer contributions and other plan-specific provisions. Early retirement, where available, is subject to provisions that reduce the benefit received.

Benefits are established under the State Personnel and Pensions Article of the Annotated Code of Maryland. The plan is administered by the Maryland State Retirement Agency.

The Pension System issues annual financial statements which are publicly available at www.sra.state.md.us or may be obtained by writing to the State Retirement and Pension System of Maryland, 301 West Preston Street, Baltimore, MD 21201, or by calling 1-800-492-5909.

Funding Policy

Obligations to contribute to the plans are under the Annotated Code of Maryland. Members of the pension plan contribute 10.93% of annual compensation during employment. The required contribution rate is determined on an actuarially determined basis. During the year ended June 30, 2023, the Town contributed \$147.196. The Town contributed 100% of its required contribution for the year ended June 30, 2023. For members of the pension plan, full service pension allowances of average final compensation (AFC) range from 1.5% to 1.8%.

Actuarial Assumptions

The key actuarial assumptions used to perform the June 30, 2023 pension liability calculation are as follows:

Actuarial Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Inflation	2.25% General
Salary Increase	2.75 to 11.25%
Investment Rate of Return	6.80%

TOWN OF UNIVERSITY PARK, MARYLAND

Notes to the Financial Statements For the Year Ended June 30, 2023

9. RETIREMENT PLAN (continued)

A. Description of Plan (continued)

Investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Pension System's Board after considering input from the investment consultant(s) and actuary(s). For each major asset class that is included in the Pension System's target asset allocation, these best estimates are summarized in the following table:

Asset Class	Target Allocations	Long-term Expected Real Rate of Return
Public equity	37%	4.70%
Private equity	13%	6.50%
Rate sensitive	19%	-0.40%
Credit opportunity	9%	2.60%
Real assets	14%	4.20%
Absolute return	8%	2.00%
Total	<u>100%</u>	

Discount Rate

A single discount rate of 6.8% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 6.8%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at a rate equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF UNIVERSITY PARK, MARYLAND

**Notes to the Financial Statements
For the Year Ended June 30, 2023**

9. RETIREMENT PLAN (continued)

A. Description of Plan (continued)

Sensitivity of the Net Pension Liability

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the System’s net pension liability and the Town’s proportionate share of the System’s net pension liability, calculated using a single discount rate of 6.8%, a single discount rate that is 1-percentage point lower (i.e., 5.8%), and a single discount rate that is 1-percentage point higher (i.e., 7.8%).

	1.0% Decrease (5.80%)	Current Rate (6.80%)	1.0% Increase (7.80%)
Net pension liability	\$ 1,709,319	\$ 1,114,058	\$ 620,129

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

As of June 30, 2023, the Town reported a liability of \$1,114,058 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental units, actuarially determined.

For the year ended June 30, 2023, the Town recognized pension expense of \$132,022. As of June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Change of assumptions	\$ 75,499	\$ 8,360
Net difference between projected and actual earnings on pension plan investments	-	178,133
Difference between actual and expected experience	-	29,896
Contributions subsequent to the measurement date	130,293	-
Total	<u>\$ 205,792</u>	<u>\$ 216,389</u>

TOWN OF UNIVERSITY PARK, MARYLAND

Notes to the Financial Statements For the Year Ended June 30, 2023

9. RETIREMENT PLAN (continued)

A. Description of Plan (continued)

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

Amounts reported as deferred outflows of resources and deferred inflows of resources are related to pension, which will be recognized in pension expense as follows:

Year	Total
2024	\$ (9,014)
2025	(8,375)
2026	(25,184)
2027	77,476
2028	(4,658)
Total	<u>\$ 30,245</u>

10. COMMITMENTS AND CONTINGENCIES

Grants

The Town receives grants from time-to-time. 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 result of disallowed expenditures.

11. NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended June 30, 2023, that have effective dates that may impact future financial presentations. Management will be analyzing the effects of these pronouncements and plans to adopt them as applicable by their effective date.

Statement No. 96, Subscription-Based Information Technology Arrangements

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements. The requirements of this Statement are effective for periods beginning after June 15, 2023 (FY 2023). The Town implemented the Statement without material effect the financial statements.

TOWN OF UNIVERSITY PARK, MARYLAND

Notes to the Financial Statements For the Year Ended June 30, 2023

11. NEW ACCOUNTING PRONOUNCEMENTS

Statement No. 101, *Compensated Absences*

This Statement aligns recognition and measurement guidance for all types of compensated absences under a unified model which will result in governments recognizing a liability that more appropriately reflects when they incur an obligation for compensated absences. The requirements of this Statement are effective for periods beginning after December 15, 2023 (FY 2025). The Town is currently evaluating the effect of implementation of this Statement.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF UNIVERSITY PARK, MARYLAND

**Schedule of the Town's Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2023**

	<u>2023</u>		<u>2022</u>		<u>2021</u>		<u>2020</u>		<u>2019</u>		<u>2018</u>		<u>2017</u>		<u>2016</u>
Town's proportion (%) of collective net pension liability	0.006%		0.005%		0.006%		0.556%		0.005%		0.005%		0.520%		0.520%
Town's proportionate share (\$) of collective net pension liability	\$ 1,114,058	\$	1,114,058	\$	1,332,397	\$	1,167,053	\$	1,029,290	\$	1,233,045	\$	1,081,842	\$	927,553
Town's covered-employee payroll (\$)	1,405,440		1,420,478		1,447,824		1,439,346		1,295,746		1,347,322		1,416,517		1,127,673
Town's proportionate share of collective net pension liability as a percentage of its covered-employee payroll	79.27%		78.43%		92.03%		81.08%		79.44%		91.52%		76.37%		82.25%
Pension plan's fiduciary net position as a percentage of the total pension liability	76.27%		81.84%		70.72%		71.18%		69.38%		65.79%		68.78%		71.87%

The above schedules are presented to illustrate the requirement for specific information for 10 years; however, until a full 10-year trend is compiled, information is only presented for those years for which information is available.

TOWN OF UNIVERSITY PARK, MARYLAND

**Schedule of the Town's Pension Plan Contributions
For the Year Ended June 30, 2023**

	<u>2022</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 147,196	\$ 130,293	\$ 147,552	\$ 125,929	\$ 120,210	\$ 110,916	\$ 96,882	\$ 101,809	\$ 109,723	\$ 121,799	\$ 100,591
Contributions in relation to the contractually required contribution	<u>147,196</u>	<u>130,293</u>	<u>147,552</u>	<u>125,929</u>	<u>120,210</u>	<u>110,916</u>	<u>96,882</u>	<u>101,809</u>	<u>109,723</u>	<u>121,799</u>	<u>100,591</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>					
Town's covered-employee payroll	\$ 1,405,440	\$ 1,420,478	\$ 1,447,824	\$ 1,439,346	\$ 1,295,746	\$ 1,347,322	\$ 1,416,517	\$ 1,127,673	\$ 1,217,988	\$ 1,118,912	\$ 1,117,939
Contributions as a percentage of covered-employee payroll	10.5%	9.2%	10.2%	8.7%	9.3%	8.2%	6.8%	9.0%	9.0%	10.9%	9.0%

The above schedules are presented to illustrate the requirement for specific information for 10 years; however, until a full 10-year trend is compiled, information is only presented for those years for which information is available.

TOWN OF UNIVERSITY PARK, MARYLAND

**Schedule of Revenue and Expenditures Budget and Actual (Budgetary Basis) -
General Fund
For the Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUE				
Taxes				
Real estate	\$ 2,451,811	\$ 2,451,811	\$ 2,450,957	\$ (854)
Personal property	60,000	60,000	63,074	3,074
Penalties and interest	3,000	3,000	4,216	1,216
State income taxes	770,000	770,000	1,174,794	404,794
Total taxes	<u>3,284,811</u>	<u>3,284,811</u>	<u>3,693,041</u>	<u>408,230</u>
Licenses and permits				
Building, permits and fees	1,500	1,500	3,505	2,005
Cable television- capital equipment	22,750	22,750	20,439	(2,311)
Cable television- franchise fees	37,000	37,000	32,653	(4,347)
Speed camera	618,749	618,749	1,642,982	1,024,233
Fines	3,000	3,000	2,387	(613)
Rental license fees	32,400	32,400	15,950	(16,450)
Total licenses and permits	<u>715,399</u>	<u>715,399</u>	<u>1,717,916</u>	<u>1,002,517</u>
From other governments				
Police grant	50,310	50,310	48,311	(1,999)
Highway user revenue	122,347	122,347	123,873	1,526
Bank stock tax	10,257	10,257	10,257	-
Prince George's County landfill rebate	6,256	6,256	6,256	-
ARPA	1,296,109	1,296,109	2,024,047	727,938
Total from other governments	<u>1,485,279</u>	<u>1,485,279</u>	<u>2,212,744</u>	<u>727,465</u>
Miscellaneous				
Interest	3,750	3,750	204,210	200,460
Recycling income	2,400	2,400	3,000	600
Vehicle releases	500	500	3,250	2,750
Miscellaneous receipts	200	200	18,815	18,615
Sale of assets	100	100	-	(100)
Sale of energy credits	4,000	4,000	2,874	(1,126)
Solar system revenue	1,000	1,000	-	(1,000)
Total miscellaneous	<u>11,950</u>	<u>11,950</u>	<u>232,149</u>	<u>220,199</u>
Use of fund balance	<u>2,363,472</u>	<u>2,243,979</u>	<u>-</u>	<u>(2,243,979)</u>
TOTAL REVENUE	<u>\$ 7,860,911</u>	<u>\$ 7,741,418</u>	<u>\$ 7,855,850</u>	<u>\$ 114,432</u>

TOWN OF UNIVERSITY PARK, MARYLAND

**Schedule of Revenue and Expenditures Budget and Actual (Budgetary Basis) -
General Fund
For the Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES				
General government				
ADA accessibility	\$ 250	\$ 250	\$ -	\$ 250
ARPA expenditures	1,979,940	1,969,940	131,729	1,838,211
Arts in the park	500	500	379	121
Audit and accounting services	11,300	13,500	13,500	-
Azalea classic	6,000	6,000	6,000	-
Building maintenance and repairs	28,000	43,500	43,423	77
Building utilities	7,000	7,300	7,291	9
Clerk (recording secretary)	5,000	5,000	2,529	2,471
Community events	2,000	2,000	1,539	461
Election expenses	5,500	5,500	3,460	2,040
Engineering services	3,000	3,000	641	2,359
Employee awards and events	3,500	3,500	2,202	1,298
Fire department donations	12,000	12,000	12,000	-
Gas blower rebate program	10,000	10,000	4,097	5,903
Insurance	37,000	37,000	36,479	521
IT costs	30,100	30,100	25,441	4,659
Legal advertising	1,500	1,500	670	830
Legal fees and expenses	45,000	42,800	32,566	10,234
Meeting costs	5,000	5,000	-	5,000
Membership dues and professional development	6,300	6,300	5,608	692
Newsletter	25,000	25,000	22,002	2,998
Office supplies and postage	21,000	22,800	22,759	41
Payroll taxes and employee benefits	85,268	85,268	65,055	20,213
PTA donation	6,000	6,000	6,000	-
Publications	3,000	3,000	509	2,491
Salaries	332,395	311,485	238,668	72,817
Senior programs	5,000	5,000	1,274	3,726
Solar array maintenance	2,500	2,500	-	2,500
Small equipment	3,500	3,500	3,331	169
Telephone	12,000	12,000	11,702	298
Toan administrator	13,500	14,150	14,129	21
Transit Call-A-Bus	100	100	-	100
Travel	26,500	26,500	20,728	5,772
Website	7,000	9,660	9,652	8
Training	1,500	1,500	273	1,227
Total general government expenditures	<u>2,743,153</u>	<u>2,733,153</u>	<u>745,636</u>	<u>1,987,517</u>

TOWN OF UNIVERSITY PARK, MARYLAND

**Schedule of Revenue and Expenditures Budget and Actual (Budgetary Basis) -
General Fund
For the Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Public works				
Cemetery upkeep	\$ 100	\$ 100	\$ -	\$ 100
Composting	8,500	8,500	4,595	3,905
Fuel	50,000	50,000	26,371	23,629
Landfill charges	66,000	66,000	59,574	6,426
Medical exams	500	705	704	1
Park usage concept plan	25,000	25,000	-	25,000
Park landscape maintenance	15,000	17,700	17,665	35
Payroll taxes and benefits	290,508	269,108	262,991	6,117
Recycling	15,000	15,000	14,798	202
Resident tree reimbursement	4,000	4,000	2,640	1,360
Playing field maintenance	8,500	8,500	6,600	1,900
Salaries	636,320	657,720	657,656	64
Snow removal	5,000	5,000	241	4,759
Street and sidewalk repairs	43,000	43,000	41,120	1,880
Street and traffic lights	28,000	29,525	29,525	-
Street tree maintenance	50,000	61,800	61,707	93
Street tree replacement	10,000	10,700	10,695	5
Tools and supplies	18,500	18,500	17,986	514
Town maintenance facility	32,000	32,000	28,897	3,103
Training	5,000	5,000	2,766	2,234
Travel and dues	5,000	5,000	4,939	61
Tree maintenance	25,000	25,000	24,745	255
Tree ordinance	10,000	6,160	-	6,160
Tree replacement	8,000	8,000	7,997	3
Truck repair and maintenance	47,000	71,000	70,932	68
Uniforms	6,500	6,710	6,706	4
Upkeep of parks	10,500	13,200	13,140	60
Vehicle storage	-	-	-	-
Total public works	<u>1,422,928</u>	<u>1,462,928</u>	<u>1,374,990</u>	<u>87,938</u>
Public works capital outlays	<u>107,000</u>	<u>67,000</u>	<u>65,554</u>	<u>1,446</u>
Total public works expenditures	<u>1,529,928</u>	<u>1,529,928</u>	<u>1,440,544</u>	<u>89,384</u>

TOWN OF UNIVERSITY PARK, MARYLAND

**Schedule of Revenue and Expenditures Budget and Actual (Budgetary Basis) -
General Fund
For the Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Public safety				
Bike patrol	\$ 500	\$ 500	\$ 60	\$ 440
Body worn camera	7,000	7,220	7,218	2
Code compliance	34,775	34,775	23,947	10,828
Computer	2,000	2,000	1,627	373
MILES computer	100	100	-	100
Crossing guards	10,000	10,000	9,791	209
Fuel	18,000	24,350	24,302	48
GPS	3,000	3,000	124	2,876
Medical exams	7,500	7,500	4,334	3,166
Mobile data terminals	7,500	8,500	8,487	13
Payroll taxes and benefits	360,948	360,948	295,805	65,143
Police supplies	6,440	8,040	7,989	51
Salaries	848,554	836,384	802,249	34,135
Home security rebate	1,500	1,500	1,100	400
Red light/speed camera	166,800	253,900	253,873	27
Speed camera due to state	-	-	512,240	(512,240)
Small equipment	22,100	24,000	23,947	53
Training	20,000	20,000	14,951	5,049
Traffic study analysis	5,000	5,000	-	5,000
Travel	3,500	3,500	2,150	1,350
Uniforms	13,300	14,400	14,305	95
Radio maintenance	500	500	-	500
Vehicle maintenance	13,500	13,500	12,691	809
Total public safety	<u>1,552,517</u>	<u>1,639,617</u>	<u>2,021,190</u>	<u>(381,573)</u>
Public safety capital outlays	<u>50,500</u>	<u>50,500</u>	<u>49,673</u>	<u>827</u>
Total public safety expenditures	<u>1,603,017</u>	<u>1,690,117</u>	<u>2,070,863</u>	<u>(380,746)</u>
Reserves	1,614,905	1,505,412	-	-
Debt service	<u>369,908</u>	<u>369,908</u>	<u>369,901</u>	<u>7</u>
Total expenditures	<u>\$ 7,860,911</u>	<u>\$ 7,828,518</u>	<u>\$ 4,626,944</u>	<u>\$ 1,696,162</u>

SUPPLEMENTAL SCHEDULE

TOWN OF UNIVERSITY PARK, MARYLAND

**Schedule of Capital Projects Revenue and Expenditures
Budget (Non-GAAP) and Actual
For the Year Ended June 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUE			
Maryland bond bill-town hall	\$ 200,000	\$ -	\$ (200,000)
Maryland bond bill-bridges	125,000	-	(125,000)
Community parks grant-playground	225,000	225,000	-
Use of fund balance	<u>800,000</u>	<u>531,077</u>	<u>(268,923)</u>
Total revenue	1,350,000	756,077	(593,923)
EXPENDITURES			
Street work project	520,000	496,731	23,269
Town hall design and construction	240,000	-	240,000
Street engineering, design, and construction	30,000	-	30,000
Bridge	300,000	774	299,226
Playground	<u>260,000</u>	<u>258,572</u>	<u>1,428</u>
Total expenditures	<u>1,350,000</u>	<u>756,077</u>	<u>593,923</u>
Revenue over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>