

**TOWN OF UPPER MARLBORO, MARYLAND**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**TOWN OF UPPER MARLBORO**

**TABLE OF CONTENTS**

**JUNE 30, 2022**

	<b>Page</b>
<b>INDEPENDENT AUDITOR’S REPORT</b>	1 – 3
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
• Management’s Discussion and Analysis	4 – 10
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>Government-wide Financial Statements</b>	
• Statement of Net Position	11
• Statement of Activities	12
<b>Fund Financial Statements</b>	
• Balance Sheet – Governmental Funds	13
• Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	14
<b>NOTES TO BASIC FINANCIAL STATEMENTS</b>	15 – 39
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
• Schedules of Required Pension-Related Supplementary Information	40
• Schedule of Revenues and Expenditures – Budget (Non-GAAP Basis) and Actual (Budgetary Basis) – General Fund – Unaudited	41
<b>SUPPLEMENTAL SCHEDULES</b>	
• Schedule of Revenues – Budget (Non-GAAP Basis) and Actual – General Fund	42
• Schedule of Expenditures – Budget (Non-GAAP Basis) and Actual – General Fund	43 – 45

## **Independent Auditor's Report**

Board of Town Commissioners  
Town of Upper Marlboro, Maryland

### **Opinions**

We have audited the accompanying financial statements of the governmental activities and the major fund of the Town of Upper Marlboro, Maryland (the "Town") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Upper Marlboro as of June 30, 2022, 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 Financial Statements section of our report. We are required to be independent of Upper Marlboro and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cottage City's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

## **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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 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.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the pension-related supplementary information, and the budgetary comparison information on pages 4 through 10, 40, and 41, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of

financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Upper Marlboro, Maryland's financial statements as a whole. The schedule of revenues – budget and actual general fund and the schedule of expenditures – budget and actual general fund on pages 42 through 45 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of revenues – budget and actual general fund and the schedule of expenditures – budget and actual general fund are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Kindley & Associates, LLC*

November 11, 2022

**TOWN OF UPPER MARLBORO, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

The following information includes our discussion and analysis of the financial performance of the Town of Upper Marlboro and provides an overview of the Town's financial activities for the year ended June 30, 2022. Please read it in conjunction with the transmittal letter and the Town's financial statements.

**Financial Highlights**

- The Town has two classifications for real property taxes. The residential tax rate increased to \$0.30 per \$100 of assessed value, while the commercial tax rate increased to \$0.54 per \$100 of assessed value. The Town's personal property tax rate remained at \$0.50 per \$100 of assessed value. For utility services that operated within the Town's limits, there is a public utility tax for those services. The public utility tax rate increased to \$1.50 per assessed value certified by SDAT.
- The Town received approximately \$331,800 in American Rescue Plan Act funding from the Federal government to combat the negative effects of the Covid 19 pandemic on the Town's citizens and businesses. The Board of Commissioners has drafted a five-year plan to utilize this funding. This budget includes spending for the Façade Improvement Plan, recycling bins for residents, Community playground improvements, and an offset of lost operating income during the fiscal years 2020 and 2021 due the pandemic. The Town will receive an additional funding in fiscal year 2023 of approximately \$331,800.
- During fiscal year 2022 the Town purchased a vacant lot on Main Street using state bond bill funds with plans of creating a small pocket park.
- The Town expended approximately \$265,000 on the Community Playground project, total estimated spending for this project is \$1,000,000 and construction is anticipated to continue through fiscal year 2023. The majority of the project is being paid using three State Playground grants and a \$270,000 bond bill.
- The Town donated \$5,000 to the Marlboro Churches Food Bank and \$15,000 to the Marlboro Fire Department.
- Town leased two police vehicles and ordered a Public Works truck (not yet built). A used F250 pickup truck was purchased for about \$20,000 using ARPA funds for public works.

**TOWN OF UPPER MARLBORO, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

**Using This Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities are government-wide statements that provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements report the Town's operation in more detail than the government-wide statements by providing information about the Town's most significant funds and individual parts.

**Reporting the Town as a Whole**

**The Statement of the Net Position and the Statement of Activities**

One of the most important questions asked about the Town's finances is, "Is the Town as a whole, better off or worse off as a result of the year's activities?" The statement of Net Position and the Statement of Activities reports information about the Town as a whole and about its activities in a way that helps to answer this question. These statements include all assets plus deferred outflows and liabilities plus deferred inflows using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report changes in the Town's net position. You can think of the Town's net position (the difference between assets plus deferred outflows and liabilities plus deferred inflows) as one way to measure the Town's financial health or position. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, such as changes in the Town's property tax base and the condition of the Town's roads to assess the overall health of the Town.

In the Statement of Net Position and the Statement of Activities, we divide the Town into two kinds of activity:

- **Governmental Activity** – All of the Town's basic services are reported here, including the police, general government, public works, economic development, and recreation. Taxes, franchise fees, fines, and state and federal grants finance most of these activities.
- **Business-type Activity** – The Town currently has no business-type activities.

**TOWN OF UPPER MARLBORO, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

**Reporting the Town's Most Significant Funds**

**Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds - not the Town as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The town has two types of funds: governmental and fiduciary funds.

- Governmental funds - Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic service it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation at the right of the fund financial statements.



**TOWN OF UPPER MARLBORO, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

**The Town as a Whole**

**Governmental Activities**

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the Town's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants. Some of the individual line item revenues reported for each function are:

General Government	Rental, Licenses and Fees, and Parking Meters.
Public Safety	State Grants, Homeland Security Grant, and Vehicle Release Fees
Public Works	Highway User Revenues and Landfill Rebate Charges

All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted to a specific purpose.

**TOWN OF UPPER MARLBORO, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

**Government-Wide Financial Information**

The following is selected information as of June 30, 2022, and June 30, 2021.

	<u>2021</u>	<u>2022</u>
Current assets	\$ 1,058,528	\$ 1,672,647
Capital assets	2,588,890	3,064,391
Total assets	3,647,418	4,737,038
Deferred outflows	110,879	184,656
Total assets and deferred outflows	3,758,297	4,921,694
Current liabilities	280,716	162,189
Long-term liabilities	683,859	612,222
Total liabilities	964,575	774,411
Deferred inflows	43,281	254,200
Net position		
Net investment in capital assets	2,527,334	2,832,879
Restricted	-	-
Unrestricted	223,107	1,060,204
Total net position	2,750,441	3,893,083
Total liabilities, deferred inflows and net position	3,758,297	4,921,694
Program revenues		
Charges for services	-	-
Operating grants and contributions	-	-
Capital grants and contributions	291,916	541,158
General revenues		
Income taxes	592,232	1,063,223
Property taxes	332,920	473,088
Other income	-	-
Total general revenues	1,461,986	2,456,569
Transfers	-	-
Total revenues and transfers	1,753,902	2,997,727
Expenses		
General government	863,699	839,145
Public safety	414,080	533,893
Public works	316,193	478,802
Total expenses and transfers	1,597,709	1,855,085
Change in net position	156,193	1,142,642
Net position, beginning of year	1,594,248	2,750,441
Net position, end of year	2,750,441	3,893,083

**TOWN OF UPPER MARLBORO, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

**Business-type Activities**

The Town currently has no business-type activities.

**The Town' Funds**

The following schedule presents a summary of revenues and expenditures for the fiscal year ending June 30, 2022.

	FY2022 Amount	Percent of Total	Increase (Decrease) From FY21
<b>Revenues</b>			
Taxes	\$ 1,133,774	37%	\$ 67,948
Intergovernmental	1,640,847	54%	1,348,931
Fines, licenses and permits	250,361	8%	101,536
Miscellaneous	9,211	1%	(41,641)
<b>Total Revenues</b>	<b>\$ 3,034,193</b>	<b>100%</b>	<b>\$ 1,476,774</b>
<b>Expenditures</b>			
General government	\$ 782,665	32%	\$ 44,686
Public safety	499,819	20%	199,852
Public works	453,109	18%	208,243
Capital outlays	668,831	27%	606,221
Debt service	63,727	3%	31,202
<b>Total Expenditures</b>	<b>\$ 2,468,151</b>	<b>100%</b>	<b>\$ 1,090,204</b>

Fiscal year 2022 reflected significant increases in Town revenue and expenses. Intergovernmental revenues increased due to better than expected income tax collections, increased property tax and personal property tax rates and American Rescue Plan Act funding. Fines, licenses, and permits increased due to significantly more parking meter collections this year. Expenses increased due to added staff members and significant capital outlays for the Community Playground and additional Town vehicles.

**TOWN OF UPPER MARLBORO, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

**Budgetary Highlights**

Fiscal year 2022 results reflected revenues in excess of budget by approximately \$380,000, the majority of this excess was due to income tax collections. Actual expenses were approximately \$420,000 under budget in fiscal year 2022 due to grant funded projects which will occur in fiscal year 2023.

**Capital Asset and Debt Administration**

**Capital Assets**

The major capital projects and purchases this year include projects in the Town's Strategic Plan:

- Playground construction phases 2 and 3
- Roadway Survey and Design
- Downtown Street Scape Improvements

**Debt**

The Town is debt-free, with the exception of compensated absences, the net pension liability and five police vehicles and one public works truck.

**Economic Factors and Next Year's Budget and Rates**

There is consideration for residential and utility tax increases within the next fiscal year. Additionally, the Town is looking to expand its limits and annex more taxable property. This will require the Town to hire additional employees to serve its constituents.

**Contacting the Town's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Administrator at (301) 627-6905 or mail your questions to 14211 School Lane, Upper Marlboro, MD 20772.

**TOWN OF UPPER MARLBORO, MARYLAND**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2022**

	Governmental Activities	Total
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents - unrestricted	\$ 1,056,352	\$ 1,056,352
Investments	320,767	320,767
Taxes receivable	230,937	230,937
Accounts receivable	19,591	19,591
Security deposit	25,000	25,000
Prepaid expenses	20,000	20,000
Total Current Assets	1,672,647	1,672,647
Noncurrent Assets		
Net capital assets	3,064,391	3,064,391
Total Noncurrent Assets	3,064,391	3,064,391
<b>TOTAL ASSETS</b>	4,737,038	4,737,038
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	184,656	184,656
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	\$ 4,921,694	\$ 4,921,694
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 104,726	\$ 104,726
Current portion of long-term debt	57,463	57,463
Total Current Liabilities	162,189	162,189
Noncurrent Liabilities		
Compensated absences	53,938	53,938
Net pension liability	384,235	384,235
Noncurrent portion of long-term debt	174,049	174,049
Total Noncurrent Liabilities	612,222	612,222
<b>TOTAL LIABILITIES</b>	774,411	774,411
<b>DEFERRED INFLOWS OF RESOURCES</b>	254,200	254,200
<b>NET POSITION</b>		
Net investment in capital assets	2,832,879	2,832,879
Unrestricted	1,060,204	1,060,204
Total Net Position	3,893,083	3,893,083
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	\$ 4,921,694	\$ 4,921,694

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

**TOWN OF UPPER MARLBORO, MARYLAND**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2022**

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total	
Primary Government								
Governmental Activities:								
General government	\$ 839,145	\$ -		\$ 146,908	\$ -	\$ (692,237)	\$ (692,237)	
Public safety	533,893	3,245	-	16,375	-	(520,763)	(520,763)	
Public works	478,802	-	-	377,875	-	(100,927)	(100,927)	
Interest expense	3,245	(3,245)	-	-	-	-	-	
Total Governmental Activities	<u>1,855,085</u>	<u>-</u>	<u>-</u>	<u>541,158</u>	<u>-</u>	<u>(1,313,927)</u>	<u>(1,313,927)</u>	
Total Primary Government	<u>\$ 1,855,085</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 541,158</u>	<u>\$ -</u>	<u>\$ (1,313,927)</u>	<u>\$ (1,313,927)</u>	
General revenues:								
Taxes								
Income taxes							1,063,223	1,063,223
Property taxes							473,088	473,088
Public Utilities							660,686	660,686
Licenses and permits							250,361	250,361
Interest and investment earnings							2,001	2,001
Miscellaneous							7,210	7,210
Total General Revenues							<u>2,456,569</u>	<u>2,456,569</u>
Change in Net Position							1,142,642	1,142,642
Net Position, beginning of year							<u>2,750,441</u>	<u>2,750,441</u>
Net Position, end of year							<u>\$ 3,893,083</u>	<u>\$ 3,893,083</u>

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

**TOWN OF UPPER MARLBORO, MARYLAND  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2022**

**RECONCILIATION OF TOTAL GOVERNMENTAL  
FUND BALANCE TO NET POSITION OF  
GOVERNMENTAL ACTIVITIES  
JUNE 30, 2022**

	General Fund	Total Governmental Funds		
<b>ASSETS</b>				
Cash and cash equivalents - unrestricted	\$ 1,056,352	\$ 1,056,352		
Investments	320,767	320,767		
Accounts receivable	19,591	19,591		
Taxes receivable	230,937	230,937		
Security deposit	25,000	25,000		
Prepaid expenses	20,000	20,000		
<b>TOTAL ASSETS</b>	1,672,647	1,672,647		
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	-	-		
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	\$ 1,672,647	\$ 1,672,647		
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 104,726	\$ 104,726		
<b>TOTAL LIABILITIES</b>	104,726	104,726		
<b>DEFERRED INFLOWS OF RESOURCES</b>	160,017	160,017		
<b>FUND BALANCES</b>				
Non-spendable	-	-		
Unassigned	1,407,904	1,407,904		
<b>TOTAL FUND BALANCES</b>	1,407,904	1,407,904		
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	\$ 1,672,647	\$ 1,672,647		
			<i>Total Governmental Fund Balances</i>	\$ 1,407,904
			Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,064,391
			Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(669,685)
			Deferred inflows of resources pertaining to net pension liability are not reported in the funds.	(254,200)
			Deferred outflows of resources pertaining to net pension liability are not reported in the funds.	184,656
			Receivables pertaining to revenue that is not available in accordance with modified accrual accounting are reported as deferred inflows of resources in the funds.	160,017
			<i>Net Position of Governmental Activities</i>	\$ 3,893,083

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

**TOWN OF UPPER MARLBORO, MARYLAND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	General Fund	Total Governmental Funds
<b>REVENUES</b>		
Taxes	\$ 1,133,774	\$ 1,133,774
Fines, licenses, permits	250,361	250,361
Intergovernmental	1,640,847	1,640,847
Miscellaneous	9,211	9,211
<b>Total Revenues</b>	3,034,193	3,034,193
<b>EXPENDITURES</b>		
Current Operations		
General government	782,665	782,665
Public safety	499,819	499,819
Public works	453,109	453,109
Capital outlay	668,831	668,831
Debt Service		
Principal	60,482	60,482
Interest	3,245	3,245
<b>Total Expenditures</b>	2,468,151	2,468,151
<b>Excess of revenues over (under) expenditures and other financing uses</b>	566,042	566,042
<b>Other financing sources (uses)</b>		
Transfers in (out)	-	-
Proceeds from long-term debt	230,438	230,438
<b>Total other financing sources (uses)</b>	230,438	230,438
<b>Excess of revenue and other financing sources over (under) expenditures and other financing uses</b>	796,480	796,480
<b>Fund balance, beginning of year</b>	611,424	611,424
<b>Fund balance, end of year</b>	\$ 1,407,904	\$ 1,407,904

**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, 2022**

<i>Net Change in Fund Balances - Total Governmental Funds</i>	\$	796,480
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current period.		475,500
Changes in deferred inflows of resources pertaining to state income taxes do not provide current financial resources and are not reported as revenue in the funds.		(36,466)
Differences between accrual and modified accrual in accounting for compensated absences.		29,035
Pension expense pertaining to the net pension liability is not reported in the funds.		48,049
Proceeds from long-term debt are recorded as other financing source in the funds, but not in the Statement of Activities. This is amount of proceeds from long-term debt.		(230,438)
Repayment of debt principal is reported in governmental funds, however, in the statement of activities, it is recorded as a reduction in long-term debt. This is the amount of principal debt repayment.		60,482
<i>Change in Net Position of Governmental Activities</i>	<u>\$</u>	<u>1,142,642</u>

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



**TOWN OF UPPER MARLBORO, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial Reporting Entity**

The Town of Upper Marlboro, Maryland was established in 1706 and incorporated in 1870. The Town is a municipal corporation governed by an elected mayor and an elected town council and provides the following services as authorized by its charter: public safety, sanitation, highways and streets, and general administration services. Its major sources of revenues are derived from real estate taxes, income taxes, personal property taxes, highway user revenues, and user fees.

The accounting policies of the Town of Upper Marlboro 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 of Upper Marlboro, for financial reporting purposes, management has considered all potential component units. The decision whether 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.

**TOWN OF UPPER MARLBORO, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

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

Governmental funds include the General 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 Town currently has no Fiduciary Funds.

**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.

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 or within 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.

**TOWN OF UPPER MARLBORO, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

The government-wide statement of activities presents a comparison between expenses, and program revenues for each segment of the business-type activities of the Town, if any, and for each governmental program. 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 and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business 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 use are 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. Fiduciary funds are excluded from the government-wide financial statements.

Separate financial statements are provided for governmental funds, proprietary funds, if any, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds, if any, are reported as separate columns in the fund financial statements.

**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. Non-major funds, if any, are aggregated and presented in a single column.

**TOWN OF UPPER MARLBORO, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**Governmental Funds**

Town activities pertaining to general government, public safety, and public works 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 revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

The major governmental fund is:

- General Fund – This is the Town’s primary operating fund. It is used to account for all financial resources except for those required to be accounted for in another fund.

The Town has no non-major funds.

**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 revenues.

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

**TOWN OF UPPER MARLBORO, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

Other revenues, including licenses and permits, certain charges for services, and miscellaneous revenues, are recorded as revenue when received in cash because they are 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 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, excluding investments in the State of Maryland Local Government Investment Pool.

**Investments**

Investments held at June 30, 2022, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

**Receivables**

Receivables at June 30, 2022, consist of income tax, property tax, code liens and related interest, pedestrian bridge reimbursement, and admission and amusement tax revenue. Receivables are deemed collectible in full, and the allowance for doubtful accounts at June 30, 2022, is \$0.

**Inventory of Supplies**

Inventories 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, if any, when used.

**TOWN OF UPPER MARLBORO, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**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.

As of June 30, 2022, the balance of deferred inflows of resources in the fund financial statements consisted of income taxes of \$160,017, and the balance of deferred inflows and deferred outflows of resources in the government-wide financial statements consisted of \$184,656 and \$254,199 respectively, pertaining to pension payments.

**Local Tax Reserve Fund**

At June 30, 2022, the Town was advised by the State of Maryland that \$160,017 of the Local Tax Reserve Fund was allocable to the Town. The Town recorded receivable and deferred inflows of resources in the amount of \$160,017 in the fund financial statements. The change in this amount has been reflected as income tax revenue in the government-wide financial statements in accordance with full accrual accounting.

**Capital Assets and Depreciation**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the Town as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statements. Infrastructure such as bridges, roads, curbs and gutters, streets, sidewalks, drainage systems and lighting systems are capitalized. The valuation bases 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. Intangible assets are recognized if they are identifiable, and are amortized over their useful lives if they do not have indefinite lives.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 15 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 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.

**TOWN OF UPPER MARLBORO, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**Interest Expense**

Interest is expensed as incurred except when interest is incurred during the construction period and is capitalized as part of the cost of the asset.

**Compensated Absences**

Vested or accumulated vacation is accrued when earned by employees and a liability is recorded in the government-wide financial statements. No liability is recorded for nonvesting accumulated rights to receive sick pay benefits, as the Town does not pay these amounts when employees separate from service.

The Town pays all outstanding vacation leave at separation. A liability for vacation pay is recorded in the governmental fund financial statements only if it has matured (i.e., unused reimbursable leave still outstanding following an employee's resignation or retirement). The total amount of accumulated vacation leave at June 30, 2022, is \$53,938.

**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 revenues, expenditures, and expenses. Actual results could vary from the estimates that were used.

**TOWN OF UPPER MARLBORO, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**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 its 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* – all other 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.

**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 Board of Commissioners, 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 Director of Finance and the Town Board of Commissioners are authorized to assign amounts for specific purposes.
5. Unassigned Fund Balance – all amounts not included in other spendable classifications.



**TOWN OF UPPER MARLBORO, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

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 to spend first when other unrestricted fund balance classifications are available for use.

**NOTE 2 – COMPLIANCE AND ACCOUNTABILITY**

**Budget Requirements, Accounting, and Reporting**

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the budget is legally enacted through passage of an ordinance.
2. The budget ordinance becomes effective July 1 and provides spending authority for the operations of the Town government.
3. Transfers of funds between departments must be made by ordinance and transfers within a department must be approved by the Board of Commissioners before becoming effective without the necessity of passing an ordinance.
4. The budget for the General Fund is adopted on a basis consistent with budget estimates.
5. The budget information presented in the accompanying financial statements includes all budget ordinances approved by the Board of Commissioners for the fiscal year ending June 30, 2022.

**TOWN OF UPPER MARLBORO, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 3 – CASH AND INVESTMENTS**

**Deposit Policies**

Statutes authorize the Town to invest in certificates of deposit, repurchase agreements, passbooks, banker's acceptance, and other available bank investments provided that approved securities are pledged to secure those funds deposited in an amount equal to the amount of those funds. In addition, the Town can invest in direct debt securities of the United States unless such an investment is expressly prohibited by law and can invest in the State of 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.

At year-end, the carrying amounts of the Town's deposits were \$1,055,602 and the bank balances totaled \$1,282,272. Of the bank balances, the entire amount was either insured by Federal Depository Insurance Corporation (FDIC), or balances exceeding FDIC limits are secured by a surety bond or collateral valued 102 percent of principal and accrued interest. Collateral is to be held by the Town, its agent, or by the pledging institution's trust department or agent in the name of the Town. At year end, the Town's bank balances were not exposed to any custodial credit risk because all deposits were fully collateralized.

**Investment Policies**

**Credit Risk** is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town has no policy regarding credit risk.

**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's policy provides that to the extent practicable, investments are matched with anticipated cash flows.

**TOWN OF UPPER MARLBORO, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 3 – CASH AND INVESTMENTS – continued**

**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 is to not concentrate investments in a single issuer.

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.

Generally, the Town’s investing activities are managed by the Director of Finance. 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 (master repurchase agreement required); 4) Collateralized certificates of deposit (only Maryland commercial banks); and 5) Maryland Local Government Investment Pool.

**Investments**

As of June 30, 2022, the Town had the following investments:

<u>Types of Investments</u>	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings</u>
MLGIP	\$ 215,625	\$ 215,625	AAAm
WesBanco CD	105,142	105,142	N/A
Total	<u>\$ 320,767</u>	<u>\$ 320,767</u>	

Note: Ratings are provided where applicable to indicate associated Credit Risk. N/A indicates not applicable.

**TOWN OF UPPER MARLBORO, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 4 – PROPERTY TAX**

The Board of Commissioners holds an annual public hearing no later than May 31 for the residents to voice their opinion on the proposed tax rate and annual budget. The Board of Commissioners sets the tax rate by ordinance by June 30. Prince George’s County (the County) tax offices are informed of the approved rate and the County tax bills have these amounts included in them.

Property taxes are levied as of July 1 on property values as of the same date. Town residents pay all taxes directly to the county. The County then forwards all payments made to the Town office. Tax billings are considered past due after September 30. The real and personal property tax rates for the year ended June 30, 2022 were \$0.30 per \$100 and \$0.50 per \$100 of assessed value, respectively.

Real estate taxes are levied on July 1 and are payable by September 30 of the same year. If the property is a residential owner-occupied property, and the owner pays at least half of the tax bill by September 30, and the remaining balance by December 31, there is no penalty or interest. This is by state law. If the property owner does not pay at least half of the tax bill by September 30, then they will pay penalty and interest starting October 1. If the tax bill is not paid in full by December 31, the property owner is subject to penalty and interest starting January 1.

If the property is a residential non-owner-occupied property, then the real property tax bill must be paid in full on or before September 30. The same holds true for commercial and industrial properties.

If the taxes remain unpaid the property is placed with Prince George’s County for tax sale the following May.

Personal property taxes are levied throughout the year when the assessment is received from the State of Maryland. The taxes are payable within 30 days after levy. Penalties and interest are charged on any unpaid taxes after the thirty days has expired.

**TOWN OF UPPER MARLBORO, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 5 – CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Not being depreciated:				
Land	\$ 447,868	\$ 21,921	\$ -	\$ 469,789
Construction in progress	112,500	264,689	-	377,189
Subtotal	<u>560,368</u>	<u>286,610</u>	<u>-</u>	<u>846,978</u>
Depreciable capital assets:				
Infrastructure	220,991	21,415	-	242,406
Buildings and improvements	1,950,109	750	-	1,950,859
Machinery and equipment	119,658	97,699	-	217,357
Vehicles	458,723	262,358	27,939	693,142
Subtotal	<u>2,749,481</u>	<u>382,222</u>	<u>27,939</u>	<u>3,103,764</u>
Total capital assets	<u>3,309,849</u>	<u>668,832</u>	<u>27,939</u>	<u>3,950,742</u>
Accumulated depreciation:				
Infrastructure	50,353	15,982	-	66,335
Buildings and improvements	325,337	60,724	-	386,061
Machinery and equipment	42,480	39,768	-	82,248
Vehicles	302,789	76,857	27,939	351,707
Subtotal, accumulated depreciation	<u>720,959</u>	<u>193,331</u>	<u>27,939</u>	<u>886,351</u>
Net capital assets	<u>\$ 2,588,890</u>	<u>\$ 475,501</u>	<u>\$ -</u>	<u>\$ 3,064,391</u>

Depreciation was charged to functions as follows:

Government activities:	
General government	\$ 81,544
Public safety	65,306
Public works	46,481
Total government activities depreciation expense	<u>\$ 193,331</u>

The Town has no material construction commitments as of June 30, 2022.

**TOWN OF UPPER MARLBORO, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 6 – 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. 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 \$384,235 as of the measurement date of June 30, 2021.

The Town has also adopted GASB No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB No. 68. GASB No. 71 requires that contributions to the pension plan subsequent to the measurement date be recognized as a deferred outflow of resources. The Town’s fiscal 2022 contribution of \$69,249 is therefore recognized as a pension-related deferred outflow of resources.

**A. Description of Plan**

Under the terms of the Contributory Pension System, a member 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 5 years of service. An employee may also take an early retirement with reduced benefits at age 55 with 15 years of service. A member 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 except those employees hired after July 1, 2011 require ten years of eligible service to vest.

On retirement from service, a member of the plan shall receive an annual service retirement allowance based on the member’s average final compensation and years of creditable service multiplied by a factor. The factor varies from 1.2% to 2.6% 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 benefits received.

Benefits under the plan are established under the State Personnel and Pensions Article of the Annotated Code of Maryland.

**TOWN OF UPPER MARLBORO, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 6 – RETIREMENT PLAN – continued**

The Maryland State Retirement Agency issues a comprehensive annual financial report that includes disclosures regarding: plan assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position. The pension plans' fiduciary net position has been determined on the same basis used by the pension plans. The pension plans' financial statements are prepared on the accrual basis of accounting and are prepared in accordance with principles generally accepted in the United States of America that apply to governmental accounting for fiduciary funds. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. Actual employer contributions billed to participating governmental units for the year ending June 30, 2021 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported in the Schedule of Employer Allocations. The contributions were not adjusted account for differences between actuarially determined contributions and actual contributions by the State of Maryland. This report can be obtained from the agency's office as follows:

State Retirement and Pension Systems of Maryland  
120 E. Baltimore Street, Suite 1601  
Baltimore Maryland, 21202-1600

*Funding Policy*

Obligations to contribute to the plans are under the Annotated Code of Maryland. Members of the pension plan contribute 7% of annual compensation during employment. The required contribution rate is determined on an actuarially determined basis. During the year ended June 30, 2022, the Town contributed \$69,249. The Town contributed 100% of its required contribution for the year ended June 30, 2022. For members of the pension plan, full service pension allowances equal 2% of average final compensation (AFC) up to a maximum benefit of 60% of AFC (30 years of credit).

**TOWN OF UPPER MARLBORO, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 6 – RETIREMENT PLAN – continued**

Required contributions not funded by employee contributions are funded by the Town. The contributions by the Town to the State Plan for the current fiscal year takes place before December 31 and are based on the annualized gross base hourly rate in effect on June 30 of the preceding fiscal year. The Town contribution for the year ending June 30, 2022, was based on the annualized gross hourly rate in effect on June 30, 2021. Required employee contribution under the plan was 5% of the employee’s gross base salary, excluding holiday, overtime and shift differential pay for fiscal year 2011 and is 7 percent for each fiscal year thereafter. The contribution requirements of plan members of the reporting entity are established and may be amended by the Maryland State Pension System Board of Trustees. The required and actual Town contributions for the fiscal years ended June 30 were as follows:

	<b>Fiscal Year Ending June 30</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Retirement plan contributions	<u>\$ 69,249</u>	<u>\$ 58,071</u>	<u>\$ 47,894</u>

The Town contributed \$69,249 to the System for fiscal year 2022 which was actuarially determined based on statutory provisions. The Town has also recognized in Pension Expense its proportionate share of the System’s deferred inflows of resources (an increase in Pension Expense) attributable to the net difference between projected and actual investment earnings on pension plan assets and its proportionate share of the System’s deferred outflows of resources (a decrease in Pension Expense) attributable to changes in assumptions.



**TOWN OF UPPER MARLBORO, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 6 – RETIREMENT PLAN – continued**

Required disclosures aggregate for the plan:

	<u>Maryland State Pension System</u>
Total pension liability	\$ 82,606,805,000
Total fiduciary net position	67,604,500,000
Town's proportionate share of total pension liabilities	384,235
Town's proportionate share of net pension liabilities	0.00256%
Total pension assets	\$ 67,604,500,000
Measurement date of collective net pension liability	June 30, 2021
Date of actuarial valuation	June 30, 2021
Deferred outflows related to pensions	184,656
Deferred inflows related to pensions	254,200
Pension expense/expenditures for the period	(48,049)

*Actuarial assumptions*

The annual required contribution for the current year was determined as part of the actuarial valuation on July 1, 2020 rolled forward to June 30, 2021. The key assumptions used to perform the June 30, 2021 pension liability calculation for the System are as follows:

Actuarial Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Asset valuation method	5-year smoothed market; 20% collar
Inflation (b)	2.60% general, 3.10% wage
Salary Increases	3.10%
Discount Rate (a)	6.80%
Investment Rate of Return (b)	6.80%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2018 valuation pursuant to an experience study of the period July 1, 2014 to July 30, 2018.
Mortality	Public Sector 2010 Mortality Tables calibrated to MSRPS experience with generational projections using MP-2018 (2-dimensional) mortality improvement scale.

**TOWN OF UPPER MARLBORO, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 6 – RETIREMENT PLAN – continued**

- (a) Discount rate at prior measurement date was 7.40%.
- (b) There were no benefit changes during the year. Adjustments to the roll-forward liabilities were made to reflect the following assumption changes in the 2021 valuation:
  - a. Investment return assumption decreased to 6.80%.
  - b. Inflation assumption remained the same at 2.60%.

The components of the net pension liability for the System as of June 30, 2021, calculated in accordance with GASB Statement No. 67, are shown in the following table:

Total pension liability	\$ 82,606,805,000
Plan Fiduciary Net Position	<u>67,604,500,000</u>
Net Pension Liability	<u><u>\$ 15,002,305,000</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u><u>81.84%</u></u>

**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%	5.2%
Private equity	13%	6.5%
Rate sensitive	19%	-0.3%
Credit opportunity	9%	2.8%
Real assets	14%	4.3%
Absolute return	8%	1.8%
<b>Total</b>	<b>100%</b>	

**TOWN OF UPPER MARLBORO, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 6 – RETIREMENT PLAN – continued**

**Discount Rate**

A single discount rate of 6.80% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 6.80%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Net Pension Liability**

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the 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 6.80%, a single discount rate that is 1-percentage point lower (i.e., 5.80%), and a single discount rate that is 1-percentage point higher (i.e., 7.80%).

	1% Lower - 5.80%	Current Rate - 6.80%	1% Higher - 7.80%
The System's Net Pension Liability	\$ 25,551,028,000	\$ 15,002,305,000	\$ 6,252,209,000
The Town's Proportionate Share of the Net Pension Liability	\$ 654,406	\$ 384,235	\$ 160,130

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

At June 30, 2022, the Town’s reported a liability of \$384,235 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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. At June 30, 2021, the Town’s proportion was approximately 0.0025612 percent.

**TOWN OF UPPER MARLBORO, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 6 – RETIREMENT PLAN – continued**

For the year ended June 30, 2022, the Town recognized pension benefit of \$48,049. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Changes of assumptions	\$ 74,372	\$ 8,240
Differences in actual and expected experiences	-	29,450
Net difference between projected and actual earnings on pension plan investments	37,405	212,880
Contributions made subsequent to the measurement date	69,249	-
Changes in proportion and differences between employer contributions and share of contributions	3,630	3,630
<b>Total</b>	<b>\$ 184,656</b>	<b>\$ 254,200</b>

The deferred outflow of resources of \$69,249 relating to contributions subsequent to the measurement date will be recognized as a reduction of the Town’s net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources are being amortized over a five-year period beginning in fiscal 2022. These unamortized amounts will be ratably recognized in pension expense over the next four years.

**Net Pension Liability**

The components of the Town’s proportionate share of the Pension System’s net pension liability as of the measurement date of June 30, 2021, were as follows:

Total pension liability	\$ 2,115,703
Plan Fiduciary Net Position	<u>1,731,468</u>
Net Pension Liability	<u><u>\$ 384,235</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 <u><u>81.84%</u></u>

**TOWN OF UPPER MARLBORO, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 7 – LONG-TERM DEBT**

The following is a summary of the activity in the Town’s long-term debt:

	Beginning Balance	Increases	Decreases	Ending Balance	Amount Due Within 1 Year
Governmental activities					
Compensated absences	\$ 82,973	\$ -	\$ 29,035	\$ 53,938	\$ -
Tax-Exempt Leasing Corp.	61,556	-	30,096	31,460	15,556
Tax-Exempt Leasing Corp.	-	115,438	13,634	101,804	27,932
Tax-Exempt Leasing Corp.	-	115,000	16,752	98,248	13,975
	<u>\$ 144,529</u>	<u>\$ 230,438</u>	<u>\$ 89,517</u>	<u>\$ 285,450</u>	<u>\$ 57,463</u>

During fiscal year 2020, the Town entered into a leasing agreement with Tax-Exempt Leasing Corp for three police vehicles. Principal and interest is payable bi-annually on January 15th and July 15th, beginning on January 15th, 2020. The annual interest rate over the life of the lease is 4.49%. The balance as of June 30, 2022 is \$31,460.

	Principal	Interest	Total
2023	\$ 15,556	\$ 706	\$ 16,262
2024	15,904	357	16,261
	<u>\$ 31,460</u>	<u>\$ 1,063</u>	<u>\$ 32,523</u>

During fiscal year 2022, the Town entered into a leasing agreement with Tax-Exempt Leasing Corp for two police vehicles. Principal and interest is payable bi-annually on May 5th and November 5th, beginning on May 5th, 2022. The annual interest rate over the life of the lease is 3.23%. The balance as of June 30, 2022 is \$101,804.

	Principal	Interest	Total
2023	\$ 27,932	\$ 3,064	\$ 30,996
2024	28,841	2,155	30,996
2025	29,780	1,216	30,996
2026	15,251	246	15,497
	<u>\$ 101,804</u>	<u>\$ 6,681</u>	<u>\$ 108,485</u>

During fiscal year 2022, the Town entered into a leasing agreement with Tax-Exempt Leasing Corp for a public works truck. Principal and interest is payable bi-annually on July 15th and January 15th, beginning on July 15th, 2022. The annual interest rate over the life of the lease is 3.36%. The balance as of June 30, 2022 is \$98,248.

**TOWN OF UPPER MARLBORO, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 7 – LONG-TERM DEBT - continued**

	Principal	Interest	Total
2023	\$ 13,975	\$ 1,729	\$ 15,704
2024	28,659	2,749	31,408
2025	29,630	1,778	31,408
2026	25,984	774	26,758
	\$ 98,248	\$ 7,030	\$ 105,278

**NOTE 8 – CONCENTRATIONS**

The Town derives most of its revenues from the citizens of the Town. The Town is located in Prince George’s County, Maryland.

**NOTE 9 – RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to workers; and natural disasters.

The Town has an insurance agreement with the Local Government Insurance Trust (LGIT), a public entity risk pool. LGIT provides the Town’s property, general, automobile, employee, police and public officials’ legal liability insurance coverage.

This is a total risk and cost sharing pool for all participants. In the event that the Trust’s General Fund falls into a deficit that cannot be satisfied by transfers from the Trust’s capital and surplus accounts, the Trustees shall determine a method to fund the deficit. The Trust agreement empowers the Trustees to assess an additional premium to each deficit-year participant. Debt issues could also be used to fund a deficit.

Premiums are charged to the Town’s General Fund, with no provision made for claim liability in addition to premiums, unless an assessment is made by the Trust. There have been no assessments during the year ended June 30, 2021, and the amount of settlements has not exceeded coverage for each of the past three years.

**NOTE 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.

**TOWN OF UPPER MARLBORO, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 11 – RISKS AND UNCERTAINTIES**

The Pension Trust Fund is invested in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net position available for benefits.

**NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS**

The Town offers no other post-employment benefits.

**NOTE 13 - RECONCILIATION OF NON-GAAP BUDGET TO GAAP BUDGET**

The financial statements and notes conform to GAAP. The budget is prepared on a basis not consistent with GAAP because the prior years' surplus is included in budgeted revenues and expenditures. The reconciliation between the non-GAAP budget and GAAP follows:

Budgeted excess of revenue over (under) expenditures - Non-GAAP basis	\$	-
Plus: Transfer to reserve fund		-
Less: Prior years' surplus - revenues		-
		<hr/>
Budgeted excess of revenue over (under) expenditures - GAAP basis	\$	-
		<hr/> <hr/>

**TOWN OF UPPER MARLBORO, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 14 – FUND BALANCE REPORTING**

Fund balances for the Town’s governmental funds consisted of the following as of June 30, 2022:

**Unassigned Fund Balances**

At June 30, 2022, the unassigned fund balance was \$1,407,904.

**NOTE 15– NEW ACCOUNTING PRONOUNCEMENTS**

The GASB has issued the following statements:

Statement No. 87, *Leases*, issued June 2018, effective for financial statements for fiscal years beginning after June 15, 2021 (postponed 18 months by Statement No. 95).

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, issued June 2018, effective for reporting periods beginning after December 15, 2020 (postponed one year by Statement No. 95).

Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, issued August 2018, effective for reporting periods beginning after December 15, 2019 (postponed one year by Statement No. 95).

Statement No. 91, *Conduit Debt Obligations*, issued May 2019, effective for reporting periods beginning after December 15, 2021 (postponed one year by Statement No. 95).

Statement No. 92, *Omnibus 2020*, issued January 2020, effective for reporting periods beginning after June 15, 2021 (postponed one year by Statement No. 95).

Statement No. 93, *Replacement of Interbank Offered Rates*, issued March 2020, effective for reporting periods beginning after June 15, 2020 (postponed one year by Statement No. 95).

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, issued March 2020, effective for reporting periods beginning after June 15, 2022.

Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, issued May 2020, effective immediately.

Statement No. 96, *Subscription-Based Information Technology Arrangements*, issued May 2020, effective for reporting periods beginning after June 15, 2022.



**TOWN OF UPPER MARLBORO, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 15– NEW ACCOUNTING PRONOUNCEMENTS – continued**

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, issued June 2020, effective for reporting periods beginning after June 15, 2021.

Statement No. 98, *The Annual Comprehensive Financial Report*, issued October 2021, effective immediately.

Statement No. 99, *Omnibus 2022*, issued April 2022, sections effective for reporting periods ending after June 15, 2022 and 2023.

Statement No. 100, *Accounting Changes and Error Corrections*, issued June 2022, effective for reporting periods beginning after June 15, 2023.

Statement No. 101, *Compensated Absences*, issued June 2022, effective for reporting periods beginning after December 15, 2023.

The Town will implement these statements as necessary as of their effective dates. While the Town is still in the process of determining the effect of implementing these GASB statements, they are not expected to have a material effect on the financial position of the Town.

**TOWN OF UPPER MARLBORO, MARYLAND**  
**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**Last Ten Fiscal Years**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion (%) of collective net pension liability	0.00256%	0.00252%	0.00210%	0.00164%	0.00148%	0.00125%	0.00142%
Town's proportionate share (\$) of collective net pension liability	\$ 384,235	\$ 569,425	\$ 433,796	\$ 343,641	\$ 320,090	\$ 294,469	\$ 294,227
Town's covered payroll(\$)	\$ 674,136	\$ 648,244	\$ 571,486	\$ 390,180	\$ 377,400	\$ 292,900	\$ 313,260
Town's proportionate share of collective net pension liability as a percentage of its covered payroll	57.00%	87.84%	75.91%	88.07%	84.81%	100.54%	93.92%
Pension plan's fiduciary net position as a percentage of the total pension liability	81.84%	70.72%	72.34%	71.18%	69.38%	65.79%	69.38%

The years shown above reflect the June 30 measurement dates.

**EMPLOYEES' RETIREMENT AND PENSION SYSTEM**  
**FOR THE YEAR ENDED JUNE 30, 2020**  
**Last 10 Fiscal Years**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 69,249	\$ 58,071	\$ 47,894	\$ 32,659	\$ 30,128	\$ 24,313	\$ 29,841
Contributions in relation to the contractually required contribution	69,249	58,071	47,894	32,659	30,128	24,313	29,841
Contribution deficiency (excess)			-	-	-	-	-
Town's covered payroll	\$ 674,136	\$ 648,244	\$ 571,486	\$ 390,180	\$ 377,400	\$ 292,900	\$ 313,260
Contributions as a percentage of covered-employee payroll	10.3%	9.0%	8.4%	8.4%	8.0%	8.3%	9.5%

These schedules are presented to illustrate the requirement to show information for 10 years. However, information prior to June 30, 2015 is not available.

**TOWN OF UPPER MARLBORO, MARYLAND**  
**REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET (NON-GAAP BASIS) AND ACTUAL (BUDGETARY BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	<b>General Fund</b>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Taxes	\$ 987,793	\$ 1,107,996	\$ 1,133,774	\$ 25,778
Fines, licenses and permits	230,669	258,669	250,361	(8,308)
Intergovernmental	1,240,020	1,267,860	1,640,847	372,987
Miscellaneous	8,250	8,250	9,211	961
Transfer of Reserve	-	-	-	-
Total Revenues	<u>\$ 2,466,732</u>	<u>\$ 2,642,775</u>	<u>\$ 3,034,193</u>	<u>\$ 391,418</u>
Expenditures				
General government	\$ 1,433,380	\$ 1,219,500	\$ 1,212,277	\$ 7,223
Public safety	442,795	551,175	572,327	(21,152)
Public works	777,913	872,100	453,109	418,991
Total Expenditures	<u>\$ 2,654,088</u>	<u>\$ 2,642,775</u>	<u>\$ 2,237,713</u>	<u>\$ 405,062</u>

**TOWN OF UPPER MARLBORO, MARYLAND**  
**SCHEDULE OF REVENUES**  
**BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2022**

REVENUES	Budget	Actual	Variable Favorable (Unfavorable)
<b>Taxes</b>			
Real estate	\$ 206,215	\$ 234,647	\$ 28,432
Real estate	189,540	189,281	(259)
Real estate taxes delinquent	5,000	-	(5,000)
Personal property	46,555	49,160	2,605
Public utilities	660,686	660,686	-
<b>Total Taxes</b>	<u>1,107,996</u>	<u>1,133,774</u>	<u>25,778</u>
<b>Fines, licenses and permits</b>			
Parking permits	2,500	2,900	400
Parking meters	195,000	147,907	(47,093)
Parking fines	27,000	27,184	184
Cable franchise fee	13,000	16,003	3,003
Parking coin deposits	-	39,380	39,380
Business licenses	14,000	13,240	(760)
Parking cash payments	-	225	225
Public/education/govt broadcasting	5,000	3,422	(1,578)
Trader's license fees	500	-	(500)
Food trucks	1,000	-	(1,000)
Room rentals	669	-	(669)
Permits	-	100	100
<b>Total Licenses and Permits</b>	<u>258,669</u>	<u>250,361</u>	<u>(8,308)</u>
<b>Intergovernmental</b>			
Income tax	260,000	1,099,689	839,689
Disposal fee rebate	1,750	1,038	(712)
Highway user fee	27,725	45,297	17,572
Financial corporation tax	9,145	9,145	-
FIP grant	50,000	16,375	(33,625)
ARP recovery fund	331,540	331,540	-
State streetscape	450,000	-	(450,000)
Community Open Space	100,000	100,000	-
State police aid	16,400	16,374	(26)
Grants	21,300	21,389	89
<b>Total Intergovernmental</b>	<u>1,267,860</u>	<u>1,640,847</u>	<u>372,987</u>
<b>Miscellaneous</b>			
Interest earnings	2,500	2,001	(499)
Special events / donations	2,500	100	(2,400)
Miscellaneous receipts	3,000	7,110	4,110
Town Hall services - misc. rev.	250	-	(250)
<b>Total Miscellaneous</b>	<u>8,250</u>	<u>9,211</u>	<u>961</u>
<b>TOTAL REVENUES</b>	<u>\$ 2,642,775</u>	<u>\$ 3,034,193</u>	<u>\$ 391,418</u>

**TOWN OF UPPER MARLBORO, MARYLAND**  
**SCHEDULE OF EXPENDITURES**  
**BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2022**

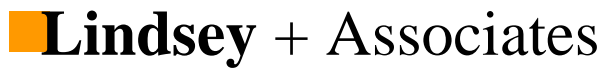
	Budget	Actual	Variable Favorable (Unfavorable)
<b>EXPENDITURES</b>			
<b>General Government</b>			
Salary Expense			
Commissioners	\$ 15,700	\$ 21,288	\$ (5,588)
Administration	251,779	250,678	1,101
Municipal capital fund	<u>267,479</u>	<u>271,966</u>	<u>(4,487)</u>
Benefit Expense			
Payroll taxes		-	-
Pension	27,000	22,805	4,195
FICA	22,000	20,855	1,145
Worker's comp.	11,000	10,980	20
Health/life/dental	34,800	25,087	9,713
Insurance & benefits	<u>16,500</u>	<u>16,549</u>	<u>(49)</u>
Total Administration	<u>111,300</u>	<u>96,276</u>	<u>15,024</u>
Operating expense			
Accounting	25,000	25,651	(651)
Audit	20,000	40,000	(20,000)
ARPA - loss	70,171	16,596	53,575
ARPA	-	5,096	(5,096)
Celebrations/tricentennial	-	750	(750)
CERT	750	-	750
Committee expense	8,500	18,254	(9,754)
Events	5,000	-	5,000
Dues and subscriptions	11,500	15,578	(4,078)
Grants & Awards (FIP)	70,000	16,375	53,625
General Liability - claims	5,000	-	5,000
Government relations	38,000	33,600	4,400
Green team	750	-	750
Historical committee	750	-	750
Human resources services	13,500	13,940	(440)
IT support & equipment	25,000	14,908	10,092
Legal	78,000	80,028	(2,028)
Media relations	17,000	13,530	3,470
Merchant services fees	38,000	34,867	3,133
Mobile phones	10,000	8,394	1,606
Payroll processing	5,500	4,833	667
Public notices	2,000	1,365	635
Postage	2,000	2,406	(406)
Printing	8,500	13,290	(4,790)
Professional services	(30,000)	(26,922)	(3,078)
Office equipment	3,200	5,500	(2,300)
Other	3,000	4,154	(1,154)
Staff development & training	500	(233)	733
Supplies	45,000	46,461	(1,461)
Telephone	4,000	3,911	89
Town election	2,100	3,856	(1,756)
Town hall repairs	6,000	8,389	(2,389)
Trunk or treat	2,000	-	2,000
Utilities	<u>10,000</u>	<u>9,846</u>	<u>154</u>
Total Operating Expense	<u>500,721</u>	<u>414,423</u>	<u>86,298</u>

**TOWN OF UPPER MARLBORO, MARYLAND**  
**SCHEDULE OF EXPENDITURES**  
**BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Budget</u>	<u>Actual</u>	Variable Favorable (Unfavorable)
Capital Outlay			
Annexation	\$ -	\$ -	\$ -
Community Open Space	130,000	264,689	(134,689)
Planning firm	20,000	16,465	3,535
Town hall repairs	-	2,905	(2,905)
Miscellaneous	190,000	145,553	44,447
Total Capital Outlay	<u>340,000</u>	<u>429,612</u>	<u>(89,612)</u>
<b>Total General Government</b>	<u>1,219,500</u>	<u>1,212,277</u>	<u>7,223</u>
<b>Public Safety</b>			
Salary expense			
Officers	320,000	324,948	(4,948)
Overtime	5,000	-	5,000
Total Salary Expense	<u>325,000</u>	<u>324,948</u>	<u>52</u>
Benefit expense			
Payroll taxes		-	-
Health benefits	25,000	27,301	(2,301)
Worker's comp.	10,000	9,318	682
Pension	28,000	27,782	218
FICA	30,000	27,325	2,675
Total Benefit Expense	<u>93,000</u>	<u>91,726</u>	<u>1,274</u>
Operating expense			
Association dues	750	615	135
GOCCP Police state aid	16,400	4,423	11,977
Occupancy	16,500	13,800	2,700
Pre employment	4,500	4,828	(328)
Professional services	30,000	26,922	3,078
Mobile phones	5,000	3,279	1,721
Training and memberships	2,500	2,215	285
Supplies	4,500	4,859	(359)
Uniforms	2,000	1,798	202
Vehicle-fuel	5,000	10,203	(5,203)
Vehicle-maintenance		-	-
Vehicle-repairs	6,500	10,203	(3,703)
Total Operating Expense	<u>93,650</u>	<u>83,145</u>	<u>10,505</u>
Capital outlay			
Equipment	7,000	8,781	(1,781)
Total Capital Outlay	<u>7,000</u>	<u>8,781</u>	<u>(1,781)</u>
Debt service			
Vehicles - debt service	32,525	63,727	(31,202)
Total Debt Service	<u>32,525</u>	<u>63,727</u>	<u>(31,202)</u>
<b>Total Public Safety</b>	<u>551,175</u>	<u>572,327</u>	<u>(21,152)</u>

**TOWN OF UPPER MARLBORO, MARYLAND**  
**SCHEDULE OF EXPENDITURES**  
**BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Budget</u>	<u>Actual</u>	Variable Favorable (Unfavorable)
<b>Public Works</b>			
Salary Expense			
Employee salaries	\$ 216,000	\$ 217,251	\$ (1,251)
Overtime	4,000	5,525	(1,525)
Total Salary Expense	<u>220,000</u>	<u>222,776</u>	<u>(2,776)</u>
Municipal capital fund			
Pension	19,000	18,662	338
Health benefits	37,000	38,399	(1,399)
FICA	18,000	18,323	(323)
Workmen's comp.	6,500	18,909	(12,409)
Total Benefit Expense	<u>80,500</u>	<u>94,293</u>	<u>(13,793)</u>
Operating expense			
Training and membership dues	500	100	400
Operating		289	(289)
Uniforms	750	355	395
Maintenance repairs beautification	5,000	5,206	(206)
Mobile phones	1,500	501	999
Other	1,500	269	1,231
Portajohn		-	-
Public works beautification		-	-
Recycling	10,000	10,708	(708)
Small tools/equipment	9,000	9,329	(329)
Testing (substance)		-	-
Streets maintenance	7,000	6,730	270
Utilities-highway lighting	23,000	22,345	655
Utilities-shop/telephones	2,500	1,094	1,406
Fuel	4,000	13,973	(9,973)
Vehicle maintenance and repairs	3,500	10,460	(6,960)
Septic tank	1,200	900	300
Waste collection	3,650	3,454	196
Waste disposal	45,500	50,327	(4,827)
Weather related expense	3,000	-	3,000
Total Operating Expense	<u>121,600</u>	<u>136,040</u>	<u>(14,440)</u>
Capital Outlay			
Streetscape expenses	450,000	-	450,000
Total Capital Outlay	<u>450,000</u>	<u>-</u>	<u>450,000</u>
<b>Total Public Works</b>	<u>872,100</u>	<u>453,109</u>	<u>418,991</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 2,642,775</u>	<u>\$ 2,237,713</u>	<u>\$ 405,062</u>



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November 11, 2022

Board of Town Commissioners  
Town of Upper Marlboro, Maryland

We audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Upper Marlboro, Maryland (the "Town") for the year ended June 30, 2022, and have issued our report thereon dated November 11, 2022. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U. S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 16, 2022 our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U. S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Town. Such consideration was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Town's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters.



## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Town are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2022, except as may be explained in Note 1 to the financial statements. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

### *Difficulties Encountered in Performing the Audit*

There were no difficulties encountered in performing audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We proposed adjustments to receivables, cash, and fixed assets. Management has corrected all such misstatements.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representation from management that is included in the management representation letter dated November 11, 2022.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationships and our responses were not a condition to our retention.

We have also provided the Town’s management with a letter dated November 11, 2022 pertaining to our audit findings and recommendations.

This information is intended solely for the use of the Members of Board of Town Commissioners and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Hindley & Associates, LLC*