

TOWN OF UNIVERSITY PARK, MARYLAND

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

For the Year Ended June 30, 2024

TOWN OF UNIVERSITY PARK, MARYLAND

Financial Statements Together with Report of Independent Public Accountants

JUNE 30, 2024

CONTENTS

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements	
Balance Sheet - Governmental Funds	15
Reconciliation of the Governmental Funds Balances to the Statement of Net Position	16
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	17
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	18
Notes to the Financial Statements	19
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of the Town’s Proportionate Share of the Net Pension Liability	35
Schedule of the Town’s Pension Plan Contributions	36
Schedule of Revenue and Expenditures Budget and Actual (Budgetary Basis) – General Fund	37
SUPPLEMENTAL SCHEDULE	
Schedule of Capital Projects Revenue and Expenditures- Budget (Non-GAAP basis) and Actual	42



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, 2024, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the 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, 2024, 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, schedule of the Town's proportionate share of the net pension liability, schedule of the Town's pension plan contributions, 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 statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial



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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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Owings Mills, Maryland
October 25, 2024

SBC + Company, LLC

TOWN OF UNIVERSITY PARK, MARYLAND

Management's Discussion and Analysis For the Year Ended June 30, 2024

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, 2024. 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 at the close of fiscal year June 30, 2024, by \$6,465,612 (*net position*). Of the total net position, \$3,223,421 (*unrestricted net position*) may be used to meet the Town's ongoing obligations to citizens and creditors. Of the remaining total net position, \$1,923,249 is restricted for specific purposes (*restricted net position*), and \$1,318,942 is the net investment in capital assets.
- As of June 30, 2024, the Town's governmental funds reported combined ending fund balances of \$5,836,880.
- The Town's total debt decreased by \$321,553 through regularly scheduled principal payments.
- As of the close of the current fiscal year, the unassigned fund balance for the general fund was \$3,652,592 or 83% 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, 2024

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 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.

TOWN OF UNIVERSITY PARK, MARYLAND

Management's Discussion and Analysis For the Year Ended June 30, 2024

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 37-40 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 19-33 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 and schedule of the Town's pension plan contributions. Required supplementary information is located on pages 35-40 of this report.

TOWN OF UNIVERSITY PARK, MARYLAND

Management's Discussion and Analysis For the Year Ended June 30, 2024

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 \$6,465,612 as of June 30, 2024.

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 20% 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 (\$1,923,249 or 30%) represents resources that are restricted either by external parties or by enabling legislation on how they may be used. The remaining balance of unrestricted net position (50%) 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	
	2024	2023
Assets		
Current and other assets	\$ 6,731,994	\$ 7,120,087
Capital assets, net	3,422,318	4,042,788
Total Assets	10,154,312	11,162,875
Deferred Outflows of Resources	378,841	205,792
Liabilities		
Current liabilities	842,758	1,272,648
Long-term liabilities	3,224,783	3,312,937
Total Liabilities	4,067,541	4,585,585
Deferred Inflows of Resources	-	216,389
Net Position		
Net investment in capital assets	1,318,942	1,617,859
Restricted	1,923,249	447,176
Unrestricted	3,223,421	4,501,658
Total Net Position	\$ 6,465,612	\$ 6,566,693

TOWN OF UNIVERSITY PARK, MARYLAND

Management's Discussion and Analysis For the Year Ended June 30, 2024

Government-wide Financial Analysis (continued)

The Town's net position decreased \$101,081 for the year ended June 30, 2024. Key elements are as follows:

- Reduction of operating grants and contributions of \$1,984,651 due to the one-time nature of the American Rescue Plan grant of \$2,024,047 in fiscal year 2023.
- Speed camera revenue of \$1,106,831 has brought in an increase of steady Public Service revenue in addition to accomplishing traffic calming measures.
- Decreased in public safety and public works as a result of reduction of operating grants and contributions.

STATEMENT OF ACTIVITIES

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

	Governmental Activities	
	2024	2023
Revenue		
Program revenue:		
Charges for services	\$ 1,164,403	\$ 1,699,580
Operating grants and contributions	228,093	2,212,744
Capital grants and contributions	125,000	225,000
General revenue:		
Property taxes	2,524,790	2,518,247
Income taxes	810,308	1,321,927
Other	361,737	250,485
Total Revenue	5,214,331	8,227,983
 Program Expenses		
General government	948,603	809,291
Public safety	2,061,399	2,279,466
Public works	2,230,818	2,273,342
Interest on long-term debt	74,592	90,056
Total Program Expenses	5,315,412	5,452,155
 Change in Net Position	(101,081)	2,775,828
Net position, beginning of year	6,566,693	3,790,865
Net Position, End of Year	\$ 6,465,612	\$ 6,566,693

TOWN OF UNIVERSITY PARK, MARYLAND

Management’s Discussion and Analysis For the Year Ended June 30, 2024

Government-wide Financial Analysis (continued)

Governmental Activities

Revenue from the Town’s governmental activities was \$5,214,331, while total expenses were \$5,338,034. 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).

	<u>Total Cost of Services</u>		<u>Net Cost (Surplus) of Services</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
General government	\$ 948,603	\$ 809,291	\$ 758,332	\$ 741,817
Public safety	2,061,399	2,279,466	859,174	582,536
Public works	2,230,818	2,273,342	2,105,818	(99,578)
Total	\$ 5,240,820	\$ 5,362,099	\$ 3,723,324	\$ 1,224,775

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 \$5.2 million. Some of that cost was financed by:
 - o Those who directly benefited from the programs (\$1,164,403), or
 - o Other governments and organizations that subsidized certain programs with grants and contributions (\$353,093).
- The Town financed the remaining \$3.8 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, 2024**

Government-wide Financial Analysis (continued)

General Fund

	<u>2024</u>	<u>Percent of Total</u>	<u>2023</u>	<u>Percent of Total</u>
Revenue				
General property taxes	\$ 2,524,790	47%	\$ 2,518,247	32%
Local income taxes	1,043,364	20%	1,174,794	15%
Fines, licenses and permits	1,164,403	22%	1,699,580	22%
Intergovernmental	228,093	4%	2,212,744	28%
Miscellaneous	361,737	7%	250,485	3%
Total Revenue	\$ 5,322,387	100%	\$ 7,855,850	100%

General property taxes comprise the largest source of Town revenue, totaling \$2.5 million (51%) of total revenues for the general fund for fiscal year 2024. Each municipality sets its own property tax rates, within parameters established by the State. For fiscal year 2024, the Town’s property tax rate was set at the constant yield rate of \$0.4959 per \$100 of assessed value of real property.

Fines, licenses, and permits, totaling \$1.2 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 \$1.0 million or approximately 20% 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	\$ 962,227	22%	\$ 745,636	18%
Public safety	1,984,382	46%	2,070,863	48%
Public works	1,432,414	33%	1,374,990	32%
Capital outlays	-	0%	65,554	2%
Total	\$ 4,379,023	100%	\$ 4,257,043	100%

TOWN OF UNIVERSITY PARK, MARYLAND

Management's Discussion and Analysis For the Year Ended June 30, 2024

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 37 through 40. 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	
	2024	2023
Land	\$ 140,263	\$ 140,263
Buildings	878,413	879,586
Machinery & equipment	318,036	448,966
Capital improvements	2,085,606	2,573,973
Total	\$ 3,422,318	\$ 4,042,788

The Town's total investment in capital assets, for its governmental activities amounts to approximately \$3.4 million and \$4.0 million as of June 30, 2024 and June 30, 2023, 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 \$620 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 \$2.1 million in loans and bond commitments.

	Governmental Activities	
	2024	2023
Financed purchase	\$ 26,449	\$ 51,975
Bonds payable	2,076,927	2,372,954
Total	\$ 2,103,376	\$ 2,424,929

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, 2024

Subsequent Items for Future Financial Statements

The General Fund Budget for FY25 is based on a tax rate of \$0.4559 per \$100 of assessment. The FY24 tax rate was \$0.4959 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, 2024

	Governmental Activities
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 189,931
Investments	5,790,348
Accounts receivables, net of allowances	226,989
Accounts receivables - income taxes	473,213
Prepaid expenses	4,623
Other assets	46,890
Total Current Assets	<u>6,731,994</u>
Noncurrent Assets	
Non-depreciable assets	140,263
Capital assets, net	<u>3,282,055</u>
Total Noncurrent Assets	<u>3,422,318</u>
Total Assets	<u>10,154,312</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension	<u>378,841</u>
LIABILITIES	
Current Liabilities	
Accounts payable and accrued expenses	475,665
Accrued payroll	63,079
Current portion of long term debt	<u>304,014</u>
Total Current Liabilities	<u>842,758</u>
Noncurrent liabilities	
Compensated absences	63,628
Net pension liability	1,361,793
Long term debt, net of current portion	<u>1,799,362</u>
Total Noncurrent Liabilities	<u>3,224,783</u>
Total Liabilities	<u>4,067,541</u>
NET POSITION	
Net investment in capital assets	1,318,942
Restricted	1,923,249
Unrestricted	<u>3,223,421</u>
TOTAL NET POSITION	<u>\$ 6,465,612</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, 2024**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position Primary Government	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Primary Government						
Governmental Activities:						
General government	\$ 948,603	\$ 21,769	\$ 168,502	\$ -	\$ (758,332)	\$ (758,332)
Public safety	2,061,399	1,142,634	59,591	-	(859,174)	(859,174)
Public works	2,230,818	-	-	125,000	(2,105,818)	(2,105,818)
Interest	74,592	-	-	-	(74,592)	(74,592)
Total Governmental Activities	<u>5,315,412</u>	<u>1,164,403</u>	<u>228,093</u>	<u>125,000</u>	<u>(3,797,916)</u>	<u>(3,797,916)</u>
Total Primary Government	<u>\$ 5,315,412</u>	<u>\$ 1,164,403</u>	<u>\$ 228,093</u>	<u>\$ 125,000</u>	<u>(3,797,916)</u>	<u>(3,797,916)</u>
			General Revenue:			
			Taxes			
			Property taxes		2,524,790	2,524,790
			Income taxes		810,308	810,308
			Interest and investment earnings		314,926	314,926
			Miscellaneous		46,811	46,811
			Total General Revenue		<u>3,696,835</u>	<u>3,696,835</u>
			Change in Net Position		<u>(101,081)</u>	<u>(101,081)</u>
			Net position, beginning of year		<u>6,566,693</u>	<u>6,566,693</u>
			Net Position, End of Year		<u>\$ 6,465,612</u>	<u>\$ 6,465,612</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, 2024**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 189,931	\$ -	\$ -	\$ 189,931
Investments	5,790,348	-	-	5,790,348
Accounts receivable	226,989	-	-	226,989
Accounts receivable- income taxes	473,213	-	-	473,213
Prepaid expenses	4,623	-	-	4,623
Other assets	46,890	-	-	46,890
Total Assets	<u>\$ 6,731,994</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,731,994</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 475,665	\$ -	\$ -	\$ 475,665
Accrued salaries	63,079	-	-	63,079
Total Liabilities	<u>538,744</u>	<u>-</u>	<u>-</u>	<u>538,744</u>
DEFERRED INFLOWS OF RESOURCES	<u>356,370</u>	<u>-</u>	<u>-</u>	<u>356,370</u>
FUND BALANCES				
Non-spendable	4,623	-	-	4,623
Restricted	1,918,626	-	-	1,918,626
Assigned	261,039	-	-	261,039
Unassigned	3,652,592	-	-	3,652,592
Total Fund Balances	<u>5,836,880</u>	<u>-</u>	<u>-</u>	<u>5,836,880</u>
Total Liabilities, Deferred Infows of Resources and Fund Balances	<u>\$ 6,731,994</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,731,994</u>

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

TOWN OF UNIVERSITY PARK, MARYLAND

**Reconciliation of the Governmental Fund Balances to the Statement
of Net Position
As of June 30, 2024**

Total Governmental Fund Balances	\$ 5,836,880
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the fund statement.	3,422,318
Receivables pertaining to revenues that are not available in accordance with modified accrual accounting are reported as deferred inflows of resources in the funds.	356,370
Deferred inflows and outflows of resources related to pension.	378,841
Net pension liability	(1,361,793)
Compensated absences	(63,628)
Long-term debt	<u>(2,103,376)</u>
Net Position of Governmental Activities	<u><u>\$ 6,465,612</u></u>

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

TOWN OF UNIVERSITY PARK, MARYLAND

**Statement of Revenues, Expenditures, and Change in Fund Balances – Governmental Funds
For the Year Ended June 30, 2024**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUE				
Property taxes	\$ 2,524,790	\$ -	\$ -	\$ 2,524,790
Local income taxes	1,043,364	-	-	1,043,364
Intergovernmental revenue	228,093	-	125,000	353,093
Fines, licenses and permits	1,164,403	-	-	1,164,403
Interest income	314,926	-	-	314,926
Miscellaneous	46,811	-	-	46,811
Total Revenues	<u>5,322,387</u>	<u>-</u>	<u>125,000</u>	<u>5,447,387</u>
EXPENDITURES				
General government	962,227	-	-	962,227
Public safety	1,984,382	-	-	1,984,382
Public works	1,432,414	-	-	1,432,414
Capital outlays	-	-	431,861	431,861
Debt service				
Principal	-	295,344	-	295,344
Interest	-	74,592	-	74,592
Total Expenditures	<u>4,379,023</u>	<u>369,936</u>	<u>431,861</u>	<u>5,180,820</u>
Excess of revenues over (under) expenditures and other financing uses	<u>943,364</u>	<u>(369,936)</u>	<u>(306,861)</u>	<u>266,567</u>
Other Financing Sources (Uses)				
Transfer in	-	369,936	306,861	676,797
Transfer out	(676,797)	-	-	(676,797)
Total Other Financing Sources (Uses)	<u>(676,797)</u>	<u>369,936</u>	<u>306,861</u>	<u>-</u>
Change in Fund Balance	266,567	-	-	266,567
Fund Balance, Beginning of Year	5,570,313	-	-	5,570,313
Fund Balance, End of Year	<u>\$ 5,836,880</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,836,880</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 Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2024**

Net Change in Fund Balances - Total Governmental Fund	\$ 266,567
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.	(620,470)
Pension expense pertaining to the net pension liability, deferred outflows and deferred inflows are not reported in the funds.	141,703
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	(233,056)
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.	22,622
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	<u>321,553</u>
Change in Net Position of Governmental Activities	<u><u>\$ (101,081)</u></u>

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, 2024

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, 2024

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 and nonmajor funds 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, 2024

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, income 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, 2024, 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, 2024

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, 2024

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, 2024

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, 2024

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, 2024, the carrying amounts of the Town's deposits were \$189,931 and the bank balances totaled \$215,039. Of the bank balances, \$215,039 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, 2024

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 \$5,790,348 as of June 30, 2024, 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, 2024, accounts receivables-income taxes were comprised of local income tax due from the State of Maryland for \$473,213.

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 2024 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, 2024

6. CAPITAL ASSETS AND DEPRECIATION

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

	Balance June 30, 2023	Increases	Decreases	Balance June 30, 2024
Governmental activities:				
Not being depreciated:				
Land	\$ 140,263	\$ -	\$ -	\$ 140,263
Depreciable capital assets:				
Buildings	1,221,748	-	-	1,221,748
Machinery & equipment	3,298,938	-	-	3,298,938
Capital improvements	7,373,039	431,861	-	7,804,900
Subtotal	<u>11,893,725</u>	<u>431,861</u>	<u>-</u>	<u>12,325,586</u>
Total capital assets	<u>12,033,988</u>	<u>431,861</u>	<u>-</u>	<u>12,465,849</u>
Accumulated depreciation:				
Buildings	342,162	1,173	-	343,335
Machinery & equipment	2,849,972	130,930	-	2,980,902
Capital improvements	4,799,066	920,228	-	5,719,294
Subtotal, accumulated depreciation	<u>7,991,200</u>	<u>1,052,331</u>	<u>-</u>	<u>9,043,531</u>
Total Capital Assets, Net	<u>\$ 4,042,788</u>	<u>\$ (620,470)</u>	<u>\$ -</u>	<u>\$ 3,422,318</u>

Depreciation was charged to functions as follows: general government \$52,617; public safety \$147,326; and public works \$852,388.

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, 2024

7. LONG-TERM DEBT (continued)

	<u>June 30, 2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2024</u>	<u>Amount Due Within 1 Year</u>
Ford F550 lease	\$ 51,975	\$ -	\$ 25,526	\$ 26,449	\$ 26,449
2019 Issue	1,172,500	-	87,000	1,085,500	90,500
2014 Issue	1,100,778	-	176,568	924,210	187,065
Bond premium	99,676	-	32,459	67,217	-
Total	<u>\$ 2,424,929</u>	<u>\$ -</u>	<u>\$ 321,553</u>	<u>\$ 2,103,376</u>	<u>\$ 304,014</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>
2025	\$ 304,014	\$ 63,306	\$ 367,320
2026	285,411	54,173	339,584
2027	293,858	45,742	339,600
2028	302,408	37,941	340,349
2029	254,969	28,079	283,048
2030-2034	595,499	63,691	659,190
Total	<u>\$ 2,036,159</u>	<u>\$ 292,932</u>	<u>\$ 2,329,091</u>

8. FUND BALANCE REPORTING

Fund balances for the Town's governmental funds consisted of the following as of June 30, 2024:

Non-Spendable Fund Balance

As of June 30, 2024, non-spendable fund balance was \$4,623 relating to prepaid expenses.

Restricted Fund Balance

As of June 30, 2024, restricted fund balance was \$1,918,626 related to cemetery, streets, Town Hall and other purposes.

Assigned Fund Balance

As of June 30, 2024, assigned fund balance was \$261,039 related to capital infrastructure, vehicle and tree replacement, overtime, and transit.

Unassigned Fund Balance

Unassigned fund balance totaled \$3,652,592 in the general fund.

TOWN OF UNIVERSITY PARK, MARYLAND

Notes to the Financial Statements For the Year Ended June 30, 2024

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 \$1,361,793 as of the measurement date of June 30, 2023.

The Town's fiscal 2024 contribution of \$163,631 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, 2024

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, 2024, the Town contributed \$163,631. The Town contributed 100% of its required contribution for the year ended June 30, 2024. 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, 2024 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, 2024

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 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, 2024

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%).

	<u>1.0% Decrease</u> <u>(5.80%)</u>	<u>Current Rate</u> <u>(6.80%)</u>	<u>1.0% Increase</u> <u>(7.80%)</u>
Net pension liability	\$ 2,019,264	\$ 1,361,793	\$ 816,207

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

As of June 30, 2024, the Town reported a liability of \$1,361,793 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was 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, 2024, the Town recognized negative pension expense of \$122,286. As of June 30, 2024, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred</u> <u>Outflows</u>	<u>Deferred</u> <u>Inflows</u>
Change of assumptions	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	110,981	-
Difference between actual and expected experience	47,863	-
Change in proportionate share	56,366	-
Contributions subsequent to the measurement date	163,631	-
Total	<u>\$ 378,841</u>	<u>\$ -</u>

TOWN OF UNIVERSITY PARK, MARYLAND

Notes to the Financial Statements For the Year Ended June 30, 2024

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:

<u>Year</u>	<u>Total</u>
2025	\$ 32,684
2026	14,974
2027	123,133
2028	36,598
2029	7,821
Total	<u>\$ 215,210</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, 2024, 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. 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, 2024**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Town's proportion (%) of collective net pension liability	0.006%	0.006%	0.005%	0.006%	0.556%	0.005%	0.005%	0.520%
Town's proportionate share (\$) of collective net pension liability	\$1,361,793	\$1,114,058	\$ 1,361,793	\$ 1,332,397	\$ 1,167,053	\$ 1,029,290	\$ 1,233,045	\$ 1,081,842
Town's covered-employee payroll (\$)	1,563,885	1,405,440	1,420,478	1,447,824	1,439,346	1,295,746	1,347,322	1,416,517
Town's proportionate share of collective net pension liability as a percentage of its covered-employee payroll	87.08%	79.27%	95.87%	92.03%	81.08%	79.44%	91.52%	76.37%
Pension plan's fiduciary net position as a percentage of the total pension liability	73.81%	76.27%	81.84%	70.72%	71.18%	69.38%	65.79%	68.78%

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, 2024**

	<u>2024</u>	<u>2023</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>
Contractually required contribution	\$ 163,631	\$ 147,196	\$ 130,293	\$ 147,552	\$ 125,929	\$ 120,210	\$ 110,916	\$ 96,882	\$ 101,809	\$ 109,723	\$ 121,799
Contributions in relation to the contractually required contribution	<u>163,631</u>	<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>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>						
Town's covered-employee payroll	\$1,563,885	\$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
Contributions as a percentage of covered-employee payroll	10.5%	10.5%	9.2%	10.2%	8.7%	9.3%	8.2%	6.8%	9.0%	9.0%	10.9%

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, 2024**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUE				
Taxes				
Real estate	\$ 2,454,978	\$ 2,454,978	\$ 2,454,440	\$ (538)
Personal property	60,000	60,000	66,792	6,792
Penalties and interest	3,000	3,000	3,557	557
State income taxes	800,000	800,000	1,043,364	243,364
Total taxes	<u>3,317,978</u>	<u>3,317,978</u>	<u>3,568,153</u>	<u>250,175</u>
Licenses and permits				
Building, permits and fees	2,300	2,300	7,410	5,110
Cable television- capital equipment	20,562	20,562	19,315	(1,247)
Cable television- franchise fees	32,842	32,842	30,848	(1,994)
Speed camera	1,947,468	1,947,468	1,106,831	(840,637)
Fines	2,700	2,700	2,353	(347)
Rental license fees	28,400	28,400	33,000	4,600
Total licenses and permits	<u>2,034,272</u>	<u>2,034,272</u>	<u>1,199,757</u>	<u>(834,515)</u>
From other governments				
Police grant	50,310	50,310	59,591	9,281
Highway user revenue	151,045	151,045	151,990	945
Bank stock tax	10,257	10,257	10,257	-
Prince George's County landfill rebate	6,256	6,256	6,255	(1)
ARPA	1,829,047	1,829,047	-	(1,829,047)
Total from other governments	<u>2,046,915</u>	<u>2,046,915</u>	<u>228,093</u>	<u>(1,818,822)</u>
Miscellaneous				
Interest	188,000	188,000	314,926	126,926
Recycling income	2,850	2,850	1,849	(1,001)
Vehicle releases	2,500	2,500	2,550	50
Miscellaneous receipts	100	100	2,206	2,106
Sale of assets	2,500	2,500	3,525	1,025
Sale of energy credits	3,000	3,000	598	(2,402)
Accident reports	-	-	280	280
Veoride income	700	700	450	(250)
Total miscellaneous	<u>199,650</u>	<u>199,650</u>	<u>326,384</u>	<u>126,734</u>
Use of fund balance	<u>5,245,313</u>	<u>5,245,313</u>	<u>-</u>	<u>(5,245,313)</u>
TOTAL REVENUE	<u>\$ 12,844,128</u>	<u>\$ 12,844,128</u>	<u>\$ 5,322,387</u>	<u>\$ (7,521,741)</u>

TOWN OF UNIVERSITY PARK, MARYLAND

**Schedule of Revenue and Expenditures Budget and Actual (Budgetary Basis) -
General Fund
For the Year Ended June 30, 2024**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES				
General government				
ADA accessibility	\$ 250	\$ 250	\$ -	\$ 250
ARPA expenditures	137,439	137,439	117,002	20,437
Arts in the park	500	500	311	189
Audit and accounting services	13,905	13,905	13,905	-
Azalea classic	6,000	6,000	6,000	-
Battery powered equipment program	10,000	10,000	9,205	795
Building maintenance and repairs	31,974	31,974	31,970	4
Building utilities	8,400	8,400	8,354	46
Clerk (recording secretary)	6,000	6,000	5,317	683
Community events	7,500	7,500	1,501	5,999
Council retreat/Orientation	5,000	5,000	4,851	149
Election expenses	6,000	6,000	5,954	46
Engineering services	3,000	3,000	-	3,000
Employee awards and events	4,000	4,000	3,968	32
Fire department donations	13,500	13,500	13,500	-
Gas blower rebate program	-	-	-	-
Insurance	44,220	44,220	44,216	4
IT costs	32,500	32,500	25,904	6,596
Legal advertising	1,800	1,800	1,380	420
Legal fees and expenses	49,800	49,800	49,784	16
Meeting costs	3,000	3,000	-	3,000
Membership dues and professional development	6,810	6,810	6,809	1
Newsletter	24,820	24,820	24,819	1
Office supplies and postage	23,000	23,000	19,748	3,252
Payroll taxes and employee benefits	110,835	110,835	83,339	27,496
PTA donation	6,000	6,000	6,000	-
Publications	3,475	3,475	3,475	-
Salaries	378,339	378,339	366,391	11,948
Senior programs	5,000	5,000	3,312	1,688
Solar array maintenance	44,061	44,061	41,174	2,887
Small equipment	3,500	3,500	2,604	896
Telephone	15,150	15,150	15,104	46
Town administrator	5,400	5,400	5,381	19
Transit Call-A-Bus	100	100	-	100
Trap, neuter, release program	5,000	5,000	4,000	1,000
Travel	30,000	30,000	18,864	11,136
UPCA grant	1,000	1,000	1,000	-
Website	11,500	11,500	11,417	83
Training	5,670	5,670	5,668	2
Total general government expenditures	<u>1,064,448</u>	<u>1,064,448</u>	<u>962,227</u>	<u>102,221</u>

TOWN OF UNIVERSITY PARK, MARYLAND

**Schedule of Revenue and Expenditures Budget and Actual (Budgetary Basis) -
General Fund
For the Year Ended June 30, 2024**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Public works				
Salaries	\$ 670,642	\$ 670,642	\$ 662,106	\$ 8,536
Payroll taxes and benefits	290,365	290,365	275,213	15,152
Cemetary upkeep	100	100	-	100
Tree maintenance	25,000	25,000	24,800	200
Tree replacement	10,005	10,005	10,005	-
Consulting Arborist- Tree ordinance	4,000	4,000	3,600	400
Resident tree reimbursement	4,000	4,000	3,240	760
Upkeep of parks	29,020	29,020	29,016	4
Park usage concept plan	25,000	25,000	-	25,000
Playing field maintenance	8,000	8,000	7,400	600
Park landscape maintenance	18,500	18,500	16,877	1,623
Snow removal	2,000	2,000	1,827	173
Street and traffic lights	31,900	31,900	31,900	-
Street sign and sign maintenance	30,000	30,000	27,770	2,230
Street and sidewalk maintenance	34,150	34,150	34,143	7
Street tree replacement	10,000	10,000	9,965	35
Street tree maintenance	50,000	50,000	49,135	865
Uniforms	7,500	7,500	7,089	411
Fuel	30,000	30,000	22,622	7,378
Composting	30,000	30,000	28,126	1,874
Landfill	60,000	60,000	59,004	996
Medical exams	1,000	1,000	821	179
Recycling costs	15,000	15,000	13,159	1,841
Travel and dues	5,000	5,000	4,427	573
Training	10,000	10,000	7,153	2,847
Tools and supplies	12,000	12,000	9,615	2,385
Vehicle maintenance	51,200	51,200	51,117	83
Town maintenance facility	42,300	42,300	42,284	16
Total public works	<u>1,506,682</u>	<u>1,506,682</u>	<u>1,432,414</u>	<u>74,268</u>
Public works capital outlays	<u>40,000</u>	<u>40,000</u>	<u>-</u>	<u>40,000</u>
Total public works expenditures	<u>1,546,682</u>	<u>1,546,682</u>	<u>1,432,414</u>	<u>114,268</u>

TOWN OF UNIVERSITY PARK, MARYLAND

**Schedule of Revenue and Expenditures Budget and Actual (Budgetary Basis) -
General Fund
For the Year Ended June 30, 2024**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Public safety				
Bike patrol	\$ 500	\$ 500	\$ 330	\$ 170
Body worn camera	23,200	23,200	9,446	13,754
Code compliance	40,178	40,178	33,464	6,714
Computer	2,000	2,000	1,236	764
Emergency alert system	2,200	2,200	2,000	200
MILES computer	100	100	-	100
Crossing guards	9,832	9,832	9,232	600
Fuel	24,600	24,600	24,540	60
GPS	3,000	3,000	-	3,000
Medical exams	6,650	6,650	6,636	14
Mobile data terminals	7,505	7,505	7,505	-
Payroll taxes and benefits	324,447	324,447	311,799	12,648
Police supplies	11,440	11,440	8,424	3,016
Salaries	890,528	890,528	834,704	55,824
Home security rebate	1,500	1,500	1,500	-
Red light/speed camera	277,600	277,600	277,254	346
Speed camera due to state	1,001,155	1,001,155	243,057	758,098
Small equipment	22,000	22,000	17,598	4,402
Training	10,000	10,000	5,600	4,400
Radar signs	7,200	7,200	6,514	686
Travel	5,000	5,000	3,012	1,988
Uniforms	13,300	13,300	10,244	3,056
Radio maintenance	500	500	-	500
Vehicle maintenance	10,500	10,500	14,758	(4,258)
Total public safety	<u>2,694,935</u>	<u>2,694,935</u>	<u>1,828,853</u>	<u>866,082</u>
Public safety capital outlays	<u>180,420</u>	<u>180,420</u>	<u>155,529</u>	<u>24,891</u>
Total public safety expenditures	<u>2,875,355</u>	<u>2,875,355</u>	<u>1,984,382</u>	<u>890,973</u>
Reserves	6,987,699	6,987,699	-	6,987,699
Debt service	<u>369,944</u>	<u>369,944</u>	<u>369,936</u>	<u>8</u>
Total expenditures	<u>\$ 12,844,128</u>	<u>\$ 12,844,128</u>	<u>\$ 4,748,959</u>	<u>\$ 8,095,169</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, 2024**

	<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	-
Use of fund balance	<u>351,000</u>	<u>-</u>	<u>(351,000)</u>
Total revenue	676,000	125,000	(551,000)
EXPENDITURES			
Street work project	70,000	70,088	(88)
Town hall design and construction	240,000	14,277	225,723
Street engineering, design, and construction	27,950	9,600	18,350
Bridge	337,500	337,453	47
Street project	<u>550</u>	<u>443</u>	<u>107</u>
Total expenditures	<u>676,000</u>	<u>431,861</u>	<u>244,139</u>
Revenue over (under) expenditures	<u>\$ -</u>	<u>\$ (306,861)</u>	<u>\$ 306,861</u>