



CITY OF BRUNSWICK, MARYLAND

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

For the Year Ended June 30, 2023

CITY OF BRUNSWICK, MARYLAND
Summary of Elected and Appointed Officials
As of June 30, 2023

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, 2023**

TABLE OF CONTENTS

Independent Auditors' Report	1
Management's Discussion and Analysis	4
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	15
Reconciliation of Fund Balance to Net Position of Governmental Activities	16
Statement of Net Position – Proprietary Funds	17
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	18
Statement of Cash Flows – Proprietary Funds	19
Notes to the Financial Statements	21
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – General Fund	44
Schedule of the City's Proportionate Share of the Net Pension Liability	46
Schedule of Contributions and Related Ratios	46
Other Information	
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 <i>Government Auditing Standards</i>	48
Schedule of Findings and Responses	50



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, 2023, 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, 2023, 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.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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

**City of Brunswick, Maryland
Independent Auditors' Report
Page 3**

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 November 30, 2023, 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
November 30, 2023**

**City of Brunswick, Maryland
Management's Discussion and Analysis
For the Year Ended June 30, 2023**

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, 2023.

Financial Highlights

- The City's assets totaled \$60,859,351; increasing \$4,769,918 from the prior year. Capital assets, net of accumulated depreciation, totaled \$48,218,237; representing 79% of total assets.
- The City's deferred outflows of resources totaled \$2,004,657 in FY 2023; the prior year balance was \$1,010,749. These amounts represent financial reporting for pensions as required by Governmental Accounting Standards Board Statement No. 68 (GASB 68).
- The City's liabilities totaled \$12,995,468; increasing \$1,005,959 from the prior year. Long-term debt obligations were \$6,890,973 of this total. During FY20, the City issued \$6.6 million in bonds, allocated for Capital Improvements Projects. All three Funds received portions for Capital Infrastructure projects. These projects continued during FY23 with Water Line Replacement completed; Capital Fund 811 W. Potomac Street project will be completed FY24. Net pension liability increased \$1.5 million in FY2023.
- The City's deferred inflows of resources totaled \$14,192,882; increasing \$2,007,547 from the prior year. Developer unearned revenue attributable to Brunswick Crossing tap fee credits was \$6,533,023 of this total. The City received the second payment of ARPA funds of \$3.2 million in FY23. The total ARPA funds received in FY22 and FY23 totaled ~\$6,397,700. ARPA unearned funds totaled ~\$4.8 million at the end of FY23.
- Of the government-wide net position, net investment in capital assets totaled \$40,545,527; approximately a 6.3% increase from the prior year. The unrestricted portion of the City's net position was a negative \$4,205,411. Unearned developer revenue in the business type activities represents a significant portion of the deficit.
- As of June 30, 2023, the City's governmental funds (General and Capital Projects) reported combined ending fund balances of \$833,948; an increase of \$25,000 or 3% compared to the prior year. Approximately 26% of the total governmental fund balance is available for spending at the government's discretion; 63% is assigned to non-cancelable leases, and 11% is committed.
- The City's governmental long-term debt obligations decreased \$24,700 while the business-type long-term debt obligations decreased \$414,631 from its prior fiscal year position.

Management's Discussion and Analysis

Grant Highlights

The following is an overview of the City's ongoing grants that were awarded, received or applied for during FY 2023.

- MD Department of Environment – An operating grant was awarded and received totaling \$53,688 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 2023.
- Chesapeake Bay Trust – awarded \$10,500 for tree planting from the Urban Trees Program and received \$9,450.
- Patrick Leahy Bullet-Proof Vest Grant – awarded \$2,496 for Police Department bullet-proof vests.
- Police Recruitment and Retention – awarded and received \$34,750 to provide incentives for police officers.
- DHCD – awarded \$200,000 by the Strategic Demolition Fund for renovation of the Berlin House.
- DHCD – awarded \$81,000 by the Community Legacy program for parking lot improvements at the Smoketown/Cannon's space on West Potomac Street.
- LPPI – awarded \$90,500 for playground equipment at the Campground.
- LPPI – awarded \$7,500 for basketball court resurfacing at Wenner Park.
- LPPI – awarded \$26,000 for basketball court resurfacing, fencing, and signage at Kim Weddle Park.
- LPPI – awarded \$175,000 for development of B&O Railroad Park.
- LPPI – awarded \$268,500 for playground, fencing, and basketball court resurfacing at Second Avenue Park.
- LPPI – awarded \$115,000 for roofing, painting, and fencing at City Park.

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

Management's Discussion and Analysis

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.

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

Management's Discussion and Analysis

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, 2023 and 2022.

The assets and deferred outflows of the City exceeded liabilities and deferred inflows by \$36,340,116 as of June 30, 2023; this is a \$2,750,320 increase from FY 2022. 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.

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 3,923,132	\$ 3,136,036	\$ 9,382,441	\$ 7,647,715	\$ 13,305,573	\$ 10,783,751
Capital assets, net	19,181,665	17,441,735	29,036,572	28,528,405	48,218,237	45,970,140
Deferred outflows of resources	1,588,707	807,316	415,950	203,433	2,004,657	1,010,749
Total assets and deferred outflows of resources	24,693,504	21,385,087	38,834,963	36,379,553	63,528,467	57,764,640
Other liabilities	1,032,958	1,272,718	717,810	649,369	1,750,768	1,922,087
Long-term liabilities outstanding	1,536,205	1,480,085	6,731,963	7,119,817	8,268,168	8,599,902
Net pension liability	2,371,106	1,175,484	605,427	292,036	2,976,533	1,467,520
Deferred inflows of resources	2,390,971	1,101,796	11,801,911	11,083,539	14,192,882	12,185,335
Total liabilities and deferred inflows of resources	7,331,240	5,030,083	19,857,111	19,144,761	27,188,351	24,174,844
Net position:						
Net investment in capital assets,	17,734,779	16,054,277	22,810,748	21,933,473	40,545,327	37,987,750
Restricted for capital projects	-	-	-	312,899	-	312,899
Unrestricted	(372,515)	300,727	(3,832,896)	(5,011,580)	(4,205,411)	(4,710,853)
Total net position	\$ 17,362,264	\$ 16,355,004	\$ 18,977,852	\$ 17,234,792	\$ 36,340,116	\$ 33,589,796

Management's Discussion and Analysis

At June 30, 2023 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. Governmental activities and business-type activities both reported a negative balance in unrestricted net position.

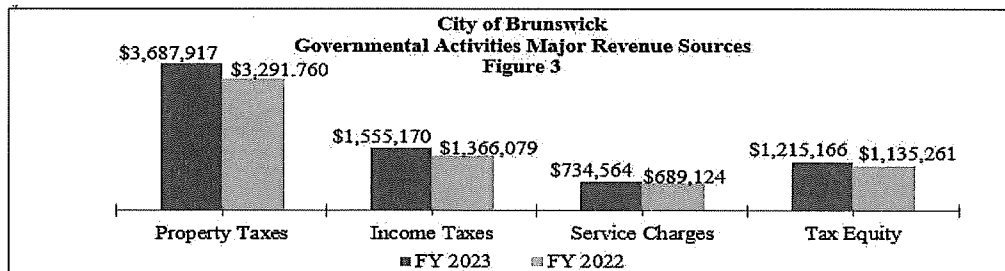
Governmental Activities

Governmental activities increased the City's net position by \$1,007,260 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, 2023 and 2022.

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

	Governmental Activities		Business-Type Activities		Total		Change
	2023	2022	2023	2022	2023	2022	
REVENUES							
Program Revenues							
Operating grants and contribution	698,960	537,622	53,688	82,788	752,648	620,410	132,238
Charges for services	734,564	689,124	5,133,693	4,997,071	5,868,257	5,686,195	182,062
Capital grants and contribution	1,185,775	2,809,555	-	-	1,185,775	2,809,555	(1,623,780)
Non-Op Cap Grants & Contrib	-	-	1,519,628	-	1,519,628	-	1,519,628
General Revenues							
Taxes	5,436,988	4,798,409	-	-	5,436,988	4,798,409	638,579
County Tax Equity	1,215,166	1,135,261	-	-	1,215,166	1,135,261	79,905
Income on investments	19,303	6,040	-	-	19,303	6,040	13,263
Rental income	89,858	30,820	115,018	103,018	184,874	133,838	51,036
Miscellaneous	224,960	316,622	81,770	105,279	306,730	421,901	(115,171)
TOTAL REVENUES	9,585,572	10,323,453	6,903,797	5,288,156	16,489,369	15,611,609	877,760
PROGRAM EXPENSES							
General government	(1,977,117)	(1,544,169)	-	-	(1,977,117)	(1,544,169)	(432,948)
Public safety	(2,484,506)	(1,821,513)	-	-	(2,484,506)	(1,821,513)	(662,993)
Public works	(2,710,408)	(2,379,717)	-	-	(2,710,408)	(2,379,717)	(330,691)
Waste collection and disposal	(824,823)	(449,009)	-	-	(824,823)	(449,009)	(375,814)
Recreation and culture	(515,115)	(416,118)	-	-	(515,115)	(416,118)	(98,997)
Community & Econ Development	(195,252)	(114,576)	-	-	(195,252)	(114,576)	(80,676)
Interest	(91,090)	(81,158)	-	-	(91,090)	(81,158)	(9,932)
Miscellaneous	-	(54,907)	-	-	-	(54,907)	54,907
Loss on disposal of capital assets	-	(178,210)	-	-	-	(178,210)	178,210
Business-type activities	-	-	(5,180,739)	(4,869,622)	(5,180,739)	(4,869,622)	(291,117)
TOTAL EXPENSES	(8,578,310)	(7,039,377)	(5,180,739)	(4,869,622)	(13,739,050)	(11,908,999)	(1,830,051)
TRANSFERS							
	-	-	-	-	-	-	-
CHANGE IN NET POSITION	1,007,260	3,284,076	1,743,058	418,534	2,750,318	3,702,610	(952,292)

In FY 2023 the City's general revenues from governmental activities totaled \$6,966,273; taxes (property taxes, income taxes, public utility taxes) represented 78% of total general revenues. Figure 3 below shows a year-to-year comparison of major revenue sources.



Management's Discussion and Analysis

Business-type Activities

Referring to Figure 2, business-type activities increased the City's net position by \$1,743,058. A key element for the positive shift in FY 2023 net position was the City's Non-Operating Revenue-Capital Grants and Contributions of \$1,519,628.

In FY 2023, the City's revenues from business-type activities totaled \$5,384,169 with Non-Operating Revenue of \$1,519,628 making Total Revenue of \$6,903,797; utility service charges for water and sewer represented 74% of Total Revenue. The increased rates in the City's service charge revenue exceeded expenses by \$190,776.

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 \$663,646. 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 \$1,208,923 to total fund expenditures of \$7,995,749.

At the end of the current fiscal year, total Capital Fund Balance was a negative (\$374,975). Primarily this is due to the delay of a large City Capital project. The City is aware of this deficit and will continue to factor this into FY24 resource management decisions.

At June 30, 2023, the governmental funds of City of Brunswick reported a combined fund balance of \$833,948 with a net increase in fund balance of \$25,070.

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. Department Heads, finance staff, and the Finance Committee reviewed and discussed the budget on a monthly basis. At year's end, actual revenues were \$201,838 more than the amended budgeted amount. More specifically, total tax revenues were \$86,797 more than the final appropriated budget amount and Intergovernmental Revenue were \$45,753 more than the final appropriated budget amount, more specifically Grant Revenue.

Total actual expenses were in line with budgeted expenses, due to a final budget amendment made by the City for fiscal year 2023.

Management's Discussion and Analysis

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 \$228,913; a decrease of \$125,133 from FY 2022. The Sewer Fund had an operating income of \$212,339; a decrease of \$80,921 from FY2022. The operating income/loss is derived by calculating the difference between operating revenues and operating expenses.

Depreciation expense for business-type activities amounted to \$1,710,022; an increase of 10%. 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 2023.

The Water Fund total operating revenues were comparable (less than 1%); whereas total operating expenses increased 1%. In FY2023 operating expenses for the Water Fund included depreciation and amortization costs of \$737,716; 30% of total operating expenses.

The Sewer Fund total operating revenues increased 3%; whereas total operating expenses increased 7%. In FY2023 operating expenses for the Sewer Fund included depreciation and amortization costs of \$972,306; 39% of total operating expenses.

Highlights of Fiscal Year 2024

- 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 million vs. \$3.6 million in FY2023. This is market driven, however FY2023 showed a slight decrease in new homes at 86 homes. Property assessments, other than appeals, will have a slight increase phased in over the next three years due to reassessed values as of January 1, 2022.
- 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 \$.38 by the State of Maryland.
- A corresponding increase in Income Tax revenues are anticipated to be \$1.6 million vs. the FY2023 of \$1.5 million.
- Tax Equity revenue received from Frederick County is estimated to show an increase to \$1,243,254 vs FY2023 revenue of \$1,215,166.
- State of Maryland Highway User Revenue is reported to increase to \$457,976 vs FY2023 revenue of \$361,381.

Management's Discussion and Analysis

The new Emergency Operations Center, Police Department, and Public Works Department building was completed in FY2024 after some delays due to supply chain issues. The City was awarded over \$2 million in State Bonds to offset the total cost of \$6.8 million dollars.

- The General Fund's anticipated revenues will be \$8.6 million vs. \$8.3 million in FY2023.
- The City raised water and sewer rates by at least 2% across all tiers in FY2024 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.
- The City will continue 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. Since many of these projects span multiple fiscal years, there is some carry-over from year to year regarding grant reimbursements. As these alternate funding sources will continue for some time, the City will continue to improve methods for tracking grant revenues and expenses.

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, 2023

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets			
Cash and cash equivalents	\$ 2,351,262	\$ 8,330,289	\$ 10,681,551
Restricted cash and investments	197,877	10,311	208,188
Taxes receivable	8,836	-	8,836
Accounts receivable, net of allowance	174,655	916,721	1,091,376
Due from other governments	478,535	35,543	514,078
Other receivables	47,508	6,139	53,647
Other assets	-	83,438	83,438
Capital Assets, including Right-to-use assets			
Capital assets not being depreciated	8,274,881	1,001,581	9,276,462
Capital assets being depreciated	19,050,204	55,767,170	74,817,374
Less: Accumulated depreciation and amortization	(8,143,420)	(27,732,179)	(35,875,599)
Capital assets, net	19,181,665	29,036,572	48,218,237
Property held for future sale	664,459	-	664,459
Total Assets	23,104,797	38,419,013	60,859,351
Deferred Outflows of Resources	1,588,707	415,950	2,004,657
Total Assets and Deferred Outflows of Resources	24,693,504	38,834,963	63,528,467
Liabilities			
Accounts payable	\$ 414,739	\$ 543,487	\$ 958,226
Accrued liabilities	82,721	72,113	154,834
Compensated absences	242,728	90,899	333,627
Retainage payable	154,687	-	154,687
Escrow deposits	64,970	11,311	76,281
Deposits held for specific purposes	73,113	-	73,113
Noncurrent liabilities			
Debt obligations due within one year	293,582	488,155	781,737
Debt obligations due in more than one year	1,153,304	5,737,669	6,890,973
Unamortized bond premium	89,319	506,139	595,458
Net pension liability	2,371,106	605,427	2,976,533
Total Liabilities	4,940,269	8,055,200	12,995,468
Deferred Inflows of Resources	2,390,971	11,801,911	14,192,882
Total Liabilities and Deferred Inflows of Resources	7,331,240	19,857,111	27,188,350
Net Position (Deficit)			
Net investment in capital assets	17,734,779	22,810,748	40,545,527
Unrestricted	(372,515)	(3,832,897)	(4,205,412)
Total Net Position	\$ 17,362,264	\$ 18,977,851	\$ 36,340,115

CITY OF BRUNSWICK, MARYLAND
Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	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	\$ (1,977,117)	\$ 108,826	\$ -	\$ (1,634,689)	\$ -	\$ (1,634,689)
Public safety	(2,464,506)	157,093	393,706	(1,912,968)	-	(1,912,968)
Public works	(2,710,408)	371,775	768,859	(1,562,359)	-	(1,562,359)
Waste collection and disposal	(624,823)	-	-	(263,343)	-	(263,343)
Recreation and culture	(515,115)	-	3,210	(380,577)	-	(380,577)
Community and economic development	(195,252)	61,266	20,000	(113,986)	-	(113,986)
Interest Expense	(91,090)	-	-	(91,090)	-	(91,090)
Total governmental activities	<u>(8,578,312)</u>	<u>698,960</u>	<u>1,185,775</u>	<u>(5,959,013)</u>	<u>-</u>	<u>(5,959,012)</u>
Business-type activities						
Water services	(2,582,169)	-	1,519,628	-	1,464,970	1,464,970
Sewer services	(2,578,570)	53,688	-	-	81,300	81,300
Total business-type activities	<u>(5,160,739)</u>	<u>53,688</u>	<u>1,519,628</u>	<u>-</u>	<u>1,546,270</u>	<u>1,546,270</u>
Total primary government	\$ (13,739,051)	\$ 752,648	\$ 2,705,403	(5,959,013)	1,546,270	1,546,270
General Revenues						
Taxes						
Property taxes, levied for general purposes				3,687,917	-	3,687,917
Income taxes				1,555,170	-	1,555,170
Other local taxes				193,901	-	193,901
County tax equity				1,215,166	-	1,215,166
Income on investments				19,303	-	19,303
Rental income				69,856	115,018	184,874
Administrative fees				-	10,000	10,000
Miscellaneous income				224,960	71,770	296,730
Total general revenues				<u>6,966,273</u>	<u>196,788</u>	<u>7,163,061</u>
Change in net position				<u>1,007,260</u>	<u>1,743,058</u>	<u>2,750,318</u>
Net position - beginning of year				<u>16,355,004</u>	<u>17,234,793</u>	<u>33,589,797</u>
Net position - end of year				<u>\$ 17,362,264</u>	<u>\$ 18,977,851</u>	<u>\$ 36,340,115</u>

The accompanying notes are an integral part of this statement.
Page 13

CITY OF BRUNSWICK, MARYLAND
Balance Sheet
Governmental Funds
June 30, 2023

	<u>Governmental Fund Types</u>		<u>Total Governmental Funds</u>
	<u>General</u>	<u>Capital Projects</u>	
Assets			
Cash and cash equivalents	\$ 2,351,262	\$ -	\$ 2,351,262
Restricted cash and investments	144,130	53,747	197,877
Receivables:			
Taxes	8,836	-	8,836
Customers	174,655	-	174,655
Other governments	380,635	97,900	478,535
Other	47,508	-	47,508
Due from other funds	-	980,995	980,995
Total Assets	<u>\$ 3,107,026</u>	<u>\$ 1,132,642</u>	<u>\$ 4,239,668</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	\$ 181,115	\$ 233,624	\$ 414,739
Accrued liabilities	82,721	-	82,721
Retainage payable	-	154,687	154,687
Escrow deposits	64,970	-	64,970
Deposits held for specific purposes	73,113	-	73,113
Due to other funds	980,995	-	980,995
Total Liabilities	<u>1,382,914</u>	<u>388,311</u>	<u>1,771,225</u>
Deferred Inflows of Resources	515,189	1,119,306	1,634,495
Total Liabilities and Deferred Inflows of Resources	<u>1,898,103</u>	<u>1,507,617</u>	<u>3,405,720</u>
Fund Balances (Deficit)			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	38,920	53,747	92,667
Assigned	506,357	20,000	526,357
Unassigned	663,646	(448,722)	214,924
Total Fund Balances (Deficit)	<u>1,208,923</u>	<u>(374,975)</u>	<u>833,948</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,107,026</u>	<u>\$ 1,132,642</u>	<u>\$ 4,239,668</u>

CITY OF BRUNSWICK, MARYLAND
Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	General	Capital Projects	Total Governmental Funds
Revenues			
Local property taxes	\$ 3,687,917	\$ -	\$ 3,687,917
Local income taxes	1,555,170	-	1,555,170
Other local taxes	193,901	-	193,901
Licenses and permits	125,381	-	125,381
Intergovernmental revenues	1,914,126	1,656,340	3,570,466
User fees	217,724	-	217,724
Waste collection and disposal	361,480	-	361,480
Fines and forfeitures	29,979	-	29,979
Miscellaneous	293,798	26,652	320,450
Total Revenues	8,379,476	1,682,992	10,062,468
Expenditures			
General government	1,935,992	29,864	1,965,856
Public safety	2,370,784	807,258	3,178,042
Public works	2,127,702	1,513,465	3,641,167
Waste collection and disposal	624,823	-	624,823
Recreation and culture	393,230	36,573	429,803
Economic development	186,542	-	186,542
Debt service	356,676	-	356,676
Total Expenditures	7,995,749	2,387,160	10,382,909
Excess (Deficiency) of Revenues over Expenditures	383,727	(704,168)	(320,441)
Other Financing Sources (Uses)			
Transfers	(957,000)	957,000	-
Proceeds from new debt	325,014	-	325,014
Proceeds from sale of capital assets	20,497	-	20,497
Total Other Financing Sources (Uses)	(611,489)	957,000	345,511
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(227,762)	252,832	25,070
Fund Balance - July 1, 2022	1,436,685	(627,807)	
Fund Balance (Deficit) - June 30, 2023	\$ 1,208,923	\$ (374,975)	
Adjustments for the Statement of Activities			
Capital outlay			2,731,320
Depreciation and amortization expense			(991,390)
Net decrease in deferred inflows of resources - grant revenues			(500,693)
Compensated absences			(7,873)
Debt service expenditures			265,586
Debt proceeds			(325,014)
Amortization of bond premium			3,308
Net pension adjustment			(193,054)
Change in Net Position of Governmental Activities			\$ 1,007,260

The accompanying notes are an integral part of this statement.

CITY OF BRUNSWICK, MARYLAND
Reconciliation of Fund Balance to Net Position of Governmental Activities
June 30, 2023

Fund balances - governmental funds	\$ 833,948
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	19,181,665
Property held for future sale	664,459
Deferred outflows of resources - pension	1,588,707
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	124,141
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 \$89,319	(1,536,205)
Compensated absences	(242,728)
Net pension liability	(2,371,106)
Deferred inflows of resources - pension	<u>(880,617)</u>
Net position - governmental activities	<u>\$ 17,362,264</u>

CITY OF BRUNSWICK, MARYLAND
Statement of Net Position
Proprietary Funds
June 30, 2023

	Business-Type Activities - Enterprise Funds		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Assets			
Current Assets			
Cash and cash equivalents	\$ 5,722,726	\$ 2,607,563	\$ 8,330,289
Restricted cash	10,311	-	10,311
Due from customers	440,204	476,517	916,721
Due from other governments	-	35,543	35,543
Other receivables	6,139	-	6,139
Other assets	83,438	-	83,438
Due from water fund	-	2,949,482	2,949,482
Total Current Assets	<u>6,262,818</u>	<u>6,069,105</u>	<u>12,331,923</u>
Capital Assets, including intangible right-to-use assets			
Capital assets not being depreciated	964,124	37,457	1,001,581
Capital assets being depreciated	23,129,598	32,637,572	55,767,170
Less: Accumulated depreciation and amortization	(10,715,856)	(17,016,323)	(27,732,179)
Total Capital Assets, net	<u>13,377,866</u>	<u>15,658,706</u>	<u>29,036,572</u>
Total Assets	<u>19,640,684</u>	<u>21,727,811</u>	<u>41,368,495</u>
Deferred Outflows of Resources	<u>189,884</u>	<u>226,066</u>	<u>415,950</u>
Total Assets and Deferred Outflows of Resources	<u>19,830,568</u>	<u>21,953,877</u>	<u>41,784,445</u>
Liabilities			
Current Liabilities			
Accounts payable	\$ 505,920	\$ 37,567	\$ 543,487
Accrued liabilities	31,973	40,140	72,113
Compensated absences	46,784	44,115	90,899
Escrow deposits	11,311	-	11,311
Current portion of debt obligations	261,027	227,128	488,155
Due to sewer fund	2,949,483	-	2,949,483
Total Current Liabilities	<u>3,806,498</u>	<u>348,950</u>	<u>4,155,448</u>
Noncurrent Liabilities			
Advances from general fund	-	-	-
Net pension liability	276,222	329,205	605,427
Unamortized bond premium	297,729	208,410	506,139
Long-term debt obligations	3,324,246	2,413,423	5,737,669
Total Noncurrent Liabilities	<u>3,898,197</u>	<u>2,951,038</u>	<u>6,849,235</u>
Total Liabilities	<u>7,704,695</u>	<u>3,299,988</u>	<u>11,004,683</u>
Deferred Inflows of Resources	<u>7,311,086</u>	<u>4,490,825</u>	<u>11,801,911</u>
Total Liabilities and Deferred Inflows of Resources	<u>15,015,781</u>	<u>7,790,813</u>	<u>22,806,594</u>
Net Position			
Net investment in capital assets	9,792,593	13,018,155	22,810,748
Restricted for capital projects	-	-	-
Unrestricted	(4,977,806)	1,144,909	(3,832,897)
Total Net Position	<u>\$ 4,814,787</u>	<u>\$ 14,163,064</u>	<u>\$ 18,977,851</u>

The accompanying notes are an integral part of this statement.
Page 17

CITY OF BRUNSWICK, MARYLAND
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2023

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues			
Charges for services	\$ 2,527,511	\$ 2,606,182	\$ 5,133,693
Rental income	115,018	-	115,018
Intergovernmental revenues - operating grants	-	53,688	53,688
Miscellaneous	44,337	37,433	81,770
Total Operating Revenues	2,686,866	2,697,303	5,384,169
Operating Expenses			
Personnel services	874,698	721,427	1,596,125
Operating	845,539	791,231	1,636,770
Depreciation and amortization	737,716	972,306	1,710,022
Total Operating Expenses	2,457,953	2,484,964	4,942,917
Operating income	228,913	212,339	441,252
Nonoperating Revenues (Expenses)			
Intergovernmental revenues - capital grants	1,519,628	-	1,519,628
Interest expense and fees	(124,216)	(93,606)	(217,822)
Total Nonoperating Revenues (Expenses)	1,395,412	(93,606)	1,301,806
Net income	1,624,325	118,733	1,743,058
Change in Net Position	1,624,325	118,733	1,743,058
Total Net Position, beginning of year	<u>3,190,462</u>	<u>14,044,331</u>	<u>17,234,793</u>
Total Net Position, end of year	<u>\$ 4,814,787</u>	<u>\$ 14,163,064</u>	<u>\$ 18,977,851</u>

CITY OF BRUNSWICK, MARYLAND
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2023

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Cash flows from operating activities			
Cash received from customers and users	\$ 3,264,387	\$ 2,555,289	\$ 5,819,677
Cash received from other governments	3,921	152,449	156,370
Other operating cash receipts	33,310	14,789	48,099
Cash payments to developers	1,000	-	1,000
Cash payments to suppliers	(557,526)	(1,014,153)	(1,571,679)
Cash payments to employees for services	<u>(824,522)</u>	<u>(640,148)</u>	<u>(1,464,670)</u>
Net cash provided by operating activities	<u>1,920,570</u>	<u>1,068,226</u>	<u>2,988,796</u>
 Cash flows from capital and related financing activities			
Purchase of capital assets	(701,224)	(266,616)	(967,840)
Current year construction of capital assets	(1,240,953)	(9,595)	(1,250,548)
Cash received from other governments - capital grants	1,519,628	-	1,519,628
Payment on interfund advance	-	(47,806)	(47,806)
Proceeds from capital debt	5,806	83,105	88,911
Principal paid on capital debt	(246,612)	(211,407)	(458,019)
Interest paid on capital debt	<u>(126,576)</u>	<u>(94,804)</u>	<u>(221,380)</u>
Net cash used in capital and related financing activities	<u>(789,931)</u>	<u>(547,124)</u>	<u>(1,337,055)</u>
 Net increase (decrease) in cash, cash equivalents and restricted cash	1,130,639	521,102	1,651,741
Cash, cash equivalents and restricted cash - beginning of year	<u>4,602,397</u>	<u>2,086,461</u>	<u>6,688,858</u>
Cash, cash equivalents and restricted cash - end of year	<u>\$ 5,733,036</u>	<u>\$ 2,607,563</u>	<u>\$ 8,340,600</u>
 Reconciliation to Statement of Net Position:			
Cash and cash equivalents	5,722,726	2,607,563	8,330,289
Restricted cash	<u>10,311</u>	<u>-</u>	<u>10,311</u>
	<u>\$ 5,733,036</u>	<u>\$ 2,607,563</u>	<u>\$ 8,340,600</u>

The accompanying notes are an integral part of this statement.

CITY OF BRUNSWICK, MARYLAND
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2023

	Business-Type Activities - Enterprise Funds		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 228,913	\$ 212,339	\$ 441,252
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	737,716	972,306	1,710,022
Bond premium	(11,027)	(7,719)	(18,746)
Net change in operating assets and liabilities			
Due from customers	(19,419)	(15,851)	(35,270)
Due from other governments	-	(13,376)	(13,376)
Other receivables	3,921	-	3,921
Other assets	(38,260)	-	(38,260)
Deferred outflows of resources	(90,266)	(122,251)	(212,517)
Accounts & retainage payable	326,273	(222,922)	103,351
Accrued liabilities	13,907	1,749	15,656
Escrow deposits	1,000	-	1,000
Net pension liability	126,535	186,856	313,391
Deferred inflows of resources	646,575	71,797	718,372
Interfund activity	(5,298)	5,298	-
Net cash provided by operating activities	<u>\$ 1,920,570</u>	<u>\$ 1,068,226</u>	<u>\$ 2,988,796</u>

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2023

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, 2023

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 2023:

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).

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.

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2023

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, 2023, 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, 2023 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.

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2023

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, 2023

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). Restricted fund balance in the governmental funds represents \$20,000 restricted by the donor for Railroad Square renovations.

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 \$53,747 in collected impact fees and \$38,920 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 \$506,357 for the remaining capital lease obligations of eight separate capital leases.

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, 2023

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, 2023, the General Fund transferred \$957,000 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 2023, 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, 2023

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 \$10,889,739; the bank balance was \$11,137,510 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, 2023.

Included in cash and cash equivalents, the City had \$145,609 invested in the Maryland Local Government Investment Pool (MLGIP) as of June 30, 2023.

The City's cash and investments as of June 30, 2023, 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, 2023

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 2,351,262	\$ 8,330,289	\$ 10,681,551
Restricted cash and investments	197,877	10,311	208,188
	<u>\$ 2,549,139</u>	<u>\$ 8,340,600</u>	<u>\$ 10,889,739</u>

Custodial Credit Risk

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash on hand	\$ 1,200	\$ -	\$ 1,200
Deposits in banks	2,067,554	8,340,600	10,408,154
Certificates of deposit	334,776	-	334,776
Investment pools (MLGIP)	145,609	-	145,609
	<u>\$ 2,549,139</u>	<u>\$ 8,340,600</u>	<u>\$ 10,889,739</u>

As of June 30, 2023, 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	\$ 317,871	\$ 317,871	\$ -	94.95%
Certificate of deposit restricted	16,905	16,905	-	5.05%
	<u>\$ 334,776</u>	<u>\$ 334,776</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, 2023

**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, 2023 were 5.06% 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, 2023 was \$913,024,374. The property tax rate was \$0.41 per \$100 of assessed value.

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2023

NOTE 5- CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2023</u>
Capital assets, not being depreciated:					
Land and land improvements	\$ 537,574	\$ -	\$ -	\$ -	\$ 537,574
Historical Collections	58,736	-	-	-	58,736
Projects under construction	<u>6,158,667</u>	<u>2,387,160</u>	<u>-</u>	<u>(867,256)</u>	<u>7,678,571</u>
Total capital assets not being depreciated	<u>6,754,977</u>	<u>2,387,160</u>	<u>-</u>	<u>(867,256)</u>	<u>8,274,881</u>
Capital assets, being depreciated:					
Buildings	1,875,571	-	-	-	1,875,571
Improvements and infrastructure	12,732,291	-	-	462,954	13,195,245
Machinery and equipment	1,183,960	-	(81,171)	153,470	1,256,259
Vehicles	1,259,527	-	(204,796)	250,832	1,305,563
Software	88,025	-	-	-	88,025
Right-to-use asset; leased equipment	257,297	139,623	-	-	396,920
Right-to-use asset; leased vehicle	<u>728,084</u>	<u>204,537</u>	<u>-</u>	<u>-</u>	<u>932,621</u>
Total capital assets being depreciated	18,124,755	344,160	(285,967)	867,256	19,050,204
Less accumulated depreciation and amortization:					
Buildings	(814,348)	(52,023)	-	-	(866,371)
Improvements and infrastructure	(4,268,985)	(528,084)	-	-	(4,797,069)
Machinery and equipment	(752,403)	(101,952)	-	-	(854,355)
Vehicles	(904,660)	(250,782)	204,796	-	(950,646)
Software	(83,488)	(1,296)	-	-	(84,784)
Right-to-use asset; leased equipment	(234,134)	(20,943)	81,171	-	(173,906)
Right-to-use asset; leased vehicle	<u>(379,979)</u>	<u>(36,310)</u>	<u>-</u>	<u>-</u>	<u>(416,289)</u>
Total accumulated depreciation and amortization	(7,437,997)	(991,390)	285,967	-	(8,143,420)
Total capital assets being depreciated, net	<u>10,686,758</u>	<u>(647,230)</u>	<u>-</u>	<u>867,256</u>	<u>10,906,784</u>
Governmental Activities capital assets, net	<u>\$ 17,441,735</u>	<u>\$ 1,739,930</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,181,665</u>

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

Governmental activities:

General government	\$ 66,075
Public safety	113,364
Public works	690,065
Parks and recreation	<u>121,886</u>
	<u>\$ 991,390</u>

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2023

NOTE 5- CAPITAL ASSETS (Continued)

Business-type Activities	Balance July 1, 2022	Additions	Disposals	Transfers	Balance June 30, 2023
Capital assets, not being depreciated:					
Land and land improvements	\$ 28,068	\$ -	\$ -	\$ -	\$ 28,068
Projects under construction	22,254	1,250,548	-	(299,289)	973,513
Total capital assets not being depreciated	<u>50,322</u>	<u>1,250,548</u>	<u>-</u>	<u>(299,289)</u>	<u>1,001,581</u>
Capital assets, being depreciated:					
Buildings and improvements	9,089,874	-	-	-	9,089,874
Infrastructure	42,522,796	660,520	-	285,481	43,468,797
Machinery and equipment	2,633,044	158,529	(63,627)	13,808	2,741,754
Vehicles	119,412	55,959	(41,040)	-	134,331
Right-to-use asset; leased equipment	52,011	28,598	(11,684)	-	68,925
Right-to-use asset; leased vehicle	215,898	64,234	(16,644)	-	263,488
Total capital assets being depreciated	<u>54,633,035</u>	<u>967,840</u>	<u>(132,995)</u>	<u>299,289</u>	<u>55,767,170</u>
Less accumulated depreciation and amortization:					
Buildings and improvements	(8,772,630)	(96,694)	-	-	(8,869,324)
Infrastructure	(15,175,530)	(1,419,109)	-	-	(16,594,639)
Machinery and equipment	(1,927,015)	(145,351)	63,627	-	(2,008,739)
Vehicles	(119,413)	(36,014)	41,040	-	(114,387)
Right-to-use asset; leased equipment	(47,536)	(4,289)	11,684	-	(40,141)
Right-to-use asset; leased vehicle	(113,028)	(8,565)	16,644	-	(104,949)
Total accumulated depreciation and amortization	<u>(26,155,152)</u>	<u>(1,710,022)</u>	<u>132,995</u>	<u>-</u>	<u>(27,732,179)</u>
Total capital assets being depreciated, net	<u>28,477,883</u>	<u>(742,182)</u>	<u>-</u>	<u>299,289</u>	<u>28,034,991</u>
Business-type Activities capital assets, net	<u>\$ 28,528,205</u>	<u>\$ 508,366</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,036,572</u>

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

Business-type activities

Water	\$ 737,716
Sewer	<u>972,306</u>
	<u>\$ 1,710,022</u>

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2023

NOTE 6- LONG-TERM DEBT OBLIGATIONS

Debt outstanding as of June 30, 2023 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%	\$ 130,529
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%	810,000
Capital Lease - five vehicles; Due 2023; Annual principal and interest payments of approximately \$42,900, including residual value of \$37,816	16.07%	49,016
Capital Lease - keycard access and server; Due 2023; annual principal and interest payments of approximately \$1,410	9.87%	15,161
Capital Lease - four vehicles; Due 2025; annual principal and interest payments of approximately \$46,300, including residual value of \$31,182	20.16%	57,885
Capital Lease - Vac-Con truck; Due 2023; annual principal and interest payments of approximately \$46,400	3.56%	57,449
Capital Lease - three vehicles; Due 2026; Annual principal and interest payments of approximately \$28,800	22% - 25%	58,589
Capital Lease - five vehicles; Due 2027; Annual principal and interest payments of approximately \$53,200	22% - 25%	165,057
Capital Lease - IT equipment; Due 2028; Annual principal and interest payments of approximately \$26,650	5.73%	<u>103,200</u>
Total Governmental Activities Debt		<u>\$ 1,446,886</u>

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2023

NOTE 6- LONG-TERM DEBT OBLIGATIONS (Continued)

Debt outstanding as of June 30, 2023 is as follows:

<u>Enterprise Debt</u>	<u>Rate</u>	<u>Amount</u>
2004 I&I Water Quality Bond to the Maryland Water Quality Financing Administration; Due 2024; Annual principal and interest payments of approximately \$27,000	0.40%	\$ 27,335
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%	51,001
2012 Tax-Exempt Bond payable to PNC Bank; Due 2030; Annual principal and interest payments fluctuate throughout the life of the bonds	2.90%	1,430,825
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%	4,590,000
Capital Lease - keycard access and server; Due 2023; annual principal and interest payments of approximately \$330	9.87%	2,396
Capital Lease - two vehicles; Due 2025; annual principal and interest payments of approximately \$11,500, including residual value of \$10,417	22.76%	11,844
Capital Lease - Vac-Con truck; Due 2023; annual principal and interest payments of approximately \$30,900	3.56%	37,165
Capital Lease - one vehicle; Due 2027; annual principal and interest payments of approximately \$17,600, including residual value of \$15,067	27.10%	55,669
Capital Lease - IT equipment; Due 2028; Annual principal and interest payments of approximately \$5,500	5.73%	<u>19,589</u>
Total Enterprise Fund Debt		<u>\$ 6,225,824</u>

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2023

NOTE 6- LONG-TERM DEBT OBLIGATIONS (Continued)

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

	<u>General Government</u>		<u>Enterprise</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 293,582	\$ 70,655	\$ 488,155	\$ 208,994
2025	159,417	56,599	429,749	188,712
2026	132,302	45,123	426,925	171,686
2027	123,672	37,753	442,328	153,845
2028	71,890	22,234	448,266	133,014
2029-2033	273,023	70,011	1,765,671	406,302
2034-2038	272,250	33,134	1,542,750	193,457
2039-2043	120,750	2,895	681,980	16,402

Interest expense

For the year ended June 30, 2023, total interest was \$309,930 and reported as follows: interest expense of \$91,090 for governmental activities and \$217,822 for business-type activities. Cash paid for interest for business-type activities was \$221,381.

Changes in Long-Term Liabilities

During the year ended June 30, 2023 the following changes occurred in long-term liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due in 1 year</u>
Governmental activities:					
Bonds payable	\$ 987,746	\$ -	\$ (47,217)	\$ 940,529	\$ 50,139
Unamortized bond premium	92,627	-	(3,308)	89,319	-
Capital leases	<u>399,712</u>	<u>325,014</u>	<u>(218,369)</u>	<u>506,357</u>	<u>243,443</u>
Governmental activities - Long-term liabilities	<u>\$ 1,480,085</u>	<u>\$ 325,014</u>	<u>\$ (268,894)</u>	<u>\$ 1,536,205</u>	<u>\$ 293,582</u>
Business-type activities:					
Bonds payable	\$ 6,499,313	\$ -	\$ (400,152)	\$ 6,099,161	\$ 420,619
Unamortized bond premium	524,885	-	(18,746)	506,139	-
Capital leases	<u>95,619</u>	<u>88,911</u>	<u>(57,867)</u>	<u>126,663</u>	<u>67,536</u>
Business-type activities - Long-term liabilities	<u>\$ 7,119,817</u>	<u>\$ 88,911</u>	<u>\$ (476,765)</u>	<u>\$ 6,731,963</u>	<u>\$ 488,155</u>

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2023

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, 2023

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:

2014	\$146,700
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

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

2014	\$127,454
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

Total pension expense for the year ended June 30, 2022 was \$632,412.

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2023

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, 2022
Inflation	In the 2022 actuarial valuation, 2.25% general, 2.75% wage In the 2021 actuarial valuation, 2.60% general, 3.10% wage
Salary Increases	In the 2022 actuarial valuation, 2.75% to 11.25% In the 2021 actuarial valuation, 2.75% to 9.25%
Investment Rate of Return	In the 2022 actuarial valuation, 6.80% In the 2021 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 2019 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, 2022, these best estimates are summarized in the following table:

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2023

NOTE 7- EMPLOYEE BENEFITS (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	34.0%	6.0%
Private Equity	16.0%	8.4%
Rate Sensitive	21.0%	1.2%
Credit Opportunity	8.0%	4.9%
Real Assets	15.0%	5.2%
Absolute Return	<u>6.0%</u>	3.5%
Total	100.0%	

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, 2022. For the year ended June 30, 2022, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was (2.97)%. 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)	\$ 4,566,948	\$ 2,976,533	\$ 1,656,857

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2023

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

For the year ended June 30, 2023, 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	\$ 182,253	\$ 32,771
Difference between actual and expected experience		175,245
Net difference between projected and actual earnings on pension plan investments	767,827	487,829
Change in proportionate share	668,268	392,303
City contributions subsequent to the measurement date	<u>386,309</u>	<u>-</u>
	<u>\$ 2,004,657</u>	<u>\$ 1,088,148</u>
Other deferred inflows:		
Connection charges		127,063
Unearned revenue - other		1,609,017
Unearned grant revenue - ARPA		4,835,631
Developer contributions		<u>6,533,023</u>
		<u>\$ 14,192,882</u>

Deferred outflows of resources of \$386,309 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, 2024.

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:

2024	\$ (86,161)
2025	(62,859)
2026	(80,127)
2027	(255,080)
2028	<u>(45,973)</u>
	<u>\$ (530,200)</u>

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2023

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, 2023, 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 2023 OMB *Compliance Supplement*. Total CSLFRF funds spent during fiscal year 2023 were \$1,470,528.

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, 2023

NOTE 11- DEFICIT FUND BALANCE

The Capital Projects Fund had a deficit fund balance at June 30, 2023 of (\$374,975). The deficit was caused by an excess of unexpected construction costs from the police & public works building. The Mayor and management of the City are aware of the deficit and have revenue streams identified for fiscal year 2024 to cure the deficit.

NOTE 12- 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 November 30, 2023, 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.

In July 2023, the City executed a lease agreement for copier & printer equipment for a 63 month term with a total commitment value of \$111,069.

In July 2023, the City purchased a medical center building for a gross sales price of \$825,039, with a total cash payment by the City of \$506,769 for the purchase.

In September 2023, the City purchased the WTRI Radio Station property for a gross sales price of \$358,706, with a total cash payment by the City of \$337,956 for the purchase.

In October 2023, the City issued \$1,270,450 of tax exempt Public Improvements Bond, Series 2023A and \$518,550 of taxable Public Improvements Bond, Series 2023B. The bonds mature in October 2043 and the Series 2023A bonds have an interest rate of 4.77%, and the Series 2023B bonds have an interest rate of 6.26%.

CITY OF BRUNSWICK, MARYLAND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual - General Fund
For the Year Ended June 30, 2023

	Original Budget	Final Appropriated Budget	(Budgetary Basis) Actual	Variance with Final Budget- Positive (Negative)
REVENUES				
Taxes	\$ 5,141,947	\$ 5,350,191	\$ 5,436,988	\$ 86,797
Licenses and Permits	129,000	129,000	125,381	(3,619)
Intergovernmental Revenues	1,737,566	1,868,373	1,914,126	45,753
Service Charges				
User Fees	155,000	155,000	217,724	62,724
Waste Collection and Disposal	381,030	381,030	361,480	(19,550)
Total Service Charges	536,030	536,030	579,204	43,174
Fines and Forfeitures	11,700	11,700	29,979	18,279
Miscellaneous Revenues	215,770	282,345	293,798	11,453
Total Revenues	\$ 7,772,013	\$ 8,177,639	\$ 8,379,476	\$ 201,838
EXPENDITURES				
General Government				
Executive & Legislative	\$ 127,474	\$ 167,016	\$ 153,133	\$ 13,883
Financial Administration	999,486	1,045,805	1,025,914	19,891
Planning, Zoning, & Enforcement	593,171	673,484	639,369	34,115
Total General Government	1,720,131	1,886,305	1,818,416	67,888
Public Safety				
Police Department	2,227,337	2,304,587	2,325,842	(21,255)
Fire and Rescue Contributions	45,000	45,000	44,942	58
Total Public Safety	2,272,337	2,349,587	2,370,784	(21,196)
Public Works				
Highways and Streets	2,225,967	2,237,926	2,127,702	110,224
Total Public Works	2,225,967	2,237,926	2,127,702	110,224

The accompanying notes are an integral part of this schedule.

CITY OF BRUNSWICK, MARYLAND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual - General Fund
For the Year Ended June 30, 2023

	Original Budget	Final Appropriated Budget	(Budgetary Basis) Actual	Variance with Final Budget- Positive (Negative)
Waste Collection and Disposal	519,262	519,262	624,823	(105,561)
Recreation and Culture				
Parks	82,000	85,477	138,066	(52,589)
Pool	97,600	97,600	106,726	(9,126)
Berlin Cemetery	3,000	3,000	-	3,000
Campground	24,800	24,800	22,358	2,442
Special Events	<u>111,732</u>	<u>111,732</u>	<u>126,080</u>	<u>(14,348)</u>
Total Recreation and Culture	319,132	322,609	393,230	(70,621)
Economic Development				
Economic Development	37,109	37,109	1,573	35,536
MainStreet Program	<u>108,685</u>	<u>169,951</u>	<u>184,969</u>	<u>(15,018)</u>
Total Economic Development	145,794	207,060	186,542	20,518
Miscellaneous				
Contributions & Donations	<u>51,000</u>	<u>125,000</u>	<u>117,576</u>	<u>7,424</u>
Total Miscellaneous	51,000	125,000	117,576	7,424
Debt Service	<u>348,000</u>	<u>348,000</u>	<u>356,676</u>	<u>(8,676)</u>
Total Expenditures	7,601,623	7,995,749	7,995,749	-
Other Financing Sources (Uses)				
Transfers	(407,000)	(957,000)	(957,000)	-
Debt proceeds	234,610	204,610	325,014	120,404
Sale of capital assets	<u>2,000</u>	<u>20,500</u>	<u>20,497</u>	<u>(3)</u>
Total Other Financing Sources (Uses)	<u>(170,390)</u>	<u>(731,890)</u>	<u>(611,489)</u>	<u>120,401</u>
Budgeted use of Fund Balance	<u>-</u>	<u>550,000</u>	<u>-</u>	<u>(550,000)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (227,762)</u>	<u>\$ (227,762)</u>

The accompanying notes are an integral part of this schedule.

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

	2023	2022	2021	2020	2019
For the Year Ended June 30					
City's proportion of the net pension liability	0.014876319%	0.009781964%	0.008680137%	0.007111082%	0.006084879%
City's proportionate share of the net pension liability	\$ 2,976,533	\$ 1,467,520	\$ 1,961,829	\$ 1,466,704	\$ 1,276,705
Covered-employee payroll	\$ 3,534,398	\$ 3,212,135	\$ 2,943,571	\$ 2,855,987	\$ 2,487,954
City's proportionate share of net pension liability as a percentage of its covered-employee payroll	84.22%	45.69%	66.65%	51.36%	51.32%
Plan Fiduciary Net position as a % of total pension liability	76.27%	81.84%	70.72%	72.34%	71.18%

CITY OF BRUNSWICK, MARYLAND
Schedule of Contributions and Related Ratios

	2023	2022	2021	2020	2019
For the Year Ended June 30					
Contractually required contribution	\$ 386,309	\$ 339,523	\$ 215,548	\$ 186,107	\$ 146,025
Actual contribution	(386,309)	(339,523)	(215,548)	(186,107)	(146,025)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 3,534,398	\$ 3,212,135	\$ 2,943,571	\$ 2,855,987	\$ 2,487,954
Contributions as a percentage of covered-employee payroll	10.93%	10.57%	7.32%	6.52%	5.87%

The accompanying notes are an integral part of this schedule.
Page 46

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

	2018	2017	2016	2015
	0.004865486%	0.005913001%	0.006547945%	0.005469283%
\$	1,147,964	\$ 1,395,115	\$ 1,360,775	\$ 970,619
\$	2,284,090	\$ 2,187,278	\$ 2,139,205	\$ 2,077,008
	<u>50.26%</u>	<u>63.78%</u>	<u>63.61%</u>	<u>46.73%</u>
	<u>69.38%</u>	<u>65.79%</u>	<u>68.78%</u>	<u>71.87%</u>

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

	2018	2017	2016	2015
\$	121,337	\$ 108,053	\$ 115,190	\$ 138,013
	(121,337)	(108,053)	(115,190)	(138,013)
\$	-	-	-	-
\$	2,284,090	\$ 2,187,278	\$ 2,139,205	\$ 2,077,008
	5.31%	4.94%	5.38%	6.64%

The accompanying notes are an integral part of this schedule.
Page 47



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, 2023, 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 November 30, 2023.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and responses as Finding 2023-001 to be a material weakness.

**City of Brunswick, Maryland
Independent Auditors' Report
Page 2**

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. We consider the deficiencies described in the accompanying schedule of findings and responses as Findings 2023-002 and 2023-003 to be significant deficiencies.

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
November 30, 2023**

City of Brunswick, Maryland
Schedule of Findings and Responses
For the Year Ended June 30, 2023

Finding 2023-001 – Internal Controls over Accounts Payable

Criteria: The City is responsible for having adequate internal controls over its accounts payable process to ensure all costs are recorded in the proper period.

Condition: During our search for unrecorded liabilities, we identified several invoices that were not properly included in accounts payable at year-end. Additional capital outlay costs were recorded as of year-end in both the Capital Projects Fund and the Water Fund. In addition, an adjustment was made to record the related grant income for applicable grant funded capital projects.

Cause: It appears the invoices were entered into the Accounts Payable module based on the invoice date, and not the services rendered date.

Effect: Additional capital outlay costs were recorded for the following amounts, as a result of adjusting for accounts payables as follows:

Capital Projects Fund	\$ 167,788
Water Fund	<u>485,745</u>
Total Payables	\$ <u>653,533</u>

In addition, grant income of \$485,745 was also recorded in the Water Fund as the projects were grant funded.

Recommendation: We recommend the City review its current internal control policies over accounts payable and make changes as applicable, to ensure payables are properly recorded in the correct period and there is sufficient review over entered payables to detect any mistakes on a timely basis.

Response: The City of Brunswick is committed to transparency in all financial processes and the resulting financial reports. Management understands the importance of internal control over financial reporting. To this end, the material weakness finding concerning internal controls over Accounts Payable has warranted careful and thoughtful consideration.

City management believes it is important to acknowledge the context surrounding recent challenges and subsequent changes in the Accounts Payable position. The City is in the process of training new staff on procedures in Accounts Payable. Additionally, the Accounts Payable position used to have shared duties with another job; a situation that worked well several years ago, however had become overwhelming. This hybrid job description was changed in August of 2023 to reflect the importance of the Accounts Payable duties. The City will review and implement policy to perform at a minimum, quarterly review, and reconciliations, to alleviate improper recordings in incorrect periods. This review and reconciliation process will be conducted by the Accountant with oversight from the Director of Administration. During June and July, the last month of the previous fiscal year and first month of the next fiscal year, weekly reviews and reconciliations will be conducted. This time period during the fiscal year is particularly susceptible to errors in posting to the incorrect period and therefore requires closer scrutiny.

City of Brunswick, Maryland
Schedule of Findings and Responses
For the Year Ended June 30, 2023

Finding 2023-002 – Internal Controls over Financial Reporting

Criteria: The City is responsible for ensuring there is an effective financial close and reporting process and accounts reconciliations are performed to allow for the City's internal financial statements to be fairly stated.

Condition: In addition to the above adjustments noted in Finding 2023-001, we identified other audit adjustments which had an effect on all four funds of the City. The following entries were identified and corrected;

- To adjust the USDA grant from revenue to deferred inflows - Capital Projects Fund
- To record the bond premium reduction for the fiscal year - Water Fund and Sewer Fund
- To adjust the cash surety account to match the corresponding liability - General Fund
- To record the new IT equipment lease - General Fund, Water Fund and Sewer Fund
- To record capital asset disposals - Water Fund and Sewer Fund
- To adjust the Railroad Square donation from deferred inflows to restricted revenue - Capital Projects Fund
- To reclass ARPA deferred revenues to each fund based on the projected projects

Cause: It appears the entries were an oversight during the financial close process.

Effect: There is a potential risk that the internal financial statements of the City are not fairly stated when numerous entries are identified during the annual audit.

Recommendation: We recommend the City review its financial close and reporting process, frequency of account reconciliations and make changes as determined applicable to ensure the City's transactions are properly recorded.

Response: Management acknowledges this finding of significant deficiency and proposes the following changes to improve the governance of these internal controls.

The City will do a more thorough review before the auditors arrive onsite. The City will review and implement at a minimum, quarterly reviews to alleviate the risk of potential misclassification. Also, a financial close check list with due dates will be developed for future reference. The Director of Administration will ensure the check list is used during the financial close and that the due dates leading up to the year-end close-out are being met. The Accountant may suggest a day to meet with the Audit Team prior to year-end to discuss entries and classifications.

City of Brunswick, Maryland
Schedule of Findings and Responses
For the Year Ended June 30, 2023

Finding 2023-003 – Internal Controls over Utility Billing Rates

Criteria: The City is responsible for ensuring it has proper internal controls over its utility billing rates so that the published rates via City resolution agree to the rates billed to customers.

Condition: In June 2022, Resolution No. 2022-09 was enacted to establish the fiscal year 2023 water & sewer rates, which were approved to increase by 2% across all tiers. During our utility billing testing for the fiscal year 2023, it was noted that the "Quarterly Utility Rates" spreadsheet that was attached to the publicized resolution, did not reflect the correct increase of 2% in all rate figures and certain tier rates on the spreadsheet were less than the actual billed rates to residents.

Cause: Per inquiry, the rates shown on the publicized spreadsheet were not correctly calculated based on carry forward issues in the spreadsheet. The Utility Billing system itself, carried the correct rates so the 2% increase was accurately calculated.

Effect: Residents were billed the correct amount in this instance, but without sufficient review and comparison of approved rates, published rates and the rate entered in the Utility billing system, the potential risk for a material error does exist.

Recommendation: We recommend the City make changes to its internal control policies over its process when updating the utility billing rates to ensure the publicized rates are properly reviewed and approved and agree to the actual billed rates in the Utility Billing system.

Response: Management acknowledges this finding of significant deficiency in internal controls. Management views transparency in utility billing as a critical community service provided by the City.

The City Utility Billing system has been common practice for several years and has used the system for accuracy concerning billing rates. Moving forward, the City will use a test system to properly reflect the changes to the utility billing rates. The Director of Administration and Accountant will both compare the rates entered into the billing system to those in the draft resolution before it is taken to Council for approval.