

TOWN OF HAMPSTEAD
CARROLL COUNTY, MARYLAND
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

TOWN OF HAMPSTEAD
YEAR ENDED JUNE 30, 2024

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, Town Council and the Town Manager
Town of Hampstead
Hampstead, Maryland

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Hampstead (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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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

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.



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Town of Hampstead
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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 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.

Adoption of Governmental Accounting Standard Board Pronouncements

As discussed in Note 1 to the financial statements, in 2024 the Town adopted the required provisions of Governmental Accounting Standards Board's Statements GASB Statement No. 99, "Omnibus 2022" and GASB Statement No. 100, "Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62". Our opinion is not modified with respect to these matters.



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Town of Hampstead
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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the Town's proportionate share of the net pension liability, and the schedule of the Town's contributions on pages 4 through 10 and 45 through 47, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Zelenkofske Axelrod LLC

ZELENKOFKSKE AXELROD LLC

Harrisburg, Pennsylvania
October 30, 2024

Town of Hampstead Management's Discussion and Analysis

Our discussion and analysis of the financial performance of the Town of Hampstead provides an overview of the Town's financial activities for the year ended June 30, 2024. Please read it in conjunction with the Town's financial statements.

Financial Highlights

General Government:

- Municipal property tax rates and business personal property tax rates remained unchanged in fiscal year 2024. Residential and commercial development within the Town could result in increased property and business property tax revenues in fiscal year 2025.
- The largest capital expense in general government for 2024 was road paving in the amount of \$309,146. The Town expects to do further paving in 2025 utilizing Highway User Funds from the State of Maryland.
- The Town installed new play equipment at Sugar Maple Park. The Town spent \$154,096 on this project utilizing Program Open Space grant funds. In FY 2025, the Town will install new playground equipment at Panther Park. This project will be funded by the Maryland Department of Natural Resources through a Community Parks and Playground grant.

Water:

- Water rates increased by 8% in 2024. This was the first increase in water rates since 2018. Water rates will again increase by 8% in fiscal year 2025 due to the continued supply shortages and rising costs related to maintaining the Town's infrastructure.
- In 2023, the Town began the Water System Modernization & Centralization Project. This project is necessary to remove PFAS and other emerging contaminants from the Town's water system. In FY 2024, \$773,139 was spent on engineering design for this project. The Town utilized ARPA funds to pay the engineering costs. Of the \$4,414,509.75 in ARPA funds that were received, \$940,111.49 remains as of June 30, 2024 and must be spent by December 31, 2026.
- Also related to the Water System Modernization & Centralization Project, the Town purchased a parcel of land in FY 2024 in the amount of \$74,000 for a future water treatment facility. ARPA funds were utilized for this purchase.
- Once ARPA funding has been fully expended, the Town intends to issue a bond in FY 2025 in the amount of \$3,000,000 to cover the remaining engineering design costs as well as the engineering construction costs.
- In FY 2024, the Town received an EPA Emerging Contaminants in Small or Disadvantaged Communities Grant in the amount of \$18,914,000. The Town also received a Forgivable Drinking Water State Revolving Fund loan for \$586,000 from the Maryland Infrastructure Financing Administration. These monies will be used to cover the cost of the construction in the Water System Centralization and Modernization Project. Construction is scheduled to begin in May or June of 2025.

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 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 report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities and all deferred outflows and 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 property tax base, and the condition of the roads and water system 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 activities:

- Governmental activities – Most of the Town's basic services are reported here, including the police, general administration, public works, and parks. Taxes, fees, fines, and state and federal grants finance most of these activities.
- Business-type activities – The Town's water system is reported here, and fees are charged to customers to cover the cost of the services provided.

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. The Town's two kinds of funds, governmental and proprietary, use different accounting approaches.

- Government 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 readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town’s general government operations and the basic services 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 a reconciliation at the bottom of the fund financial statements.
- Proprietary funds – When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Town’s enterprise fund is the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash-flows.

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	Building Permit Fees, Rental Housing Licenses, Public Works Agreement Fees, Certain Fees & Licenses, Penalties
Public Safety	Federal Grants, State Grants, Fines, Impact Fees, Report Fees
Public Works	Highway User Revenues, County Overlapping Services, Grading Permit Fees
Recreation & Culture	State Grants, Impact Fees

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.

Governmental-Wide Financial Information

The following is selected information as of June 30, 2024 and for the previous year ended provided for comparison purposes.

	2024			2023		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current assets	\$ 4,026,714	\$ 2,363,217	\$ 6,389,931	\$ 4,029,573	\$ 3,149,925	\$ 7,179,498
Noncurrent assets	5,741,627	11,162,748	16,904,375	5,629,832	10,598,911	16,228,743
Total assets	9,768,341	13,525,965	23,294,306	9,659,405	13,748,836	23,408,241
Deferred outflows of resources	1,331,926	-	1,331,926	561,638	-	561,638
Total assets and deferred outflows of resources	<u>\$ 11,100,267</u>	<u>\$ 13,525,965</u>	<u>\$ 24,626,232</u>	<u>\$ 10,221,043</u>	<u>\$ 13,748,836</u>	<u>\$ 23,969,879</u>
Current liabilities	\$ 171,921	\$ 120,733	\$ 292,654	\$ 289,911	\$ 151,611	\$ 441,522
Long-term liabilities	2,290,582	2,472,279	4,762,861	1,883,063	2,577,409	4,460,472
Total liabilities	2,462,503	2,593,012	5,055,515	2,172,974	2,729,020	4,901,994
Deferred inflows of resources	535,907	1,399,338	1,935,245	481,282	1,540,628	2,021,910
Net investment in capital assets	5,100,498	8,641,560	13,742,058	4,875,310	7,967,991	12,843,301
Unrestricted	3,001,359	892,055	3,893,414	2,691,477	1,511,197	4,202,674
Total net position	8,101,857	9,533,615	17,635,472	7,566,787	9,479,188	17,045,975
Total liabilities, deferred inflows of resources and net position	<u>\$ 11,100,267</u>	<u>\$ 13,525,965</u>	<u>\$ 24,626,232</u>	<u>\$ 10,221,043</u>	<u>\$ 13,748,836</u>	<u>\$ 23,969,879</u>
Program revenues:						
Charges for services	\$ 60,349	\$ 1,253,802	\$ 1,314,151	\$ 7,679	\$ 1,114,701	\$ 1,122,380
Grants and contributions	970,921	-	970,921	1,135,791	2,207,255	3,343,046
General revenues:						
Income taxes	1,162,020	-	1,162,020	1,275,152	-	1,275,152
Property taxes	1,651,744	-	1,651,744	1,584,353	-	1,584,353
Other general revenues	415,049	291,099	706,148	304,977	254,623	559,600
Total general revenues	3,228,813	291,099	3,519,912	3,164,482	254,623	3,419,105
Total revenues	4,260,083	1,544,901	5,804,984	4,307,952	3,576,579	7,884,531
Expenses:						
General government	825,615	-	825,615	804,233	-	804,233
Public safety	1,329,201	-	1,329,201	1,313,112	-	1,313,112
Public works	1,341,526	-	1,341,526	1,279,776	-	1,279,776
Recreation and culture	203,031	-	203,031	198,924	-	198,924
Interest Expense	25,640	-	25,640	29,570	-	29,570
Water Expense	-	1,490,474	1,490,474	-	1,528,978	1,528,978
Total expenses	3,725,013	1,490,474	5,215,487	3,625,615	1,528,978	5,154,593
Change in net position	535,070	54,427	589,497	682,337	2,047,601	2,729,938
Net position, beginning of year	7,566,787	9,479,188	17,045,975	6,884,450	7,431,587	14,316,037
Net position, end of year	<u>\$ 8,101,857</u>	<u>\$ 9,533,615</u>	<u>\$ 17,635,472</u>	<u>\$ 7,566,787</u>	<u>\$ 9,479,188</u>	<u>\$ 17,045,975</u>

Business-type Activities

Business-type activities consist of the water department. The water department shows net operating income partially as a result of impact fees being charged for future capital expense.

The Town's Funds

The following schedule presents a summary of general revenue and expenses for the fiscal year ended June 30, 2024 and the amount of increases and decreases in relation to the prior year.

	FY 2024 Amount	Percent of Total	Increase (Decrease) From FY 2023	FY 2023 Amount
Revenues				
Taxes	\$ 2,875,464	67%	\$ (38,965)	\$ 2,914,429
Intergovernmental	970,921	23%	(164,870)	1,135,791
Charges for services	60,349	1%	52,670	7,679
Fines, licences and permits	78,855	2%	(5,456)	84,311
Interest income	197,162	5%	143,269	53,893
Miscellaneous	77,332	2%	(34,519)	111,851
TOTAL REVENUE	\$ 4,260,083	100%	\$ (47,871)	\$ 4,307,954
Expenditures				
General government	\$ 819,430	20%	\$ 42,993	\$ 776,437
Public safety	1,414,194	34%	18,715	1,395,479
Public works	965,716	23%	40,400	925,316
Recreation and culture	113,473	3%	(24,002)	137,475
Capital Outlays	694,887	17%	277,909	416,978
Debt service	139,033	3%	(1,793)	140,826
TOTAL EXPENDITURES	\$ 4,146,733	100%	\$ 354,222	\$ 3,792,511

The decrease in Taxes revenue is related to Income Taxes. The Town saw an overall decrease of 8.87% in Income Tax revenue. The decrease in Intergovernmental is due to the Town receiving Program Open Space and Community Parks & Playground grant revenues in fiscal year 2023 that consisted of both fiscal year 2023 and a portion of fiscal year 2022's delayed revenue. The increase in Charges for Services is related to the restructuring of Rental Housing Licenses fees, as well as Impact Fees that were received for new construction. The Town had multiple Certificates of Deposit that matured in fiscal year 2024 which resulted in an increase in Interest Revenue. The decrease in Miscellaneous Revenue is due to the Town receiving reimbursement in fiscal year 2023 from BGE for incorrect rate billings.

The increase in General Government expenditures is related to the rising costs of insurances including health, workers compensation, property, automobile, liability, etc. The increase in Public Safety expenditures is due to the department being fully staffed compared to prior years which included vacancies, as well as the expenses associated with hiring two new police recruits and their academy training/additional equipment needed. The increase in Public Works is due to

the rise in operating costs related to trash removal, street maintenance and streetlights electric, and stormwater maintenance. The increase in Capital Expenditures is due to the purchase of a new generator for the Police Station, a new HVAC system for Town Hall, and an increase in road paving due to the Town receiving more Highway User Revenue than in prior years.

General Fund Budgetary Highlight

There were some budget revisions in fiscal year 2024. Refer to page 45 of this report for a detailed analysis of the original budget, final budget, and actual revenues and expenditures for the governmental funds.

Capital Asset and Debt Administration

Capital Assets

Major capital additions during 2024 included road paving, Sugar Maple Park renovations, the purchase of new vehicles and equipment, new generator at the police station, new HVAC systems at Town Hall, replenishment of street light inventory and park benches for Main Street, well exploration, and engineering and land purchase for the water system modernization & centralization project.

The following table lists the Town’s additions during the year.

General Fund		Business-Type Activities	
HVAC Systems-Town Hall	\$ 24,000	Public Works Utility Truck/Equip	\$ 42,046
Police Vehicle/Equipment	78,850	Roof Replacement - PW Bldg.	7,658
Generator - Police Station	38,800	Water Leak Trench Shield	10,525
Interior Painting - Police Station	11,130	Water System Modernization & Centralization	773,139
Public Works Utility Truck/Equip	42,045	Land Acquisition	74,000
Road Paving	309,146	Well Exploration	26,165
Roof Replacement - PW Bldg.	7,658	Water Meters	9,513
Streetlights/Benches - Main St.	29,162		
Sugar Maple Park Play Equip	<u>154,096</u>		
Subtotal	\$ 694,887		\$ 943,046
Disposals	<u>\$ (19,719)</u>		<u>\$ (19,719)</u>
Change in Capital Assets	<u>\$ 675,168</u>		<u>\$ 923,327</u>

Debt

At year end, the Town had \$3,020,338 in outstanding notes as compared to \$3,157,240 last year. This amount consists of notes on the Streetscape Street Lighting, Paving Improvements, and the

Main Street Water Main Replacement. In 2018, the Town entered into a 7-year lease agreement in the amount of \$144,320 for the purchase of a front loader. At year end, the outstanding balance of the lease was \$13,668. In 2019, the Town entered into two 7-year lease agreements for the purchase of a Freightliner Dump Truck in the amount of \$133,204 and a Backhoe in the amount of \$111,615. At year end, the outstanding balances of these leases were \$23,436 and \$27,031 respectively. In May 2020, the Town entered into a 7-year lease agreement in the amount of \$180,533 for the purchase of a Hooklift Freightliner. At year end, the outstanding balance of the lease was \$77,844. The only other continuing obligation of the Town is compensated absences and the net pension liability.

Economic Factors and Next Year's Budgets and Rates

General revenues are expected to continue to be unstable as a result of reliance on the State for funding and increasing Federal and State regulations. Water operating expenses are likely to continue to increase due to rising costs and supply chain shortages. The Town will continue to apply for additional federal and state grants to assist with the financial obligations associated with the Water System Centralization and Modernization Project.

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 Manager at 1034 S. Carroll Street, Hampstead, Maryland 21074.

TOWN OF HAMPSTEAD
STATEMENT OF NET POSITION
JUNE 30, 2024

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 602,063	\$ -	\$ 602,063
Investments	3,721,620	-	3,721,620
Restricted Cash	7,382	-	7,382
Receivables			
Accounts	171,506	294,542	466,048
Lease	-	1,495,541	1,495,541
Internal Balances	(552,560)	552,560	-
Prepaid Expenses	76,703	20,574	97,277
Capital Assets Not Being Depreciated	930,123	171,524	1,101,647
Capital Assets Being Depreciated, Net of Depreciation	4,811,504	10,991,224	15,802,728
Total Assets	9,768,341	13,525,965	23,294,306
Deferred Outflows of Resources			
Pension	1,331,926	-	1,331,926
Total Deferred Outflows of Resources	1,331,926	-	1,331,926
Total Assets and Deferred Outflows of Resources	\$ 11,100,267	\$ 13,525,965	\$ 24,626,232
Liabilities			
Accounts Payable and Accrued Liabilities	\$ 31,238	\$ 14,873	\$ 46,111
Funds Held in Escrow	29,073	-	29,073
Current Portions of Long Term Liabilities:			
Leases Payable	31,906	47,860	79,766
Bonds and Notes Payable	79,704	58,000	137,704
Non-Current Portions of Long Term Liabilities:			
Compensated Absences	147,429	56,951	204,380
Leases Payable	24,885	37,328	62,213
Bonds and Notes Payable	504,634	2,378,000	2,882,634
Net Pension Liability	1,613,634	-	1,613,634
Total Liabilities	2,462,503	2,593,012	5,055,515
Deferred Inflows of Resources			
Leases	-	1,399,338	1,399,338
Pension	535,907	-	535,907
Total Deferred Inflows of Resources	535,907	1,399,338	1,935,245
Net Position			
Net Investment In Capital Assets	5,100,498	8,641,560	13,742,058
Unrestricted	3,001,359	892,055	3,893,414
Total Net Position	8,101,857	9,533,615	17,635,472
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 11,100,267	\$ 13,525,965	\$ 24,626,232

The accompanying notes are an integral part of the financial statements.

TOWN OF HAMPSTEAD
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2024

	<u>General Fund</u>
<u>Assets</u>	
Cash and Cash Equivalents	\$ 602,063
Investments	3,721,620
Accounts Receivable	171,506
Prepaid Expense	76,703
Restricted Cash	7,382
Total Assets	<u>\$ 4,579,274</u>
<u>Liabilities</u>	
Accounts Payable and Accrued Liabilities	\$ 31,238
Due to Other Funds	552,560
Funds Held in Escrow	29,073
Total Liabilities	<u>612,871</u>
<u>Fund Balances</u>	
Nonspendable - prepaid for workers compensation insurance	76,703
Unassigned	3,889,700
Total Fund Balances	<u>3,966,403</u>
Total Liabilities and Fund Balances	<u>\$ 4,579,274</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF HAMPSTEAD
 RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION
 JUNE 30, 2024

Total fund balances for governmental funds \$ 3,966,403

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	930,123	
Land Improvements, net of (\$17,204,499) accumulated depreciation	3,035,570	
Right-to-Use Assets, net of (\$284,835) accumulated amortization	-	
Facilities, net of (\$711,155) accumulated depreciation	898,010	
Equipment, net of (\$2,674,496) accumulated depreciation	<u>877,924</u>	
 Total capital assets		 5,741,627

Other non-current assets in governmental activities are not financial resources and therefore are not reported in the governmental funds:

Notes Receivable		360,828
Less: Allowance for Doubtful accounts (See Note 10)		<u>(360,828)</u>

Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at June 30, 2024 are:

Compensated Absences	(147,429)	
Lease Payable	(56,791)	
Bonds and Notes Payable	(584,338)	
Deferred Outflows of Resources - Pensions	1,331,926	
Deferred Inflows of Resources - Pensions	(535,907)	
Net Pension Liability	<u>(1,613,634)</u>	
		<u>(1,606,173)</u>

Total net position of governmental activities \$ 8,101,857

The accompanying notes are an integral part of the financial statements.

TOWN OF HAMPSTEAD
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL
 FUND
 FOR THE YEAR ENDED JUNE 30, 2024

	<u>General</u>
<u>Revenues</u>	
Taxes	\$ 2,875,464
Intergovernmental	970,921
Charges for Services	60,349
Fines, Licenses and Permits	78,855
Interest Income	197,162
Miscellaneous Income	<u>77,332</u>
Total Revenues	<u>4,260,083</u>
<u>Expenditures</u>	
Current:	
General Government	819,430
Public Safety	1,414,194
Public Works	965,716
Recreation and Parks	113,473
Debt Service:	
Principal	113,393
Interest	25,640
Capital Outlay	<u>694,887</u>
Total Expenditures	<u>4,146,733</u>
Excess of Revenues Over Expenditures	<u>113,350</u>
Net Change in Fund Balances	113,350
Fund Balances - Beginning of year	<u>3,853,053</u>
Fund Balances - End of year	<u>\$ 3,966,403</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF HAMPSTEAD
 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 \$ 113,350

The change in net position reported for governmental activities in the statement of activities is different because:

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 and reported as depreciation expense. This is the amount by which capital outlays (\$694,887) were greater than depreciation (\$583,092) in the current period. 111,795

Repayment of note principal and payments for other long-term obligations are expenditures in the governmental funds but reduce the liabilities in the statement of net position.

Repayments:

Bonds and Notes Payable	78,902	
Leases Payable	34,491	
Net adjustment		113,393

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net changes in compensated absences and pension benefit.

Compensated Absences	10,425	
Deferred Inflows from Pensions	(54,625)	
Deferred Outflows from Pensions	770,288	
Change in Net Pension Liability	(529,556)	
		196,532

Total change in net position of governmental activities \$ 535,070

TOWN OF HAMPSTEAD
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2024

	Proprietary Fund
	Water
ASSETS	
Current Assets:	
Accounts Receivable	\$ 294,542
Due From Other Funds	552,560
Prepaid Expense	20,574
Total Current Assets	867,676
Noncurrent Assets:	
Lease Receivable	1,495,541
Capital Assets Not Being Depreciated	171,524
Capital Assets Being Depreciated, Net of Depreciation	10,991,224
Total Noncurrent Assets	12,658,289
Total Assets	13,525,965
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	14,873
Leases Payable - Current Portion	47,860
Bonds and Notes Payable - Current Portion	58,000
Total Current Liabilities	120,733
Noncurrent Liabilities:	
Compensated Absences	56,951
Leases Payable due in more than one year	37,328
Bonds and Notes Payable due in more than one year	2,378,000
Total Noncurrent Liabilities	2,472,279
Total Liabilities	2,593,012
DEFERRED INFLOW OF RESOURCES	
Leases	1,399,338
NET POSITION	
Net Investment in Capital Assets	8,641,560
Unrestricted	892,055
Total Net Position	\$ 9,533,615

The accompanying notes are an integral part of the financial statements.

TOWN OF HAMPSTEAD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2024

	Proprietary Fund
	Water
Operating Revenues	
Charges for Services	\$ 1,253,802
Interest Revenue	55,973
Miscellaneous	235,126
Total Operating Revenues	1,544,901
Operating Expenses	
Personnel services	681,882
Depreciation	379,209
Operations and Maintenance	323,404
Total Operating Expenses	1,384,495
Operating Income	160,406
Nonoperating Revenues (Expenses)	
Interest Expense	(105,979)
Total Nonoperating Expenses	(105,979)
Changes In Net Position	54,427
Total Net Position - Beginning of Year	9,479,188
Total Net Position - End of Year	\$ 9,533,615

The accompanying notes are an integral part of the financial statements.

TOWN OF HAMPSTEAD
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2024

	Proprietary Fund
	Water
Cash Flows From Operating Activities	
Receipts from Customers	\$ 1,236,005
Receipts from Interfund Transactions	698,194
Interest received from lease revenue	55,973
Other lease revenue	208,834
Payments to:	
Employees for salaries, payroll taxes and benefits	(681,153)
Suppliers for Operations	(359,095)
	1,158,758
Net Cash Provided By Operating Activities	
Cash Flows from Capital and Related Financing Activities	
Purchases and construction of capital assets	(943,046)
Principal paid on bonds, notes, and leases payable	(109,733)
Interest paid on bonds, notes, and leases payable	(105,979)
	(1,158,758)
Net Cash Used in Capital and Related Financing Activities	
Net Change in Cash and Cash Equivalents	-
Cash and Cash Equivalents, Beginning of Year	-
Cash and Cash Equivalents, End of Year	\$ -

The accompanying notes are an integral part of the financial statements.

TOWN OF HAMPSTEAD
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2024

	Proprietary Fund
	Water
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:	
Operating Income	\$ 160,406
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	379,209
Change in Assets and Liabilities	
Deferred Inflow of Resources - Leases	(141,290)
Lease Receivable	114,998
Prepaid Expense	(8,686)
Receivables - net of allowances	(17,797)
Accounts Payable and Accrued Liabilities	(27,005)
Due To/From Other Funds	698,194
Compensated Absences	729
	729
Net Cash Provided By Operating Activities	\$ 1,158,758

The accompanying notes are an integral part of the financial statements.

TOWN OF HAMPSTEAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Hampstead, Maryland (the "Town") was incorporated in 1888, pursuant to the authority of article XIE of the Constitution of Maryland and Article 23A of the Annotated Code of Maryland. The Town operates under a Council-Mayor form of government and provides the following services as authorized by its charter: public safety, highway and streets, sanitation, health and social services, culture and recreation, public improvements, planning and zoning, and general administrative services. In addition, the Town owns and operates a water system.

A summary of the Town's significant accounting policies are as follows:

A) Reporting Entity

Consistent with the guidance contained in GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, the criteria used by the Town to evaluate the possible inclusion of related entities within its reporting entity are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given case, the Town reviews the applicability of the following criteria.

The Town is financially accountable for:

- Organizations that make up the legal Town entity.
- Legally separate organizations if the Town officials appoint a voting majority of the organization's governing body and the Town is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Town as defined below:

Impose Its Will – If the Town can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.

Financial Benefit or Burden – Exists if the Town (1) is entitled to the organization's resources or (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization or (3) is obligated in some manner for the debt of the organization.

- Organizations that are fiscally dependent on the Town. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the Town.

Based on the foregoing criteria, the Town has no component units that are required to be included in the Town's financial statements.

TOWN OF HAMPSTEAD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

B) Government-Wide and Fund Financial Statements

The Government-wide financial statements (i.e., statement of net position and the statement of activities) report information on all the non-fiduciary activities of the government as a whole. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

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

Separate financial statements are provided for the governmental fund and the proprietary funds.

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

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

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability rather than an expenditure.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

TOWN OF HAMPSTEAD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

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

Property taxes, charges for services, licenses, operating grants, capital grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when the Town receives cash.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources". Governmental funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during the period.

Because of their spending measurement focus, expenditure recognition for governmental fund types exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims for judgments, are recorded only when payment is due.

The Town reports the following major governmental fund:

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

The Town's enterprise fund is a proprietary fund. In the fund financial statements, the proprietary fund is presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, the proprietary fund is presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheet. The proprietary fund type operating statement presents increases (revenues) and decreases (expenses) in total net position.

TOWN OF HAMPSTEAD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Amounts paid to acquire capital assets in the proprietary fund are capitalized as assets in the fund financial statements, rather than reported as an expenditure.

The Town reports the following major proprietary fund:

- The Water Fund is used to account for the operations of the water system in a manner whereby the costs of providing services to the general public are recovered primarily through user charges.

D) Assets, Liabilities, and Net Position or Fund Balances

1. Cash and Cash Equivalents

For purposes of the accompanying statement of cash flows, 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 date of acquisition. The Town pools all individual cash balances. Income is distributed to the funds based on contributions to the pool.

2. Restricted Assets

Restricted assets represent cash balances held as escrow deposits and funds to be used by the Town's Police Department.

3. Investments

Investments are stated at fair value except for the Town's investments in an external investment pool, which are reported at amortized cost.

4. Capital Assets

Capital assets are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital purchases with initial, individual costs that equal or exceed \$10,000 and estimated useful lives of over five years are recorded as capital assets. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Capital assets are recorded at historical costs or estimated historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

TOWN OF HAMPSTEAD
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2024

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (CONTINUED)

D) Assets, Liabilities, and Net Position or Fund Balances (Continued)

4. Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized. Major outlay of capital assets and improvements are capitalized as projects are completed. Interest incurred during the construction phase of the capital asset of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment and infrastructure assets are depreciated using the straight line method over the following intended useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20 to 50
Improvements and Infrastructure	5 to 75
Equipment	2 to 20

5. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of the interfund loans). Other outstanding balances between funds are also reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Account receivables in the proprietary fund and a note receivable in the governmental activities statement of net position are shown net of an allowance for uncollectible accounts. The Town's allowance for uncollectible accounts is based upon historical collection experience and a review of the status of current accounts receivable. As of June 30, 2024, the Town recorded an allowance for uncollectible accounts in the governmental activities statement of net position in the amount of \$360,828.

TOWN OF HAMPSTEAD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

D) Assets, Liabilities, and Net Position or Fund Balances (Continued)

6. Compensated Absences

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure. A maximum of forty-five days of annual leave may be carried over to subsequent years. Upon termination, the employees will be paid the number of days accrued, not to exceed thirty days, in addition to any leave earned during the calendar year. Sick leave accrues to full-time, permanent employees to specified maximums and is not paid out upon termination or departure. Generally, after one year of service, employees are entitled to all accrued vacation leave upon termination. Compensated absences are reported in the government-wide and proprietary fund statement of net position as long-term liabilities.

The government-wide and proprietary fund statement of net position includes accrued compensated absences of \$147,429 and \$56,951, respectively, in the governmental and business-type activities at June 30, 2024.

7. Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Unearned Revenues

Revenues that are received but not earned are recorded as unearned revenue in the Town's financial statements. In the Town's governmental funds, unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for unearned revenue is removed from the governmental funds' balance sheet and revenue is recognized.

TOWN OF HAMPSTEAD
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2024

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (CONTINUED)

D) Assets, Liabilities, and Net Position or Fund Balances (Continued)

9. Net Position / Fund Balances

The following classifications describe the relative strength of the spending constraints:

- *Nonspendable Fund Balance* – Amounts that are not in a spendable form (such as Inventory) or are required to be maintained intact.
- *Restricted Fund Balance* – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- *Committed Fund Balance* – Amounts constrained to specific purposes by the Town itself, using its highest level of decision-making authority (i.e. Town Council). To be reported as committed, amounts cannot be used for any other purpose unless the Town takes the same level action to remove or change the constraint. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Town Council.
- *Assigned Fund Balance* – Amounts the Town intends to be used for a specific purpose, but are neither restricted nor committed. Assignments of fund balance can be created by the Town Manager and the Town Council.
- *Unassigned Fund Balance* – Amounts that are available for any purpose. Positive amounts are reported only in the general fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the Town's policy to use restricted resources first. When expenditures are incurred for purposes of which unrestricted resources are available, and amounts in any of the unrestricted classifications could be used, it is the Town's policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

The government-wide and business-type activities financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- *Net Investment in Capital Assets* – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

TOWN OF HAMPSTEAD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

D) Assets, Liabilities, and Net Position or Fund Balances (Continued)

9. Net Position / Fund Balances (continued)

- *Unrestricted Net Position* – This category represents net position of the Town, not restricted for any project or other purpose.

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

10. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions except quasi-external transactions and reimbursements are reported as transfers.

11. Accounting Estimates

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

12. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has one item that qualifies for reporting in this category: deferred outflows related to pensions. Deferred outflows related to pensions are described further in Note 8. The components of deferred outflows of resources are amortized into pension expense for the pension plan over the remaining service life of participants, beginning the year in which the deferred amount occurs, except for the annual difference between the projected and actual earnings on investments which is amortized over a five-year closed period beginning the year in which the difference occurs.

TOWN OF HAMPSTEAD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

D) Assets, Liabilities, and Net Position or Fund Balances (Continued)

12. Deferred Outflows / Inflows of Resources (continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two items that qualifies for reporting in this category: deferred inflows related to pensions and leases. Deferred inflows related to pensions are further described in Note 8. The components of deferred inflows of resources are amortized into pension expense for the pension plan over the remaining service life of participants, beginning the year in which the deferred amount occurs. Deferred inflows related to leases are further described in Note 7. The components of deferred inflows of resources are amortized into lease revenue over the term of the lease, beginning the year in which the deferred amount occurs.

13. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maryland State Law Enforcement Officers' Pension System (the "Plan") and additions to/deductions from Plan's fiduciary net position have been determined on the same basis as they are reported by Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

14. Leases

Lessee: The Town is a lessee for a noncancellable lease of equipment. The Town recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements and the proprietary fund financial statements. The Town recognizes lease liabilities with an initial, individual value of \$10,000 or more.

At the commencement of a lease, the Town initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Town determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Town uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Town generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Town is reasonably certain to exercise.

TOWN OF HAMPSTEAD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

NOTE 1: NATURE OF ENTITY AND SUMMARY- OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

D) Assets, Liabilities, and Net Position or Fund Balances (Continued)

14. Leases (continued)

The Town monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor: The Town is a lessor for a noncancellable lease of space on their water towers. The Town recognizes a lease receivable and a deferred inflow of resources in the government-wide and proprietary fund financial statements.

At the commencement of a lease, the Town initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of the lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Town determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term and (3) lease receipts.

- The Town uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Town monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

15. Adoption of Governmental Accounting Standards Board Statements

In April 2022, the GASB issued Statement No. 99, "*Omnibus 2022*". The Town has adopted the requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 for its fiscal year 2024 financial statements. The adoption of this GASB Statement had no effect on previously reported amounts.

In June 2022, the GASB issued Statement No. 100, "*Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*". The adoption of this GASB Statement had no effect on previously reported amounts.

TOWN OF HAMPSTEAD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

NOTE 1: NATURE OF ENTITY AND SUMMARY- OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

D) Assets, Liabilities, and Net Position or Fund Balances (Continued)

16. Pending Changes in Accounting Principles

In June 2022, the GASB issued Statement No. 101, "*Compensated Absences*". The Town is required to adopt statement No. 101 for its fiscal year 2025 financial statements.

In December 2023, the GASB issued Statement No. 102, "*Certain Risk Disclosures*". The Town is required to adopt the provisions of Statement No. 102 for its fiscal year 2025 financial statements.

In April 2024, the GASB issued Statement No. 103, "*Financial Reporting Model Improvements*". The Town is required to adopt the provisions of Statement No. 103 for its fiscal year 2026 financial statements.

In October 2024, the GASB issued Statement No. 104, "*Disclosure of Certain Capital Assets*". The Town is required to adopt the provisions of Statement No. 104 for its fiscal year 2026 financial statements.

The Town has not yet completed the various analyses required to estimate the financial statement impact of these new pronouncements.

E) Budgets and Budgetary Accounting

Budget Policy and Practice

The Mayor submits an annual budget to the Town Council of Hampstead in accordance with the Town's Charter and Maryland Statutes. The budgets for the general fund and proprietary fund are presented to the Town Council for review, and public hearings are held to address priorities and the allocation of resources. Town Council adopts the annual fiscal year budgets for operating funds.

Basis of Budgeting

The Town prepares the budgets in accordance with generally accepted accounting principles.

Level of Control

The Town maintains budgetary controls at the fund level.

Lapsing of Appropriations

Unexpended appropriations lapse at fiscal year-end.

Management Amendment Authority

During the course of the year, departmental needs may change, emergencies may occur, or additional revenue may arise. As a result, funds are transferred between line items of a department's budget or additional revenue may need to be budgeted for a specific project or grant. Adjustments to the budget are made on a line item basis during the year and approved by the Town Council.

TOWN OF HAMPSTEAD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

NOTE 2: DEPOSIT AND INVESTMENT RISK

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 in accordance with the State Statutes and the Town Charter, the Town may invest in: (1) U.S. Treasury Obligations, (2) U.S. Government Agency and U.S. Government-sponsored instrumentalities, (3) Repurchase agreements, (4) Collateralized certificates of deposit, (5) Banker's acceptances from domestic banks which also include the United States affiliates of large international bank with a short-term rating of A1 from Standard and Poor's Corporation and P1 from Moody's Investor Service, (6) Money market mutual funds with the highest rating by at least one rating agency, (7) Commercial paper with a minimum of an A1/P1 rating by at least on recognized rating agency, (8) State of Maryland Local Government Investment Pool, (9) Bond, notes or other obligation (with the highest rating by at least one recognized rating agency) issued by or on behalf of any state or agency, department, county, municipal or public corporation, special district authority or political subdivision thereof, or in any fund or trust that invests only in the securities in this paragraph.

Deposits

At year-end, the carrying amount of the Town's deposits was \$608,995, excluding \$450 in petty cash, and the bank balances were \$795,988. Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Maryland State Law prescribes that local government units, such as the Town, must deposit its cash in banks with transact business in the State of Maryland. Such banks must also secure any deposits in excess of the Federal Depository Insurance Corporation insurance levels with collateral whose market value is at least equal to the deposits. The Town's policy requires deposits to be insured by FDIC insurance and balances exceeding FDIC insurance be secured by collateral whose market value is equal to the deposits. As of June 30, 2024, none of the Town's bank balance was exposed to custodial credit risk as all deposits in excess of Federal Depository Insurance were fully collateralized with securities held by its agent or pledging financial institution or trust department in the Town's name.

Investments

The Town has invested at June 30, 2024, \$778,317 in the State of Maryland Local Government Investment Pool (MLGIP). The pool is under the administrative control of the State's Treasurer's Office. The Town's investments are shown by type, carrying amount, fair value, cost, and level of risk assumed in holding the various accounts. Investments are carried at amortized cost which approximates market. The fair value of MLGIP investments are determined daily. PNC Bank is currently contracted to operate the Pool, 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 Pool is the same as the value of pool share.

Custodial Credit Risk – 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 that are in the possession of an outside party. None of the Town's investments were exposed to custodial credit risk as the money market funds and the certificates of deposit were covered by FDIC insurance and the Town's investment in MLGIP were held by a third party custodian with whom the Town has a current custodial agreement in the Town's name.

TOWN OF HAMPSTEAD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

NOTE 2: DEPOSIT AND INVESTMENT RISK (CONTINUED)

Interest Rate 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 policy provides to the extent practicable, investments are matched with anticipated cash flows. As of June 30, 2024, the Town had the following investments and maturities within its excess operating and fiduciary fund accounts:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>
Money Market Funds	\$ 778,317	\$ 778,317	\$ -	\$ -
Certificate of Deposit	2,943,303	2,943,303	-	-
Total	<u>\$ 3,721,620</u>	<u>\$3,721,620</u>	<u>\$ -</u>	<u>\$ -</u>

Credit Risk – Credit risk is the risk that an issuer or counter party to an investment will not fulfill its obligation.

Concentration of Credit 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 does not have a formal policy that places a limit on the amount or percent that may be invested in any one issuer. The Town was not exposed to concentration of credit risk at June 30, 2024.

The Town had the following investments at June 30, 2024:

<u>Types of Investments</u>	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Credit Rating</u>
MLGIP	\$ 778,317	\$ 778,317	AAAm
Certificates of Deposit	2,943,303	2,943,303	N/A
Total Investments	<u>\$ 3,721,620</u>	<u>\$3,721,620</u>	

NOTE 3: RESTRICTED CASH AND CASH EQUIVALENTS

Assets whose use is limited to a specific purpose has been classified as restricted in the governmental fund balance sheet and the Governmental Activities in the Statement of Net Position. The restricted cash and cash equivalents of \$7,382 is comprised of funds held as escrow deposits and funds to be used by the Town's Police Department.

NOTE 4: PROPERTY TAXES

The Commissioners levy and accrue property taxes each July 1 on the assessed value of properties listed as of the prior January 1. The locally assessed taxable bases were prepared from assessments submitted by Carroll County, Maryland. A revaluation of all property is required to be completed every third year. Any increase in assessed value is phased in over a three-year period. The assessed taxable base used for property taxes was \$716,056,159. Property taxes are due on July 1, however, they do not become delinquent until February 28 of the following year. The tax rate for locally assessed real property was set by the Town at \$0.22 for each hundred dollars of valuation. The tax rate for business personal property was set at \$0.55 for each hundred dollars of valuation in 2024.

TOWN OF HAMPSTEAD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

NOTE 5: CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2024, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental Activities</u>				
Capital assets not being depreciated (cost):				
Land	\$ 930,123	\$ -	\$ -	\$ 930,123
Total capital assets not being depreciated	930,123	-	-	930,123
Capital assets being depreciated (cost):				
Land Improvements	19,887,519	352,550	-	20,240,069
Right-to-Use	284,835	-	-	284,835
Facilities	1,609,165	-	-	1,609,165
Equipment	3,229,802	342,337	(19,719)	3,552,420
Total capital assets being depreciated	25,011,321	694,887	(19,719)	25,686,489
Less accumulated depreciation for:				
Land Improvements	(16,851,589)	(352,910)	-	(17,204,499)
Right-to-Use	(279,431)	(5,404)	-	(284,835)
Facilities	(678,642)	(32,513)	-	(711,155)
Equipment	(2,501,950)	(192,265)	19,719	(2,674,496)
Total accumulated depreciation	(20,311,612)	(583,092)	19,719	(20,874,985)
Total capital assets being depreciated, net	4,699,709	111,795	-	4,811,504
Total capital assets, governmental activities	\$ 5,629,832	\$ 111,795	\$ -	\$ 5,741,627

Depreciation expense was charged to governmental functions of the Town as follows:

<u>Governmental Activities</u>	
General government	\$ 16,610
Public safety	101,114
Public works	375,810
Recreation and parks	89,558
Total depreciation expense – governmental activities	<u>\$ 583,092</u>

TOWN OF HAMPSTEAD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

NOTE 5: CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Business-type Activities</u>				
Capital assets not being depreciated (cost):				
Land	\$ 97,524	\$ 74,000	\$ -	\$ 171,524
Total capital assets not being depreciated	<u>97,524</u>	<u>74,000</u>	<u>-</u>	<u>171,524</u>
Capital assets being depreciated (cost):				
Land Improvements	2,026,781	700,138	-	2,726,919
Right-to-Use	284,835	-	-	284,835
Facilities	13,027,460	106,825	-	13,134,285
Equipment	1,601,165	62,083	(19,719)	1,643,529
Total capital assets being depreciated	<u>16,940,241</u>	<u>869,046</u>	<u>(19,719)</u>	<u>17,789,568</u>
Less accumulated depreciation for:				
Land Improvements	(1,056,741)	(46,093)	-	(1,102,834)
Right-to-Use	(279,431)	(5,404)	-	(284,835)
Facilities	(4,067,596)	(249,711)	-	(4,317,307)
Equipment	(1,035,086)	(78,001)	19,719	(1,093,368)
Total accumulated depreciation	<u>(6,438,854)</u>	<u>(379,209)</u>	<u>19,719</u>	<u>(6,798,344)</u>
Total capital assets being depreciated, net	<u>10,501,387</u>	<u>489,837</u>	<u>-</u>	<u>10,991,224</u>
Total capital assets, business-type activities	<u>\$10,598,911</u>	<u>\$ 563,837</u>	<u>\$ -</u>	<u>\$11,162,748</u>

Depreciation expense was charged to business-type functions of the Town as follows:

Business-type Activities:

Water	<u>\$ 379,209</u>
Total depreciation expense – business-type activities	<u>\$ 379,209</u>

TOWN OF HAMPSTEAD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

NOTE 6: LONG – TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2024:

	Balance at June 30, 2023	Additions	Reductions	Balance at June 30, 2024	Due Within One Year
<u>Governmental Activities</u>					
Bonds from direct borrowings	\$ 663,240	\$ -	\$ (78,902)	\$ 584,338	\$ 79,704
Leases payable	91,282	-	(34,491)	56,791	31,906
Compensated absences	157,854	-	(10,425)	147,429	-
Net pension liability	1,084,078	529,556	-	1,613,634	-
Governmental activities long-term liabilities	<u>\$ 1,996,454</u>	<u>\$ 529,556</u>	<u>\$ (123,818)</u>	<u>\$ 2,402,192</u>	<u>\$ 111,610</u>
<u>Business-type Activities</u>					
Bond from direct borrowings	\$ 2,494,000	\$ -	\$ (58,000)	\$ 2,436,000	\$ 58,000
Leases payable	136,920	-	(51,732)	85,188	47,860
Compensated absences	56,222	729	-	56,951	-
Business-type activities long-term liabilities	<u>\$ 2,687,142</u>	<u>\$ 729</u>	<u>\$ (109,732)</u>	<u>\$ 2,578,139</u>	<u>\$ 105,860</u>

The net pension liability and compensated absences are liquidated by the General Fund.

Pertinent information regarding governmental activities long-term debt obligations outstanding is presented below (payable from general fund tax revenues):

<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Purpose</u>	<u>Balance Outstanding at June 30, 2024</u>
2013	\$ 500,000	Public Improvement Bond issued to finance road improvement and pay the costs of issuing the bonds. Bond carries an interest rate of 2.25% payable semi-annually on March 1 and September 1. (Final maturity is March 2028)	\$ 150,138
2018	\$ 651,300	Public Improvement Bond issued to finance the purchase of street lights and pay the costs of issuing the bonds. Bond carries an interest rate of 4.125% payable semi-annually on March 25 and September 25. (Final maturity is September 2033).	434,200
			<u>\$ 584,338</u>

TOWN OF HAMPSTEAD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

NOTE 6: LONG – TERM LIABILITIES (CONTINUED)

An analysis of debt service requirements to maturity on the Governmental Activities obligations is as follows:

	<u>Bonds From Direct Borrowings</u>		
	Principal	Interest	Total Debt
	Requirements	Requirements	Service
	Requirements	Requirements	Requirements
2025	\$ 79,704	\$ 22,784	\$ 102,488
2026	80,525	20,190	100,715
2027	81,365	17,578	98,943
2028	82,224	14,948	97,172
2029	43,420	12,298	55,718
2030-2034	217,100	22,388	239,488
	<u>\$ 584,338</u>	<u>\$ 110,186</u>	<u>\$ 694,524</u>

Pertinent information regarding business-type activities long-term debt obligations outstanding is presented below (payable from water fund revenues):

<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Purpose</u>	<u>Balance Outstanding at June 30, 2024</u>
2015	\$ 2,900,000	General Obligation Bond issued to finance the Water Main Replacement project and pay the costs of issuing the bonds. Bond carries an interest rate of 4.125% payable semi-annually on June 1 and December 1. (Final maturity is December 2035)	2,436,000
			<u>\$ 2,436,000</u>

An analysis of debt service requirements to maturity on the Business-Type Activities obligations is as follows:

	<u>Bonds From Direct Borrowings</u>		
	Principal	Interest	Total Debt
	Requirements	Requirements	Service
	Requirements	Requirements	Requirements
2025	\$ 58,000	\$ 99,289	\$ 157,289
2026	58,000	96,896	154,896
2027	58,000	94,504	152,504
2028	58,000	92,111	150,111
2029	58,000	89,719	147,719
2030-2034	290,000	412,706	702,706
2035-2039	1,856,000	112,448	1,968,448
	<u>\$ 2,436,000</u>	<u>\$ 997,673</u>	<u>\$ 3,433,673</u>

TOWN OF HAMPSTEAD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

NOTE 7: LEASES

A. Lease Receivable

The Town has entered into leases with several telecommunication companies for the right to place antennas on the Town's water towers. The leases are for period of 20-30 years and the Town will receive monthly payments ranging from \$3,220 to \$4,266. The Town recognized \$141,386 in lease revenue and \$55,973 in lease interest during the current fiscal year related to the leases. As of June 30, 2024, the Town's receivable for lease payments was \$1,495,541. Also, the Town has a deferred inflow of resources associated with the leases that will be recognized as revenue over the lease term. As of June 30, 2024, the balance of the deferred inflow of resources was \$1,399,338.

B. Lease Payable

The Town's capitalization threshold for leases was \$10,000 for the year ended June 30, 2024.

Governmental Activities

Date of Issue	Initial Liability	Purpose	Outstanding Liability Balance June 30, 2024	Asset Value June 30, 2024	Accumulated Depreciation June 30, 2024
Various	\$ 156,265	The Town leases various vehicles. Terms of each lease vary with yearly payments ranging from \$1,557 to \$2,395 per month and lease periods of 7 years. The Town's interest rates for these leases range from 4.10% to 4.64% in 2024.	\$ 56,791	\$ 284,835	\$ 284,835
	<u>\$ 156,265</u>		<u>\$ 56,791</u>	<u>\$ 284,835</u>	<u>\$ 284,835</u>

Business-type Activities

Date of Issue	Initial Liability	Purpose	Outstanding Liability Balance June 30, 2024	Asset Value June 30, 2024	Accumulated Depreciation June 30, 2024
Various	\$ 234,307	The Town leases various vehicles. Terms of each lease vary with yearly payments ranging from \$1,557 to \$2,395 per month and lease periods of 7 years. The Town's interest rates for these leases range from 4.10% to 4.64% in 2024.	\$ 85,188	\$ 284,835	\$ 284,835
	<u>\$ 234,307</u>		<u>\$ 85,188</u>	<u>\$ 284,835</u>	<u>\$ 284,835</u>

TOWN OF HAMPSTEAD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

NOTE 7: LEASE (CONTINUED)

B. Lease Payable (Continued)

The future principal and interest payments for Governmental and Business-type Activities at June 30, 2024 are as follows:

Year	Governmental Activities			Year	Business-type Activities		
	Principal	Interest	Total		Principal	Interest	Total
2025	\$ 31,906	\$ 1,488	\$ 33,394	2025	\$ 47,860	\$ 2,234	\$ 50,094
2026	15,440	534	15,974	2026	23,159	803	23,962
2027	9,445	136	9,581	2027	14,169	200	14,369
Totals	<u>\$ 56,791</u>	<u>\$ 2,158</u>	<u>\$ 58,949</u>	Totals	<u>\$ 85,188</u>	<u>\$ 3,237</u>	<u>\$ 88,425</u>

NOTE 8: PENSION PLAN

General Plan InformationPlan Description

The Town participates in the Maryland State Law Enforcement Officers' Pension System (the "Plan"), a cost-sharing multi-employer defined benefit pension plan, which provides retirement allowances and other benefits to Plan members and beneficiaries. The Plan is administered by the State Retirement Agency. Responsibility for the Plan's administration and operation is vested in a 15 member Board of Trustees.

The System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland. The State Retirement and Pension System of Maryland issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to the Maryland State Retirement Agency of Maryland, 120 East Baltimore Street, Baltimore, Maryland, 21202, or on the internet at www.srs.state.md.us.

Benefits Provided

The Plan provides retirement, death, and disability benefits. The Plan's normal retirement allows for members reaching the age of 50 or 25 years of eligible service. The Plan's normal retirement benefit is equal to 2% of the member's average final compensation (AFC) multiplied by the member's years of accumulated creditable service up to 30 years. A member retiring with 30 or more years of service is limited to 60% of average final compensation.

Contributions

The contribution requirements of the Plan members and the Town are established and may be amended by the System's Board of Trustees. Members are required to contribute 7% of annual compensation to the Plan. The Town is required to contribute at an actuarially determined rate to the Plan. The Town's contractually required contribution rate for the year ended June 30, 2024 was 20.68%. Contributions from the Town to the Plan were \$193,125 for the year ended, June 30, 2024.

TOWN OF HAMPSTEAD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

NOTE 8: PENSION PLAN (CONTINUED)

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 \$1,613,634 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 actual employer contributions to the plan. At June 30, 2023, the Town's proportionate share was 0.0070066%, which was an increase of 0.0015885% from its proportion measured as of June 30, 2022.

For the fiscal year ended June 30, 2024, the Town recognized pension expense of \$252,793. At June 30, 2024, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 56,713	\$ 68,886
Change of Assumptions	110,899	5,729
Contribution Subsequent to Measurement Date	193,125	-
Changes in Proportion	537,522	171,962
Difference Between Projected and Actual Investment Earnings	<u>433,667</u>	<u>289,330</u>
Total	<u>\$ 1,331,926</u>	<u>\$ 535,907</u>

The \$193,125 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to measurement date will be recognized as a reduction of the net pension liability in the Town's June 30, 2024 financial statements. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	<u>Governmental Activities</u>
2025	\$ 140,683
2026	139,632
2027	210,123
2028	80,315
2029	32,141
Total	<u>\$ 602,894</u>

TOWN OF HAMPSTEAD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

NOTE 8: PENSION PLAN (CONTINUED)

Actuarial methods and assumptions

The following methods and assumptions were used in the actuarial valuation for the June 30, 2023 measurement date:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Inflation	2.25% general
Salary increases	2.75%, including inflation
Investment rate of return	6.80%

Retirement age was based on an experience-based table of rates that are specific to the type of eligibility condition and was last updated for the 2018 valuation pursuant to an experience study for the period 2014-2018.

Mortality rates were based on Public Sector 2010 Mortality Tables calibrated to MSRPS experience with generational projections using MP-2018 (2-dimensional) mortality improvement scale.

The long-term expected real rate of return for pension plan investments is 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 for each major asset class included in the Plan's current and target asset allocation as of June 30, 2023 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	34.0%	6.9%
Private Equity	16.0%	8.6%
Rate Sensitive	20.0%	2.6%
Credit Opportunity	9.0%	5.6%
Real Assets	15.0%	5.4%
Absolute Return	6.0%	4.4%

Discount Rate

The discount rate used to measure the total pension liability was 6.80%. The projection of cash flows used to determine the 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 the actuarially determined contribution rates and the member rates. Based on the assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and non-active plan members. Therefore, the long-term expected rate of return on the plan's investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF HAMPSTEAD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

NOTE 8: PENSION PLAN (CONTINUED)

Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate

The following schedule presents the Town's proportionate share of the net pension liability calculated using the discount rate of 6.80%. It also shows what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease 5.80%	Current Discount Rate 6.80%	1% Increase 7.80%
Town's proportionate share of the			
Net Pension Liability	\$ 2,392,693	\$ 1,613,634	\$ 967,151

Pension Plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued plan financial report.

NOTE 9: DEFERRED COMPENSATION PLAN

In October 1997, GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, was issued. This Statement establishes accounting and financial reporting standards for Internal Revenue Code (IRC) section 457 deferred compensation plans of state and local governments. Pursuant to the IRC 457 subsection (g), all amounts of compensation deferred under the Plan, all property, or rights are solely the property and rights of the employee and beneficiaries of the Plan.

The Town have established a deferred compensation plan in accordance with subsection (g) of the IRC Section 457. The Plan is administered by an independent plan administrator through a service agreement and is available to all Town employees. Employees defer a portion of their salary until future years.

Deferred compensation is not available to employees until termination, retirement, death, or financial hardship. The Towns' compensation funds are not subject to the claims of their general creditors.

Under the provisions of GASB Statement No. 32, it is no longer considered appropriate to report the Section 457 plan in the Town's financial statements. The Town contributed \$106,051 to the 457 plan for the year ended June 30, 2024 and the investments in the 457 plan at fair market value were \$3,983,819 at June 30, 2024.

NOTE 10: COMMITMENTS AND CONTINGENCIES

In 2004, the Town loaned \$182,000 to Hampstead Village, LLC for the development of the former Hampstead Elementary School into an affordable senior housing facility. The note receivable is subordinated and bears compound interest at the rate of 5.01% per annum. Conditionally, the principal and all accrued interest is due and payable on December 1, 2045 if the Village ceases to exist during the loan period. As of June 30, 2024, the note receivable is \$360,828 and the Town has recorded an allowance for uncollectible accounts of (\$360,828). The Town does not anticipate at this time that the note receivable will be collected due to the Town being in the 5th lien position of the Deed of Trust dated June 21, 2004.

TOWN OF HAMPSTEAD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

NOTE 10: COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Town has entered into subscription-based information technology agreements with various vendors to provide electronic educational programs as well as administrative storage and operating systems. These agreements are for a maximum term of twelve months or include a provision that either party can terminate with a reasonable amount of notice and as such, the Town has not recorded a liability in the financial statements for these agreements in accordance with GASB 96.

As of June 30, 2024, there are no claims or suits pending against the Town or its elected officials.

NOTE 11: INTERFUND BALANCES AND TRANSFERS

As of June 30, 2024, the amount due from the General Fund to the Water Fund was \$552,560. The outstanding balance between funds result mainly from the time lag between the dates that reimbursable expenditures occur and payments between funds are made.

NOTE 12: RISKS AND UNCERTAINTIES

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

The Town has commercial insurance for various risks of loss, including workers' compensation and fidelity bond insurance. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 13: SUBSEQUENT EVENT

The Town had evaluated all subsequent events through the report issue date of October 30, 2024. No events have taken place that effect the financial statements or require disclosure.

REQUIRED
SUPPLEMENTARY
INFORMATION

TOWN OF HAMPSTEAD
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,881,138	\$ 2,881,138	\$ 2,875,464	\$ (5,674)
Intergovernmental	991,282	991,282	970,921	(20,361)
Charges for Services	48,870	48,870	60,349	11,479
Fines, Licenses and Permits	127,890	127,890	78,855	(49,035)
Interest and Rents	151,156	151,156	197,162	46,006
Miscellaneous Income	74,100	74,100	77,332	3,232
Total Revenues	<u>4,274,436</u>	<u>4,274,436</u>	<u>4,260,083</u>	<u>(14,353)</u>
Expenditures				
Current:				
General Government	859,883	859,883	819,430	40,453
Public Safety	1,517,886	1,517,886	1,414,194	103,692
Public Works	946,364	946,364	965,716	(19,352)
Recreation and Parks	180,510	180,510	113,473	67,037
Debt Service:				
Principal	113,393	113,393	113,393	-
Interest	25,640	25,640	25,640	-
Capital Outlay	695,900	720,400	694,887	25,513
Total Expenditures	<u>4,339,576</u>	<u>4,364,076</u>	<u>4,146,733</u>	<u>217,343</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(65,140)	(89,640)	113,350	202,990
Other Financing Sources (Uses)				
Transfers In	227,953	227,953	-	(227,953)
Total Other Financing Sources (Uses)	<u>227,953</u>	<u>227,953</u>	<u>-</u>	<u>(227,953)</u>
Net Change in Fund Balance	<u>\$ 162,813</u>	<u>\$ 138,313</u>	<u>\$ 113,350</u>	<u>\$ (24,963)</u>

TOWN OF HAMPSTEAD
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 FOR THE YEAR ENDED JUNE 30, 2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Town's proportion of the net pension liability	0.0070066%	0.0054181%	0.0064812%	0.0042254%	0.0035167%	0.0048432%	0.0053142%	0.0043956%	0.0042200%	0.0043300%
Town's proportionate share of the net pension liability	\$ 1,613,634	\$ 1,084,078	\$ 972,324	\$ 955,003	\$ 725,337	\$ 1,016,188	\$ 1,149,121	\$ 1,037,110	\$ 877,667	\$ 769,266
Town's covered payroll	\$ 659,700	\$ 611,200	\$ 508,702	\$ 491,304	\$ 437,510	\$ 573,009	\$ 564,707	\$ 508,440	\$ 425,801	\$ 457,752
Town's proportionate share of the net pension liability as a percentage of its covered payroll	244.60%	177.37%	191.14%	194.38%	165.79%	177.34%	203.49%	203.98%	206.12%	168.05%
Plan fiduciary net position as a percentage of the total pension liability	73.81%	76.27%	81.84%	63.60%	72.34%	71.18%	69.38%	65.79%	68.78%	71.87%

Note:
 The above schedules are presented to illustrate the requirement for specific information for 10 years.

TOWN OF HAMPSTEAD
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF TOWN'S CONTRIBUTIONS
 FOR THE YEAR ENDED JUNE 30, 2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 193,125	\$ 170,884	\$ 123,657	\$ 142,814	\$ 90,596	\$ 72,215	\$ 96,578	\$ 108,162	\$ 85,631	\$ 89,015
Contributions in relation to the contractually determined contribution	193,125	170,884	123,657	142,814	90,596	72,215	96,578	108,162	85,631	89,015
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 659,700	\$ 611,200	\$ 508,702	\$ 491,304	\$ 437,510	\$ 573,009	\$ 564,707	\$ 508,440	\$ 425,801	\$ 457,752
Contributions as a percentage of covered payroll	29.27%	27.96%	24.31%	29.07%	20.71%	12.60%	17.10%	21.27%	20.11%	19.45%

Note:

The above schedules are presented to illustrate the requirement for specific information for 10 years.

Changes in assumptions:From 2021 to 2022

The discount rate changed from 7.40% to 6.80%.
 Inflation changed from 2.60% to 2.25%.
 Salary Increases changed from 3.10% to 2.75%.

From 2018 to 2019

The discount rate changed from 7.45% to 7.40%.
 Inflation changed from 2.60% to 2.65%.
 Salary Increases changed from 3.20% to 3.10%.

From 2017 to 2018

The discount rate changed from 7.50% to 7.45%.