



CITY OF BRUNSWICK, MARYLAND

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

For the Year Ended June 30, 2020

CITY OF BRUNSWICK, MARYLAND
Summary of Elected and Appointed Officials
As of June 30, 2020

Mayor

Jeffrey Snoots

City Council

Nathan Brown

Tom Smith

John Dayton

Andrew St. John

Vaughn Ripley

Angel White

City Administrator

David Dunn

City Auditor

DeLeon and Stang,
CPAs and Advisors

City Attorney

Offit, Kurman

City Engineer

Clark Azar

Chief of Police

Milton Frech

**City of Brunswick, Maryland
For the Year Ended June 30, 2020**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2020, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

City of Brunswick, Maryland
Independent Auditors' Report
Page 2

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, 2020, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension schedules on pages 3 – 10 and 42 – 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2021, 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 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 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 the City of Brunswick, Maryland's internal control over financial reporting and compliance.

DeLeon & Stang

DeLeon and Stang, CPAs and Advisors
Frederick, Maryland
January 29, 2021

**City of Brunswick, Maryland
Management's Discussion and Analysis
For the Year Ended June 30, 2020**

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, 2020.

Financial Highlights

- The City's assets totaled \$50,714,084; increasing \$5,753,050 from the prior year. Capital assets, net of accumulated depreciation, totaled \$36,331,968; representing 72% of total assets.
- The City's deferred outflows of resources totaled \$380,772 in FY 2020; the prior year balance was \$437,053. These amounts represent financial reporting for pensions as required by Governmental Accounting Standards Board Statement No. 68 (GASB 68).
- The City's liabilities totaled \$12,635,600; increasing \$7,061,775 from the prior year. Long-term debt obligations were \$8,532,745 of this total. During FY20, the City issued \$6.6 million in bonds, allocated for Capital Improvements Projects. The Sewer Fund allocated \$2.1M for sewer influent collection infrastructure for a grouting project (I&I), the Water Fund allocated \$3M for water line collection infrastructure and Yourtee Springs rehabilitation repair. These projects will be ongoing in FY2021.
- The City's deferred inflows of resources totaled \$9,312,866; decreasing \$385,513 from the prior year. Developer unearned revenue attributable to Brunswick Crossing tap fee credits was \$8,894,033 of this total.
- The City's government-wide net position was \$29,146,387; decreasing \$979,497 from the FY 2019 net position. In the current year, net position for governmental activities decreased \$566,415 and business-type activities decreased \$413,082.
- Of the government-wide net position, net investment in capital assets totaled \$33,257,067; approximately a 1.0% increase from the prior year. The unrestricted portion of the City's net position was a negative \$10,728,881. Unearned developer revenue in the business type activities represents a significant portion of the deficit.
- As of June 30, 2020, the City's governmental funds (General and Capital Projects) reported combined ending fund balances of \$5,308,540; an increase of \$450,468 compared to the prior year, an indication of the City's ongoing fiscal strength and stability. Approximately 34% of the total governmental fund balance is available for spending at the government's discretion; 46% is assigned to Capital Projects and Leases, 18% is restricted and 2% is committed.
- The City's governmental long-term debt obligations increased \$1,057,319 while the business-type long-term debt obligations increased \$4,844,829 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 2020.

- MD Department of Environment – An operating grant was awarded totaling \$42,000 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 2020.
- MD Department of Housing and Community Development – Awarded \$400,000 from the Strategic Demolition Fund program to purchase the Newberry Building in downtown Brunswick and prepare it for resale.
- State of Maryland – Governor's CIP – Awarded \$483,000 for 811 West Potomac Street PW/PD/Emergency Operations Building construction.
- State of Maryland – Governor's CIP – Awarded \$100,000 for the Martin's Creek Tunnel repairs.
- State of Maryland – Governor's CIP – Awarded \$100,000 for the 13th Avenue pole barn construction.
- State of Maryland – Governor's CIP – Awarded \$100,000 for Yourtee Springs repairs.
- State of Maryland – Governor's CIP – Awarded \$100,000 for repairs to the Brunswick Heritage Museum.

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.

Management's Discussion and Analysis

Revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, sanitation, economic development, and recreation. The business-type activities offered by the City are water utility and wastewater utility operations.

The government-wide financial statements are on pages 11 and 12 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 42–43 of this report.

The basic governmental fund financial statements are on pages 13-15 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.

Management's Discussion and Analysis

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information, as well as a combined total, for the water and wastewater utility operations. Each is considered to be a major fund of the City. Conversely, both utility service funds are combined into a single, aggregated presentation in the government-wide financial statements. Individual fund data for the internal funds are provided in the form of combining statements elsewhere in this report. The basic proprietary fund financial statements are on pages 16-19 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 20–41 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, 2020 and 2019.

The assets and deferred outflows of the City exceeded liabilities and deferred inflows by \$29,146,387 as of June 30, 2020; this is a \$979,497 decrease from FY 2019. 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.

**City of Brunswick
Net Position Summary
Figure 1**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 5,945,245	\$ 5,625,810	\$ 8,437,139	\$ 3,382,971	\$ 14,382,384	\$ 9,008,781
Capital assets, net	10,509,504	9,826,929	25,822,194	26,125,325	36,331,698	35,952,254
Deferred outflows of resources	304,221	351,165	76,551	85,888	380,772	437,053
Total assets and deferred outflows of resources	16,758,970	15,803,904	34,335,884	29,594,184	51,094,854	45,398,088
Other liabilities	904,490	878,596	382,349	253,046	1,286,839	1,131,642
Long-term liabilities outstanding	1,741,377	526,853	8,140,681	2,638,625	9,882,058	3,165,478
Net pension liability	1,213,111	1,059,411	253,593	217,294	1,466,704	1,276,705
Deferred inflows of resources	304,156	176,793	9,008,710	9,521,586	9,312,866	9,698,379
Total liabilities and deferred inflows of resources	4,163,134	2,641,653	17,785,333	12,630,551	21,948,467	15,272,204
Net position:						
Net investment in capital assets	9,767,370	9,300,076	23,489,697	23,681,507	33,257,067	32,981,583
Restricted for capital projects	992,730	-	5,625,471	-	6,618,201	-
Unrestricted	1,835,736	3,862,175	(12,564,617)	(6,717,874)	(10,728,881)	(2,855,699)
Total net position	\$ 12,595,836	\$ 13,162,251	\$ 16,550,551	\$ 16,963,633	\$ 29,146,387	\$ 30,125,884

Management's Discussion and Analysis

At June 30, 2020 the City is able to report positive balances in net position in the net investment in capital assets category for both the government as a whole and for its separate governmental and business-type activities. However, consistent with similar years, the business-type activities reported a negative balance in unrestricted net position.

Governmental Activities

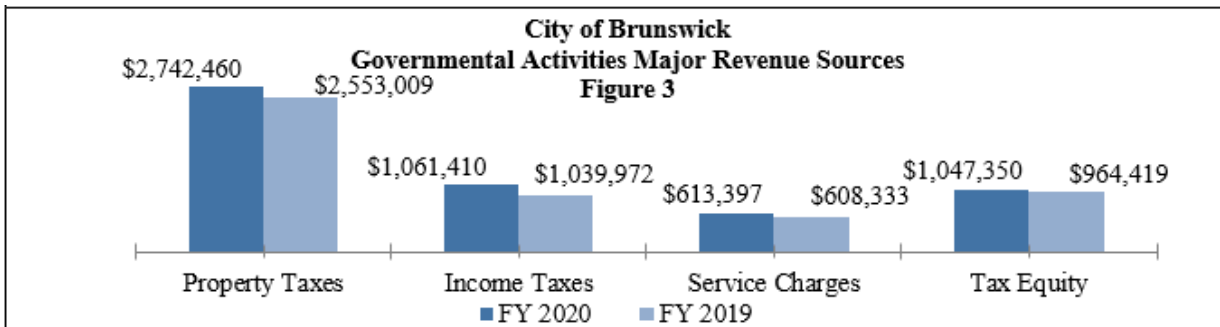
Governmental activities decreased the City's net position by \$(566,415) as shown below in Figure 2, which shows the City's revenue and expenses of the governmental and business-type activities for the years ended June 30, 2020 and 2019.

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

	Governmental Activities		Business-Type Activities		Total		Change
	2020	2019	2020	2019	2020	2019	
REVENUES							
Program Revenues							
Operating grants and contributions	554,441	490,729	142,000	42,000	696,441	532,729	163,712
Charges for services	613,397	608,333	3,989,439	3,835,726	4,602,836	4,444,059	158,777
Capital grants and contributions	34,598	11,929	-	-	34,598	11,929	22,669
General Revenues							
Taxes	3,935,349	3,713,265	-	-	3,935,349	3,713,265	222,084
County Tax Equity	1,047,350	964,419	-	-	1,047,350	964,419	82,931
Income on investments	96,410	13,020	-	-	-	-	-
Rental income	3,933	5,981	106,645	102,837	110,578	108,818	1,760
Miscellaneous	393,715	386,912	76,384	78,158	470,099	465,070	5,029
TOTAL REVENUES	6,679,193	6,194,588	4,314,468	4,058,721	10,897,251	10,240,289	656,962
PROGRAM EXPENSES							
General government	(1,503,471)	(1,268,264)	-	-	(1,503,471)	(1,268,264)	(235,207)
Public safety	(2,291,802)	(1,910,715)	-	-	(2,291,802)	(1,910,715)	(381,087)
Public works	(2,363,215)	(1,916,821)	-	-	(2,363,215)	(1,916,821)	(446,394)
Waste collection and disposal	(392,667)	(393,096)	-	-	(392,667)	(393,096)	429
Recreation and culture	(361,001)	(344,798)	-	-	(361,001)	(344,798)	(16,203)
Community & Econ Developmt	(96,178)	(116,286)	-	-	(96,178)	(116,286)	20,108
Interest	(124,979)	(37,914)	-	-	(124,979)	(37,914)	(87,065)
Miscellaneous	(112,295)	(85,000)	-	-	(112,295)	(85,000)	(27,295)
Business-type activities	-	-	(4,727,550)	(4,163,949)	(4,727,550)	(4,163,949)	(563,601)
TOTAL EXPENSES	(7,245,608)	(6,072,894)	(4,727,550)	(4,163,949)	(11,973,158)	(10,236,843)	(1,736,315)
TRANSFERS	-	-	-	-	-	-	-
CHANGE IN NET POSITION	(566,415)	121,692	(413,082)	(105,228)	(979,497)	16,464	(995,961)

Management's Discussion and Analysis

In FY 2020 the City's general revenues from governmental activities totaled \$5,476,757; taxes (property taxes, income taxes, public utility taxes) represented 72% of total general revenues. Figure 3 below shows a year-to-year comparison of major revenue sources.



In FY 2020, the City's expenses from governmental activities totaled \$7,245,608, up from \$6,072,894 in FY 2019. The City entered into vehicle leases to update the current fleet and this accounts for a large portion of the increase.

Business-type Activities

Referring to Figure 2, business-type activities decreased the City's net position by \$413,082. A key element for the negative shift in FY 2020 net position was the City's service charge revenues not meeting expenses.

In FY 2020, the City's revenues from business-type activities totaled \$4,314,468; utility service charges for water and sewer represented 93% of total revenue. The increased rates in the City's service charge revenue fell short of expenses by \$379,257. This 4% increase in service charge revenue helped offset the 8% increase in utility related expenses.

Financial Analysis of the City's Funds

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

Governmental Funds

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

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,778,814. 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 \$2,417,748 to total fund expenditures of \$6,545,178.

At June 30, 2020, the governmental funds of City of Brunswick reported a combined fund balance of \$5,308,540 with a net increase in fund balance of \$450,468.

Management's Discussion and Analysis

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 \$372,632 more than the amended budgeted amount. More specifically, total tax revenues were \$487,499 more than the final appropriated budget amount.

Total FY20 expenditures were \$117,076 less than the amended budgeted amount. The Police Department was under budget by \$176,639. The Public Works Department was over budget by \$183,228 due to unforeseen 2018 storm damage and remediation expenditures.

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 \$53,922; a decrease of \$50,388 from FY 2019. The Sewer Fund had an operating loss of \$108,150 as compared to a loss of \$122,652 in FY 2019. The operating income/loss is derived by calculating the difference between operating revenues and operating expenses.

Depreciation expense for business-type activities amounted to \$1,522,533; a decrease of 7%. 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. 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 2020.

The Water Fund total operating revenues increased 11%; whereas total operating expenses increased 14%. The driving factor for the Water Fund revenue increase was primarily the increase in the service charge revenue, as well as an operating grant of \$100,000 during fiscal year 2020.

The Sewer Fund operating loss decreased 12% from the prior year. The ongoing operating loss is largely attributable to the effects of depreciation expense on the Sewer Fund. In FY 2020 operating expenses for the Sewer Fund included depreciation and amortization costs of \$900,819; 42% of total operating expenses. Total operating revenues increased 1.5%; whereas total operating expenses increased 1%.

Management's Discussion and Analysis

Highlights of Fiscal Year 2021

- The General Fund is expected to experience a modest increase in property tax receipts as an increasing number of newly constructed single-family properties go to settlement during the build out of the Brunswick Crossing Development. Property assessments, other than appeals, will have a slight increase phased in over the next three years per reassessed values as of January 1, 2018.
- For FY2021, City officials voted to maintain the property tax rate of \$0.41 per \$100 of assessed value.
- Tax Equity revenue received from Frederick County is projected to increase approximately 3% from \$1,047,350 in FY 2020 to \$1,081,586 in FY 2021.
- Vehicle purchases planned for FY 2021 will be capital leases, through Enterprise Fleet Management, in an effort to provide newer vehicles in quicker time over the next five years.
- The new Emergency Operations Center, Police Department, and Public Works Department building is scheduled to begin construction in FY 2021, delay due to COVID pandemic.
- The City raised sewer rates in FY2021 to cover increased operational costs and to build a reserve for necessary capital infrastructure projects. A utility bill for usage of sewer increased 6% for anticipated increased revenue of \$28,842 in FY2021.

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, 2020

	<u>Primary Government</u>		
	<u>Governmental Business-Type</u>		
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 3,908,108	\$ 1,721,868	\$ 5,629,976
Restricted cash and investments	1,258,469	5,642,123	6,900,592
Taxes receivable	3,652	-	3,652
Accounts receivable, net of allowance	137,091	826,292	963,384
Due from other governmental agencies	459,849	22,966	482,815
Other receivables	32,271	101,975	134,246
Other assets	-	121,915	121,915
Advances to sewer fund	145,806	-	145,806
Capital assets:			
Capital assets not being depreciated	1,237,853	364,414	1,602,267
Capital assets being depreciated	15,394,566	48,525,285	63,919,851
Less: Accumulated depreciation	<u>(6,122,915)</u>	<u>(23,067,505)</u>	<u>(29,190,420)</u>
Capital assets, net	<u>10,509,504</u>	<u>25,822,194</u>	<u>36,331,698</u>
Total Assets	<u>16,454,749</u>	<u>34,259,333</u>	<u>50,714,084</u>
Deferred Outflows of Resources	<u>304,221</u>	<u>76,551</u>	<u>380,772</u>
Total Assets and Deferred Outflows of Resources	<u>16,758,970</u>	<u>34,335,884</u>	<u>51,094,854</u>
Liabilities			
Accounts payable	\$ 239,767	\$ 187,589	\$ 427,356
Accrued liabilities	44,618	68,078	112,696
Compensated absences	394,388	112,900	507,288
Escrow deposits	153,165	13,782	166,947
Deposits held for specific purposes	72,553	-	72,553
Noncurrent liabilities			
Debt obligations due within one year	135,610	406,277	541,887
Debt obligations due in more than one year	1,506,524	7,026,221	8,532,745
Unamortized bond premium	99,243	562,377	661,620
Advances from general fund	-	145,806	145,806
Net pension liability	<u>1,213,111</u>	<u>253,593</u>	<u>1,466,704</u>
Total Liabilities	<u>3,858,978</u>	<u>8,776,623</u>	<u>12,635,600</u>
Deferred Inflows of Resources	<u>304,156</u>	<u>9,008,710</u>	<u>9,312,866</u>
Total Liabilities and Deferred Inflows of Resources	<u>4,163,134</u>	<u>17,785,333</u>	<u>21,948,466</u>
Net Position			
Net investment in capital assets	9,767,370	23,489,697	33,257,067
Restricted for capital projects	992,730	5,625,471	6,618,201
Unrestricted	<u>1,835,736</u>	<u>(12,564,617)</u>	<u>(10,728,881)</u>
Total Net Position	<u>\$ 12,595,836</u>	<u>\$ 16,550,551</u>	<u>\$ 29,146,387</u>

The accompanying notes are an integral part of this statement.

CITY OF BRUNSWICK, MARYLAND
Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
General government	\$ (1,503,471)	\$ 194,270	\$ 14,022	\$ -	\$ (1,295,179)	\$ -	\$ (1,295,179)
Public safety	(2,291,802)	2,113	96,762	-	(2,192,927)	-	(2,192,927)
Public works	(2,363,215)	19,566	416,817	-	(1,926,832)	-	(1,926,832)
Waste collection and disposal	(392,667)	288,534	-	-	(104,133)	-	(104,133)
Recreation and culture	(361,001)	108,914	-	34,598	(217,489)	-	(217,489)
Community and economic development	(96,178)	-	26,840	-	(69,338)	-	(69,338)
Miscellaneous	(112,295)	-	-	-	(112,295)	-	(112,295)
Interest Expense	(124,979)	-	-	-	(124,979)	-	(124,979)
Total governmental activities	<u>(7,245,609)</u>	<u>613,397</u>	<u>554,441</u>	<u>34,598</u>	<u>(6,043,172)</u>	<u>-</u>	<u>(6,043,172)</u>
Business-type activities							
Water services	(2,427,460)	2,035,522	100,000	-	-	(291,938)	(291,938)
Sewer services	(2,300,090)	1,953,917	42,000	-	-	(304,173)	(304,173)
Total business-type activities	<u>(4,727,550)</u>	<u>3,989,439</u>	<u>142,000</u>	<u>-</u>	<u>-</u>	<u>(596,111)</u>	<u>(596,111)</u>
Total primary government	<u>\$ (11,973,159)</u>	<u>\$ 4,602,836</u>	<u>\$ 696,441</u>	<u>\$ 34,598</u>	<u>(6,043,172)</u>	<u>(596,111)</u>	<u>(596,111)</u>
General Revenues							
Taxes							
Property taxes, levied for general purposes					2,742,460	-	2,742,460
Income taxes					1,061,410	-	1,061,410
Other local taxes					131,479	-	131,479
County tax equity					1,047,350	-	1,047,350
Income on investments					96,410	-	96,410
Rental income					3,933	106,645	110,578
Administrative fees					-	10,000	10,000
Miscellaneous income					393,715	66,384	460,099
Total general revenues					<u>5,476,757</u>	<u>183,029</u>	<u>5,659,786</u>
Change in net position					(566,415)	(413,082)	(979,497)
Net position - beginning of year					<u>13,162,251</u>	<u>16,963,633</u>	<u>30,125,884</u>
Net position - end of year					<u>\$ 12,595,836</u>	<u>\$ 16,550,551</u>	<u>\$ 29,146,387</u>

The accompanying notes are an integral part of this statement.

CITY OF BRUNSWICK, MARYLAND
Balance Sheet
Governmental Funds
June 30, 2020

	<u>Governmental Fund Types</u>		Total Governmental Funds
	<u>General</u>	<u>Capital Projects</u>	
Assets			
Cash and cash equivalents	\$ 3,908,108	\$ -	\$ 3,908,108
Restricted cash and investments	1,218,486	39,983	1,258,469
Receivables:			
Taxes	3,652	-	3,652
Customers	137,091	-	137,091
Other governments	459,849	-	459,849
Other	32,271	-	32,271
Advances to sewer fund	145,806	-	145,806
Due from other funds	-	2,975,851	2,975,851
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 5,905,263</u>	<u>\$ 3,015,834</u>	<u>\$ 8,921,097</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	\$ 114,725	\$ 125,042	\$ 239,767
Accrued liabilities	44,618	-	44,618
Escrow deposits	153,165	-	153,165
Deposits held for specific purposes	72,553	-	72,553
Due to other funds	2,975,851	-	2,975,851
Total Liabilities	<u>3,360,912</u>	<u>125,042</u>	<u>3,485,954</u>
Deferred Inflows of Resources	<u>126,603</u>	<u>-</u>	<u>126,603</u>
Total Liabilities and Deferred Inflows of Resources	<u>3,487,515</u>	<u>125,042</u>	<u>3,612,557</u>
Fund Balances			
Nonspendable	-	-	-
Restricted	-	992,730	992,730
Committed	66,450	39,983	106,433
Assigned	572,484	1,858,079	2,430,563
Unassigned	1,778,814	-	1,778,814
Total Fund Balances	<u>2,417,748</u>	<u>2,890,792</u>	<u>5,308,540</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 5,905,263</u>	<u>\$ 3,015,834</u>	<u>\$ 8,921,097</u>

CITY OF BRUNSWICK, MARYLAND
Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues			
Local property taxes	\$ 2,742,460	\$ -	\$ 2,742,460
Local income taxes	1,061,410	-	1,061,410
Other local taxes	131,479	-	131,479
Licenses and permits	121,758	-	121,758
Intergovernmental revenues	1,526,868	30,223	1,557,091
User fees	182,502	4,902	187,404
Waste collection and disposal	288,534	-	288,534
Fines and forfeitures	15,702	-	15,702
Miscellaneous	489,569	228	489,797
Total Revenues	<u>6,560,282</u>	<u>35,353</u>	<u>6,595,635</u>
Expenditures			
General government	1,278,695	21,031	1,299,725
Public safety	2,006,539	80,515	2,087,053
Public works	2,071,390	781,761	2,853,151
Waste collection and disposal	392,667	-	392,667
Recreation and culture	280,530	120,105	400,635
Economic development	93,444	-	93,444
Miscellaneous	112,295	-	112,295
Debt service	309,618	-	309,618
Total Expenditures	<u>6,545,178</u>	<u>1,003,412</u>	<u>7,548,590</u>
Excess (Deficiency) of Revenues over Expenditures	15,104	(968,059)	(952,955)
Other Financing Sources (Uses)			
Transfers	(992,730)	992,730	-
Sale of capital assets	4,260	-	4,260
Premium on bonds issued	99,243	-	99,243
Debt proceeds	1,299,920	-	1,299,920
Total Other Financing Sources (Uses)	<u>410,693</u>	<u>992,730</u>	<u>1,403,423</u>
Excess of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	425,797	24,671	450,468
Fund Balance - July 1, 2019	<u>1,991,951</u>	<u>2,866,121</u>	
Fund Balance - June 30, 2020	<u>\$ 2,417,748</u>	<u>\$ 2,890,792</u>	
Adjustments for the Statement of Activities			
Capital outlay			1,452,072
Depreciation expense			(769,499)
Net increase in deferred inflows of resources - grant revenues			79,297
Compensated absences			(236,225)
Debt service expenditures			184,639
Premium on bonds issued			(99,243)
Debt proceeds			(1,299,920)
Net pension adjustment			(328,003)
Change in Net Position of Governmental Activities			<u>\$ (566,415)</u>

CITY OF BRUNSWICK, MARYLAND
Reconciliation of Fund Balance to Net Position of Governmental Activities
June 30, 2020

Fund balances - governmental funds	\$ 5,308,540
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p style="padding-left: 40px;">Capital assets used in governmental activities are not financial resources, therefore are not reported in the funds</p>	
Property and equipment, net	10,509,504
Deferred outflows of resources - pension	304,221
<p>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</p>	
	126,602
<p>Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds</p>	
Long-term debt, including a premium of \$99,243	(1,741,377)
Compensated absences	(394,388)
Net pension liability	(1,213,111)
Deferred inflows of resources - pension	<u>(304,156)</u>
Net position - governmental activities	<u>\$ 12,595,836</u>

CITY OF BRUNSWICK, MARYLAND
Statement of Net Position
Proprietary Funds
June 30, 2020

	Business-Type Activities - Enterprise Funds		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Assets			
Current Assets			
Cash and cash equivalents	\$ 420,551	\$ 1,301,317	\$ 1,721,868
Restricted cash	3,323,527	2,318,596	5,642,123
Due from customers	403,180	423,112	826,292
Due from other governments	-	22,966	22,966
Other receivables	101,975	-	101,975
Other assets	121,915	-	121,915
Due from water fund	-	2,863,095	2,863,095
Total Current Assets	<u>4,371,148</u>	<u>6,929,086</u>	<u>11,300,234</u>
Capital Assets			
Capital assets not being depreciated	264,552	99,862	364,414
Capital assets being depreciated	18,588,809	29,936,476	48,525,285
Accumulated depreciation	<u>(8,772,112)</u>	<u>(14,295,393)</u>	<u>(23,067,505)</u>
Total Capital Assets, net	<u>10,081,249</u>	<u>15,740,945</u>	<u>25,822,194</u>
Total Assets	<u>14,452,397</u>	<u>22,670,031</u>	<u>37,122,428</u>
Deferred Outflows of Resources	<u>38,689</u>	<u>37,862</u>	<u>76,551</u>
Total Assets and Deferred Outflows of Resources	<u>14,491,086</u>	<u>22,707,893</u>	<u>37,198,979</u>
Liabilities			
Current Liabilities			
Accounts payable	\$ 39,924	\$ 147,665	\$ 187,589
Accrued liabilities	36,806	31,272	68,078
Compensated absences	57,465	55,435	112,900
Escrow deposits	12,916	866	13,782
Current portion of debt obligations	223,087	183,190	406,277
Due to sewer fund	<u>2,863,095</u>	<u>-</u>	<u>2,863,095</u>
Total Current Liabilities	<u>3,233,293</u>	<u>418,428</u>	<u>3,651,721</u>
Noncurrent Liabilities			
Advances from general fund	-	145,806	145,806
Net pension liability	144,617	108,976	253,593
Unamortized bond premium	330,810	231,567	562,377
Long-term debt obligations	<u>4,063,062</u>	<u>2,963,159</u>	<u>7,026,221</u>
Total Noncurrent Liabilities	<u>4,538,489</u>	<u>3,449,508</u>	<u>7,987,997</u>
Total Liabilities	<u>7,771,782</u>	<u>3,867,936</u>	<u>11,639,718</u>
Deferred Inflows of Resources	<u>4,012,273</u>	<u>4,996,437</u>	<u>9,008,710</u>
Total Liabilities and Deferred Inflows of Resources	<u>11,784,055</u>	<u>8,864,373</u>	<u>20,648,428</u>
Net Position			
Net investment in capital assets	8,795,102	14,694,595	23,489,697
Restricted for capital projects	3,309,101	2,316,370	5,625,471
Unrestricted	<u>(9,397,172)</u>	<u>(3,167,445)</u>	<u>(12,564,617)</u>
Total Net Position	<u>\$ 2,707,031</u>	<u>\$ 13,843,520</u>	<u>\$ 16,550,551</u>

The accompanying notes are an integral part of this statement.
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CITY OF BRUNSWICK, MARYLAND
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2020

	Business-Type Activities - Enterprise Funds		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues			
Charges for services	\$ 2,035,522	\$ 1,953,917	\$ 3,989,439
Rental income	106,645	-	106,645
Operating grants	100,000	42,000	142,000
Miscellaneous	<u>31,025</u>	<u>45,359</u>	<u>76,384</u>
Total Operating Revenues	2,273,192	2,041,276	4,314,468
Operating Expenses			
Personnel services	583,998	486,690	1,070,688
Operating	1,013,558	761,917	1,775,475
Depreciation	<u>621,714</u>	<u>900,819</u>	<u>1,522,533</u>
Total Operating Expenses	<u>2,219,270</u>	<u>2,149,426</u>	<u>4,368,696</u>
Operating income (loss)	53,922	(108,150)	(54,228)
Nonoperating Expenses			
Interest expense and fees	<u>(208,190)</u>	<u>(150,664)</u>	<u>(358,854)</u>
Total Nonoperating Expenses	<u>(208,190)</u>	<u>(150,664)</u>	<u>(358,854)</u>
Net loss	(154,268)	(258,814)	(413,082)
Change in Net Position	(154,268)	(258,814)	(413,082)
Total Net Position, beginning of year	<u>2,861,299</u>	<u>14,102,334</u>	<u>16,963,633</u>
Total Net Position, end of year	<u>\$ 2,707,031</u>	<u>\$ 13,843,520</u>	<u>\$ 16,550,551</u>

CITY OF BRUNSWICK, MARYLAND
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020

	<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	\$ 1,867,331	\$ 1,511,171	\$ 3,378,502
Cash received from other governments	-	151,197	151,197
Cash payments to developers	(1,510)	(1,360)	(2,870)
Other operating cash receipts	23,386	26,058	49,444
Cash payments to suppliers	(1,049,191)	(761,914)	(1,811,105)
Cash payments to employees for services	(529,908)	(412,013)	(941,920)
Net cash provided by operating activities	<u>310,108</u>	<u>513,139</u>	<u>823,247</u>
Cash flows from capital and related financing activities			
Purchase of capital assets	(636,977)	(308,004)	(944,981)
Current year construction of capital assets	(235,433)	(72,000)	(307,433)
Payment on interfund advance	-	(49,000)	(49,000)
Proceeds from new debt	3,424,688	2,425,587	5,850,275
Principal paid on capital debt	(110,319)	(188,858)	(299,177)
Interest paid on capital debt	(177,245)	(132,155)	(309,400)
Net cash provided by capital and related financing activities	<u>2,264,714</u>	<u>1,675,570</u>	<u>3,940,284</u>
Net increase in cash, cash equivalents and restricted cash	2,574,822	2,188,709	4,763,531
Cash, cash equivalents and restricted cash - beginning of year	<u>1,169,256</u>	<u>1,431,204</u>	<u>2,600,460</u>
Cash, cash equivalents and restricted cash - end of year	<u>\$ 3,744,078</u>	<u>\$ 3,619,913</u>	<u>\$ 7,363,991</u>
Reconciliation to Statement of Net Position:			
Cash and cash equivalents	420,551	1,301,317	1,721,868
Restricted cash	<u>3,323,527</u>	<u>2,318,596</u>	<u>5,642,123</u>
	<u>\$ 3,744,078</u>	<u>\$ 3,619,913</u>	<u>\$ 7,363,991</u>

CITY OF BRUNSWICK, MARYLAND
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 53,922	\$ (108,150)	\$ (54,228)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	621,714	900,819	1,522,533
Projects under construction adjustments	33,012	-	33,012
Net change in operating assets and liabilities			
Due from customers	(53,140)	(51,554)	(104,694)
Due from other governments	-	9,185	9,185
Other receivables	(100,000)	-	(100,000)
Other assets	(95,126)	-	(95,126)
Deferred outflows of resources	6,411	2,926	9,337
Accounts payable	26,482	2	26,484
Accrued liabilities	28,838	27,354	56,192
Escrow deposits	(1,510)	(1,360)	(2,870)
Net pension liability	11,202	25,097	36,299
Deferred inflows of resources	(223,662)	(289,214)	(512,876)
Interfund activity	1,965	(1,965)	-
Net cash provided by operating activities	<u>\$ 310,108</u>	<u>\$ 513,139</u>	<u>\$ 823,247</u>

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2020

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.

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 2020:

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.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash, Cash Equivalents, 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, 2020, 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."

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2020 are recorded as prepaid items. In the governmental fund financial statements, reported prepaid items are equally offset in the fund balance as nonspendable, which indicates they do not constitute "available spendable resources" even though they are a component of total assets.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two 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

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.

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.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

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

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

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

Committed fund balance – Amounts that can only be used for specific purposes because of a formal action (resolution or ordinance) by the City's highest level of decision-making authority, the Mayor and Council. Committed fund balance in the governmental funds include \$39,983 in collected impact fees and \$66,450 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 \$566,360 for the remaining capital lease obligations of nine separate capital leases, \$6,124 for the Berlin Cemetery project and \$2,850,809 for future capital projects.

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.

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, 2020, the General Fund transferred \$992,730 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. As of June 30, 2020, \$145,806 was reported as an Advance from/to the General & Sewer 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.

NOTE 2- 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:

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2020

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

(Continued)

- 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 \$12,527,817; the bank balance was \$12,564,859 and cash on hand was \$2,750. 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, 2020.

Included in cash and cash equivalents, the City had \$140,419 invested in the Maryland Local Government Investment Pool (MLGIP) as of June 30, 2020.

The City's cash and investments as of June 30, 2020, 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, 2020

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

	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 3,908,108	\$ 1,721,868	\$ 5,629,976
Restricted cash and investments	<u>1,258,469</u>	<u>5,642,123</u>	<u>6,900,592</u>
	<u>\$ 5,166,577</u>	<u>\$ 7,363,991</u>	<u>\$ 12,530,568</u>

Custodial Credit Risk

	Governmental Activities	Business-type Activities	Total
Cash on hand	\$ 2,750	\$ -	\$ 2,750
Deposits in banks	4,694,056	7,363,991	12,058,047
Certificates of deposit	329,352	-	329,352
Investment pools (MLGIP)	<u>140,419</u>	<u>-</u>	<u>140,419</u>
	<u>\$ 5,166,577</u>	<u>\$ 7,363,991</u>	<u>\$ 12,530,568</u>

As of June 30, 2020, the City had the following investments:

<u>Investment Type (All funds)</u>	<u>Fair Value</u>	Investment Maturities		<u>% of Portfolio</u>
		<u>< 1 Year</u>	<u>1-5 Years</u>	
Certificate of deposit	\$ 312,494	\$ 312,494	\$ -	94.88%
Certificate of deposit restricted	<u>16,858</u>	<u>16,858</u>	<u>-</u>	<u>5.12%</u>
	<u>\$ 329,352</u>	<u>\$ 329,352</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, 2020

NOTE 2- 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, 2020 were 0.42% for the MLGIP and between 0.15% and 1.50% 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 in the proprietary funds amounted to \$8,935,345 due to the government not having a legal claim to the funds.

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, 2020 was \$679,298,493. The property tax rate was \$0.41 per \$100 of assessed value.

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2020

NOTE 5- CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2020</u>
Capital assets, not being depreciated					
Land and land improvements	\$ 470,185	\$ 67,389	\$ -	\$ -	\$ 537,574
Historical Collections	58,736	-	-	-	58,736
Projects under construction	146,306	576,372	-	(81,135)	641,543
Total capital assets not being depreciated	<u>675,227</u>	<u>643,761</u>	<u>-</u>	<u>(81,135)</u>	<u>1,237,853</u>
Capital assets, being depreciated					
Buildings	1,384,458	-	-	-	1,384,458
Improvements	4,178,052	7,231	-	13,514	4,198,797
Infrastructure	6,152,428	285,919	-	67,621	6,505,968
Machinery and equipment	1,397,150	33,842	-	-	1,430,992
Vehicles	1,311,486	481,321	-	-	1,792,807
Software	81,544	-	-	-	81,544
Total capital assets being depreciated	<u>14,505,118</u>	<u>808,313</u>	<u>-</u>	<u>81,135</u>	<u>15,394,566</u>
Less: accumulated depreciation	<u>(5,353,416)</u>	<u>(769,499)</u>	<u>-</u>	<u>-</u>	<u>(6,122,915)</u>
Total capital assets being depreciated, net	<u>9,151,702</u>	<u>38,814</u>	<u>-</u>	<u>81,135</u>	<u>9,271,651</u>
Governmental Activities capital assets, net	<u>\$ 9,826,929</u>	<u>\$ 682,575</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,509,504</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government	\$ 72,238
Public safety	85,986
Public works	530,803
Parks and recreation	<u>80,472</u>
Total depreciation expense - Governmental activities	<u>\$ 769,499</u>

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2020

NOTE 5- CAPITAL ASSETS (Continued)

Business-type Activities	Balance July 1, 2019	Additions	Disposals	Transfers & Adjustments	Balance June 30, 2020
Capital assets, not being depreciated					
Land and land improvements	\$ 28,068	\$ -	\$ -	\$ -	\$ 28,068
Projects under construction	61,925	307,433	-	(33,012)	336,346
Total capital assets not being depreciated	<u>89,993</u>	<u>307,433</u>	<u>-</u>	<u>(33,012)</u>	<u>364,414</u>
Capital assets, being depreciated					
Buildings and improvements	9,089,874	-	-	-	9,089,874
Infrastructure	36,075,597	574,939	-	-	36,650,536
Machinery and equipment	2,295,423	154,142	-	-	2,449,565
Vehicles	119,410	215,900	-	-	335,310
Total capital assets being depreciated	47,580,304	944,981	-	-	48,525,285
Less: accumulated depreciation	<u>(21,544,972)</u>	<u>(1,522,533)</u>	<u>-</u>	<u>-</u>	<u>(23,067,505)</u>
Total capital assets being depreciated, net	<u>26,035,332</u>	<u>(577,552)</u>	<u>-</u>	<u>-</u>	<u>25,457,780</u>
Business-type Activities capital assets, net	<u>\$ 26,125,325</u>	<u>\$ (270,119)</u>	<u>\$ -</u>	<u>\$ (33,012)</u>	<u>\$ 25,822,194</u>

Depreciation expense was charged to functions/programs as follows:

Business-type activities

Water	\$ 621,714
Sewer	<u>900,819</u>
Total depreciation expense - Business-type activities	<u>\$ 1,522,533</u>

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2020

NOTE 6- LONG-TERM DEBT OBLIGATIONS

Debt outstanding as of June 30, 2020 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%	\$ 175,773
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%	900,000
Capital Lease - audio/visual equipment; Due 2021; Annual principal and interest payments of approximately \$2,500	9.50%	3,456
Capital Lease - IT equipment; Due 2022; Annual principal and interest payments of approximately \$18,000	6.30%	36,715
Capital Lease - security system; Due 2022; Annual principal and interest payments of approximately \$4,800	9.63%	10,288
Capital Lease - copier/printer equipment; Due 2022; Annual principal and interest payments of approximately \$10,600	2.56%	25,046
Capital Lease - imaging system; Due 2022; Annual principal and interest payments of approximately \$2,400	7.20%	5,447
Capital Lease - global search software; Due 2022; Annual principal and interest payments of approximately \$4,800	6.37%	9,849
Capital Lease - five vehicles; Due 2023; Annual principal and interest payments of approximately \$42,900	16.07%	105,190
Capital Lease - keycard access and server; Due 2023; annual principal and interest payments of approximately \$1,410	9.87%	55,041
Capital Lease - four vehicles; Due 2025; annual principal and interest payments of approximately \$46,300	20.16%	131,761
Capital Lease - Vac-Con truck; Due 2023; annual principal and interest payments of approximately \$46,400	3.56%	<u>183,568</u>
		<u>\$ 1,642,134</u>

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2020

NOTE 6- LONG-TERM DEBT OBLIGATIONS (Continued)

Debt outstanding as of June 30, 2020 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%	\$ 108,690
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%	116,704
2012 Tax-Exempt Bond payable to PNC Bank; Due 2030; Annual principal and interest payments fluctuate throughout the life of the bonds	2.90%	1,926,779
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%	5,100,000
Capital Lease - IT equipment; Due 2022; Annual principal and interest payments of approximately \$6,500	6.30%	12,813
Capital Lease - copier/printer equipment; Due 2022; Annual principal and interest payments of approximately \$1,000	2.56%	2,482
Capital Lease - security system; Due 2022; Annual principal and interest payments of approximately \$255	9.63%	553
Capital Lease - keycard access and server; Due 2023; annual principal and interest payments of approximately \$330	9.87%	12,818
Capital Lease - two vehicles; Due 2025; annual principal and interest payments of approximately \$11,500	22.76%	29,281
Capital Lease - Vac-Con truck; Due 2023; annual principal and interest payments of approximately \$30,900	3.56%	<u>122,378</u>
Total Enterprise Fund Debt		<u>\$ 7,432,498</u>

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2020

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>
2021	\$ 135,610	\$ 49,754	\$ 406,277	\$ 240,770
2022	202,417	65,138	431,081	231,525
2023	184,066	60,540	442,632	218,131
2024	208,703	46,854	471,333	202,736
2025	73,287	34,051	412,671	182,710
2026-2030	301,051	106,976	2,225,832	653,307
2031-2035	247,500	52,132	1,402,500	295,412
2036-2040	289,500	18,942	1,640,500	107,339

Interest expense

For the year ended June 30, 2020, total interest was \$483,833 and reported as follows: interest expense of \$124,979 for governmental activities and \$358,854 for business-type activities.

Changes in Long-Term Liabilities

During the year ended June 30, 2020 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	\$ 186,781	\$ 900,000	\$ (11,008)	\$ 1,075,773	\$ 42,955
Unamortized bond premium	-	99,243	-	99,243	-
Capital leases	<u>340,072</u>	<u>399,920</u>	<u>(173,631)</u>	<u>566,361</u>	<u>92,655</u>
Governmental activities - Long-term liabilities	<u>\$ 526,853</u>	<u>\$ 1,399,163</u>	<u>\$ (184,639)</u>	<u>\$ 1,741,377</u>	<u>\$ 135,610</u>
Business-type activities:					
Bonds payable	\$ 2,406,160	\$ 5,100,000	\$ (253,987)	\$ 7,252,173	\$ 205,931
Unamortized bond premium	-	562,377	-	562,377	-
Capital leases	<u>37,617</u>	<u>187,898</u>	<u>(45,190)</u>	<u>180,325</u>	<u>200,346</u>
Business-type activities - Long-term liabilities	<u>\$ 2,443,777</u>	<u>\$ 5,850,275</u>	<u>\$ (299,177)</u>	<u>\$ 7,994,875</u>	<u>\$ 406,277</u>

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2020

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, 2020

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:

2012	\$133,685
2013	144,206
2014	146,700
2015	154,964
2016	144,022
2017	151,976
2018	175,372
2019	191,873
2020	202,917

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

2012	\$128,921
2013	109,297
2014	127,454
2015	138,013
2016	115,190
2017	108,053
2018	121,337
2019	146,025
2020	186,107

Total pension expense for the year ended June 30, 2020 was \$447,953.

Key actuarial methods and assumptions:

Actuarial	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Inflation	2.60% general, 3.10% wage
Salary increases	3.10% to 8.35% including inflation
Discount rate	7.40%
Investment rate of return	7.40%
Mortality	Fully generational – Pub-2010/MP2018
Actuarial valuation date	June 30, 2019

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2020

NOTE 7- EMPLOYEE BENEFITS (Continued)

Discount rate

A single discount rate of 7.40% 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 7.40%. 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 7.40%, 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 6.40%	Current Discount	1% Increase to 8.40%
Employees Pension (muni)	\$ 2,007,777	\$ 1,466,704	\$ 1,013,575

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2020

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

For the year ended June 30, 2020, 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	\$ 18,001	\$ 33,117
Difference between actual and expected experience		70,638
Net difference between projected and actual earnings on pension plan investments	25,735	
Change in proportionate share	150,929	273,766
City contributions subsequent to the measurement date	<u>186,107</u>	<u>-</u>
	<u>\$ 380,772</u>	<u>\$ 377,521</u>
Other deferred inflows:		
Connection charges		41,312
Developer contributions		<u>8,894,033</u>
		<u>\$ 9,312,866</u>

Deferred outflows of resources of \$186,107 related to pensions 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, 2021.

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:

2021	\$ 12,432
2022	74,107
2023	41,525
2024	15,745
2025	<u>39,047</u>
	<u>\$ 182,856</u>

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2020

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, 2020, the City's federal grant expenditures did not exceed \$750,000; therefore, they are not subject to the Single Audit Act.

NOTE 10- COMMITMENTS AND CONTINGENCES

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.

NOTE 11- 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.

NOTE 12 - RESTRICTED NET POSITION

Restricted net position represents unspent bond proceeds restricted for specific capital projects for both the Governmental and Business-Type Activities. Unspent balances are as follows as of June 30, 2020:

Governmental Activities	\$ 992,730
Business-Type Activities	<u>5,625,471</u>
	<u>\$ 6,618,201</u>

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2020

NOTE 13- SUBSEQUENT EVENTS

U.S. and global business and financial markets have been severely impacted by the Coronavirus pandemic. The potential impacts on the City's revenues, expenses, and cash flows cannot be determined at this time. All subsequent events have been evaluated through January 29, 2021, which is the date the financial statements were available to be issued. This review and evaluation revealed no other material events or transaction which would require an adjustment to or disclosure in the accompanying financial statements.

CITY OF BRUNSWICK, MARYLAND
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual - General Fund
For the Year Ended June 30, 2020

	Original Budget	Final Appropriated Budget	(Budgetary Basis) Actual	Variance with Final Budget- Positive (Negative)
REVENUES				
Taxes	\$ 3,447,850	\$ 3,447,850	\$ 3,935,349	\$ 487,499
Licenses and Permits	114,500	114,500	121,758	7,258
Intergovernmental Revenues	1,901,400	1,901,400	1,526,868	(374,532)
Service Charges				
User Fees	191,800	191,800	182,502	(9,298)
Waste Collection and Disposal	298,100	298,100	288,534	(9,566)
Total Service Charges	<u>489,900</u>	<u>489,900</u>	<u>471,036</u>	<u>(18,864)</u>
Fines and Forfeitures	10,000	10,000	15,702	5,702
Miscellaneous Revenues	224,000	224,000	489,569	265,569
Total Revenues	<u>\$ 6,187,650</u>	<u>\$ 6,187,650</u>	<u>\$ 6,560,282</u>	<u>\$ 372,632</u>
EXPENDITURES				
General Government				
Mayor & Council	\$ 92,200	\$ 92,200	\$ 109,113	\$ (16,913)
Financial Administration	774,000	774,000	785,192	(11,192)
Planning, Zoning, & Enforcement	407,150	407,150	384,390	22,760
Total General Government	<u>1,273,350</u>	<u>1,273,350</u>	<u>1,278,695</u>	<u>(5,346)</u>
Public Safety				
Police Department	2,050,400	2,136,742	1,960,103	176,639
Fire and Rescue Contributions	40,000	40,000	46,436	(6,436)
Total Public Safety	<u>2,090,400</u>	<u>2,176,742</u>	<u>2,006,539</u>	<u>170,203</u>
Public Works				
Highways and Streets	1,502,400	1,888,162	2,071,390	(183,228)
Total Public Works	<u>1,502,400</u>	<u>1,888,162</u>	<u>2,071,390</u>	<u>(183,228)</u>

CITY OF BRUNSWICK, MARYLAND
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual - General Fund
For the Year Ended June 30, 2020

For the Year Ended June 30, 2020	Original Budget	Final Appropriated Budget	(Budgetary Basis) Actual	Variance with Final Budget- Positive (Negative)
Waste Collection and Disposal	370,000	370,000	392,667	(22,667)
Recreation and Culture				
Parks	94,200	94,200	81,407	12,793
Pool	85,700	85,700	91,187	(5,487)
Skate Park	-	-	24	(24)
Berlin Cemetery	40,000	40,000	-	40,000
Campground	24,900	24,900	19,552	5,348
Special Events	118,200	118,200	88,360	29,840
Total Recreation and Culture	363,000	363,000	280,530	82,470
Economic Development				
Economic Development	118,300	118,300	70,444	47,856
Economic Development Commission	76,900	76,900	23,000	53,900
Total Economic Development	195,200	195,200	93,444	101,756
Miscellaneous				
Contributions & Donations	135,500	135,500	112,295	23,205
Total Miscellaneous	135,500	135,500	112,295	23,205
Debt Service	260,300	260,300	309,618	(49,318)
Total Expenditures	6,190,150	6,662,254	6,545,178	117,076
Other Financing Sources (Uses)				
Transfers	-	(1,518,201)	(992,730)	525,471
Sale of capital assets	2,500	2,500	4,260	1,760
Premium on bonds issued	-	-	99,243	99,243
Debt proceeds	-	1,990,305	1,299,920	(690,385)
Total Other Financing Sources (Uses)	2,500	474,604	410,693	(63,911)
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 425,797</u>	<u>\$ 425,797</u>

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

For the Year Ended June 30	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.007111082%	0.006084879%	0.004865486%	0.005913001%	0.006547945%	0.005469283%
City's proportionate share of the net pension liability	<u>\$ 1,466,704</u>	<u>\$ 1,276,705</u>	<u>\$ 1,147,964</u>	<u>\$ 1,395,115</u>	<u>\$ 1,360,775</u>	<u>\$ 970,619</u>
Covered-employee payroll	\$ 2,855,987	\$ 2,487,954	\$ 2,284,090	\$ 2,187,278	\$ 2,139,205	\$ 2,077,008
City's proportionate share of net pension liability as a percentage of its covered-employee payroll	<u>51.36%</u>	<u>51.32%</u>	<u>50.26%</u>	<u>63.78%</u>	<u>63.61%</u>	<u>46.73%</u>
Plan Fiduciary Net position as a % of total pension liability	<u>72.34%</u>	<u>71.18%</u>	<u>69.38%</u>	<u>65.79%</u>	<u>68.78%</u>	<u>71.87%</u>

CITY OF BRUNSWICK, MARYLAND
Schedule of Contributions and Related Ratios

For the Year Ended June 30	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 186,107	\$ 146,025	\$ 121,337	\$ 108,053	\$ 115,190	\$ 138,013
Actual contribution	(186,107)	(146,025)	(121,337)	(108,053)	(115,190)	(138,013)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,855,987	\$ 2,487,954	\$ 2,284,090	\$ 2,187,278	\$ 2,139,205	\$ 2,077,008
Contributions as a percentage of covered-employee payroll	6.52%	5.87%	5.31%	4.94%	5.38%	6.64%

The accompanying notes are an integral part of this schedule.
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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, 2020, 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 January 29, 2021.

Internal Control over Financial Reporting

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

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

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

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*.

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
January 29, 2021**