
Town of Sykesville, Maryland

Financial Statements, Supplementary Information and Independent Auditor's Reports

For the Year Ended June 30, 2024

LSVG

**CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS**

TOWN OF SYKESVILLE, MARYLAND
Table of Contents
June 30, 2024

DESCRIPTION

EXHIBIT

Independent Auditor's Report

Management's Discussion and Analysis

Basic Financial Statements

 Government-Wide Financial Statements:

 Statement of Net Position A-1

 Statement of Program Activities A-2

 Fund Financial Statements:

 Governmental Fund Financial Statements:

 Balance Sheet A-3

 Statement of Revenues, Expenditures and Changes
 in Fund Balances A-4

 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds to the
 Statement of Program Activities A-5

 Notes to Financial Statements A-6

Required Supplementary Information

 Budgetary Comparison Schedule – General Fund B-1

 Notes to Required Supplementary Information B-2

 Schedule of Proportionate Share of the Net Pension Liability and
 Related Ratios B-3

 Schedule of Required Contributions B-4

Independent Auditor's Report on Internal Control Over Financial Reporting
And on Compliance and other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards*



Independent Auditor's Report

To the Mayor and Council of the
Town of Sykesville, Maryland

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Sykesville, Maryland, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Town of Sykesville, Maryland's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Sykesville, Maryland, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override

of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2024, on our consideration of the Town of Sykesville, Maryland's internal control over financial reporting

and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Sykesville, Maryland's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Sykesville, Maryland's internal control over financial reporting and compliance.

LSWG, P.A.

Rockville, Maryland
December 23, 2024

TOWN OF SYKESVILLE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024
UNAUDITED

This discussion and analysis of the Town of Sykesville's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2024. Please read it in conjunction with the accompanying basic financial statements and the accompanying notes to those financial statements. The emphasis of discussion about these statements will be on current year data.

FINANCIAL HIGHLIGHTS:

1. The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$12,993,716 (Total net position).
2. The total net position decreased \$866,399 compared to FY23.
3. As of the close of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$6,820,159, a decrease in fund balances of \$20,393 in comparison to the prior year balance of \$6,840,552.
4. The unassigned portion of the above \$6,820,159 has increased to \$2,505,188 compared to \$2,227,620 in FY23. The Town maintains a fund balance policy that establishes a stabilization reserve (\$1,000,000) to protect the Town against significant unanticipated budget shortfalls; therefore, the net unassigned balance is \$1,505,188 as of June 30, 2024.
5. The Town amended its capital reserve policy in FY21 to tie directly back to the adopted Capital Improvement Plan. The purpose of this reserve is to have guaranteed funds available for capital projects or one-time purchases greater than \$10,000, to provide funds for planned and anticipated projects, and to allow for completion of projects in a timely manner that is not dependent on the Town's cash flow. As of the June 30, 2024, a Capital Reserve of \$910,598 has been assigned of which, \$265,598 has been reserved for FY25.
6. A repaving reserve account was established in FY21, which is dedicated for street repaving efforts, and an amount of \$250,000 will be maintained for FY25. The Town has an annual repaving expense that is covered from Highway User Revenues. This reserve account is to ensure that future repaving efforts will not be immediately impacted if project costs exceed Highway User Funds received by the Town.
7. Real Estate Tax Revenue and State Income Tax Revenue continued their positive trend over the last 5 years averaging approximately 4% and 14% annual growth respectively.

TOWN OF SYKESVILLE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024
UNAUDITED

8. During FY24, in conjunction with the previous purchase of (2) EV vehicles, the Police Department purchased and install an EV charging station for \$10,216.
9. The following large capital improvement projects (3) were initiated in FY23 which are estimated to be completed over the next three to five years:
 - a. Baldwin Lot/Baldwin Drive Improvements (Total cost - \$1,250K, costs to date - \$134K). Will be funded through ARPA funds / HUR funds. Projected Completion Date: FY25.
 - b. Sandosky Lot Improvement (Total cost - \$4,000,000, costs to date - \$177K). Will be funded through ARPA funds and Strategic Demo funding. Projected Completion Date: FY28.
 - c. Apple Butter Warehouse reconstruction (Total cost - \$2 mil, YTD spending - \$33K). Will be funded through a Maryland Capital Grant. Projected Completion Date: FY28.
10. The Town joined the Maryland State Retirement Pension system effective July 1, 2014. As of June 30, 2024, the Town reported a liability of \$1,454,253 as its proportionate share of the net pension liability. This is a \$497,576 increase from last years' liability of \$956,677. The system is divided into two separate defined pension plans (Employees and Law Enforcement Officers - "LEOPS"). The Town's FY24 contributions to the Employees plan were \$61,267 (7.8% of covered payroll) and the Town's FY24 net contributions to the LEOPS's plan were \$112,836 (\$143,852 - 36.9% of covered payroll, less a special credit of \$31,016). *See Notes to Basic Financial Statements #9 titled "Pension Plans" for a more detailed discussion of the plans.*

OVERVIEW OF THE FINANCIAL STATEMENTS

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

TOWN OF SYKESVILLE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024
UNAUDITED

Government-Wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. Other factors to consider are discussed later in this report.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., unbilled tax revenue).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, public works, recreation and parks, post office, and historic buildings. The Town currently has no business-type activities.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town are governmental funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflow and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal

TOWN OF SYKESVILLE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024
UNAUDITED

year. Such information may be useful on evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains one individual governmental fund, the General Fund.

The Town adopts an annual appropriated budget for the General Fund. A budgetary comparison statement for the General Fund has been provided to demonstrate compliance with the budget.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$12,993,716 at the close of FY24.

By far the largest portion of the Town's net assets (53%) reflects its investment in capital assets (e.g., land, buildings, equipment and construction in progress); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Our following analysis focuses on the net assets and changes in net assets of the Town's governmental activities:

TOWN OF SYKESVILLE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024
UNAUDITED

CONDENSED STATEMENTS OF NET POSITION
AS OF JUNE 30, 2024 AND 2023

	<u>Governmental Activities</u>		<u>Total Government</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
ASSETS				
Current and Other Assets	\$ 9,599,406	\$ 9,473,116	\$ 9,599,406	\$ 9,473,116
Noncurrent Assets	400,000	450,000	400,000	450,000
Capital Assets, Net	<u>6,856,380</u>	<u>7,488,685</u>	<u>6,856,380</u>	<u>7,488,685</u>
TOTAL ASSETS	16,855,786	17,411,801	16,855,786	17,411,801
Deferred Outflows				
From Pensions	<u>1,357,723</u>	<u>1,170,688</u>	<u>1,357,723</u>	<u>1,170,688</u>
Total Assets and Deferred Outflows of Resources	18,213,509	18,582,489	18,213,509	18,582,489
LIABILITIES				
Other Liabilities	487,732	279,092	487,732	279,092
Long Term Debt	<u>1,590,694</u>	<u>1,055,058</u>	<u>1,590,694</u>	<u>1,055,058</u>
TOTAL LIABILITIES	2,078,426	1,334,150	2,078,426	1,334,150
Deferred Inflows				
From Pensions	449,853	584,752	449,853	584,752
From Grants	<u>2,691,514</u>	<u>2,803,472</u>	<u>2,691,514</u>	<u>2,803,472</u>
Total Inflows of Resources	3,141,367	3,388,224	3,141,367	3,388,224
NET ASSETS				
Invested In Capital Assets,				
Net of Related Debt	6,856,380	7,488,685	6,856,380	7,488,685
Restricted	<u>2,294,718</u>	<u>2,472,735</u>	<u>2,294,718</u>	<u>2,472,735</u>
Unrestricted	<u>3,842,618</u>	<u>3,898,695</u>	<u>3,842,618</u>	<u>3,898,695</u>
TOTAL NET ASSETS	\$12,993,716	\$13,860,115	\$12,993,716	\$13,860,115

The Town has sufficient funds to meet requirements for cash outflows for the next fiscal year as well as capital improvements.

At the end of the current fiscal year, the Town is able to report positive balances in all categories of net assets.

TOWN OF SYKESVILLE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024
UNAUDITED

CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	<u>Governmental Activities</u>		<u>Total Government</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
REVENUES				
Program Revenues				
Charges for Services	\$215,632	\$216,564	\$215,632	\$216,564
Operating Grants and Contributions	392,655	461,534	392,655	461,534
Capital Grants and Contributions	182,141	380,363	182,141	380,363
General Revenues				
Income Taxes	1,293,074	1,205,296	1,293,074	1,205,296
Real Estate Taxes	1,847,205	1,765,350	1,847,205	1,765,350
Personal Property Taxes	42,304	73,686	42,304	73,686
Intergovernmental revenues	271,064	246,687	271,064	246,687
Rental revenues	22,029	50,375	22,029	50,375
Interest	181,999	138,194	181,999	138,194
Miscellaneous	164,553	77,758	164,553	77,758
TOTAL REVENUES	<u>\$4,612,656</u>	<u>\$4,615,807</u>	<u>\$4,612,656</u>	<u>\$4,615,807</u>
 PROGRAM EXPENSES				
General Government	1,141,797	713,143	1,141,797	713,143
Public Safety	1,043,589	1,037,424	1,043,589	1,037,424
Public Works	1,440,548	1,287,893	1,440,548	1,287,893
Recreation and Parks	300,520	277,342	300,520	277,342
Post Office	144,292	137,395	144,292	137,395
Historic Buildings	117,249	159,867	117,249	159,867
Employee benefits	975,555	727,870	975,555	727,870
Warfield escrow expenses	203,547	-	203,547	-
ARPA expenses	111,958	260,621	111,958	260,621
TOTAL PROGRAM EXPENSES	<u>5,479,055</u>	<u>4,601,555</u>	<u>5,479,055</u>	<u>4,601,555</u>
 CHANGE IN NET ASSETS	<u>\$ (866,399)</u>	<u>\$14,252</u>	<u>\$ (866,399)</u>	<u>\$14,252</u>

TOWN OF SYKESVILLE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024
UNAUDITED

GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget for the Town was amended several times during the year as approved by the Council. Budgeted expenditures were ultimately *decreased* by \$1,029,890 mainly related to the overall deferral of capital projects into FY25.

The following is a more detailed discussion regarding some of the more material differences between the Town's **original budget and final budget results**:

- State Income Taxes (\$100K increase) – Amended the budget to more realigned to the 3-year average of actual collections.
- Grant revenue (\$300K *decrease*) – Reduced the grants revenue budget due to the deferral/scope change of projects related to the Linear Trail Parklet, Cooper Park bridge, B.F. Shriver Cannery Warehouse, as well as the continued decrease in anticipated engineering costs involved in the 714 Sandosky Lot Improvement project.
- Use of ARPA Funds (\$1,050K *decrease*) – Lowered budget due to the deferral of the Oklahoma streetscape project as well as the re-configuration of the Baldwin lot project.
- Use of the Unassigned Fund Balance (\$75K new) – Created budget to cover costs related to zoning ordinance consulting fees.
- Legal Counsel (\$264K increase) – Increased the budget due to unplanned continued litigation in regards to the Warfield properties.
- Capital Outlays (\$335K *decrease*) – Adjusted both Public Safety (EV charging stations) and Public Work (Leaf Vac/Used Dump Truck) capital outlay budgets to reflect lower actual expenses (\$35K). Under the Parks category, the majority of the allocated costs (\$150K) related to the Linear Trail Parklet are being deferred to FY 25 and the rehabilitation project of several pedestrian bridges located in Cooper Park has been eliminated. Finally, regarding the Sandosky Lot and Town House Lawn projects, the associated engineering consulting services are also being deferred to FY25.

TOWN OF SYKESVILLE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024
UNAUDITED

The following is a detailed discussion regarding some of the more significant differences between the Town's **final budget and actual results**:

- State Income Tax revenue (\$247,889 *over budget*) – Although State income taxes continued to be cautiously budgeted, given the complexity of the revenue source, collections once again exceeded expectations.
- Grant revenue (\$121,124 under budget) – See above grant revenue discussion.
- Miscellaneous Receipts (\$28,580 *over budget*) – The Town of Sykesville continues to have a positive health insurance claims experience and thus, received another reimbursement (\$118K) related to FY23 which exceeded the budget amount.
- Use of ARPA funds revenue (\$71,042 under budget) – After significant reduction of the budget due to project deferrals into FY25 (See above discussion), expenditures were still lower than expected.
- Use of Unrestricted Fund Balance (\$39,175 under budget) – After Budget revision #1, allocating monies to several capital outlay projects (Auxiliary PD vehicle and a portion of zoning re-write fees), expenses were more favorable than projected.
- Professional Services (\$58,670 under budget) – Identical to FY23, increased the Legal Fees budget due to on-going Warfield litigation but actual expenses did not quite materialize as quickly as expected (\$38K difference). Also, budgeted for Zoning ordinance re-write consulting costs but actual fees were approx. \$20K less than anticipated.
- Public Safety (\$22,915 *over budget*) – The variance was partially related to compensation expenses (\$21K) due to position promotions and adjustments to the year end vacation accrual. The remaining (\$12K) was attributed to the vehicle maintenance category in which a PD vehicle was involved in an altercation with a deer.
- Gatehouse (\$15,418 under budget) – Actual hours related to the two (2) part-time positions were less than budgeted (\$7K) as well as a planned porch repair was deferred to FY25 (\$8K).
- Employee Benefits Expense (\$13,255 under budget) – The variance basically relates to health insurance expenses. Actual expenses were lower than budgeted due to the mix of various individual health plans.
- Capital outlay (\$207,018 under budget) – The variance consisted of three areas (Parks - \$107K, Streets and roads – 74K, and General Government Property - \$32K). In terms of Parks, a late year decision was made to delayed the Linear Trail Parklet until FY25 while a scope change to the Cooper Park pedestrian bridges project diverted all costs to be used for a different project next year.

TOWN OF SYKESVILLE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024
UNAUDITED

Regarding Streets and Roads, late in FY24 it was finally determined what road paving project the Highway User Revenue funds would be used towards. The budgeted amount was not fully utilized and the remaining budget will be transferred to FY25. Lastly, in terms of the General Governmental Property expenditures, the Sandosky Lot project has hit unanticipated delays which, in turn, lowered the use of the Town's outside engineering firm.

- Capital outlay **ARPA** (\$41,042 under budget) – The Oklahoma streetscape project has been further deferred lowering actual expenses

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The Town's investment in capital assets for its governmental activities as of June 30, 2024, amounted to \$6,856,380 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, park facilities, historic buildings, infrastructure, leasehold improvements at the South Branch Park, and parking lots. The Town's investment in capital assets for the current fiscal year decreased by \$632,305. The decrease consisted of additional capital purchases of \$397,556 less FY24 annual depreciation of \$967,173.

Additional information on the Town's capital assets can be found in the financial statements and related notes (*See Note #3C.*).

Debt. As of June 30, 2024, the town does not have any debt obligations and is not considering any borrowing in FY25.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The following factors were considered in preparing the Town's budget for the 2025 fiscal year:

- The property tax rate on real property was decreased by .01, thus the projected revenue from real and business personal property taxes, were based on \$0.32 and \$0.825, respectively, per \$100 of assessed value. Revenues were modestly increased by 1.2% due to an associated increase in overall property assessed values offset by the reduction in the tax rate.

TOWN OF SYKESVILLE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024
UNAUDITED

- State Income Tax Revenue projections were increased by 9.8% but still conservatively lower than the three-year running average of \$1,219,700.
- The State of Maryland submits estimates to the municipalities and, for FY25, the Town is scheduled to receive \$294,080 from the Highway User Fund. Use of these revenues will continue to be limited to critical road projects in FY25.
- In 2021, the Town signed a Memorandum of Agreement with Carroll County and the other municipalities in Carroll County to participate in a joint Phase I National Pollutant Discharge and Elimination System (NPDES) Municipal Separate Storm Sewer System (MS4) permit. This MOA extended the Town's existing partnership with Carroll County until June 30, 2029. The Town's required annual contribution for FY 24 was \$35,620. The Town's estimated contribution for FY 25 will be \$36,209. These funds will help to pay for upgrades to the Shannon Run and Lexington Run Storm Water Management Facilities. (*See Notes to Basic Financial Statements - Note #6*).
- Projected Grant Revenue FY25 - \$1,160,000 allocated as follows:
 - 1) Strategic Demolition Grant (714 Sandosky Lot Improvement Project) - \$500,000.
 - 2) Community Parks and Playgrounds (Linear Trail Parklet) - \$50,000.
 - 3) Program Open Space (Cooper Park Rehabilitation) - \$150,000.
 - 4) State Capital Grant (Apple Butter Warehouse Rehab) - \$100,000.
 - 5) Community Legacy Grant (Townhouse Lawn) - \$150,000
 - 6) Façade Grant (Local Main Street Vendors) - \$50,000
 - 7) Safe Streets for All (Increase Pedestrian Mobility Safety) - \$160,000
- In FY 25, we are proposing the use of \$170,000 of our Capital Fund Balance to offset various capital purchases related to Public Safety and Public Works.
- The American Rescue Plan Act (ARPA) budget category was new for FY23 and will continue to be implemented into our annual budget through FY26. The Town has received \$3,115,422 of which \$423,907 has been spent YTD through June 30, 2024. This funding must be fully under contract by the end of calendar year 2024 and actually spent by the end of 2025.

The remaining \$2,600,000 allocated for FY25 has been designated for the following expenditures:

- 1) Engineering for Baldwin Lot/Baldwin Drive - \$1,250,000
- 2) Oklahoma Avenue Improvements - \$1,250,000
- 3) Engineering and construction of stormwater improvements on Central Avenue and Norwood Avenue - \$100,000

**TOWN OF SYKESVILLE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024
UNAUDITED**

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Treasurer at: Town of Sykesville, 7547 Main Street, Sykesville, MD 21784

Town of Sykesville, Maryland
Statement of Net Position
June 30, 2024

Exhibit A-1

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash and cash equivalents	
Unrestricted	\$ 1,737,046
Restricted	2,849,580
Cash with escrow agent, restricted	994,302
Certificates of deposit	2,561,775
Accounts receivable	122,062
Taxes receivable	120,764
Due from other governments	103,959
Prepaid expenses	80,603
Current portion of notes receivable	1,029,315
Total Current Assets	<u>9,599,406</u>
Noncurrent Assets	
Notes receivable - net of current portion	400,000
Property and equipment, net	6,856,380
Total Noncurrent Assets	<u>7,256,380</u>
Total Assets	<u>16,855,786</u>
Deferred Outflows of Resources	<u>1,357,723</u>
Liabilities	
Current Liabilities	
Accounts payable and accrued expenses	263,357
Due to other government	159,099
Accrued payroll and related benefits	29,440
Accrued compensated absences - current portion	6,595
Payable from restricted assets, amounts held in escrow	29,241
Total Current Liabilities	<u>487,732</u>
Long-Term Liabilities	
Accrued compensated absences - net of current portion	136,441
Net pension liability	1,454,253
Total Long -Term Liabilities	<u>1,590,694</u>
Total Liabilities	<u>2,078,426</u>
Deferred Inflows of Resources	<u>3,141,367</u>
Net Position	
Invested in capital assets, net	6,856,380
Restricted	2,294,718
Unrestricted	3,842,618
Total Net Position	<u>\$ 12,993,716</u>

The accompanying notes are an integral part of this statement.

Town of Sykesville, Maryland
Statement of Program Activities
For the Year Ended June 30, 2024

Exhibit A-2

Functions/Programs	Program Revenue				Net (Expenses) Revenue and Changes in Net Position	
	Expenses	Charges for Services		Operating Grants and Contributions	Capital grants and Contributions	Governmental Activities
Governmental Activities						
General government	\$ 1,141,797	\$ 70,953	\$ -	\$ 78,751	\$ (992,093)	\$ (992,093)
Public safety	1,043,589	9,666	80,001	7,500	(946,422)	(946,422)
Public works	1,440,548	30,594	253,961	-	(1,155,993)	(1,155,993)
Park and recreation	300,520	14,550	-	42,625	(243,345)	(243,345)
Post office	144,292	89,529	-	-	(54,763)	(54,763)
Historic buildings	117,249	340	-	-	(116,909)	(116,909)
Employee benefits	975,555	-	-	-	(975,555)	(975,555)
Warfield escrow expenses	203,547	-	-	-	(203,547)	(203,547)
ARPA	111,958	-	58,693	53,265	-	-
Total Governmental Activities	\$ 5,479,055	\$ 215,632	\$ 392,655	\$ 182,141	(4,688,627)	(4,688,627)
General Revenues						
Income taxes					1,293,074	1,293,074
Real estate taxes					1,847,205	1,847,205
Property taxes					42,304	42,304
Intergovernmental revenues					271,064	271,064
Rental revenues					22,029	22,029
Interest					181,999	181,999
Miscellaneous					164,553	164,553
Total General Revenues					3,822,228	3,822,228
Changes in Net Position					(866,399)	(866,399)
Net Position, Beginning of Year					13,860,115	13,860,115
Net Position, End of Year					\$ 12,993,716	\$ 12,993,716

The accompanying notes are an integral part of this statement.

Town of Sykesville, Maryland
Balance Sheet
Governmental Funds
June 30, 2024

Exhibit A-3

	General Fund
Assets	
Cash and cash equivalents	
Unrestricted	\$ 1,737,046
Restricted	2,849,580
Cash with escrow agent, restricted	994,302
Certificates of deposit	2,561,775
Accounts receivable	122,062
Taxes receivable	120,764
Due from other governments	103,959
Prepaid expenses	80,603
Notes receivable	1,429,315
Total Assets	<u>9,999,406</u>
Deferred Outflows	<u>-</u>
Liabilities	
Accounts payable and accrued expenses	263,357
Accrued payroll and related benefits	29,440
Due to other governments	159,099
Accrued compensated absences - current portion	6,595
Payable from restricted assets, amounts held in escrow	29,241
Total Liabilities	<u>487,732</u>
Deferred Inflows	2,691,515
Fund Balance	
Nonspendable	530,603
Restricted	2,294,718
Assigned	1,489,650
Unassigned	2,505,188
Total Fund Balance	<u>\$ 6,820,159</u>
Reconciliation of Total Governmental Fund Balance To Net Position of the Governmental Activities	
Total Governmental Fund Balance	\$ 6,820,159
Amounts reported for governmental activities in the statement of net position are different because:	
Net pension liability and related deferred amounts in governmental activities are not current financial resources and, therefore not reported in the fund financial statements.	(546,382)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements.	6,856,380
Accrued compensated absences are not payable in the current period and therefore are not reported in the fund financial statements.	(136,441)
Net Position of Governmental Activities	<u>\$ 12,993,716</u>

The accompanying notes are an integral part of this statement.

Town of Sykesville, Maryland
Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds
For the Year Ended June 30, 2024

	General Fund
Revenues	
Taxes	\$ 3,182,583
Intergovernmental revenues	845,859
Charges for services	121,791
License and permits	92,301
Fines and forfeitures	1,540
Interest income and rents	204,028
Miscellaneous	<u>164,554</u>
Total Revenues	4,612,656
Expenditures	
General government	1,033,123
Public safety	919,041
Public works	728,527
Recreation and parks	209,174
Post office	144,264
Historic buildings	100,692
Employee benefits	799,914
Capital outlay	382,809
ARPA expenditures	111,958
Warfield escrow expenditures	<u>203,547</u>
Total Expenditures	<u>4,633,049</u>
Deficiency in Revenues Over Expenditures	(20,393)
Fund Balance at Beginning of Year	<u>6,840,552</u>
Fund Balance at End of Year	<u><u>\$ 6,820,159</u></u>

The accompanying notes are an integral part of this statement.

Town of Sykesville, Maryland
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Program Activities
For the Year Ended June 30, 2024

Net Change in Fund Balances - Total Governmental Funds	\$ (20,393)
Amounts reported for governmental activities in the Statement of Program Activities are different because:	
Governmental funds report capital outlays as expenditures in the Statement of Program Activities for the cost of those assets in the period acquired, but expensed over the estimated useful lives as depreciation expense in the government-wide financial statements. Amount by which depreciation expense did (did not) exceed capital outlay expenditures.	
	(632,305)
Compensated absences in the Statement of Program Activities not requiring the use of current financial resources and therefore are (are not) reported as expenditures in the governmental funds.	
	(38,060)
Net pension liability expensed in the government-wide financial statements not requiring the use of current financial resources and therefore are (are not) reported as expenditures in the governmental funds.	
	<u>(175,641)</u>
Net Changes in Net Position	<u>\$ (866,399)</u>

The accompanying notes are an integral part of this statement.

TOWN OF SYKESVILLE, MARYLAND
Notes to Financial Statements
June 30, 2024

Note 1 - Summary of Significant Accounting Policies

A. Financial Reporting Entity

The Town of Sykesville, Maryland, (the Town) was incorporated in 1904, 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 Mayor - Council form of government and provides the following services, as authorized by its charter: general administrative services, public safety, highways and streets, sanitation, health and social services, public improvements, planning and zoning, recreation and parks, post office and historic buildings.

The Town's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The basis for determining component units is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and the degree of accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no separate component units of the Town.

B. Government-Wide and Fund Financial Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund (reporting the Town's major funds) financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's functions include: general administrative services, public safety, public works, recreation and parks, post office and historic buildings and are classified as governmental activities. The Town has no business-type activities.

In the government-wide statement of net position, the governmental column (a) is presented on a consolidated basis and (b) is reported on a full-accrual, economic-resource basis, which recognizes all long-term assets, receivables and deferred outflows of resources, as well as long-term debt and obligations and deferred inflows of resources. The Town's net position is reported in three parts: net investment in capital assets, restricted net position and unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities.

TOWN OF SYKESVILLE, MARYLAND
Notes to Financial Statements
June 30, 2024

Note 1 - Summary of Significant Accounting Policies (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

The government-wide statement of activities reports both the gross and net cost per functional category (public safety, public works, etc.), which are otherwise being supported by general government revenues (property and income taxes, certain intergovernmental revenues, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues and operating and capital grants and contributions. The program revenues must be directly associated with the function. Program revenues include (a) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other general revenues not restricted to specific program functions are reported instead as general revenues.

The net costs (by function) are normally covered by general revenue (property and income taxes, intergovernmental revenues, interest income, etc.). The Town does not allocate indirect costs.

The government-wide focus is on the sustainability of the Town as an entity and on the change in the Town's net position resulting from the current year's activities.

Basic financial statements, fund financial statements:

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues and expenditures. The various funds are reported by generic classification within the financial statements.

The Town utilizes various criteria (percentage of the assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures of either fund category or the governmental and enterprise combined) for the determination of major funds.

Governmental funds are those through which all governmental functions of the Town are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets and deferred inflows of resources are assigned to the various governmental funds according to the purpose for which they must be used. Current liabilities and deferred outflows of resources are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance.

TOWN OF SYKESVILLE, MARYLAND
Notes to Financial Statements
June 30, 2024

Note 1 - Summary of Significant Accounting Policies (Continued)

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

The government-wide statements are reported using the economic resources measurement focus, and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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.

Governmental fund financial statements are reported using the current 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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue 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. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

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

The Town reports unearned revenues on its governmental funds balance sheet. Unearned revenues arise from taxes levied in the current year which are for subsequent years' operations. For governmental fund financial statements unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received before the Town 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 deferred inflow for unearned revenue is removed from the balance sheet and revenue is recognized.

The Town reports the following major governmental fund:

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

TOWN OF SYKESVILLE, MARYLAND
Notes to Financial Statements
June 30, 2024

Note 1 - Summary of Significant Accounting Policies (Continued)

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

1. Deposits – Cash and Cash Equivalents

The Town considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The carrying amount approximates estimated fair value because of the short maturity of those instruments.

2. Capital Assets

Capital assets, which include land, buildings and improvements, equipment, infrastructure and vehicles, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Buildings and improvements	5-20 years
Equipment	5-20 years
Infrastructure	5-20 years
Vehicles	5 years

In the government-wide financial statements, capital assets used in governmental fund operations are accounted for as property and equipment. General infrastructure assets acquired prior to July 1, 2000 are not reported in the basic financial statements. All general infrastructure assets, including all roads, bridges and other infrastructure assets acquired subsequent to July 1, 2000 are recognized at historical cost. The Town has elected not to retroactively report intangible assets, including capital assets identified as having indefinite useful lives or being internally generated, prior to July 1, 2009. All intangible assets acquired subsequent to July 1, 2009 are reported at historical cost.

TOWN OF SYKESVILLE, MARYLAND
Notes to Financial Statements
June 30, 2024

Note 1 - Summary of Significant Accounting Policies (Continued)

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position
(Continued)**

2. Capital Assets (continued)

Depreciation of all exhaustible capital assets is recorded as a direct expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of capital assets is recorded by removing cost and accumulated depreciation from accounts and recognizing the resulting gain or loss to income.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

3. Accrued Compensated Absences

The Town permits employees to accumulate unused vacation time to a maximum of two times the amount earned based on length of service. Upon termination of employment, an employee will be paid for annual vacation leave accumulated to the date of separation, not to exceed a maximum of 40 days, plus any accumulated annual leave earned up to the time of termination during the calendar year. Sick leave is permitted to be accrued up to a maximum of six months or 130 days, and at termination, a maximum of 45 days will be paid to employees at 20% of the employee's then current pay rate.

If, however, an employee retires directly through the Maryland State Retirement and Pension System, upon terminating employment, unused sick leave hours will be added to the service time used to calculate retirement pay, up to the maximum allowed, as provided by State law. Since creditable service determines the amount of the benefit for retirement, unused sick leave can increase the amount of the benefit. It does not, however, affect when the employee is eligible to retire. Compensatory time is permitted to be accrued with no maximum, but is paid down to 80 hours on the employees' anniversary date, all of which will be paid to employees in full upon termination of employment plus any accumulated compensatory time earned up to the time of termination during the calendar year.

The unused vacation time and 20% of the employee's sick leave balance at year-end has been accrued based on the current Town policy.

TOWN OF SYKESVILLE, MARYLAND
Notes to Financial Statements
June 30, 2024

Note 1 - Summary of Significant Accounting Policies (Continued)

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

4. Deferred Outflows/Inflows of Resources

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

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.

5. Debt Policies

The Town's formal debt policy establishes authority and circumstances for which the Town can obtain short and long-term debt financing. The formal debt policy includes provisions that annual debt service costs are not to exceed 8.0% of the Town's operating expenditures and remaining balances of long-term debt obligations are not to exceed 1.5% of the Town's net assessable base in any fiscal year new debt is incurred.

6. Pensions

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

TOWN OF SYKESVILLE, MARYLAND
Notes to Financial Statements
June 30, 2024

Note 1 - Summary of Significant Accounting Policies (Continued)

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

7. Net Position

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

Investment in capital assets, net of related debt – This amount consists of capital assets, net of accumulated depreciation and reduced by outstanding debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted net position – This category presents external restrictions imposed by creditors, grants, contributors or laws or regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – This category represents the net position of the Town that is not restricted for any project or other purpose. However, these funds may be constrained for specific projects or purposes in the fund financial statements.

8. Property Taxes

The Mayor and Council hold an annual public hearing for the residents to voice their opinion on the proposed tax rate and the annual budget. Property taxes are levied as of July 1st on the assessed value listed as of the same date for all real property located in the Town. From the effective date of the budget, the amount stated thereon as the amount to be raised by the property tax shall constitute a determination of the amount of the tax levy in the corresponding tax year. Taxes shall be due and payable on July 1st in the year for which they are levied and shall be overdue and in arrears on October 1st, where they will accrue two-thirds of 1% interest per month unpaid; the Town has the ability to place liens against the properties. Business personal property taxes are due within 30 days of billing, which occurs as assessment information is received by the State. The tax rates for real and business personal property for the year ended June 30, 2024 were \$0.33 and \$0.875, respectively, per \$100 assessed property value.

TOWN OF SYKESVILLE, MARYLAND
Notes to Financial Statements
June 30, 2024

Note 1 - Summary of Significant Accounting Policies (Continued)

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

9. Budgets and Budgetary Analysis:

The Town is required by the Town Code to adopt an annual budget for the General Fund. The budget is presented on a basis consistent with accounting principles generally accepted in the United States of America. All appropriations lapse at the end of the budget year to the extent they have not been expended.

Once a budget is approved, it can be amended by the Mayor and Town Council with reasonable discretion. Several budget amendments were approved during the year ended June 30, 2024. Both original and final budgets of the General Fund have been included in the presentation of the Town's required supplementary information.

10. Use of Estimates

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

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

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

The governmental fund balance sheet includes reconciliation between fund balance – total government funds and net position – governmental activities as reported in the government-wide statement of net position.

TOWN OF SYKESVILLE, MARYLAND
Notes to Financial Statements
June 30, 2024

Note 3 – Detailed Notes on All Funds

A. Deposits

The deposits held as of June 30, 2024 were as follows:

<u>Type</u>	<u>Rating/Interest rate</u>	<u>Maturities</u>	<u>Carrying Value</u>
Cash on hand			\$ 800
Demand deposits	0.40% - 1.05%		5,580,128
Certificates of deposit:			
	5.30%	7/17/2024	250,000
	5.45%	11/14/2024	250,000
	5.35%	11/14/2024	200,000
	5.25%	5/29/2025	250,000
	5.00%	11/18/2024	1,000,000
	5.00%	11/27/2024	541,483
	Accrued interest		70,292
			<u>2,561,775</u>
			<u>\$ 8,142,703</u>

Reconciliation to Statement of Net Position:

Cash and cash equivalents	
Unrestricted	\$ 1,737,046
Restricted	<u>2,849,580</u>
	4,586,626
Cash with escrow agent, restricted	994,302
Certificates of deposit	<u>2,561,775</u>
Total Cash and Cash Equivalents	<u>\$ 8,142,703</u>

TOWN OF SYKESVILLE, MARYLAND
Notes to Financial Statements
June 30, 2024

Note 3 – Detailed Notes on All Funds (Continued)

A. Deposits (Continued)

Restricted cash and cash equivalents and cash with escrow agent as of June 30, 2024 are comprised as follows:

American Rescue Plan Act funds	\$ 2,691,514
Post Office old main line	111,869
Inspection fee funds	27,566
Warfield Complex renovation escrow	994,302
Other deposits	18,631
	<u>\$ 3,843,882</u>

Restricted assets are classified as current when they are restricted for payment of current liabilities. Otherwise, they are non-current in nature.

The Town's formal investment policy does not limit its investment choices, except for the guidelines outlined below, beyond the limitations of Maryland State Finance and Procurement Code Ann. § 6-222, which authorizes the Town to invest in obligations of the United States and related agencies, repurchase agreements of United States obligations, certain bankers' acceptances, bonds and commercial paper with the highest letter and numerical rating by at least one nationally recognized statistical rating organization, money market mutual funds operated in accordance with Rule 2A-7 of the ICA of 1940 and any investment portfolio created under the Maryland Local Government Investment Pool (MLGIP).

Custodial credit risk:

Deposits in financial institutions, reported as components of cash and cash equivalents, cash with escrow agent and certificates of deposit, had a carrying amount of \$8,141,903 and bank balances of \$8,089,743. The balances in excess of Federal Deposit Insurance Corporation amounts were fully collateralized by securities pledged and held by financial institutions, not in the Town's name.

Interest rate and credit risk

The Town's formal investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates as follows: the Town will attempt to match its investments with anticipated cash flow requirements and unmatched investments are to be limited to securities maturing up to three years from the date of purchase.

TOWN OF SYKESVILLE, MARYLAND
Notes to Financial Statements
June 30, 2024

Note 3 – Detailed Notes on All Funds (Continued)

A. Deposits (Continued)

In addition, reserve funds may be invested in securities maturing up to five years from date of purchase if such maturity is made to precede or coincide with the expected need for funds and appropriate management approval.

The Town's formal investment policy limits investment credit risk to the highest possible rating from at least one statistical rating organization designated by the Securities and Exchange Commission (SEC) for money market mutual funds instruments.

Concentration of Credit Risk

The Town's formal investment policy places the following limits on the maximum percent of portfolio it may invest in any one specific instrument, financial institution or issuer: 100% in United States Governmental Obligations and MLGIP; 90% in United States Government Agencies and Instrumentalities, repurchase agreements and certificates of deposit and 50% in money market mutual funds instruments. As of June 30, 2024, the Town had no concentration of credit risk.

B. Notes and Leases Receivable

The Town has a note agreement with a restaurant located in the Town to finance one-half of the necessary accessibility alterations to the restaurant, with any project costs exceeding the contracted amounts being the responsibility of the restaurant. The note also includes \$5,000 in principal due to the Town for anticipated tax credits to be received in relation to the alterations, which will be curtailed by one-half of any shortfall in credits received. The note is due in monthly installments of principal and interest at an annual rate of 5.00%, and unpaid interest and principal are due on April 1, 2024. As of June 30, 2024, the balance was paid in full.

In June 2018, the Town entered into a note agreement with the purchaser of the Warfield Complex for \$1,000,000. The principal and accrued interest were due in full on June 26, 2020. The Town has sent the purchaser a notice of default on the note. As of June 30, 2024, the balance owed by the developer on the note is \$979,315, plus accrued interest of \$217,912. The principal payments are expected to be paid as the related parcels and condominium units are sold by the purchaser. No principal payments were made during the year ended June 30, 2024. The Town has recorded an allowance against the accrued interest due to collectability concerns. Interest is accruing at a rate of 4.37%.

TOWN OF SYKESVILLE, MARYLAND
Notes to Financial Statements
June 30, 2024

Note 3 – Detailed Notes on All Funds (Continued)

B. Notes and Leases Receivable (Continued)

The Town, in lieu of its annual \$50,000 allocation to the Downtown Sykesville Connection (DSC), a local 501(c)(3) organization, approved an advance of \$500,000 for the purpose of purchasing a building by the DSC in downtown Sykesville. This represents 10 years' worth of annual allocations. The DSC has agreed to pay the Town an amount equal to 1.5% interest on the advanced funds to offset any potential property tax revenue the Town would have collected. The Town will continue to receive all the same benefits listed in the current MOU. Also, the DSC has agreed to name the Town as beneficiary of the structure purchased should the DSC discontinue as an organization or should they no longer wish to own the building purchased with the advanced funds.

The Town entered into a lease with a local business for a property on Main Street effective December 1, 2023. The lease term is for five years starting on July 1, 2025 once the expiration of the "construction period). All approved improvements by the tenant shall allow them to obtain one year of rent abatement per \$50,000 of investment. In addition, the Town will commit an amount no less than \$50,000 to assist with the cost of the improvements. The lease may be extended for four additional five year extension terms if specific conditions are met. The first year lease payment is \$3,000 per month and each subsequent year has a 2% annual increase. The lease has not been recorded under GASB 87 given the likelihood of the improvements being made by the tenant therefore rent abatement occurring.

Future minimum principal receipts under the note and leases receivable are as follows:

Year ending June 30,	
2025	\$ 1,029,315
2026	50,000
2027	50,000
2028	50,000
2029	50,000
Thereafter	<u>200,000</u>
	<u><u>\$ 1,429,315</u></u>

TOWN OF SYKESVILLE, MARYLAND
Notes to Financial Statements
June 30, 2024

Note 3 – Detailed Notes on All Funds (Continued)

C. Capital Assets

A summary of governmental activities is as follows:

	<u>Balance</u> <u>July 1, 2023</u>	<u>Additions</u>	<u>Transfers/ Decreases</u>	<u>Balance</u> <u>June 30, 2024</u>
Capital assets, not being depreciated				
Construction in Progress	\$ 271,490	\$ 141,414	\$ (9,575)	\$ 403,329
Land	<u>1,407,171</u>	<u>-</u>	<u>-</u>	<u>1,407,171</u>
Total capital assets, not being depreciated	1,678,661	141,414	(9,575)	1,810,500
Capital assets, being depreciated				
Building and improvements	3,489,937	32,189	(266,405)	3,255,721
Equipment	1,505,958	32,069	(46,241)	1,491,786
Infrastructure	12,812,280	139,415	(399,750)	12,551,945
Vehicles	<u>1,472,093</u>	<u>52,469</u>	<u>(138,536)</u>	<u>1,386,026</u>
Total capital assets being depreciated	<u>19,280,268</u>	<u>256,142</u>	<u>(850,932)</u>	<u>18,685,478</u>
Total capital assets	<u>20,958,929</u>	<u>397,556</u>	<u>(860,507)</u>	<u>20,495,978</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,599,750)	(132,816)	213,292	(2,519,274)
Equipment	(593,148)	(102,987)	46,241	(649,894)
Infrastructure	(9,135,695)	(590,842)	399,750	(9,326,787)
Vehicles	<u>(1,141,651)</u>	<u>(140,528)</u>	<u>138,536</u>	<u>(1,143,643)</u>
Total accumulated depreciation	<u>(13,470,244)</u>	<u>(967,173)</u>	<u>797,819</u>	<u>(13,639,598)</u>
Total capital assets, being depreciated, net	<u>5,810,024</u>	<u>(711,031)</u>	<u>(53,113)</u>	<u>5,045,880</u>
Governmental activities capital assets, net	<u>\$ 7,488,685</u>	<u>\$ (569,617)</u>	<u>\$ (62,688)</u>	<u>\$ 6,856,380</u>

TOWN OF SYKESVILLE, MARYLAND
Notes to Financial Statements
June 30, 2024

Note 3 – Detailed Notes on All Funds (Continued)

C. Capital Assets (Continued)

Depreciation expense was charged to function/programs of the primary government as follows for the year ended June 30, 2024:

General government	\$ 53,640
Historical buildings	16,557
Parks and recreation	91,346
Public safety	103,040
Public works	702,590
	<u>\$ 967,173</u>

D. Non-Current Liabilities Other Than Net Pension Liability

The following is a summary of changes in non-current liabilities, excluding net pension liability, for governmental activities for the year ended June 30, 2024:

	<u>July 1, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2024</u>
Accrued compensated absences	\$ 118,892	\$ 17,549	\$ -	\$ 136,441

E. Fund Balance

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

Nonspendable – such as fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable and property held for resale.

Restricted fund balance – includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers or through enabling legislation.

Committed fund balance – includes amounts that can be used only for the specific purposes determined by a formal action of the Mayor and Council of the Town of Sykesville, Maryland.

TOWN OF SYKESVILLE, MARYLAND
Notes to Financial Statements
June 30, 2024

Note 3 – Detailed Notes on All Funds (Continued)

E. Fund Balance (Continued)

Assigned fund balance – includes amounts to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

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

Nonspendable Fund Balance

The Town's nonspendable fund balances at June 30, 2024 include the following:

Prepaid expenses	\$ 80,603
Notes receivable	<u>450,000</u>
	<u><u>\$ 530,603</u></u>

Restricted Fund Balance

The Town's restricted fund balances at June 30, 2024 include the following:

Gate House Museum	\$ 136,716
Public project funds	184,385
Note receivable - Warfield Purchaser	979,315
Warfield Complex renovation escrow	<u>994,302</u>
	<u><u>\$ 2,294,718</u></u>

Gate House Museum – Unspent amounts from a donation from a trust for the benefit of the Gate House Museum.

Public project funds – Funds set aside from the proceeds of the sale of the Warfield Complex to be used for specific public projects.

Note receivable – Warfield Purchaser – Outstanding balance on note from Warfield purchaser. The balance of which, once received, will be added to the Warfield Complex renovation escrow.

Warfield Complex renovation escrow – Funds set aside from the proceeds of the sale of the Warfield Complex to be donated towards the Complex's renovations.

TOWN OF SYKESVILLE, MARYLAND
Notes to Financial Statements
June 30, 2024

Note 3 – Detailed Notes on All Funds (Continued)

E. Fund Balance (Continued)

Assigned Fund Balance

The Town's assigned fund balances at June 30, 2024 include the following:

New Garage Door - Public Works location	\$ 18,000
New Pole Barn - Public Works	50,000
EV Charging Station - Public Safety	12,867
New Leaf Vacuum & Trailer - Public Works	25,500
Replace "Big Red" Dump Truck - Public Works	14,230
New Vehicle - Public Safety	60,000
Public Works Building Roof Replacement	20,000
Cooper Park Streetscape	65,000
New Vehicle - Public Safety	60,000
Cooper Park Streetscape	585,000
Repaving Reserve	250,000
Impact Fees	300,027
Parking Impact fees	29,026
	<u>\$ 1,489,650</u>

The capital reserve assigned fund balance was established by the Town to have guaranteed funds available for capital projects, to provide funds for planned and anticipated projects, and to allow for completion of projects in a timely manner that is not dependent on annual Town cash flow. The balance is set at the amount required under the most recently approved Town capital improvements plan, less grants, bonds and other funding mechanisms. The repaving reserved assigned fund balance was established by the Town to have guaranteed funds available for needed road repaving projects and to supplement highway user revenues received from the State.

The Town has a fund balance policy that requires a minimum stabilization reserve amount of \$1,000,000. The conditions under which stabilization amounts are intended to be spent are to address unanticipated, non-recurring needs or known and planned future obligations, and require a majority approval of the Mayor and Town Council for use. Any reduction of the stabilization amount below the minimum requirement are to include a financial plan to restore the reserve to the minimum level. As of June 30, 2024, the stabilization balance (reported as a component of unassigned fund balance in the General Fund) was \$1,000,000. The Town has remained in compliance with this policy since established.

TOWN OF SYKESVILLE, MARYLAND
Notes to Financial Statements
June 30, 2024

Note 3 – Detailed Notes on All Funds (Continued)

E. Fund Balance (Continued)

Order of Fund Balance Spending Policy

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

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

Note 4 - South Branch Park Cooperative Agreement and Lease

On December 14, 2006, the Town entered into an agreement with Howard County, Maryland, (the County). The County owns 9.578 acres of land presently improved with historic structures: a brick warehouse, a weigh station and the Sykes Mill stone house (collectively referred to as the "Historic Structures") situated on the Howard County side of South Branch Patapsco River, Sykesville, Howard County (the Property). The County and Town desire to create a recreational area to be used primarily for recreational, historic and cultural purposes and to preserve, rehabilitate and operate for public use the Historic Structures on the Property.

The County agreed to lease the Property to the Town for a term of 35 years, beginning on the execution of the Cooperative Agreement and ending on December 1, 2041. There are no rental charges for the first five years of the Cooperative Agreement. Commencing on the sixth anniversary, the Town shall pay an annual rent in the amount of \$1 and shall split the net revenue from the Property's operation as follows: 70% to the Town and 30% to the County. The related lease expense for the year ended June 30, 2024 was \$0. In the event of early termination of the Agreement, the Town shall not be reimbursed for any profits that may have been anticipated but which have not been earned up to the date of termination.

As part of the Cooperative Agreement, the Town was to perform rehabilitation of the Historic Structures and improvements to the Property, as well as construct utilities, driveways and parking areas. Some of these improvements have been made; however, the Town and the County have agreed that they are not operating under the proposed timeline in the original agreement. The Town and the County are in continuing talks on how to maintain and operate the Property going forward.

TOWN OF SYKESVILLE, MARYLAND
Notes to Financial Statements
June 30, 2024

Note 4 - South Branch Park Cooperative Agreement and Lease (Continued)

The County reserves the right terminate the Cooperative Agreement upon giving 120 days written notice to the Town. In the event of termination, the County will reimburse the Town for reasonable costs of construction and rehabilitation incurred if deemed acceptable by the County.

Note 5 - Water Tower Agreement

The Town entered into an agreement with the purchaser of the Warfield Complex (purchaser) on June 26, 2018 which outlines the agreed-upon payments the purchaser must make to the Town under various scenarios in relation to the water tower that is located in the Warfield Complex. The term of the agreement is through June 2048 if the water tower is not demolished. The term of the agreement is through June 2028 if the water tower is demolished and a cell tower is not constructed in its place. If the water tower is demolished and a cell tower is constructed in its place, the agreement is active for 30 years after the cell tower construction completion date.

Under the agreement, the purchaser is required to remit 75% of the water tower net revenues (rent received under cell tower rental agreements less, among other items, payments for repairs and maintenance related to the cell tower equipment) until the Town has received \$200,000 in water tower net revenues. From that point forward, into perpetuity (regardless of the terms of the agreement listed above), the purchaser is required to remit 50% of the water tower net revenues to the Town (unless the Town requires the purchaser to purchase the Town's interest in the agreement, as outlined below).

If the water tower is demolished by the purchaser, the purchaser is required to pay the Town, within 90 days of demolition, \$150,000 less the total water tower net revenues already received by the Town since June 2018. This payment is deemed a prepayment to the Town for anticipated future water/cell tower net revenues. Therefore, when/if rents are collected on cell tower rental agreements after this payment is received by the Town, the purchaser may retain the Town's allocated portion of the water/cell tower net revenues, as outlined above, until the retained amount is greater than the payment made to the Town after the water tower demolition, at which point the payments for the water/cell tower net revenues resume per the terms outlined above.

At any time between June 26, 2021 and June 26, 2025, the Town has the right to require the purchaser to purchase the Town's interest in the agreement (unless the water tower was already demolished by the purchaser requiring the purchaser to make the payment to the Town as outlined above). The purchase price of the Town's interest in the agreement is equal to \$150,000 less the total water tower net revenues already received by the Town since June 2018. Upon the Town's receipt of the purchase price, the agreement would be

TOWN OF SYKESVILLE, MARYLAND
Notes to Financial Statements
June 30, 2024

Note 5 - Water Tower Agreement (Continued)

deemed terminated, and the Town would not have further rights to water tower net revenues.

As of June 30, 2024, the water tower has not been demolished, and the purchaser did not have any cell tower rental agreements in place.

Note 6 - Cost-Sharing Stormwater Mitigation Project with Carroll County

On October 7, 2021 the Town, along with seven other municipalities, entered into a memorandum of agreement for cost-sharing stormwater mitigation projects within the County. Under this agreement, the Town is required to contribute an annual amount to the project beginning in fiscal year 2022 and continuing through the fiscal year ending June 30, 2029. The agreed upon annual amounts range from \$23,037 through \$32,415, totaling \$196,946 under the entire agreement.

Note 7 - Escrow Agreement and Gain Contingency

The Town entered into an agreement with the purchaser of the Warfield Complex (purchaser) on June 26, 2018 for the Town to place \$1,100,000 in escrow (Parcel D Escrow Fund I) as a contribution to the eligible work (the stabilization, mothballing, preservation, rehabilitation, build-out, construction and/or expansion of a building) on parcel D of the Warfield Complex. This is presented as cash with escrow agent-restricted on the Town's financial statements. As principal payments are made on the \$1,000,000 note (see note 3), these principal payments are deposited into this escrow account. The purchaser agreed to place \$400,000 in escrow as initial funding for eligible work on parcel D of the Warfield Complex (Parcel D Escrow Fund II). The purchaser also agreed to place \$300,000 in escrow as initial funding for eligible work on buildings F and W of the Warfield Complex (Buildings F and W Escrow Fund). The Parcel D Escrow Fund II and Buildings F and W Escrow Fund are not presented in the Town's financial statements because they are the purchaser's funds.

On June 26, 2030, any and all funds remaining in the three escrow accounts listed above (including all accrued interest) will be disbursed to the Town, unless the Town extends the date or the Town exercises its rights under the reversion agreement, as described below.

TOWN OF SYKESVILLE, MARYLAND
Notes to Financial Statements
June 30, 2024

Note 7 - Escrow Agreement and Gain Contingency (Continued)

The purchaser of the Warfield Complex must complete eligible work on parcel D certified by an inspecting consultant totaling \$525,000 or more by June 26, 2021 (this deadline was not met), totaling \$1,050,000 or more by June 26, 2025 and totaling \$2,500,000 or more by June 26, 2030. Parcel D Escrow Fund I, Parcel D Escrow Fund II and the note for \$1,000,000 (see Note 3) sum to the \$2,500,000 required to be spent by June 26, 2030. If the eligible work completion requirements listed above are not met, the purchaser's right, title and interest to all buildings remaining on the lien will revert to the Town in accordance with the terms of the reversion agreements.

As of June 30, 2024, the ending balance in the three escrows was \$1,100,787 which includes interest earned on the escrow accounts. During the year ended June 30, 2024 certified work on parcel D escrow 1 was \$208,206, certified work on parcel D escrow 2 was \$165,657 and certified work on Buildings F and W was \$4,031.

The Town of Sykesville is engaged in litigation with the Warfield Development team for suspected breach of contract regarding the preservation of the historic structures located on the property. A counter claim has also been filed by Warfield against the Town for an accused breach of contract with the implied covenant of good faith and fair dealing. These lawsuits are only in the initial stages and are likely to continue into the next several fiscal years.

Note 8 – Parkside Agreement

The Town has entered into a Memorandum of Understanding (MOU) with the Parkside at Warfield Homeowners Association as of March 1, 2024. On or before January 31 each year during the term of the agreement, the Town shall reimburse Parkside HOA a portion of cost incurred by Parkside HOA under its private solid waste collection service agreement by issuing an annual reimbursement amount of \$19,140. The MOU shall remain in effect for five years from the Effective Date or until the Parkside HOA current third party contract for solid waste collection expires or is otherwise terminated.

Note 9 – Pension Plans

GASB Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability and to more comprehensively and comparably measure the annual costs of pension benefits.

TOWN OF SYKESVILLE, MARYLAND
Notes to Financial Statements
June 30, 2024

Note 9 – Pension Plans (Continued)

Plan description –the Town is a participant in the State of Maryland Retirement and Pension System (System). The System was established by the State Personnel and Pensions Article of Annotated Code of Maryland. Responsibility for the System's administration and operation is vested in a 15 member Board of Trustees. The System provides retirement benefits to employees of participating governmental units. Pension benefits are calculated using both the highest three consecutive years' average final compensation (AFC) and the actual number of years of accumulated creditable service. In addition, the pension benefits attributable to service are subject to cost of living adjustments (COLA) that is based on the increase in the Consumer Price Index (CPI) and capped at 2.5% or 1% based on whether the market value investment return for the preceding calendar year was higher or lower than the investment return assumption used in the calculation. There is no indication that the plan is closed to new entrants. This system is handled by the State Retirement and Pension System, an agent that acts as a common investment and administrative agent for political subdivisions in the State of Maryland, and is, therefore, not reflected as a Town pension trust fund.

The State of Maryland Retirement and Pension System issues a comprehensive annual financial report. The report can be obtained from the agency's offices.

State Retirement and Pension System of Maryland
120 E. Baltimore Street, Suite 1660
Baltimore, Maryland 21202-1600

Net Pension Liability – the pension liability is determined using the individual entry age normal cost method. Under this method, actuarial present value of all future plan benefits that are expected to be paid to each active, terminated vested, and retired participant as of the measurement date is computed. For each active participant this is broken down between the portion that remains to be funded by future entry age normal costs based on a percentage of such participants expected future compensation, and the portion that is attributable to prior service. The latter is referred to as the entry age accrued liability.

Key Actuarial Assumptions – the rate of return on investments is 6.8%. The inflation assumption was 2.25% for general and 2.75% for wages. Salary increases from 2.75% to 11.25% including wage inflation. Various versions of the Pub-2010 mortality tables were used. Experience based table of rates that are specific to the type of eligibility condition are used for the retirement age.

Other information – the measurement period is July 1st through June 30th. The valuation date is June 30, 2023 as this was the latest period available. There are no changes to the benefit terms.

TOWN OF SYKESVILLE, MARYLAND
Notes to Financial Statements
June 30, 2024

Note 9 – Pension Plans (Continued)

Employees' Pension System

Under the terms of the Pension System, a member may retire after 30 years of service regardless of age, at age 65 with two years of service, at age 64 with three years of service, at age 63 with four years of service or at age 62 with at least five years of service. An employee may also take early retirement with reduced benefits at age 55 with 15 years of service. A member is eligible for vesting after 5 years of service; however, the contribution must be left in the Pension System in order for benefits at age 62. Benefits under the Pension System are established under Titles 22 and 23, respectively, of the State Personnel and Pensions Article of the Annotated Code of Maryland.

Actual System contributions billed to the Town are used as a basis for determining each employer's proportionate share of the collective pension amounts reported in the Schedule of Employer Allocations.

A single discount rate of 6.8% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 6.8%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates.

Based on these assumptions, the System's net position was projected to be available to make all projected future benefit payments of current plan members.

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The Plan provides retirement, disability and death benefits. Retirement benefits equal 1.5% of average final compensation (AFC) for the five highest consecutive years as an employee multiplied by the number of years of creditable service accrued on or after July 1, 2011. Members are eligible for full service pension allowances when their combined age and eligibility service equals at least 90 years or they attain age 65 after 10 years of eligibility service. Members are eligible for early service pension allowances upon attaining age 60 with at least 15 years of eligibility of service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 65. The maximum reduction for these members is 30%.

Employees are eligible for ordinary disability pension allowances upon completing five years of eligibility service. Ordinary disability pension allowances equal the full service pension allowances if the members are at least age 62 on the date of retirement.

TOWN OF SYKESVILLE, MARYLAND
Notes to Financial Statements
June 30, 2024

Note 9 – Pension Plans (Continued)

Otherwise, the allowances equal the full service pension allowances computed as though the members had continued to accrue service credits until age 62 without any change in the rate of earnable compensation.

Employees are eligible for accidental disability benefits regardless of length of service as long as the accident occurred in the course of their job performance. Accidental disability benefits are equal to the sum of an annuity determined as the actuarial value for the member's accumulated contributions and two-thirds (66.7%) of their AFC.

To be eligible for death benefits, the member must have either accumulated one year of eligibility service prior to the date of death or died in the line of duty. Death benefits equal the member's annual earnable compensation on the date of death plus accumulated contributions and interest. Under certain circumstances, surviving spouses who were named sole primary beneficiaries may elect to receive either the aforementioned lump sum payment or a monthly allowance.

Members are required to contribute 7.00% of their wages under the Plan. The Town is required to make a contribution which is established by annual actuarial valuations using the Individual Entry Age Normal Cost method with projection and other actuarial assumptions adopted by the Board of Trustees.

The Town's required contribution rate for the year ended June 30, 2024 was 7.79% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Law Enforcement Officers' Pension System (LEOPS):

Effective July 1, 2018, the Town was accepted into the Maryland State Retirement and Pension System's Law Enforcement Officers' Pension System (LEOPS), a cost-sharing multiple-employer defined benefit pension plan administered by the Agency. All sworn police officers of the Town currently participating in the Employees' Pension System were transferred to the LEOPS Plan as of July 1, 2018. The Town received a credit of \$373,125 from the LEOPS Plan to transfer these employees, which is being amortized in level installments over a 25-year term.

The LEOPS Plan provides retirement, disability and death benefits. Full service pension allowances equal 2.0% of AFC for the five highest consecutive years as an employee, up to a maximum benefit of 60% of AFC (30 years of credit). LEOPS Plan members are eligible for full service retirement allowances upon attaining age 50 or upon accumulating 25 years of eligibility service regardless of age.

TOWN OF SYKESVILLE, MARYLAND
Notes to Financial Statements
June 30, 2024

Note 9 – Pension Plans (Continued)

Allowances for members who fail to make all required contributions are reduced by the actuarial equivalent of the total unpaid contributions plus interest to the date of retirement. LEOPS Plan members are not eligible for early service retirement allowances. LEOPS Plan members are eligible for ordinary disability retirement allowances upon completing five years of eligibility service. Ordinary disability retirement allowances for LEOPS Plan members are subject to retirement plan provisions equal the greater of the normal service retirement allowance or 25% of AFC. Ordinary disability retirement allowances for LEOPS Plan members subject to pension plan provisions equal the full service pension allowance if the member is at least age 50 on the date of retirement. Otherwise, the allowances equal full service pension allowances computed as though the member had continued to work until age 50 without any change in the rate of earnable compensation.

LEOPS Plan members are eligible for accidental disability benefits regardless of length of service as long as the accident occurred in the course of their job performance. Accidental disability allowances equal the sum of an annuity determined as the actuarial value of the members' accumulated contributions, and two-thirds (66.7%) of AFC. Allowances may not exceed the members' AFC.

LEOPS Plan members accumulating at least one year of eligibility service are eligible for ordinary death benefits equaling the members' annual earnable compensation at the time of death plus accumulated contributions.

To be eligible for special death benefits, LEOPS Plan members in service must have accumulated at least two years of eligibility service prior to the date of death or died in the line of duty. The special death benefit provided upon death for LEOPS members in service, but not in performance of duty equals 50% of the applicable ordinary disability allowance. The special death benefit provided upon death in the performance of duty equals 66.67% of the applicable ordinary disability allowance.

LEOPS Plan members are required to contribute 7.00% of their wages under the Plan. The Town is required to make a contribution, which is established by annual actuarial valuations using the Individual Entry Age Normal Cost method with projection and other actuarial assumptions adopted by the Board of Trustees. The Town's required contribution rate for the year ended June 30, 2024 was 36.91% of covered payroll,

TOWN OF SYKESVILLE, MARYLAND
Notes to Financial Statements
June 30, 2024

Note 9 – Pension Plans (Continued)

The net pension liability if the discount rate changes plus 1% or minus 1% from the discount rate used in the current projection is as follows:

	1% Decrease	Current Discount Rate	1% Increase
	<u>5.80%</u>	<u>6.80%</u>	<u>7.80%</u>
Employee's pension system	\$ 831,783	\$ 560,955	\$ 336,215
LEOPS	<u>1,324,580</u>	<u>893,298</u>	<u>535,409</u>
	<u>\$ 2,156,363</u>	<u>\$ 1,454,253</u>	<u>\$ 871,624</u>

The Town's annual required contribution was \$61,267 for the employee's retirement plan and \$112,836 for the LEOPS plan, which is net of the \$31,016 new entrant credit. The contributions made for the fiscal year ended June 30, 2024 was \$61,267 for the employee's retirement plan and \$112,836 for the LEOPS plan.

Deferred Inflows and Outflows – With the implementation of GASB Statement 68, deferred inflows and outflows are now reported on the statement of net position. The deferred inflows consist of changes in pension investment activity in the amount of \$449,853 for the year ended June 30, 2024 and will be amortized to income over the next five years. The Town's deferred outflows consist of changes in pension assumptions of \$1,357,723 for fiscal year 2024. The fiscal year 2024 pension contribution was \$174,103 combined for both plans. The pension contributions will reduce the net pension liability in the next fiscal year and the changes in pension assumptions will be amortized over 23 years beginning July 1, 2015.

Note 10 – Deferred Inflows

The American Rescue Plan Act (ARPA) was signed into Federal law in March of 2021 and established the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program. This program provides financial support to State and Local governments in responding to the economic and public health impacts of COVID-19 and in their efforts to contain impacts on their communities, residents, and businesses. These funds may be used to cover eligible program costs incurred during the period beginning on March 3, 2021 and ending on December 31, 2024, as long as the award funds are incurred by December 31, 2024 are expended by December 31, 2026. Any funds not obligated or expended for eligible uses during this period must be returned to the U.S. Treasury.

TOWN OF SYKESVILLE, MARYLAND
Notes to Financial Statements
June 30, 2024

Note 10 – Deferred Inflows (Continued)

The Town applied for and was awarded SLFRF funding passed through the State of Maryland in the amount of \$3,115,422 of which \$1,557,711 was received in August of 2021 and \$1,557,711 was received in August of 2022. Revenue recognition of these funds will be deferred until the related eligible expenditures are incurred. Eligible expenditures incurred for this award to date were \$423,908.

Deferred inflows consist of the following on the statement of net position as of June 30, 2024:

Grant funds received but not yet spent	\$ 2,691,515
Actuarial assumptions and investment return on the State retirement plan	<u>449,852</u>
Total Deferred Inflows	<u>\$ 3,141,367</u>

Deferred inflows consist of the following on the balance sheets – governmental funds as of June 30, 2024:

Grant funds received but not yet spent	<u>\$ 2,691,515</u>
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Note 11 – Deferred Compensation Plans

The Town has two deferred compensation plans created in accordance with Internal Revenue Code Sections 457 (b) and 401(a), respectively. The 457(b) plan is available to all full-time employees, and the 401(a) is available to employees who have already retired from the Maryland State Retirement System from a former employer. Both plans are defined contribution plans. The 457(b) plan has seventeen active participants as of June 30, 2024. The 401(a) plan has two active participants and nine inactive participants as of June 30, 2024.

The 457(b) plan permits employees to defer a portion of their salary until future years, which the employees are fully vested in upon contribution. Employees can defer up to the lesser of \$23,000, and up to an additional \$7,500 catch-up for employees age 50 or over, or 100% of their includable salaries over the plan year. No Town contributions were made to the 457(b) plan for the year ended June 30, 2024.

The 401(a) plan, effective July 1, 2005, permits the Town to contribute 5% to 10% of eligible employees' salary to a maximum of \$69,000 per employee, adjusted for inflation, to this plan based on qualified years of service, as well as a longevity lump-sum bonus (based on attained years of service) ranging from \$3,000 to \$13,000, and an additional 5% of the eligible employees' salary. Employee vesting in these contributions is based on years of service, reaching 100% after four years of qualified service. The Town contributed \$24,428 to the 401(a) plan for the year ended June 30, 2024.

TOWN OF SYKESVILLE, MARYLAND
Notes to Financial Statements
June 30, 2024

Note 11 – Deferred Compensation Plans (Continued)

All amounts of compensation deferred under the plans and all income attributable to those amounts are held in trust for the exclusive benefit of participants and their beneficiaries. The assets will not be diverted to any other purpose. The plan administrator, Nationwide Retirement Solutions, is the trustee of the investments.

Note 12 – Grants

The Town participates in a number of federal, state and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Town may be required to reimburse the grantor government. As of June 30, 2024, significant amounts of grant expenditures have not been audited by the appropriate grantor government, but the Town believes that disallowed expenditures, if any, will not have a material effect on any of the individual governmental funds or the overall financial position of the Town.

Note 13 – Risk Management

The Town is exposed to various risks of loss related to torts; theft of, or damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town's general liability risks are financed through participation in the Local Government Insurance Trust Risk Pool. The Town paid annual premiums of \$52,000 to the pool for its general, auto, umbrella and property insurance coverage for the year ended June 30, 2024. The agreement with the pool provides that it will be self-sustaining through member premiums. The maximum coverage under the liability pool of the LGIT is \$1,000,000 per claim. The Town also participates in an excess liability pool which has maximum coverage of \$2,000,000. The amount of settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

The Town self-insures against risks of loss in relation to unemployment compensation, as determined and required by the State. The Town purchases commercial insurance for workers' compensation loss risks.

Note 14 – Subsequent Events

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through December 23, 2024, the date the financial statements were available to be issued. There were no subsequent events to disclose.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Sykesville, Maryland
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,829,685	\$ 2,947,685	\$ 3,182,583	\$ 234,898
Intergovernmental	2,386,391	1,042,091	845,859	(196,232)
Charges for services	137,100	137,100	121,791	(15,309)
Licenses and permits	88,250	94,500	92,301	(2,199)
Fines and forfeitures	2,250	2,250	1,540	(710)
Interest income and rents	125,041	171,001	204,028	33,027
Miscellaneous	167,650	311,850	164,554	(147,296)
	<u>\$ 5,736,367</u>	<u>\$ 4,706,477</u>	<u>\$ 4,612,656</u>	<u>\$ (93,821)</u>
Expenditures				
General government	\$ 802,492	\$ 1,108,992	\$ 1,033,123	\$ (75,869)
Public safety	857,076	896,126	919,041	22,915
Public works	703,859	724,199	728,527	4,328
Recreation and parks	127,463	149,663	209,174	59,511
Post office	157,675	153,775	144,264	(9,511)
Historic buildings	108,975	117,725	100,692	(17,033)
Employee benefits	801,000	813,170	799,914	(13,256)
Capital outlay	924,827	589,827	382,809	(207,018)
ARPA expenditures	1,253,000	153,000	111,958	(41,042)
Warfield escrow expenditures	-	-	203,547	203,547
	<u>\$ 5,736,367</u>	<u>\$ 4,706,477</u>	<u>\$ 4,633,049</u>	<u>\$ (73,428)</u>

The accompanying notes are an integral part of this schedule.

TOWN OF SYKESVILLE, MARYLAND
Notes to Required Supplementary Information
June 30, 2024

Note 1 – Summary of Significant Budget Policies

The Town Council annually adopts a budget for the General Fund of the primary government. All appropriations are legally controlled at the departmental level for the General Fund. On May 8, 2023, the Town Council approved the original adopted budget. On June 10, 2024, the Town Council approved the revised budget for the fiscal year ended June 30, 2024.

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

Note 2 – Material Violations

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

Town of Sykesville, Maryland
Required Supplementary Information
Schedule of Proportionate Share of the Net
Pension Liability and Related Ratios
For the Year Ended June 30,

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's portion of the net pension liability	0.0063%	0.0048%	0.0057%	0.0037%	0.0024%	0.0022%	0.0019%	0.0020%	0.0016%	0.0015%
Town's proportionate share of the net pension liability	\$ 1,454,253	\$ 956,677	\$ 854,533	\$ 844,080	\$ 491,720	\$ 452,233	\$ 403,985	\$ 468,417	\$ 334,226	\$ 258,150
Town's covered-employee payroll	\$ 1,645,956	\$ 1,429,336	\$ 1,334,008	\$ 1,009,501	\$ 894,995	\$ 854,472	\$ 819,511	\$ 773,514	\$ 656,619	\$ 675,734
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	88.35%	66.93%	64.06%	83.61%	54.94%	52.93%	49.30%	60.56%	50.90%	38.20%
Plan fiduciary net position as a percentage of the total pension liability	73.81%	76.27%	81.84%	70.72%	72.34%	71.18%	69.38%	65.79%	68.78%	71.87%

Town of Sykesville, Maryland
Required Supplementary Information
Schedule of Required Contributions
For the Year Ended June 30,

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 174,103	\$ 154,006	\$ 140,140	\$ 125,513	\$ 80,073	\$ 48,956	\$ 42,980	\$ 38,025	\$ 38,676	\$ 40,903
Contribution in relation to the contractually required contribution	(174,103)	(154,006)	(140,140)	(125,513)	(80,073)	(48,956)	(42,980)	(38,025)	(38,676)	(40,903)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 1,645,956	\$ 1,429,336	\$ 1,334,008	\$ 1,009,501	\$ 804,401	\$ 894,995	\$ 854,472	\$ 819,511	\$ 773,514	\$ 656,619
Contribution as a percentage of covered employee payroll	10.58%	10.77%	10.51%	12.43%	9.95%	5.47%	5.03%	4.64%	5.00%	6.23%

Notes to this schedule:

The Town joined and started contributions to the Maryland State Retirement and Pension System on July 1, 2014.

The Town began contributing to the Law Enforcement Officers' Pension System (LEOPS) for uniformed police officers in fiscal year 2020.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

To the Mayor and Council of the
Town of Sykesville, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Town of Sykesville, Maryland, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Town of Sykesville, Maryland's basic financial statements, and have issued our report thereon dated December 23, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Sykesville, Maryland's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

LSWG, P.A.

Rockville, Maryland
December 23, 2024

