



CITY OF BRUNSWICK, MARYLAND

**Financial Statements, Supplementary Information,
and Independent Auditors' Reports**

For the Year Ended June 30, 2024

CITY OF BRUNSWICK, MARYLAND
Summary of Elected and Appointed Officials
As of June 30, 2024

Mayor

Nathan Brown

City Council

Andrew St. John

Christopher Vigliotti

Vaughn Ripley

Daniel Yochelson

Brian Sandusky

Angel White

City Administrator

Julie Martorana

Assistant City Administrator

Jeremy Mose

City Auditor

DeLeon and Stang,
CPAs and Advisors

City Attorney

Offit, Kurman

City Engineer

Clark Azar

Chief of Police

Kevin Grunwell

**City of Brunswick, Maryland
For the Year Ended June 30, 2024**

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INDEPENDENT AUDITORS' REPORT

**Mayor and City Council
City of Brunswick, Maryland**

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Brunswick, Maryland, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Brunswick, 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, the business-type activities and each major fund, of the City of Brunswick, Maryland, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Brunswick, 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.

Emphasis of Matter

As discussed in Note 11 of the financial statements, the total net position of the business-type activities as of June 30, 2023 has been restated for a correction of an accounting error. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financials 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 City of Brunswick, 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.

Auditors' 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 auditors' 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 City of Brunswick, 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 City of Brunswick, 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, budgetary comparison information and pension schedules on pages 4 - 11 and 44 - 46 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 October 31, 2024, on our consideration of the City of Brunswick, 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 City of Brunswick, 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 City of Brunswick, Maryland's internal control over financial reporting and compliance.

DeLeon & Stang

**DeLeon & Stang, CPAs and Advisors
Frederick, Maryland
October 31, 2024**

City of Brunswick, Maryland
Management's Discussion and Analysis
For the Year Ended June 30, 2024

Management of the City of Brunswick ("the City") offers readers of the City's accompanying financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2024.

Financial Highlights

- The City's assets totaled \$63,182,229; increasing \$2,322,878 from the prior year. Capital assets, net of accumulated depreciation, totaled \$51,343,648; representing 81% of total assets.
- The City's deferred outflows of resources totaled \$2,099,172 in FY 2024; the prior year balance was \$2,004,657. These amounts represent financial reporting for pensions as required by Governmental Accounting Standards Board Statement No. 68 (GASB 68).
- The City's liabilities totaled \$15,248,528; increasing \$2,253,060 from the prior year. Long-term debt obligations were \$8,251,124 of this total. During FY24, the City issued \$1,789,000 million in bonds, allocated for Capital Improvements Projects.
- The City's deferred inflows of resources totaled \$9,485,801; decreasing \$4,707,081 from the prior year. Developer unearned revenue attributable to Brunswick Crossing tap fee credits was \$5,640,301 of this total. ARPA unearned funds totaled ~\$952,000 at the end of FY24.
- Of the government-wide net position, net investment in capital assets totaled \$42,339,864; approximately a 4.4% increase from the prior year. The unrestricted portion of the City's net position was a negative \$2,100,935. Unearned developer revenue in the business type activities represents a significant portion of the deficit. The restricted portion of the City's net position was \$308,143 that comprises \$125,000 for Berlin House repairs and the remainder for the Medical Center Repairs and Updates.
- As of June 30, 2024, the City's governmental funds (General and Capital Projects) reported combined ending fund balances of \$2,102,897; an increase of \$1,268,949 or 152% compared to the prior year. Approximately 29% of the total governmental fund balance is available for spending at the government's discretion; 19% is assigned to non-cancelable leases, and 52% is committed or restricted
- The City's governmental long-term debt obligations increased \$1,687,471 while the business-type long-term debt obligations decreased \$327,320 from its prior fiscal year position.

- In terms of significant capital asset activity in FY2024, the construction of the new Milton E. Frech, Jr. Emergency Operations Center building was completed. This building now houses the Brunswick Police Department, Public Works Department, and Planning and Zoning Department. The new Operations Center building represents the most significant capital asset in our inventory based on size, condition and value. The City has plans in FY2025 to purchase a small parcel of land next to the Emergency Operations Center for additional storage of Public Works equipment. This parcel currently has a sizable storage building already in place. Several large-scale park projects are on-going through FY2025 and into FY2026, the Sports Complex and B&O Railroad Park. Both projects have secured significant grant funding but there will be capital expenditures to meet grant match requirements. While the City will meet its requirement to encumber all unspent ARPA funds by December 31, 2024, there will continue to be projects completed using these funds through FY2025. There are no plans to pursue financing during FY2025/FY2026, therefore, there will be no additional long-term debt over the next two fiscal years.

Grant Highlights

The following is an overview of the City's ongoing grants that were awarded, received or applied for during FY 2024.

- MD Department of Environment – An operating grant was awarded and received totaling \$47,536 based on Enhanced Nutrient Removal (ENR) performance by the Waste Water Treatment Plant. These ENR funds were used to offset operational and maintenance expenses in the Sewer Fund in FY 2024.
- Patrick Leahy Bullet-Proof Vest Grant – received \$2,509 for Police Department bullet-proof vests.
- PACT Grant – received \$21,048.
- MD Homeland Security AHCP – awarded \$16,332; received \$8,354. Remaining future activity \$7,978.
- DHCD – awarded \$200,000 by the Strategic Demolition Fund for renovation of the Berlin House in FY23. Remaining future activity \$200,000.
- DHCD – received \$50,000 by the Community Legacy program for parking lot improvements at the Smoketown/Cannon's space on West Potomac Street.
- LPPI – awarded \$90,500 in FY23 and received \$88,559 in FY24 for playground equipment at the Campground. Remaining future activity \$1,941.
- LPPI – awarded \$33,500 for basketball court resurfacing, fencing, and signage at Kim Weddle Park in FY23. Remaining future activity \$33,500.
- LPPI – awarded \$175,000 for development of B&O Railroad Park in FY23. Remaining future activity \$175,000.
- LPPI – \$268,500 in FY23 and received \$213,083 in FY24 for playground, fencing, and basketball court resurfacing at Second Avenue Park. Remaining future activity \$55,417.
- LPPI – awarded \$115,000 in FY23 and received \$105,490 in FY24 for roofing, painting, and fencing at City Park. Remaining future activity \$9,510.
- POS – awarded \$73,730 for Sports Complex amenities.
- POS – awarded \$137,000 for Kim Weddle Park – Phase II.
- CDBG via DHCD – awarded \$499,397 for Maple Ave Phase I sidewalks.
- USDOT SS4A – awarded \$240,000 for Multi-modal Connectivity Action Plan.
- DHCD – awarded \$50,000 for train station repairs/renovations.
- DNR-LWCF – awarded \$834,403 for Sports Complex Phase I improvements.

Management's Discussion and Analysis

Overview of the Financial Statements

The discussion and analysis introduce the City of Brunswick's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statement, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, current year revenues and expenses are included in this statement regardless of when the actual cash is received or paid. This format shows the financial reliance of the City's individual functions on revenues provided by the City's taxpayers. Revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City 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 City include general government, public safety, highways and streets, sanitation, economic development, and recreation. The business-type activities offered by the City are water utility and wastewater utility operations.

The government-wide financial statements are on pages 12 and 13 of this report.

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 City, like other state and local governments, utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into two categories: governmental and proprietary funds.

Governmental funds – These 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 how assets can readily be converted into cash and what monies are left at year-end that will be available for spending in the next year. Governmental fund financial statements give a detailed short-term view that can be used to determine if there are more or fewer financial resources available to finance City programs.

Management's Discussion and Analysis

Because the focus of governmental funds is narrower than 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 impact 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 City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget on pages 44–45 of this report.

The basic governmental fund financial statements are on pages 14-16 of this report.

Proprietary funds – The City maintains two different types of proprietary funds. Proprietary, or enterprise, funds are used to report the same functions as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water utility and wastewater utility operations.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information, as well as a combined total, for the water and wastewater utility operations. Each is considered to be a major fund of the City. Conversely, both utility service funds are combined into a single, aggregated presentation in the government-wide financial statements. Individual fund data for the internal funds are provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements are on pages 17-20 of this report.

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. The notes to the financial statements are on pages 21–43 of this report.

Government-wide Financial Analysis

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the city as a whole. As noted earlier, net position may serve over time as a useful indicator of a government's financial condition. Figure 1 shown below provides a summary of the City's net position at June 30, 2024 and 2023.

Management's Discussion and Analysis

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023*	2024	2023*
Current and other assets	\$ 4,510,366	\$ 3,923,132	\$ 7,328,215	\$ 9,382,441	\$ 11,838,581	\$ 13,305,573
Capital assets, net	20,699,573	19,181,665	30,650,075	29,036,572	51,343,648	48,218,237
Deferred outflows of resources	1,655,147	1,588,707	444,025	415,950	2,099,172	2,004,657
Total assets and deferred outflows of resources	26,859,086	24,693,504	38,422,315	38,834,963	65,281,401	63,528,467
Other liabilities	1,241,577	1,032,958	781,901	717,810	2,023,478	1,750,768
Long-term liabilities outstanding	3,165,296	1,536,205	6,411,892	6,731,963	9,577,188	8,268,168
Net pension liability	2,928,139	2,371,106	719,723	605,427	3,647,862	2,976,533
Deferred inflows of resources	1,000,645	2,390,971	8,485,156	11,801,911	9,485,801	14,192,882
Total liabilities and deferred inflows of resources	8,335,657	7,331,240	16,398,672	19,857,111	24,734,329	27,188,351
Net position:						
Net investment in capital assets, net	17,614,288	17,734,779	24,725,576	22,810,748	42,339,864	40,545,527
Restricted for capital projects	308,143	-	-	-	308,143	-
Unrestricted	600,998	(372,515)	(2,701,933)	(3,832,896)	(2,100,935)	(4,205,411)
*Prior Year Adjustment				523,416		523,416
Total net position	\$ 18,523,429	\$ 17,362,264	\$ 22,023,643	\$ 19,501,268	* \$ 40,547,072	\$ 36,340,116

*Restated Balance FY23

The assets and deferred outflows of the City exceeded liabilities and deferred inflows by \$40,547,072 as of June 30, 2024; this is a \$3,683,540 (beginning of year restated) increase from FY 2023. The largest portion of the City's net position reflects its investments in capital assets (e.g. land, buildings, vehicles, equipment, infrastructure), less accumulated depreciation and less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The resources needed to repay the debt related to these capital assets must be provided from other sources, as the capital assets cannot be used to liquidate these liabilities.

At June 30, 2024 the City is able to report positive balances in net position in the net investment in capital assets category for both the government as a whole and for its separate governmental and business-type activities. However, consistent with similar years, the business-type activities reported a negative balance in unrestricted net position.

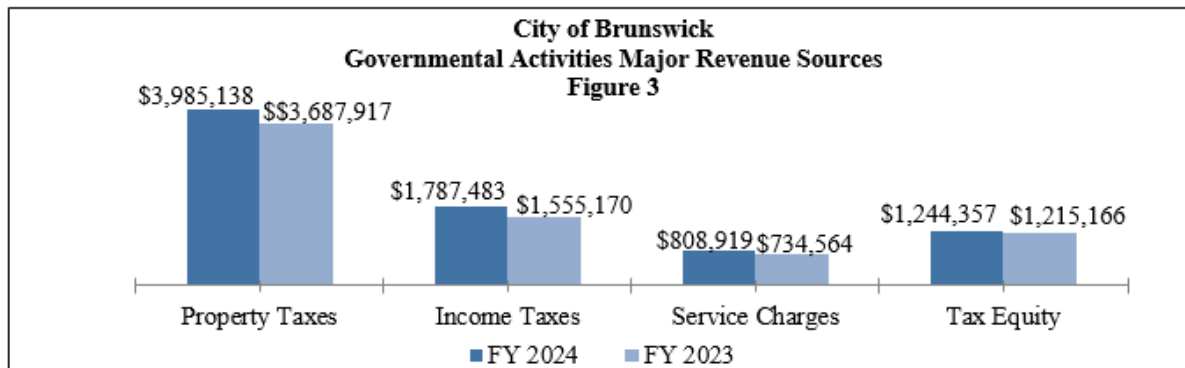
Governmental Activities

Governmental activities increased the City's net position by \$1,161,165 as shown below in Figure 2, which shows the City's revenue and expenses of the governmental and business-type activities for the years ended June 30, 2024 and 2023. In FY 2024 the City's general revenues from governmental activities totaled \$7,840,267; taxes (property taxes, income taxes, public utility taxes) represented 75% of total general revenues. Figure 3 below shows a year-to-year comparison of major revenue sources.

Management's Discussion and Analysis

City of Brunswick
Statement of Activities - Change in Net Position
Figure 2

	Governmental Activities		Business-Type Activities		Total		Change
	2024	2023	2024	2023	2024	2023	
REVENUES							
Program Revenues							
Operating grants and contribut	1,405,855	698,960	47,536	53,688	1,453,391	752,648	700,743
Charges for services	808,919	734,564	5,071,248	5,133,693	5,880,167	5,868,257	11,910
Capital grants and contribution	1,843,795	1,185,775	-	-	1,843,795	1,185,775	658,020
Non-Op Cap Grants & Contrib	-	-	2,512,245	1,519,628	2,512,245	1,519,628	992,617
General Revenues							
Taxes	5,934,178	5,436,988	-	-	5,934,178	5,436,988	497,190
County Tax Equity	1,244,357	1,215,166	-	-	1,244,357	1,215,166	29,191
Income on investments	28,335	19,303	-	-	28,335	19,303	9,032
Rental income	241,186	69,856	120,128	115,018	361,314	184,874	176,440
Miscellaneous	392,211	224,960	90,607	81,770	482,818	306,730	176,088
TOTAL REVENUES	11,898,836	9,585,572	7,841,764	6,903,797	19,740,600	16,489,369	3,251,231
PROGRAM EXPENSES							
General government	(3,581,087)	(1,977,117)	-	-	(3,581,087)	(1,977,117)	(1,603,970)
Public safety	(2,538,079)	(2,464,506)	-	-	(2,538,079)	(2,464,506)	(73,573)
Public works	(2,909,901)	(2,710,408)	-	-	(2,909,901)	(2,710,408)	(199,493)
Waste collection and disposal	(638,451)	(624,823)	-	-	(638,451)	(624,823)	(13,628)
Recreation and culture	(396,360)	(515,115)	-	-	(396,360)	(515,115)	118,755
Community & Econ Developmt	(522,439)	(195,252)	-	-	(522,439)	(195,252)	(327,187)
Interest	(151,353)	(91,090)	-	-	(151,353)	(91,090)	(60,263)
Miscellaneous	-	-	-	-	-	-	-
Loss on disposal of capital ass:	-	-	-	-	-	-	-
Business-type activities	-	-	(5,319,389)	(5,160,739)	(5,319,389)	(5,160,739)	(158,650)
TOTAL EXPENSES	(10,737,670)	(8,578,310)	(5,319,389)	(5,160,739)	(16,057,059)	(13,739,050)	(2,318,009)
TRANSFERS	-	-	-	-	-	-	-
CHANGE IN NET POSITION	1,161,165	1,007,262	2,522,375	1,743,058	3,683,540	2,750,320	933,220



Business-type Activities

Referring to Figure 2, business-type activities increased the City's net position by \$2,522,375. A key element for the positive shift in FY 2024 net position was the City's Non-Operating Revenue-Capital Grants and Contributions of \$2,512,245.

In FY 2024, the City's revenues from business-type activities totaled \$5,329,519 with Non-Operating Revenue of \$2,512,245 making Total Revenue of \$7,841,764; utility service charges for water and sewer represented 64% of Total Revenue. The increased rates in the City's service charge revenue fell short of total operating expenses by \$39,572.

Management's Discussion and Analysis

Financial Analysis of the City's Funds

As noted earlier, the City of Brunswick uses fund accounting to ensure and demonstrate compliance with municipal legal requirements. The following is an analysis of the City's governmental and proprietary funds.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance can be a useful measure of a City's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,227,528. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance noted above and total fund balance of \$1,657,040 to total fund expenditures of \$9,183,338.

At the end of the current fiscal year, total Capital Fund Balance was \$445,857. The Unassigned(Deficit) of \$608,402 is primarily due to timing of revenue reimbursements. . The City is aware of this deficit and will continue to factor this into FY25 resource management decisions.

At June 30, 2024, the governmental funds of City of Brunswick reported a combined fund balance of \$2,102,897 with a net increase in fund balance of \$1,268,949.

General Fund Budget Variances

The City uses the budget as a planning tool and as such, the Mayor and City Council publicly amended the budget throughout the year on an as needed basis. Directors, finance staff, and the Finance Committee reviewed and discussed the budget on a monthly basis. At year's end, actual revenues were \$255,763 more than the amended budgeted amount. More specifically, total tax revenues were \$173,653 more than the final appropriated budget amount and Miscellaneous Revenues were \$86,077 more than the final appropriated budget amount.

Total FY24 expenditures were \$269,859 less than the amended budgeted amount. The Police Department was under budget by \$221,693 and Public Works was under budget by \$95,670.

Proprietary Funds

As discussed above, the City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Operating Revenue is calculated using charges for services, reimbursements from developers, and miscellaneous revenues. Operating Expense is calculated using actual personnel, operating, and depreciation costs, without consideration of budgeted use of net assets.

The Water Fund had an operating income of \$267,121; a increase of \$38,208 from FY 2023. The Sewer Fund had an operating loss of \$46,308; a decrease of \$258,647 from FY2023. The operating income/loss is derived by calculating the difference between operating revenues and operating expenses.

Management's Discussion and Analysis

Depreciation expense for business-type activities amounted to \$1,784,121; an increase of 4%. This expense is not a current use of funds; however, it is a measure of the replacement cost of an asset at the end of its useful life. The industry standard is to set Service Fees to cover depreciation costs to prevent borrowing the cost of the replacement asset. While the City does not currently include the full cost of depreciation expense in the water and sewer fees charged to customers, a percentage of depreciation was included when rates were reviewed in FY 2024.

The Water Fund total operating revenues were comparable (approximately 1.5% increase); whereas total operating expenses increased less than 1%. In FY2024 operating expenses for the Water Fund included depreciation and amortization costs of \$774,061; 31% of total operating expenses.

The Sewer Fund total operating revenues decreased 4% primarily due to connection charges, whereas total operating expenses increased 6%. In FY2024 operating expenses for the Sewer Fund included depreciation and amortization costs of \$1,010,060; 38% of total operating expenses.

Highlights of Fiscal Year 2025

- The General Fund is expected to experience a modest increase in property tax receipts due to newly constructed single-family properties in the Brunswick Crossing Development and other areas in the City. The projected tax revenue could exceed \$4.4 million vs. \$4.3 million in FY2024. This is market driven, however FY2024 showed a decrease in new homes at 52 homes.
- The Mayor and Council voted to maintain the property tax rate of \$0.41 per \$100 of assessed property value, while the constant yield was estimated to be \$.39 by the State of Maryland.
- A corresponding increase in Income Tax revenues are anticipated to be \$1.8 million vs. the FY2024 of \$1.7 million.
- Tax Equity revenue received from Frederick County is estimated to show an increase to \$1,335,113 vs FY2024 revenue of \$1,244,357.
- State of Maryland Highway User Revenue is reported to increase to \$578,712 vs FY2024 revenue of \$461,505.
- The General Fund's anticipated revenues will be \$9.6 million vs. \$8.6 million in FY2024.
- The City raised water and sewer rates by at least 3% across all tiers in FY2025 to cover anticipated operational costs, i.e., personnel, maintenance, repairs, etc. However, the most significant increases were to rates of out-of-town users with water usage at the higher tiers. This increase was based on the increased costs to provide and maintain water and sewer delivery to users further from town and to also encourage water conservation among those users at higher tiers. The City's rate adjustment strategy is to make small incremental rate adjustments annually as opposed to no rate adjustments in some years followed by a significant rate increase.

Management's Discussion and Analysis

- The City will continue the active pursuit of State and Federal grant funding and supplemental funds. Over the past few years, the City has been successful in being awarded funding and has creatively used this funding to further many revitalization and infrastructure projects.

Request for more information:

This financial report is designed to provide a general overview of the City of Brunswick's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

City Administrator
One West Potomac Street
Brunswick, Maryland 21716

CITY OF BRUNSWICK, MARYLAND
Statement of Net Position
June 30, 2024

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets			
Cash and cash equivalents	\$ 2,129,739	\$ 6,073,970	\$ 8,203,709
Restricted cash and investments	497,484	10,311	507,795
Taxes receivable	727	-	727
Accounts receivable, net of allowance	187,358	1,048,595	1,235,953
Due from other governments	958,724	28,972	987,696
Other receivables	71,875	72,649	144,524
Other assets	-	93,718	93,718
Capital Assets, including Right-to-use assets			
Capital assets not being depreciated	1,453,782	370,329	1,824,111
Capital assets being depreciated	28,492,213	59,777,804	88,270,017
Less: Accumulated depreciation and amortization	<u>(9,252,422)</u>	<u>(29,498,058)</u>	<u>(38,750,480)</u>
Capital assets, net	<u>20,693,573</u>	<u>30,650,075</u>	<u>51,343,648</u>
Property held for future sale	<u>664,459</u>	<u>-</u>	<u>664,459</u>
Total Assets	<u>25,203,939</u>	<u>37,978,290</u>	<u>63,182,229</u>
Deferred Outflows of Resources	<u>1,655,147</u>	<u>444,025</u>	<u>2,099,172</u>
Total Assets and Deferred Outflows of Resources	<u>26,859,086</u>	<u>38,422,315</u>	<u>65,281,401</u>
Liabilities			
Accounts payable	442,672	617,926	1,060,598
Accrued liabilities	87,570	67,460	155,030
Compensated absences	270,731	84,204	354,935
Retainage payable	-	-	-
Escrow deposits	375,496	12,311	387,807
Deposits held for specific purposes	65,108	-	65,108
Noncurrent liabilities			
Debt obligations due within one year	238,510	514,150	752,660
Debt obligations due in more than one year	2,840,775	5,410,349	8,251,124
Unamortized bond premium	86,011	487,393	573,404
Net pension liability	<u>2,928,139</u>	<u>719,723</u>	<u>3,647,862</u>
Total Liabilities	<u>7,335,012</u>	<u>7,913,516</u>	<u>15,248,528</u>
Deferred Inflows of Resources	<u>1,000,645</u>	<u>8,485,156</u>	<u>9,485,801</u>
Total Liabilities and Deferred Inflows of Resources	<u>8,335,657</u>	<u>16,398,672</u>	<u>24,734,329</u>
Net Position (Deficit)			
Net investment in capital assets	17,614,288	24,725,576	42,339,864
Restricted	308,143	-	308,143
Unrestricted	<u>600,998</u>	<u>(2,701,933)</u>	<u>(2,100,935)</u>
Total Net Position	<u>\$ 18,523,429</u>	<u>\$ 22,023,643</u>	<u>\$ 40,547,072</u>

CITY OF BRUNSWICK, MARYLAND
Statement of Activities
For the Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
General government	\$ (3,581,087)	\$ 207,189	\$ 253,159	\$ 41,487	\$ (3,079,252)	\$ -	\$ (3,079,252)
Public safety	(2,538,079)	750	202,212	-	(2,335,117)	-	(2,335,117)
Public works	(2,909,901)	4,827	781,957	567,366	(1,555,751)	-	(1,555,751)
Waste collection and disposal	(638,451)	405,694	-	-	(232,757)	-	(232,757)
Recreation and culture	(396,360)	184,819	-	1,059,464	847,923	-	847,923
Community and economic development	(522,439)	5,640	168,527	175,478	(172,794)	-	(172,794)
Interest Expense	(151,353)	-	-	-	(151,353)	-	(151,353)
Total governmental activities	<u>(10,737,670)</u>	<u>808,919</u>	<u>1,405,855</u>	<u>1,843,795</u>	<u>(6,679,101)</u>	<u>-</u>	<u>(6,679,101)</u>
Business-type activities							
Water services	(2,582,175)	2,555,876	-	2,328,157	-	2,301,858	2,301,858
Sewer services	(2,737,214)	2,515,372	47,536	184,088	-	9,782	9,782
Total business-type activities	<u>(5,319,389)</u>	<u>5,071,248</u>	<u>47,536</u>	<u>2,512,245</u>	<u>-</u>	<u>2,311,640</u>	<u>2,311,640</u>
Total primary government	\$ (16,057,059)	\$ 5,880,167	\$ 1,453,391	\$ 4,356,040	(6,679,101)	2,311,640	(4,367,461)
General Revenues							
Taxes							
Property taxes, levied for general purposes					3,985,138	-	3,985,138
Income taxes					1,787,483	-	1,787,483
Other local taxes					161,557	-	161,557
County tax equity					1,244,357	-	1,244,357
Income on investments					28,335	-	28,335
Rental income					241,186	120,128	361,314
Administrative fees					-	10,000	10,000
Miscellaneous income					392,211	80,607	472,818
Total general revenues					<u>7,840,267</u>	<u>210,735</u>	<u>8,051,002</u>
Change in net position					1,161,165	2,522,375	3,683,539
Net position - beginning of year, restated					<u>17,362,264</u>	<u>19,501,268</u>	<u>36,863,532</u>
Net position - end of year					<u>\$ 18,523,429</u>	<u>\$ 22,023,643</u>	<u>\$ 40,547,072</u>

The accompanying notes are an integral part of this statement.

CITY OF BRUNSWICK, MARYLAND
Balance Sheet
Governmental Funds
June 30, 2024

	<u>Governmental Fund Types</u>		<u>Total Governmental Funds</u>
	<u>General</u>	<u>Capital Projects</u>	
Assets			
Cash and cash equivalents	\$ 2,129,739	\$ -	\$ 2,129,739
Restricted cash and investments	440,651	56,833	497,484
Receivables:			
Taxes	727	-	727
Customers	187,358	-	187,358
Other governments	566,626	392,098	958,724
Other	71,875	-	71,875
Due from other funds	-	878,786	878,786
Total Assets	<u>\$ 3,396,976</u>	<u>\$ 1,327,717</u>	<u>\$ 4,724,693</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	179,144	263,528	442,672
Accrued liabilities	87,570	-	87,570
Escrow deposits	375,496	-	375,496
Deposits held for specific purposes	65,108	-	65,108
Due to other funds	878,786	-	878,786
Total Liabilities	<u>1,586,104</u>	<u>263,528</u>	<u>1,849,632</u>
Deferred Inflows of Resources	<u>153,832</u>	<u>618,332</u>	<u>772,164</u>
Total Liabilities and Deferred Inflows of Resources	<u>1,739,936</u>	<u>881,860</u>	<u>2,621,796</u>
Fund Balances (Deficit)			
Nonspendable	-	-	-
Restricted	-	308,143	308,143
Committed	29,617	746,116	775,733
Assigned	399,895	-	399,895
Unassigned (Deficit)	1,227,528	(608,402)	619,126
Total Fund Balances	<u>1,657,040</u>	<u>445,857</u>	<u>2,102,897</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,396,976</u>	<u>\$ 1,327,717</u>	<u>\$ 4,724,693</u>

CITY OF BRUNSWICK, MARYLAND
Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2024

	General	Capital Projects	Total Governmental Funds
Revenues			
Local property taxes	\$ 3,985,138	\$ -	\$ 3,985,138
Local income taxes	1,787,483	-	1,787,483
Other local taxes	161,557	-	161,557
Licenses and permits	117,183	-	117,183
Intergovernmental revenues	2,356,005	1,557,028	3,913,033
User fees	256,309	1,634	257,943
Waste collection and disposal	405,694	-	405,694
Fines and forfeitures	22,459	-	22,459
Miscellaneous	621,717	370,942	992,659
Total Revenues	9,713,545	1,929,604	11,643,149
Expenditures			
General government	2,298,736	901,491	3,200,227
Public safety	2,482,151	6,301	2,488,452
Public works	2,390,301	1,021,787	3,412,088
Waste collection and disposal	638,451	-	638,451
Recreation and culture	396,361	1,219,993	1,616,354
Economic development	514,829	-	514,829
Debt service	462,509	-	462,509
Total Expenditures	9,183,338	3,149,572	12,332,910
Excess (Deficiency) of Revenues over Expenditures	530,207	(1,219,968)	(689,761)
Other Financing Sources (Uses)			
Transfers	(2,040,800)	2,040,800	-
Proceeds from new debt	1,943,554	-	1,943,554
Proceeds from sale of capital assets	15,156	-	15,156
Total Other Financing Sources (Uses)	(82,090)	2,040,800	1,958,710
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses			
	448,117	820,832	1,268,949
Fund Balance - July 1, 2023	1,208,923	(374,975)	
Fund Balance - June 30, 2024	\$ 1,657,040	\$ 445,857	
Adjustments for the Statement of Activities			
Capital outlay			2,797,253
Depreciation and amortization expense			(1,285,345)
Net increase in deferred inflows of resources - grant revenues			237,223
Compensated absences			(28,003)
Debt service expenditures			311,156
Debt proceeds			(1,943,554)
Amortization of bond premium			3,308
Net pension adjustment			(199,822)
Change in Net Position of Governmental Activities			\$ 1,161,165

The accompanying notes are an integral part of this statement.
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CITY OF BRUNSWICK, MARYLAND
Reconciliation of Fund Balance to Net Position of Governmental Activities
June 30, 2024

Fund balances - governmental funds	\$ 2,102,897
Amounts reported for governmental activities in the statement of net position are different because:	
Capital & right-of-use assets used in governmental activities are not financial resources, therefore are not reported in the funds	
Property and equipment, net	20,693,573
Deferred outflows of resources - pension	1,655,147
Receivables that are measurable but not collected within 60 days are not considered available for use in the near term, and therefore, are reported in the governmental funds as deferred inflows	361,368
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds	
Long-term debt, including a premium of \$86,011	(3,165,296)
Compensated absences	(270,731)
Net pension liability	(2,928,139)
Deferred inflows of resources - pension	(589,849)
Net position - governmental activities	\$ 18,523,429

CITY OF BRUNSWICK, MARYLAND
Statement of Net Position
Proprietary Funds
June 30, 2024

	Business-Type Activities - Enterprise Funds		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Assets			
Current Assets			
Cash and cash equivalents	\$ 3,346,815	\$ 2,727,155	\$ 6,073,970
Restricted cash	10,311	-	10,311
Due from customers	508,067	540,528	1,048,595
Due from other governments	-	28,972	28,972
Other receivables	72,649	-	72,649
Other assets	93,718	-	93,718
Due from other fund	-	2,952,004	2,952,004
Total Current Assets	<u>4,031,560</u>	<u>6,248,659</u>	<u>10,280,219</u>
Capital Assets, including intangible right-to-use assets			
Capital assets not being depreciated	192,299	178,030	370,329
Capital assets being depreciated	26,547,688	33,230,116	59,777,804
Less: Accumulated depreciation and amortization	<u>(11,483,165)</u>	<u>(18,014,893)</u>	<u>(29,498,058)</u>
Total Capital Assets, net	<u>15,256,822</u>	<u>15,393,253</u>	<u>30,650,075</u>
Total Assets	<u>19,288,382</u>	<u>21,641,912</u>	<u>40,930,294</u>
Deferred Outflows of Resources	<u>198,531</u>	<u>245,494</u>	<u>444,025</u>
Total Assets and Deferred Outflows of Resources	<u>19,486,913</u>	<u>21,887,406</u>	<u>41,374,319</u>
Liabilities			
Current Liabilities			
Accounts payable	294,780	323,146	617,926
Accrued liabilities	39,161	28,299	67,460
Compensated absences	48,777	35,427	84,204
Escrow deposits	12,311	-	12,311
Current portion of debt obligations	250,102	264,048	514,150
Due to other fund	2,952,004	-	2,952,004
Total Current Liabilities	<u>3,597,135</u>	<u>650,920</u>	<u>4,248,055</u>
Noncurrent Liabilities			
Net pension liability	354,572	365,151	719,723
Unamortized bond premium	286,702	200,691	487,393
Long-term debt obligations	3,083,537	2,326,812	5,410,349
Total Noncurrent Liabilities	<u>3,724,811</u>	<u>2,892,654</u>	<u>6,617,465</u>
Total Liabilities	<u>7,321,946</u>	<u>3,543,574</u>	<u>10,865,520</u>
Deferred Inflows of Resources	<u>4,643,655</u>	<u>3,841,501</u>	<u>8,485,156</u>
Total Liabilities and Deferred Inflows of Resources	<u>11,965,601</u>	<u>7,385,075</u>	<u>19,350,676</u>
Net Position			
Net investment in capital assets	11,923,183	12,802,393	24,725,576
Unrestricted	<u>(4,401,871)</u>	<u>1,699,938</u>	<u>(2,701,933)</u>
Total Net Position	<u>\$ 7,521,312</u>	<u>\$ 14,502,331</u>	<u>\$ 22,023,643</u>

The accompanying notes are an integral part of this statement.
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CITY OF BRUNSWICK, MARYLAND
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2024

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues			
Charges for services	\$ 2,555,876	\$ 2,515,372	\$ 5,071,248
Rental income	120,128	-	120,128
Intergovernmental revenues - operating grants	-	47,536	47,536
Miscellaneous	<u>55,929</u>	<u>36,792</u>	<u>92,721</u>
Total Operating Revenues	2,731,933	2,599,700	5,331,633
Operating Expenses			
Personnel services	858,811	735,580	1,594,391
Operating	831,940	900,368	1,732,308
Depreciation and amortization	<u>774,061</u>	<u>1,010,060</u>	<u>1,784,121</u>
Total Operating Expenses	<u>2,464,812</u>	<u>2,646,008</u>	<u>5,110,820</u>
Operating income (loss)	267,121	(46,308)	220,813
Nonoperating Revenues (Expenses)			
Intergovernmental revenues - capital grants	2,328,157	184,088	2,512,245
Interest expense and fees	(117,363)	(91,206)	(208,569)
Gain or Loss on sale of Capital Assets	<u>(3,250)</u>	<u>1,136</u>	<u>(2,114)</u>
Total Nonoperating Revenues (Expenses)	<u>2,207,544</u>	<u>94,018</u>	<u>2,301,562</u>
Change in Net Position	2,474,665	47,710	2,522,375
Total Net Position, beginning of year, restated	<u>5,046,647</u>	<u>14,454,621</u>	<u>19,501,268</u>
Total Net Position, end of year	<u>\$ 7,521,312</u>	<u>\$ 14,502,331</u>	<u>\$ 22,023,643</u>

CITY OF BRUNSWICK, MARYLAND
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2024

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Total
Cash flows from operating activities			
Cash received from customers and users	\$ 108,618	\$ 1,918,388	\$ 2,027,006
Cash received from other governments	-	226,758	226,758
Other operating cash receipts	44,902	18,274	63,176
Cash received from developers	1,000	-	1,000
Cash payments to suppliers	(1,053,360)	(614,789)	(1,668,149)
Cash payments to employees for services	(777,118)	(726,830)	(1,503,948)
Net cash provided/(used) by operating activities	<u>(1,675,958)</u>	<u>821,801</u>	<u>(854,157)</u>
Cash flows from capital and related financing activities			
Purchase of capital assets	(311,240)	(604,034)	(915,274)
Proceeds from sale of capital assets	-	1,136	1,136
Current year construction of capital assets	(2,345,028)	(140,574)	(2,485,602)
Cash received from other governments - capital grants	2,328,156	184,088	2,512,244
Proceeds from capital debt	10,979	258,333	269,312
Principal paid on capital debt	(262,651)	(307,986)	(570,637)
Interest paid on capital debt	(120,169)	(93,171)	(213,340)
Net cash used in capital and related financing activities	<u>(699,953)</u>	<u>(702,209)</u>	<u>(1,402,162)</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	(2,375,911)	119,592	(2,256,319)
Cash, cash equivalents and restricted cash - beginning of year	<u>5,733,037</u>	<u>2,607,563</u>	<u>8,340,600</u>
Cash, cash equivalents and restricted cash - end of year	<u>\$ 3,357,126</u>	<u>\$ 2,727,155</u>	<u>\$ 6,084,281</u>
Reconciliation to Statement of Net Position:			
Cash and cash equivalents	3,346,815	2,727,155	6,073,970
Restricted cash	10,311	-	10,311
	<u>\$ 3,357,126</u>	<u>\$ 2,727,155</u>	<u>\$ 6,084,281</u>

CITY OF BRUNSWICK, MARYLAND
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2024

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Total
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 267,121	\$ (46,308)	\$ 220,813
Adjustments to reconcile operating income to net cash provided by (used in) operating activities			
Depreciation	774,061	1,010,060	1,784,121
Bond premium	(11,027)	(7,719)	(18,746)
Net change in operating assets and liabilities			
Due from customers	97,522	227,546	325,068
Due from other governments	-	6,538	6,538
Other receivables	1	-	1
Other assets	(10,280)	-	(10,280)
Deferred outflows of resources	(8,647)	(19,428)	(28,075)
Accounts payable	(211,140)	285,579	74,439
Accrued liabilities	11,990	(18,567)	(6,577)
Escrow deposits	1,000	-	1,000
Net pension liability	78,350	35,946	114,296
Deferred inflows of resources	(2,667,431)	(649,324)	(3,316,755)
Interfund activity	2,522	(2,522)	-
Net cash provided by (used in) operating activities	<u>\$ (1,675,958)</u>	<u>\$ 821,801</u>	<u>\$ (854,157)</u>

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2024

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The City of Brunswick, Maryland (the City) was incorporated in 1890 and is currently organized under the provisions of a mayor-council form of government. The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Governmental Accounting Standards Board Codification Section 2100 have been considered and there are no agencies or entities which should be presented with the City.

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The City follows GASB 62 in applying GASB guidance to its proprietary activities, which incorporates Financial Accounting Standards Board statements and interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The statement of net position and the statement of activities report information about the City as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements include the financial activities of the primary government. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2024

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
Government-wide and Fund Financial Statements

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for business-type activities of the City. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods and services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the City.

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and managerial requirements.

The following is a brief description of the specific funds used by the City in fiscal year 2024:

Governmental Fund Types

General Fund – This fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The General Fund accounts for the normal recurring activities of the City, (i.e., public safety, public works, parks and recreation, general government, etc.). These activities are funded principally by property and income taxes on individuals and businesses, and grants from other governmental units.

Capital Projects Fund – This fund accounts for the purchase, construction or renovation of major general fixed assets over an extended period of time (other than those financed by the Proprietary Funds).

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2024

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
Government-wide and Fund Financial Statements

Proprietary Fund Types

Enterprise Funds – Water and sewer services are accounted for in Enterprise Funds. The primary measurement focus is upon the determination of net income, financial position, and cash flow. The generally accepted accounting principles are similar to those used in the private business sector.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide statements are prepared 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 in 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. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental fund.

Net position is reported as restricted when constraints placed on net position use are externally imposed by grantors or contributors. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when cash is received and when amounts to be received are both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers all revenues as available if they are collected within 60 days after year-end.

Expenditures generally are recorded when the related liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting, and financial statement presentation

Business-type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Budgets and Budgetary Accounting

The budget document is a comprehensive financial plan showing all revenues and expenditures expected for the General Fund, Capital Projects Fund, and the Proprietary Funds of the City. Budgets are adopted on an annual cycle for all funds, except the Capital Projects Fund, which adopts a project-length budget on an annual basis.

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

Department Heads submit their proposed operating and capital budgets for the fiscal year commencing the following July 1 to the City Administrator for review.

Department Heads work closely with the City Administrator to compile a Five-Year Capital Improvement Plan. A draft budget is then presented to Department Heads and the Finance Committee for review.

The draft budget is presented to the Mayor and upon preliminary approval by the Mayor, the City Administrator and Accountant present the budget to Mayor and Council.

Public hearings are required by law to be scheduled by City officials with approval of the Mayor and Council.

Prior to the commencement of the fiscal year, the property tax rate is set and the budget is adopted via special ordinance.

Appropriations lapse at the end of the fiscal year.

During the year, the Mayor and Council may amend the budget by ordinance.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash, Cash Equivalents, Restricted Cash and Investments

For purposes of the statement of cash flows, the City considers cash on hand, demand deposits, money market accounts, the Maryland Local Governmental Investment Pool (MLGIP), and all highly liquid investments and debt instruments with maturities of three months or less from the date of acquisition to be cash and cash equivalents. Generally, cash resources of the individual funds are combined to form a pool of cash and investments. Investments consist primarily of certificates of deposit. Investments are carried at market value in all funds. Investment income earned as a result of pooling is distributed to the appropriate funds based on the ending balance of cash and investments of each fund.

Receivables and Uncollectible Accounts

Significant receivables include amounts from customers primarily for utility services. These receivables are due within one year. For the year ended June 30, 2024, the City determined that no allowance for uncollectible accounts was necessary as all accounts are deemed collectible.

Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the statement of net position. Short-term interfund loans are classified as "interfund receivables/payables." Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the statement of net position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the statement of activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2024 are recorded as prepaid items. In the governmental fund financial statements, reported prepaid items are equally offset in the fund balance as nonspendable, which indicates they do not constitute "available spendable resources" even though they are a component of total assets.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. The capitalization threshold for infrastructure has been established at \$10,000. Capital assets purchased or acquired are recorded at cost or, if donated, at the estimated fair market value upon receipt. Depreciation of property and equipment is computed on the straight-line method for financial reporting purposes. Depreciation is provided for over the estimated useful lives of the assets based on the following guidelines:

Buildings	20 – 50 years
Improvements	10 – 50 years
Software	3 – 5 years
Vehicles	3 – 5 years
Machinery & equipment	3 – 10 years

Right to use Assets

The City has recorded right to use lease assets as a result of implementing GASB-87. The right to use assets are measured at an amount equal to the initial measurement value of the related lease liability, which is calculated as the present value of the remaining future lease payments during the lease term. The discount rate utilized by the City is either the implicit interest rate disclosed in the lease, or the estimated incremental borrowing rate. The right to use assets are amortized on a straight-line basis over the life of the related lease.

The City does not report right to use assets and lease liabilities for short-term leases, with a maximum non-cancelable term of 12 months or less.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, compensatory, and sick pay benefits. Employees are entitled to receive payment for all unused vacation and compensatory hours at the conclusion of their employment. Accumulated vacation and compensatory hours are accrued when incurred in the government-wide and proprietary fund financial statements.

Deferred Outflows / Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent 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 that period.

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2024

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent 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 period.

Fund Balance

The City has implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions for its governmental funds. Under GASB Statement No. 54, fund balances are required to be reported according to the following classifications:

Nonspendable fund balance – Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.

Restricted fund balance – Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or other governments; or are imposed by law (through constitutional provisions or enabling legislation).

Committed fund balance – Amounts that can only be used for specific purposes because of a formal action (resolution or ordinance) by the City's highest level of decision-making authority, the Mayor and Council. Committed fund balance in the governmental funds include \$56,833 in collected impact fees, \$689,283 of remaining unspent bond proceeds and \$29,617 for the Brunswick Heritage Museum.

Assigned fund balance – Amounts that are constrained by the City's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the Mayor and Council, or by an official to whom that authority has been given. With the exception of the General Fund, this is the residual fund balance classification for all governmental funds with positive balances. Assigned fund balance in the governmental funds include \$399,895 for the remaining capital lease obligations.

Unassigned fund balance – This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2024

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets, plus any proceeds remaining in cash and investments. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Interfund Transactions

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. For the year ended June 30, 2024, the General Fund transferred \$2,040,800 to the Capital Projects Fund to finance capital purchases and projects.

During fiscal year 2019, the General Fund advanced \$243,806 to the Sewer Fund for the purchase of a sewer camera. The Sewer Fund will make five annual payments of \$49,000 to the General Fund. During fiscal year 2024, the final payment was made and the advance was zeroed amongst each fund.

Estimates

The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates.

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2024

NOTE 2- CASH, RESTRICTED CASH, INVESTMENTS, AND EQUITY IN POOL INVESTED CASH

Credit Risk

Credit risk is defined as the risk that an issuer or other counterparts to an investment in debt securities will not fulfill its obligation. The City shall invest only in the following types of securities, which are authorized by the State:

- Obligations of U.S. governmental agencies
- Fully insured or collateralized certificates of deposit
- Repurchase agreements and reverse repurchase agreements not to exceed 360 days to stated maturity
- Bankers acceptances with the highest quality letter and numerical rating

Credit Risk

- Municipal securities with the highest quality letter and numerical rating
- Money market mutual funds containing securities of U.S. governmental agencies
- Local Government Investment Pool administered by the State Treasurer

The City's investment policy states that collateralization is required on bank accounts, certificates of deposit, and repurchase agreements at 102% of the market value of principal and accrued interest for balances not covered by the Federal Deposit Insurance Corporation (FDIC).

The City's investments have received the following ratings by Standard & Poor's: Maryland Local Government Investment Pool (MLGIP) rated AAAM. There are no ratings on the certificates of deposit.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Custodial credit risk for investments exists when, in the event of the failure of the counterparty to a transaction, a government may be unable to recover the value of investment or collateral securities that are in the possession of an outside party. As of year-end, the City's carrying amount of deposits was \$8,710,304; the bank balance was \$8,831,932 and cash on hand was \$1,200. The City's deposits were fully covered by the Federal Deposit Insurance Corporation and collateral held by the pledging financial institution as of June 30, 2024.

Included in cash and cash equivalents, the City had \$153,607 invested in the Maryland Local Government Investment Pool (MLGIP) as of June 30, 2024.

The City's cash and investments as of June 30, 2024, as presented in the Statement of Net Position, reconciled to the City's deposits and investments, are as follows:

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2024

NOTE 2- CASH, RESTRICTED CASH, INVESTMENTS, AND EQUITY IN POOL
INVESTED CASH (Continued)

	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 2,129,739	\$ 6,073,970	\$ 8,203,709
Restricted cash and investments	497,484	10,311	507,795
	<u>\$ 2,627,223</u>	<u>\$ 6,084,281</u>	<u>\$ 8,711,504</u>

Custodial Credit Risk

	Governmental Activities	Business-type Activities	Total
Cash on hand	\$ 1,200	\$ -	\$ 1,200
Deposits in banks	2,137,542	6,084,281	8,221,823
Certificates of deposit	334,874	-	334,874
Investment pools (MLGIP)	153,607	-	153,607
	<u>\$ 2,627,223</u>	<u>\$ 6,084,281</u>	<u>\$ 8,711,504</u>

As of June 30, 2024, the City had the following investments:

<u>Investment Type (All funds)</u>	<u>Fair Value</u>	<u>Investment Maturities</u>		<u>% of Portfolio</u>
		<u>< 1 Year</u>	<u>1-5 Years</u>	
Certificate of deposit	\$ 317,969	\$ 317,969	\$ -	94.95%
Certificate of deposit restricted	16,905	16,905	-	5.05%
	<u>\$ 334,874</u>	<u>\$ 334,874</u>	<u>\$ -</u>	<u>100.00%</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer, not applicable to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds, and external investment pools or other pooled investments. All of the City's portfolio is invested in debt instruments (certificates of deposit).

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2024

NOTE 2- CASH, RESTRICTED CASH, INVESTMENTS, AND EQUITY IN POOL INVESTED CASH (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy is not explicit as to how interest rate risk is managed. The interest rate in the MLGIP fluctuates throughout the year. The applicable interest rates as of June 30, 2024 were 5.35% for the MLGIP and between 0.01% and 0.03% for the certificates of deposit.

NOTE 3- UNEARNED REVENUE

Unearned revenue arises in governmental funds when revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenue also arises, in both governmental and proprietary funds, when resources are received by the government before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. Unearned revenue is classified as deferred inflows of resources on the accompanying financial statements.

NOTE 4- PROPERTY TAXES

The City's property taxes are levied each July 1 at rates enacted by the Mayor and Council on the total assessed value as determined by the Maryland State Department of Assessments and Taxation.

Property taxes become delinquent on October 1. Interest accrues at 1% monthly for delinquent property taxes. Tax liens on real property are sold at public auction the second Monday in May on taxes delinquent since October 1 of the current fiscal year. Total assessed value on which levies were made for the year ended June 30, 2024 was \$982,642,436. The property tax rate was \$0.41 per \$100 of assessed value.

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2024

NOTE 5- CAPITAL ASSETS

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

<u>Governmental Activities</u>	<u>Balance</u> <u>July 1, 2023</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2024</u>
Capital assets, not being depreciated:					
Land and land improvements	\$ 537,574	\$ -	\$ -	\$ -	\$ 537,574
Historical Collections	58,736	-	-	-	58,736
Projects under construction	<u>7,678,571</u>	<u>2,642,700</u>	<u>-</u>	<u>(9,463,799)</u>	<u>857,472</u>
Total capital assets not being depreciated	<u>8,274,881</u>	<u>2,642,700</u>	<u>-</u>	<u>(9,463,799)</u>	<u>1,453,782</u>
Capital assets, being depreciated:					
Buildings	1,875,571	-	-	8,412,504	10,288,075
Improvements and infrastructure	13,195,245	-	-	809,493	14,004,738
Machinery and equipment	1,256,259	-	-	94,523	1,350,782
Vehicles	1,305,563	-	(125,448)	147,278	1,327,393
Software	88,025	-	-	-	88,025
Right-to-use asset; leased equipment	396,920	154,553	(50,895)	-	500,578
Right-to-use asset; leased vehicle	<u>932,621</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>932,621</u>
Total capital assets being depreciated	<u>19,050,204</u>	<u>154,553</u>	<u>(176,343)</u>	<u>9,463,799</u>	<u>28,492,213</u>
Less accumulated depreciation and amortization:					
Buildings	(866,371)	(311,549)	-	-	(1,177,920)
Improvements and infrastructure	(4,797,068)	(535,694)	-	-	(5,332,762)
Machinery and equipment	(854,355)	(87,817)	-	-	(942,172)
Vehicles	(950,646)	(119,704)	125,448	-	(944,902)
Software	(84,784)	(1,296)	-	-	(86,080)
Right-to-use asset; leased equipment	(173,906)	(58,543)	50,895	-	(181,554)
Right-to-use asset; leased vehicle	<u>(416,289)</u>	<u>(170,742)</u>	<u>-</u>	<u>-</u>	<u>(587,031)</u>
Total accumulated depreciation and amortization	<u>(8,143,419)</u>	<u>(1,285,345)</u>	<u>176,343</u>	<u>-</u>	<u>(9,252,422)</u>
Total capital assets being depreciated, net	<u>10,906,785</u>	<u>(1,130,793)</u>	<u>-</u>	<u>9,463,799</u>	<u>19,239,790</u>
Governmental Activities capital assets, net	<u>19,181,666</u>	<u>1,511,907</u>	<u>-</u>	<u>-</u>	<u>20,693,573</u>

Depreciation and amortization expense was charged to functions/programs as follows:

Governmental activities:

General government	\$ 143,962
Public safety	102,586
Public works	823,180
Parks and recreation	<u>215,617</u>
	<u>\$ 1,285,345</u>

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2024

NOTE 5- CAPITAL ASSETS (Continued)

<u>Business-type Activities</u>	<u>Balance</u> <u>July 1, 2023</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2024</u>
Capital assets, not being depreciated:					
Land and land improvements	\$ 28,068	\$ -	\$ -	\$ -	\$ 28,068
Projects under construction	<u>973,513</u>	<u>2,485,601</u>	<u>-</u>	<u>(3,116,852)</u>	<u>\$ 342,261</u>
Total capital assets not being depreciated	<u>1,001,581</u>	<u>2,485,601</u>	<u>-</u>	<u>(3,116,852)</u>	<u>370,329</u>
Capital assets, being depreciated:					
Buildings and improvements	9,089,874	29,989	(7,500)	-	9,112,363
Infrastructure	43,468,797	494,217	-	3,116,852	47,079,866
Machinery and equipment	2,741,754	247,003	-	-	2,988,757
Vehicles	134,331	113,486	(8,987)	-	238,830
Right-to-use asset; leased equipment	68,925	30,579	(5,005)	-	94,499
Right-to-use asset; leased vehicle	<u>263,488</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>263,488</u>
Total capital assets being depreciated	<u>55,767,170</u>	<u>915,274</u>	<u>(21,492)</u>	<u>3,116,852</u>	<u>59,777,804</u>
Less accumulated depreciation and amortization:					
Buildings and improvements	(8,869,324)	(46,235)	4,250	-	(8,911,309)
Infrastructure	(16,594,639)	(1,491,724)	-	-	(18,086,363)
Machinery and equipment	(2,008,739)	(133,730)	-	-	(2,142,469)
Vehicles	(114,387)	(24,534)	8,987	-	(129,934)
Right-to-use asset; leased equipment	(40,141)	(44,718)	5,005	-	(79,854)
Right-to-use asset; leased vehicle	<u>(104,949)</u>	<u>(43,180)</u>	<u>-</u>	<u>-</u>	<u>(148,129)</u>
Total accumulated depreciation and amortization	<u>(27,732,179)</u>	<u>(1,784,121)</u>	<u>18,242</u>	<u>-</u>	<u>(29,498,058)</u>
Total capital assets being depreciated, net	<u>28,034,991</u>	<u>(868,847)</u>	<u>(3,250)</u>	<u>3,116,852</u>	<u>30,279,746</u>
Business-type Activities capital assets, net	<u>\$ 29,036,572</u>	<u>\$ 1,616,753</u>	<u>\$ (3,250)</u>	<u>\$ -</u>	<u>\$ 30,650,075</u>

Depreciation and amortization expense was charged to functions/programs as follows:

Business-type activities

Water	\$ 774,061
Sewer	<u>1,010,060</u>
	<u>\$ 1,784,121</u>

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2024

NOTE 6- LONG-TERM DEBT OBLIGATIONS

Debt outstanding as of June 30, 2024 is as follows:

<u>Governmental Activities Debt</u>	<u>Rate</u>	<u>Amount</u>
2012 Tax-Exempt Bond payable to PNC Bank Due 2030; Annual principal and interest payments fluctuate throughout the life of the bonds	2.90%	\$ 114,140
2019 Public Improvement Bonds to BB&T (15% allocated to Governmental Activities); Due 2039; Annual principal and interest payments fluctuate throughout the life of the bonds	2.00% - 5.00%	776,250
2024 Public Improvement Bond Series 2023 A (Tax Exempt) Bond- Webster Bank; Due 2043; annual principal and interest payments of approximately \$98,600	4.77%	1,270,450
2024 Public Improvement Bond Series 2023 B Taxable Bond- Webster Bank Due 2043; annual principal and interest payments of approximately \$45,450	6.26%	518,550
Capital Lease - four vehicles; Due 2025; annual principal and interest payments of approximately \$46,300, including residual value of \$31,182	20.16%	20,947
Capital Lease - three vehicles; Due 2026; Annual principal and interest payments of approximately \$28,800	22% - 25%	36,722
Capital Lease - five vehicles; Due 2027; Annual principal and interest payments of approximately \$53,200	22% - 25%	127,040
Capital Lease - Servers - Great America; Due 2028; Annual payments of approximately \$ 1,567	8.50%	69,050
Capital Lease - Copier/Printer - US Bank; Due 2028; Annual payments of approximately \$ 1,481	8.50%	64,230
Capital Lease - IT equipment; Due 2028; Annual principal and interest payments of approximately \$26,650	5.73%	<u>81,906</u>
Total Governmental Activities Debt		<u>\$ 3,079,285</u>

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2024

NOTE 6- LONG-TERM DEBT OBLIGATIONS (Continued)

Debt outstanding as of June 30, 2024 is as follows:

<u>Enterprise Debt</u>	<u>Rate</u>	<u>Amount</u>
Drinking Water Bond - Reservoir Cover to the Maryland Water Quality Financing Administration; Due 2026; Annual principal and interest payments of approximately \$25,000	1.10%	28,617
2012 Tax-Exempt Bond payable to PNC Bank; Due 2030; Annual principal and interest payments fluctuate throughout the life of the bonds	2.90%	1,251,175
2019 Public Improvement Bonds to BB&T (85% allocated to Business-Type Activities); Due 2039; Annual principal and interest payments fluctuate throughout the life of the bonds	2.00% - 5.00%	4,399,688
Capital Lease - two vehicles; Due 2025; annual principal and interest payments of approximately \$11,500, including residual value of \$10,417	22.76%	2,961
Capital Lease - one vehicle; Due 2027; annual principal and interest payments of approximately \$17,600, including residual value of \$15,067	27.10%	42,811
Capital Lease - Copier/Printer - US Bank (8% Sewer Fund) (8% Water Fund) Due 2028; Annual payments of approximately \$282	8.50%	12,234
Capital Lease - Servers - Great America (13% Sewer Fund) (4% Water Fund) Due 2028; Annual payments of approximately \$321	8.50%	14,143
Capital Lease - Hatch Plus Program Equipment; Due 2026; Annual payments	N/A	157,642
Capital Lease - IT equipment; Due 2028; Annual principal and interest payments of approximately \$5,500	5.73%	<u>15,228</u>
Total Enterprise Fund Debt		<u>\$ 5,924,499</u>

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2024

NOTE 6- LONG-TERM DEBT OBLIGATIONS (Continued)

Debt service requirements, including capital lease payments, are as follows:

	General Government		Enterprise	
	Principal	Interest	Principal	Interest
2025	\$ 238,510	\$ 158,061	\$ 514,150	\$ 190,369
2026	216,301	141,688	511,785	172,232
2027	212,751	129,260	448,864	154,096
2028	169,594	108,748	454,970	133,167
2029	140,736	98,861	466,407	113,310
2030-2034	637,547	403,786	1,590,945	344,456
2035-2039	768,657	258,114	1,589,500	154,285
2040-2044	695,189	87,090	347,878	4,138
	<u>\$ 3,079,285</u>	<u>\$ 1,385,608</u>	<u>\$ 5,924,499</u>	<u>\$ 1,266,053</u>

Interest expense

For the year ended June 30, 2024, total interest was \$359,922 and reported as follows: interest expense of \$151,353 for governmental activities and \$208,569 for business-type activities. Cash paid for interest for business-type activities was \$213,340.

Changes in Long-Term Liabilities

During the year ended June 30, 2024 the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in 1 year
Governmental activities:					
Bonds payable	\$ 940,529	\$ 1,789,000	\$ (50,137)	\$ 2,679,392	\$ 52,339
Unamortized bond premium	89,319	-	(3,308)	86,011	-
Capital leases	506,357	154,553	(261,017)	399,893	186,171
Governmental activities - Long-term liabilities	<u>\$ 1,536,205</u>	<u>\$ 1,943,553</u>	<u>\$ (314,462)</u>	<u>\$ 3,165,296</u>	<u>\$ 238,510</u>
Business-type activities:					
Bonds payable	\$ 6,099,161	\$ -	\$ (419,681)	\$ 5,679,480	\$ 409,710
Unamortized bond premium	506,139	-	(18,746)	487,393	-
Capital leases	126,663	269,312	(150,956)	245,019	104,440
Business-type activities - Long-term liabilities	<u>\$ 6,731,963</u>	<u>\$ 269,312</u>	<u>\$ (589,383)</u>	<u>\$ 6,411,892</u>	<u>\$ 514,150</u>

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2024

NOTE 6- LONG-TERM DEBT OBLIGATIONS (Continued)

During fiscal year 2007, the City issued \$36,310,000 in Special Obligation Bonds for the Brunswick Crossing Special Tax District. The bonds are not a liability to the City nor are they backed by the full faith and credit of the City. The City by Ordinance created a special tax district whereby a special tax will be levied by the City on real property located within the Special Tax District. The special taxes are expected to be levied in subsequent years.

NOTE 7- EMPLOYEE BENEFITS

Cost sharing Multiple Employer Pension Plan:

Plan description

All permanent employees of the City that work more than 500 hours per fiscal year are provided retirement benefits through the Employee's Contributory Pension System of the State of Maryland ("Pension System").

The Pension System is a defined-benefit plan and multiple employer system. The plan involves state-wide participation of employees from numerous other state and local governmental units. The system is administered by the Maryland State Retirement Agency pursuant to the Annotated Code of Maryland.

Effective July 2006, the City began participation in the State of Maryland's Alternate Contributory Pension Plan. Under this plan, members may retire after 30 years of service or the attainment of age 62 with five years of service, age 63 with four years of service, age 64 with three years of service or age 65 or over with two years of service. Employees are required to contribute 7% of their base salaries. The revised plan also requires an employer contribution from the City. The benefit formula changed as a result of the revisions to provide benefits based on service before and after June 30, 1998.

Effective July 2011, the City began participation in the State of Maryland's Reformed Contributory Pension Benefit. Under this benefit, members may retire at the attainment of age 65 with 10 years of service or based on the Rule of 90 (sum of age and service equal 90). All future permanent employees will participate in this plan.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among Systems and employers.

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2024

NOTE 7- EMPLOYEE BENEFITS (Continued)

The Maryland State Retirement and Pension System does not prepare or maintain separate actuarial reports for the participating governmental units. The Maryland State Retirement and Pension System issues a comprehensive annual financial report each year. The report can be obtained from the agency's office at:

Maryland State Retirement and Pension System
 120 East Baltimore Street
 Baltimore, Maryland 21202

The total contributions from the employees for the years ended June 30 were:

2015	\$154,964
2016	144,022
2017	151,976
2018	175,372
2019	191,873
2020	202,917
2021	225,028
2022	242,552
2023	280,373
2024	297,885

The City also contributed to the System, in amounts equal to 100% of the required contributions for the years ended June 30:

2015	\$138,013
2016	115,190
2017	108,053
2018	121,337
2019	146,025
2020	186,107
2021	215,548
2022	339,523
2023	386,309
2024	458,362

Total pension expense for the year ended June 30, 2024 was \$683,935.

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2024

NOTE 7- EMPLOYEE BENEFITS (Continued)

Key actuarial methods and assumptions:

Actuarial Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Actuarial Valuation Date	June 30, 2023
Inflation	In the 2023 actuarial valuation, 2.25% general, 2.75% wage In the 2022 actuarial valuation, 2.25% general, 2.75% wage
Salary Increases	In the 2023 actuarial valuation, 2.75% to 11.25% In the 2022 actuarial valuation, 2.75% to 11.25%
Investment Rate of Return	In the 2023 actuarial valuation, 6.80% In the 2022 actuarial valuation, 6.80%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2019 valuation pursuant to the 2018 experience study for the period July 1, 2014 to June 30, 2018.
Mortality	Various versions of the Pub-2010 Mortality Tables for males and females with projected generational mortality improvements based on the MP-2018 fully generational mortality Improvements scale for males and females.

Investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board after considering input from the System's investment consultant(s) and actuary(s). For each major asset class that is included in the System's target asset allocation as of June 30, 2023, these best estimates are summarized in the following table:

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2024

NOTE 7- EMPLOYEE BENEFITS (Continued)

Asset Class	Target Allocation	Long- Term Expected Real Rate of Return
Public equity	34%	6.9%
Private equity	16%	8.6%
Rate sensitive	20%	2.6%
Credit opportunity	9%	5.6%
Real assets	15%	5.4%
Absolute return	6%	4.4%
	<u>100%</u>	

The above was the Board of Trustees’ adopted asset allocation policy and best estimate of geometric real rates of return for each major asset class as of June 30, 2023. For the year ended June 30, 2023, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was 3.11%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate

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

Sensitivity of the net pension liability

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan’s net pension liability, calculated using a single discount rate of 6.80%, as well as what the plan’s net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

System	1% Decrease to 5.80%	Current Discount	1% Increase to 7.8%
Employees Pension (muni)	\$ 5,409,040	\$ 3,647,862	\$ 2,186,388

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2024

NOTE 8- DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

For the year ended June 30, 2024, the City reported deferred outflows and inflows of resources related to the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of pension assumptions	\$ 129,629	\$ 20,271
Difference between actual and expected experience	104,651	126,273
Net difference between projected and actual earnings on pension plan investments	787,586	325,219
Change in proportionate share	618,944	254,150
City contributions subsequent to the measurement date	<u>458,362</u>	<u>-</u>
	<u>\$ 2,099,172</u>	<u>\$ 725,913</u>
Other deferred inflows:		
Connection charges		67,825
Unearned revenue - other		1,480,525
Unearned grant revenue - ARPA		952,192
Unearned revenue - Capacity fee		619,045
Developer contributions		<u>5,640,301</u>
		<u>\$ 9,485,801</u>

Deferred outflows of resources of \$458,362 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ending June 30:

2025	\$ (174,781)
2026	(192,049)
2027	(367,001)
2028	(157,895)
2029	<u>(23,180)</u>
	<u>\$ (914,906)</u>

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2024

NOTE 9- GRANTS FROM GOVERNMENTAL UNITS

Federal and state governmental units represent an important source of supplementary funding used to finance construction, maintenance, employment programs, and other activities beneficial to the community. The grants received by the City specify the purpose for which the grant funds are to be used, and such grants are subject to audit by the granting agency or its representative. For the year ended June 30, 2024, the City's federal grant expenditures did exceed \$750,000 and the City was subject to the Alternative Compliance Examination Engagement for Recipients That Would Otherwise be Required to Undergo a Single Audit or Program-Specific Audit as a Result of Receiving Coronavirus State and Local Fiscal Recovery Funds" of the CSLFRF section of the 2024 OMB *Compliance Supplement*. Total CSLFRF funds spent during fiscal year 2024 were \$3,883,439.

NOTE 10- RISKS, COMMITMENTS AND CONTINGENCES

Grant Funds

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although it is believed by management that such disallowances will be immaterial.

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's general liability risks are financed through the City's participation in the Local Government Insurance Trust (LGIT). The City pays an annual premium to LGIT for its general insurance coverage. The City has coverage of \$1,000,000 for each occurrence under commercial general liability and automobile liability. The annual aggregate limit is \$3,000,000 under the commercial policy and is the most the Trust will pay under the City's agreement. In addition, the City carries property insurance limited to \$30,129,537. The City continues to carry commercial insurance for employee health, accident insurance and workers compensation. Settled claims resulting from these risks have not exceeded insurance coverage, and no significant reductions in insurance coverage have occurred in any of the past three fiscal years.

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2024

NOTE 11- RESTRICTED NET POSITION

As of June 30, 2024, restricted net position for governmental-type activities consists of the following:

Berlin House Renovations	\$ 125,000
Brunswick Medical Center Repairs & Maintenance	<u>183,143</u>
Total	<u><u>\$ 308,143</u></u>

NOTE 12- PRIOR PERIOD ADJUSTMENT

The City has restated its opening net position of the business-type activities to adjust commercial connection revenues by \$523,417. The accompanying financial statements have been restated to reflect the corrections, which are enumerated below :

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Total Net Position, beginning of year	\$ 4,814,787	\$ 14,163,064	\$ 18,977,851
Prior Period Adjustments :			
Connection Commercial Revenue	231,860	291,557	523,417
Total Net Position, end of year	<u><u>\$ 5,046,647</u></u>	<u><u>\$ 14,454,621</u></u>	<u><u>\$ 19,501,268</u></u>

NOTE 13- SUBSEQUENT EVENTS

Subsequent events are defined as events or transactions that occur after the Statement of Net Position date through the date that the financial statements are available to be issued. As of October 31, 2024, the date the financial statements were available to be issued, the City performed an evaluation and revealed no other material events or transactions which would require an adjustment or disclosure in the accompanying financial statements, except for the events noted below.

On September 30, 2024, the City entered into a contract for the purchase of 820 Brunswick Street for a sale value of \$200,000.

CITY OF BRUNSWICK, MARYLAND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual - General Fund
For the Year Ended June 30, 2024

	Original Budget	Final Appropriated Budget	(Budgetary Basis) Actual	Variance with Final Budget- Positive (Negative)
REVENUES				
Taxes	\$ 5,749,600	\$ 5,760,525	\$ 5,934,178	\$ 173,653
Licenses and Permits	131,000	\$ 131,000	117,183	(13,817)
Intergovernmental Revenues	1,879,400	\$ 2,354,836	2,356,005	1,169
Service Charges				
User Fees	196,100	196,100	256,309	60,209
Waste Collection and Disposal	422,700	457,282	405,694	(51,588)
Total Service Charges	<u>618,800</u>	<u>653,382</u>	<u>662,003</u>	<u>8,621</u>
Fines and Forfeitures	10,700	22,400	22,459	59
Miscellaneous Revenues	215,600	\$ 555,740	641,817	86,077
Total Revenues	<u>\$ 8,605,100</u>	<u>\$ 9,477,883</u>	<u>\$ 9,733,645</u>	<u>\$ 255,763</u>
EXPENDITURES				
General Government				
Executive & Legislative	\$ 116,900	\$ 375,201	\$ 467,099	\$ (91,898)
Financial Administration	1,119,000	\$ 1,322,941	1,250,865	72,076
Planning, Zoning, & Enforcement	539,800	584,383	580,772	3,611
Total General Government	<u>1,775,700</u>	<u>2,282,525</u>	<u>2,298,736</u>	<u>(16,212)</u>
Public Safety				
Police Department	2,624,700	2,658,843	2,435,691	223,152
Fire and Rescue Contributions	45,000	45,000	46,460	(1,460)
Total Public Safety	<u>2,669,700</u>	<u>2,703,843</u>	<u>2,482,151</u>	<u>221,693</u>
Public Works				
Highways and Streets	2,309,400	2,485,971	2,390,301	95,670
Total Public Works	<u>2,309,400</u>	<u>2,485,971</u>	<u>2,390,301</u>	<u>95,670</u>

CITY OF BRUNSWICK, MARYLAND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual - General Fund
For the Year Ended June 30, 2024

	Original Budget	Final Appropriated Budget	(Budgetary Basis) Actual	Variance with Final Budget- Positive (Negative)
Waste Collection and Disposal	549,000	549,000	638,451	(89,451)
Recreation and Culture				
Parks	84,500	107,908	89,657	18,251
Pool	105,600	111,555	123,730	(12,175)
Berlin Cemetery	3,000	-	-	-
Campground	25,000	25,000	27,702	(2,702)
Special Events	125,000	149,535	155,272	(5,737)
Total Recreation and Culture	343,100	393,998	396,361	(2,363)
Economic Development				
Economic Development	136,700	137,125	145,750	(8,625)
MainStreet Program	119,200	371,135	369,079	2,056
Total Economic Development	255,900	508,260	514,829	(6,569)
Miscellaneous				
Contributions & Donations	56,500	56,500	-	56,500
Total Miscellaneous	56,500	56,500	-	56,500
Debt Service	365,000	473,100	462,509	10,591
Total Expenditures	8,324,300	9,453,197	9,183,338	269,859
Other Financing Sources (Uses)				
Transfers	(315,800)	(2,040,800)	(2,040,800)	-
Debt proceeds	-	1,981,114	1,943,554	(37,560)
Sale of capital assets	35,000	35,000	15,156	(19,844)
Total Other Financing Sources (Uses)	(280,800)	(24,686)	(82,090)	(57,404)
Budgeted use of Fund Balance	-	-	-	-
Net Change in Fund Balance	\$ -	\$ -	\$ 468,217	\$ 468,217

CITY OF BRUNSWICK, MARYLAND
Schedule of the City's Proportionate Share of the Net Pension Liability

For the Year Ended June 30	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.015839395%	0.014876319%	0.009781964%	0.008680137%	0.007111082%	0.006084879%	0.004865486%	0.005913001%	0.006547945%	0.005469283%
City's proportionate share of the net pension liability	<u>\$ 3,647,862</u>	<u>\$ 2,976,533</u>	<u>\$ 1,467,520</u>	<u>\$ 1,961,829</u>	<u>\$ 1,466,704</u>	<u>\$ 1,276,705</u>	<u>\$ 1,147,964</u>	<u>\$ 1,395,115</u>	<u>\$ 1,360,775</u>	<u>\$ 970,619</u>
Covered-employee payroll	\$ 4,049,137	\$ 3,534,398	\$ 3,212,135	\$ 2,943,571	\$ 2,855,987	\$ 2,487,954	\$ 2,284,090	\$ 2,187,278	\$ 2,139,205	\$ 2,077,008
City's proportionate share of net pension liability as a percentage of its covered-employee payroll	<u>90.09%</u>	<u>84.22%</u>	<u>45.69%</u>	<u>66.65%</u>	<u>51.36%</u>	<u>51.32%</u>	<u>50.26%</u>	<u>63.78%</u>	<u>63.61%</u>	<u>46.73%</u>
Plan Fiduciary Net position as a % of total pension liability	<u>73.81%</u>	<u>76.27%</u>	<u>81.84%</u>	<u>70.72%</u>	<u>72.34%</u>	<u>71.18%</u>	<u>69.38%</u>	<u>65.79%</u>	<u>68.78%</u>	<u>71.87%</u>

CITY OF BRUNSWICK, MARYLAND
Schedule of Contributions and Related Ratios

For the Year Ended June 30	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 458,362	\$ 386,309	\$ 339,523	\$ 215,548	\$ 186,107	\$ 146,025	\$ 121,337	\$ 108,053	\$ 115,190	\$ 138,013
Actual contribution	<u>(458,362)</u>	<u>(386,309)</u>	<u>(339,523)</u>	<u>(215,548)</u>	<u>(186,107)</u>	<u>(146,025)</u>	<u>(121,337)</u>	<u>(108,053)</u>	<u>(115,190)</u>	<u>(138,013)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 4,049,137	\$ 3,534,398	\$ 3,212,135	\$ 2,943,571	\$ 2,855,987	\$ 2,487,954	\$ 2,284,090	\$ 2,187,278	\$ 2,139,205	\$ 2,077,008
Contributions as a percentage of covered-employee payroll	11.32%	10.93%	10.57%	7.32%	6.52%	5.87%	5.31%	4.94%	5.38%	6.64%



INDEPENDENT AUDITORS' 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*

**Mayor and City Council
City of Brunswick, 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, the business-type activities, and each major fund, of the City of Brunswick, Maryland, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Brunswick, Maryland's basic financial statements, and have issued our report thereon dated October 31, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Brunswick, Maryland's internal control over financial reporting (internal control) to determine the 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 City of Brunswick, Maryland's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Brunswick, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as Finding 2024-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Brunswick, 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 determination of financial statement amounts. 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*.

City of Brunswick, Maryland's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Brunswick, Maryland's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. City of Brunswick, Maryland's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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.

DeLeon & Stang

**DeLeon and Stang, CPAs and Advisors
Frederick, Maryland
October 31, 2024**

**City of Brunswick, Maryland
Schedule of Findings and Responses
For the Year Ended June 30, 2024**

Finding 2024-001 – Internal Controls over Connection Revenues

Criteria: The City is responsible for ensuring there are adequate internal controls over meter connections so that meters are recognized as revenue when expected.

Condition: It is the City’s practice that meter connections are recognized into revenue when inspected. During fiscal year 2024, \$523,417 of meter connection revenue was recognized for commercial properties that were inspected in a previous fiscal year (2017 – 2020).

Effect: As noted above in Note 12, a prior period adjustment was recorded in both the Water and Sewer Fund to properly reflect current year revenues, as these meter connections should have been recognized in the applicable previous fiscal year. The overall affect on opening net position is as follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Total Net Position, beginning of year	\$ 4,814,787	\$ 14,163,064	\$ 18,977,851
Prior Period Adjustments :			
Connection Commercial Revenue	231,860	291,557	523,417
Total Net Position, end of year	\$ 5,046,647	\$ 14,454,621	\$ 19,501,268

Cause: The above commercial inspections and corresponding recognition of revenue, appears to have been oversight and pre-dated the current finance team. Finance became aware of the unrecognized meters, confirmed the inspection date with Planning & Zoning, and recorded the revenue in fiscal year 2024. Due to the significant size, a prior period adjustment was necessary to properly reflect current year revenues.

Recommendation: We recommend the City review its current process over meter inspections to ensure that inspection dates are timely communicated to finance and the associated connection revenue is recorded in the proper period.

Response: Finance staff changes and restructuring of duties prompted the proactive analysis of meter inspections and connections revenue in fiscal year 2024. After identifying several process and communication improvements from previous reporting periods, it is now common practice to enter this revenue monthly. Management continues to prioritize the review of processes that impact financial reporting with the goal of establishing periodic reviews of process performance.