



**CITY OF BRUNSWICK, MARYLAND**

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

**For the Year Ended June 30, 2019**

**CITY OF BRUNSWICK, MARYLAND**

**Summary of Elected and Appointed Officials**

**As of June 30, 2019**

**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, 2019**

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**City of Brunswick, Maryland  
For the Year Ended June 30, 2019**

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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, 2019, 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, 2019, 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 – 11 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 December 26, 2019, 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**  
**December 26, 2019**



**City of Brunswick, Maryland**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2019**

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, 2019.

**Financial Highlights**

- The City's assets totaled \$44,961,033; decreasing \$92,987 from the prior year. Capital assets, net of accumulated depreciation, totaled \$35,952,253; representing 80% of total assets.
- The City's deferred outflows of resources totaled \$437,053 in FY 2019; the prior year balance was \$383,578. These amounts represent financial reporting for pensions as required by Governmental Accounting Standards Board Statement No. 68 (GASB 68).
- The City's liabilities totaled \$5,573,825; increasing \$736,338 from the prior year. Long-term debt obligations were \$2,970,672 of this total.
- The City's deferred inflows of resources totaled \$9,698,379; decreasing \$792,312 from the prior year. Developer unearned revenue attributable to Brunswick Crossing tap fee credits was \$9,433,785 of this total.
- The City's government-wide net position was \$30,125,884; increasing \$16,464 from the FY 2018 net position. In the current year, net position for governmental activities increased \$121,692 and business-type activities decreased \$(105,228).
- Of the government-wide net position, net investment in capital assets totaled \$32,981,583; approximately a 2.8% decrease from the prior year. The unrestricted portion of the City's net position was a negative \$2,855,699. The deficit in unrestricted net position attributable to deferred inflows declined by 8% from the prior year. Unearned developer revenue in the business type activities represents a significant portion of the deficit.
- As of June 30, 2019, the City's governmental funds (General and Capital Projects) reported combined ending fund balances of \$4,858,072; an increase of \$90,936 compared to the prior year, an indication of the City's ongoing fiscal strength and stability. Approximately 32% of the total governmental fund balance is available for spending at the government's discretion; 68% is assigned to Capital Projects and Leases.
- The City's governmental long-term debt obligations increased \$161,135 while the business-type long-term debt obligations decreased \$271,054 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 2019.

- 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 2019.
- Program Open Space – The City was awarded \$58,500 to renovate fields at our Sports Complex.

### Overview of the Financial Statements

The discussion and analysis introduce the City of Brunswick's basic financial statements.

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

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

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

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



## Management's Discussion and Analysis

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

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

**Fund Financial Statements** – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into two categories; governmental and proprietary funds.

**Governmental funds** – These funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how assets can readily be converted into cash and what monies are left at year-end that will be available for spending in the next year. Governmental fund financial statements give a detailed short-term view that can be used to determine if there are more or fewer financial resources available to finance City programs.

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

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget on pages 42–43 of this report.

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

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

## 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 17-20 of this report.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 21–41 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, 2019 and 2018.

The assets and deferred outflows of the City exceeded liabilities and deferred inflows by \$30,125,884 as of June 30, 2019; this is a \$16,464 increase from 2018. 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.

## Management's Discussion and Analysis

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 5,625,810	\$ 5,125,764	\$ 3,382,971	\$ 2,917,310	\$ 9,008,781	\$ 8,043,074
Capital assets, net	9,826,929	9,648,311	26,125,325	27,362,635	35,952,254	37,010,946
Deferred outflows of resources	351,165	299,528	85,888	84,050	437,053	383,578
<b>Total assets and deferred outflows of resources</b>	<b>15,803,904</b>	<b>15,073,603</b>	<b>29,594,184</b>	<b>30,363,995</b>	<b>45,398,088</b>	<b>45,437,598</b>
Other liabilities	878,596	490,282	253,046	118,650	1,131,642	608,932
Long-term liabilities outstanding	526,853	365,718	2,638,625	2,714,873	3,165,478	3,080,591
Net pension liability	1,059,411	937,198	217,294	210,766	1,276,705	1,147,964
Deferred inflows of resources	176,793	239,846	9,521,586	10,250,845	9,698,379	10,490,691
<b>Total liabilities and deferred inflows of resources</b>	<b>2,641,653</b>	<b>2,033,044</b>	<b>12,630,551</b>	<b>13,295,134</b>	<b>15,272,204</b>	<b>15,328,178</b>
<b>Net position:</b>						
Net investment in capital assets, net	9,300,076	9,282,593	23,681,507	24,647,762	32,981,583	33,930,355
Unrestricted	3,862,175	3,757,966	(6,717,874)	(7,578,901)	(2,855,699)	(3,820,935)
<b>Total net position</b>	<b>\$ 13,162,251</b>	<b>\$ 13,040,559</b>	<b>\$ 16,963,633</b>	<b>\$ 17,068,861</b>	<b>\$ 30,125,884</b>	<b>\$ 30,109,420</b>

At June 30, 2019 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. The City is happy to report there was positive movement in this negative balance in the current year.

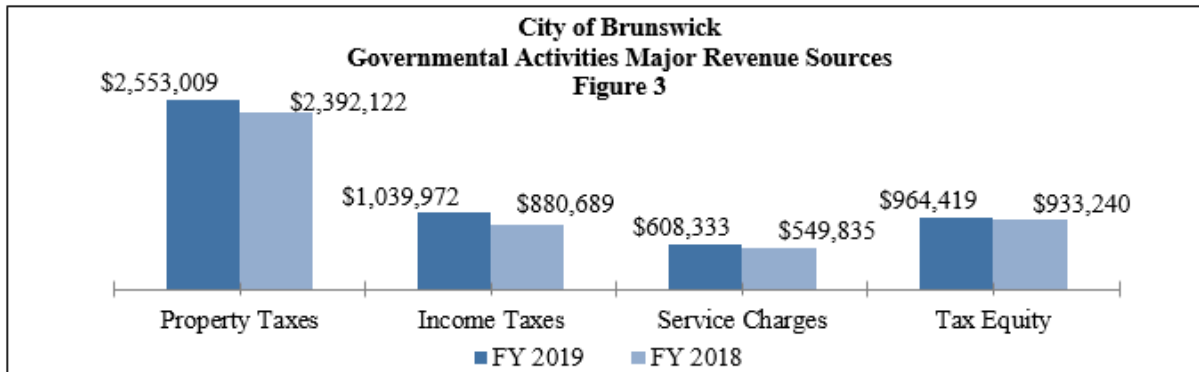
### Governmental Activities

Governmental activities increased the City's net position by \$121,692 representing the exclusive cause for growth in the City's net position 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, 2019 and 2018.

## Management's Discussion and Analysis

	Governmental Activities		Business-Type Activities		Total		Change
	2019	2018	2019	2018	2019	2018	
<b>REVENUES</b>							
<b>Program Revenues</b>							
Operating grants and contributions	490,729	315,892	42,000	42,000	532,729	357,892	174,837
Charges for services	608,333	549,835	3,835,726	3,632,394	4,444,059	4,182,229	261,830
Capital grants and contributions	11,929	21,762	-	-	11,929	21,762	(9,833)
<b>General Revenues</b>							
Taxes	3,713,265	3,440,907	-	-	3,713,265	3,440,907	272,358
County Tax Equity	964,419	933,240	-	-	964,419	933,240	31,179
Income on investments	13,020	-	-	-	13,020	-	13,020
Rental income	5,981	3,300	102,837	95,579	108,818	98,879	9,939
Miscellaneous	386,912	266,929	78,158	90,194	465,070	357,123	107,947
<b>TOTAL REVENUES</b>	<b>6,194,588</b>	<b>5,531,865</b>	<b>4,058,721</b>	<b>3,860,167</b>	<b>10,240,289</b>	<b>9,392,032</b>	<b>848,257</b>
<b>PROGRAM EXPENSES</b>							
General government	(1,268,264)	(1,125,093)	-	-	(1,268,264)	(1,125,093)	(143,171)
Public safety	(1,910,715)	(1,661,141)	-	-	(1,910,715)	(1,661,141)	(249,574)
Public works	(1,916,821)	(1,623,178)	-	-	(1,916,821)	(1,623,178)	(293,643)
Waste collection and disposal	(393,096)	(372,348)	-	-	(393,096)	(372,348)	(20,748)
Recreation and culture	(344,798)	(260,423)	-	-	(344,798)	(260,423)	(84,375)
Community & Econ Developmnt	(116,286)	(76,140)	-	-	(116,286)	(76,140)	(40,146)
Interest	(37,914)	(7,289)	-	-	(37,914)	(7,289)	(30,625)
Miscellaneous	(85,000)	(39,418)	-	-	(85,000)	(39,418)	(45,582)
Business-type activities	-	-	(4,163,949)	(3,847,975)	(4,163,949)	(3,847,975)	(315,974)
<b>TOTAL EXPENSES</b>	<b>(6,072,894)</b>	<b>(5,165,030)</b>	<b>(4,163,949)</b>	<b>(3,847,975)</b>	<b>(10,236,843)</b>	<b>(9,013,005)</b>	<b>(1,223,838)</b>
<b>CHANGE IN NET POSITION</b>	<b>121,692</b>	<b>366,835</b>	<b>(105,228)</b>	<b>12,192</b>	<b>16,446</b>	<b>379,027</b>	<b>(362,563)</b>

In FY 2019 the City's general revenues from governmental activities totaled \$5,083,597; taxes (property taxes, income taxes, public utility taxes) represented 82% of total revenue. Figure 3 below shows a year-to-year comparison of major revenue sources.



In FY 2019, the City's expenses from governmental activities totaled \$6,072,894, up from \$5,165,030 in FY 2018. In prior years, City officials reduced routine maintenance costs and deferred non-essential purchases in an attempt to maintain a healthy net position through the recession.

## **Management's Discussion and Analysis**

### **Business-type Activities**

Referring to Figure 2, business-type activities decreased the City's net position by \$105,228. A key element for the negative shift in FY 2019 net position was the City's service charge revenues not meeting expenses.

In FY 2019, the City's revenues from business-type activities totaled \$4,058,721; utility service charges for water and sewer represented 95% of total revenue. The increased rates in the City's service charge revenue fell short of expenses by \$286,223. This 6% 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 \$1,554,024. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance noted above and total fund balance of \$1,991,951 to total fund expenditures of \$5,651,673. The City's total fund balance represents 33% of general fund expenditures.

At June 30, 2019, the governmental funds of City of Brunswick reported a combined fund balance of \$4,858,072 with a net increase in fund balance of \$90,932.

#### **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 \$444,236 more than the original legislative budget amount. More specifically, total tax revenues were \$333,782 more than the final appropriated budget amount.

Total FY19 expenditures were equal to the final appropriated budgeted amount. Budget amendments were approved to accommodate unbudgeted, unanticipated expenditures in the original budget. The Police Department was under budget by \$28,468. Public Works witnessed some overruns primarily due to unbudgeted May 2018 storm damage and remediation costs. These were corrected with Budget Amendments.

## Management's Discussion and Analysis

### Proprietary Funds

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

The Water Fund had an operating income of \$104,310; a decrease of 159,493 from FY 2018. The Sewer Fund had an operating loss of \$122,652 as compared to a loss of \$167,785 in FY 2018. The operating income/loss is derived by calculating the difference between operating revenues and operating expenses.

Depreciation expense for business-type activities amounted to \$1,630,411; an increase of 1%. 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 2019.

The Water Fund total operating revenues increased 5%; whereas total operating expenses increased 16%. The driving factor for the Water Fund revenue increase was primarily the increase in the service charge revenue.

The Sewer Fund operating loss grew to 27% from 25% from the prior year. The ongoing operating loss is largely attributable to the effects of depreciation expense on the Sewer Fund. In FY 2019 operating expenses for the Sewer Fund included depreciation and amortization costs of \$1,023,612; 48% of total operating expenses. Total operating revenues increased 5%; whereas total operating expenses increased 2%.

### Highlights of Fiscal Year 2020

- 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.
- As a result of the increase in assessable base described above and the continued fiscal health in the General Fund, City officials voted to decrease the property tax rate from \$0.42 per \$100 of assessed value to \$0.41 per \$100 of assessed value.
- Tax Equity revenue received from Frederick County is projected to increase approximately 8% from \$964,419 in FY 2019 to \$1,047,400 in FY 2020.

## Management's Discussion and Analysis

- Vehicle purchases planned for FY 2020 in the Capital Projects Fund will be capital leases, through Enterprise Fleet Management, in an effort to provide newer vehicles in quicker time over the next five years.
- The City is working with a municipal financial advisor to procure \$6 million Bond funding for \$3 million for General Fund Capital projects, \$2 million for Water Fund projects, and \$1 million for Sewer Fund projects in FY 2020.
- The new Emergency Operations Center, Police Department, and Public Works Department building is scheduled to begin construction in FY 2020.
- The City raised utility rates in FY 2020 to cover increased operational costs and to build a reserve for necessary capital infrastructure projects. A minimum utility bill for base usage of water and sewer increased \$6.50 for increase revenue of \$18,205 in FY 2020.

### **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, 2019**

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	
<b>Assets</b>			
Cash and cash equivalents	\$ 4,823,264	\$ 2,583,806	\$ 7,407,070
Restricted cash and investments	225,011	16,652	241,663
Taxes receivable	5,002	-	5,002
Accounts receivable, net of allowance	122,913	721,598	844,511
Due from other governmental agencies	221,391	32,151	253,542
Other receivables	33,424	1,974	35,397
Other assets	-	26,789	26,789
Advances to sewer fund	194,806	-	194,806
Capital assets:			
Capital assets not being depreciated	675,227	89,993	765,220
Capital assets being depreciated	14,505,118	47,580,304	62,085,422
Less: Accumulated depreciation	<u>(5,353,416)</u>	<u>(21,544,972)</u>	<u>(26,898,388)</u>
Capital assets, net	<u>9,826,929</u>	<u>26,125,325</u>	<u>35,952,253</u>
<b>Total Assets</b>	<u>15,452,739</u>	<u>29,508,295</u>	<u>44,961,034</u>
<b>Deferred Outflows of Resources</b>	<u>351,165</u>	<u>85,888</u>	<u>437,053</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>15,803,904</u>	<u>29,594,184</u>	<u>45,398,088</u>
<b>Liabilities</b>			
Accounts payable	\$ 491,750	\$ 161,062	\$ 652,812
Accrued liabilities	38,524	18,670	57,194
Compensated absences	158,163	56,662	214,825
Escrow deposits	116,640	16,652	133,292
Deposits held for specific purposes	73,519	-	73,519
Noncurrent liabilities			
Debt obligations due within one year	77,648	262,427	340,075
Debt obligations due in more than one year	449,205	2,181,392	2,630,597
Advances from general fund	-	194,806	194,806
Net pension liability	<u>1,059,411</u>	<u>217,294</u>	<u>1,276,705</u>
<b>Total Liabilities</b>	<u>2,464,860</u>	<u>3,108,965</u>	<u>5,573,825</u>
<b>Deferred Inflows of Resources</b>	<u>176,793</u>	<u>9,521,586</u>	<u>9,698,379</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>2,641,653</u>	<u>12,630,551</u>	<u>15,272,204</u>
<b>Net Position</b>			
Net investment in capital assets	9,300,076	23,681,507	32,981,583
Unrestricted	<u>3,862,175</u>	<u>(6,717,874)</u>	<u>(2,855,699)</u>
<b>Total Net Position</b>	<u>\$ 13,162,251</u>	<u>\$ 16,963,633</u>	<u>\$ 30,125,884</u>

The accompanying notes are an integral part of this statement.



**CITY OF BRUNSWICK, MARYLAND**  
**Statement of Activities**  
**For the Year Ended June 30, 2019**

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
<b>Primary government</b>							
Governmental activities							
General government	\$ (1,268,264)	\$ 202,972	\$ 1,103	\$ -	\$ (1,064,189)	\$ -	\$ (1,064,189)
Public safety	(1,910,715)	2,073	96,766	-	(1,811,876)	-	(1,811,876)
Public works	(1,916,821)	20,781	315,018	-	(1,581,022)	-	(1,581,022)
Waste collection and disposal	(393,096)	283,099	-	-	(109,997)	-	(109,997)
Recreation and culture	(344,798)	99,408	-	11,929	(233,461)	-	(233,461)
Community and economic development	(116,286)	-	77,842	-	(38,444)	-	(38,444)
Miscellaneous	(85,000)	-	-	-	(85,000)	-	(85,000)
Interest Expense	(37,914)	-	-	-	(37,914)	-	(37,914)
Total governmental activities	<u>(6,072,894)</u>	<u>608,333</u>	<u>490,729</u>	<u>11,929</u>	<u>(4,961,905)</u>	<u>-</u>	<u>(4,961,903)</u>
Business-type activities							
Water services	(1,986,364)	1,911,879	-	-	-	(74,485)	(74,485)
Sewer services	(2,177,585)	1,923,847	42,000	-	-	(211,738)	(211,738)
Total business-type activities	<u>(4,163,949)</u>	<u>3,835,726</u>	<u>42,000</u>	<u>-</u>	<u>-</u>	<u>(286,223)</u>	<u>(286,223)</u>
<b>Total primary government</b>	<u>\$ (10,236,843)</u>	<u>\$ 4,444,059</u>	<u>\$ 532,729</u>	<u>\$ 11,929</u>	<u>(4,961,905)</u>	<u>(286,223)</u>	<u>(286,223)</u>
General Revenues							
Taxes							
Property taxes, levied for general purposes					2,553,009	-	2,553,009
Income taxes					1,039,972	-	1,039,972
Other local taxes					120,284	-	120,284
County tax equity					964,419	-	964,419
Income on investments					13,020	-	13,020
Rental income					5,981	102,837	108,818
Administrative fees					-	10,000	10,000
Miscellaneous income					386,912	68,158	455,070
<b>Total general revenues</b>					<u>5,083,597</u>	<u>180,995</u>	<u>5,264,592</u>
<b>Change in net position</b>					121,692	(105,228)	16,464
<b>Net position - beginning of year</b>					13,040,559	17,068,861	30,109,420
<b>Net position - end of year</b>					<u>\$ 13,162,251</u>	<u>\$ 16,963,633</u>	<u>\$ 30,125,884</u>

The accompanying notes are an integral part of this statement.

**CITY OF BRUNSWICK, MARYLAND**

**Balance Sheet**

**Governmental Funds**

**June 30, 2019**

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 4,823,264	\$ -	\$ 4,823,264
Restricted cash and investments	190,159	34,852	225,011
Receivables:			
Taxes	5,002	-	5,002
Customers	122,913	-	122,913
Other governments	209,462	11,929	221,391
Other	33,424	-	33,424
Advances to sewer fund	194,806	-	194,806
Due from other funds	-	3,176,464	3,176,464
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Assets</b>	<u>\$ 5,579,029</u>	<u>\$ 3,223,245</u>	<u>\$ 8,802,274</u>
 <b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 134,626	\$ 357,124	\$ 491,750
Accrued liabilities	38,524	-	38,524
Escrow deposits	116,640	-	116,640
Deposits held for specific purposes	73,519	-	73,519
Due to other funds	3,176,464	-	3,176,464
Total Liabilities	<u>3,539,772</u>	<u>357,124</u>	<u>3,896,897</u>
Deferred Inflows of Resources	<u>47,306</u>	<u>-</u>	<u>47,306</u>
Total Liabilities and Deferred Inflows of Resources	<u>3,587,078</u>	<u>357,124</u>	<u>3,944,203</u>
 <b>Fund Balances</b>			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	75,540	34,852	110,392
Assigned	362,387	2,831,269	3,193,656
Unassigned	<u>1,554,024</u>	<u>-</u>	<u>1,554,024</u>
Total Fund Balances	<u>1,991,951</u>	<u>2,866,121</u>	<u>4,858,072</u>
 <b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	 <u>\$ 5,579,029</u>	 <u>\$ 3,223,245</u>	 <u>\$ 8,802,274</u>

The accompanying notes are an integral part of this statement.

**CITY OF BRUNSWICK, MARYLAND**  
**Statement of Revenue, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2019**

	<b>General</b>	<b>Capital Projects</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>			
Local property taxes	\$ 2,553,009	\$ -	\$ 2,553,009
Local income taxes	1,039,972	-	1,039,972
Other local taxes	120,284	-	120,284
Licenses and permits	117,395	-	117,395
Intergovernmental revenues	1,407,843	11,929	1,419,772
User fees	191,864	4,902	196,766
Waste collection and disposal	283,099	-	283,099
Fines and forfeitures	11,073	-	11,073
Miscellaneous	398,497	3	398,500
Total Revenues	6,123,036	16,834	6,139,868
<b>Expenditures</b>			
General government	1,279,030	5,891	1,284,921
Public safety	1,825,503	136,864	1,962,367
Public works	1,589,432	484,565	2,073,998
Waste collection and disposal	393,096	-	393,096
Recreation and culture	249,598	14,365	263,963
Economic development	116,225	-	116,225
Miscellaneous	85,000	-	85,000
Debt service	113,789	-	113,789
Total Expenditures	5,651,673	641,685	6,293,360
Excess (Deficiency) of Revenues over Expenditures	471,363	(624,851)	(153,492)
<b>Other Financing Sources (Uses)</b>			
Transfers	(772,705)	772,705	-
Sale of capital assets	7,414	-	7,414
Debt proceeds	237,010	-	237,010
Total Other Financing Sources (Uses)	(528,281)	772,705	244,424
<b>Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses</b>			
	(56,918)	147,854	90,932
Fund Balance - July 1, 2018	2,048,869	2,718,267	
<b>Fund Balance - June 30, 2019</b>	<b>\$ 1,991,951</b>	<b>\$ 2,866,121</b>	
<b>Adjustments for the Statement of Activities</b>			
Capital outlay			862,282
Depreciation expense			(683,664)
Insurance proceeds			47,306
Compensated absences			(26,512)
Debt service expenditures			75,875
Debt proceeds			(237,010)
Net pension adjustment			(7,517)
Change in Net Position of Governmental Activities			<b>\$ 121,692</b>

The accompanying notes are an integral part of this statement.

**CITY OF BRUNSWICK, MARYLAND**  
**Reconciliation of Fund Balance to Net Position of Governmental Activities**  
**June 30, 2019**

Fund balances - governmental funds	\$ 4,858,072
<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	9,826,929
Deferred outflows of resources - pension	351,165
<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>	
	47,306
<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	(526,853)
Compensated absences	(158,163)
Net pension liability	(1,059,411)
Deferred inflows of resources - pension	(176,793)
Net position - governmental activities	\$ 13,162,251

**CITY OF BRUNSWICK, MARYLAND**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2019**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Total</b>
<b>Assets</b>			
Current Assets			
Cash and cash equivalents	\$ 1,154,830	\$ 1,428,976	\$ 2,583,806
Restricted cash	14,426	2,226	16,652
Due from customers	350,041	371,557	721,598
Due from other governments	-	32,151	32,151
Other receivables	1,974	-	1,974
Other assets	26,789	-	26,789
Due from water fund	-	2,861,130	2,861,130
Total Current Assets	<u>1,548,060</u>	<u>4,696,040</u>	<u>6,244,100</u>
Capital Assets			
Capital assets not being depreciated	62,131	27,862	89,993
Capital assets being depreciated	17,951,832	29,628,472	47,580,304
Accumulated depreciation	<u>(8,150,398)</u>	<u>(13,394,574)</u>	<u>(21,544,972)</u>
Total Capital Assets, net	<u>9,863,565</u>	<u>16,261,760</u>	<u>26,125,325</u>
Total Assets	<u>11,411,625</u>	<u>20,957,800</u>	<u>32,369,425</u>
<b>Deferred Outflows of Resources</b>	<u>45,100</u>	<u>40,788</u>	<u>85,888</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 11,456,725</u>	<u>\$ 20,998,588</u>	<u>\$ 32,455,313</u>
<b>Liabilities</b>			
Current Liabilities			
Accounts payable	\$ 13,398	\$ 147,664	\$ 161,062
Accrued liabilities	7,626	11,044	18,670
Compensated absences	26,862	29,799	56,662
Escrow deposits	14,426	2,226	16,652
Current portion of debt obligations	91,797	170,630	262,427
Due to sewer fund	2,861,130	-	2,861,130
Total Current Liabilities	<u>3,015,239</u>	<u>361,363</u>	<u>3,376,602</u>
Noncurrent Liabilities			
Advances from general fund	-	194,806	194,806
Net pension liability	133,415	83,879	217,294
Long-term debt obligations	<u>1,210,837</u>	<u>970,555</u>	<u>2,181,392</u>
Total Noncurrent Liabilities	<u>1,344,252</u>	<u>1,249,240</u>	<u>2,593,492</u>
Total Liabilities	<u>4,359,491</u>	<u>1,610,603</u>	<u>5,970,094</u>
<b>Deferred Inflows of Resources</b>	<u>4,235,935</u>	<u>5,285,651</u>	<u>9,521,586</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>8,595,426</u>	<u>6,896,254</u>	<u>15,491,680</u>
<b>Net Position</b>			
Net investment in capital assets	8,560,931	15,120,576	23,681,507
Unrestricted	<u>(5,699,632)</u>	<u>(1,018,242)</u>	<u>(6,717,874)</u>
<b>Total Net Position</b>	<u>\$ 2,861,299</u>	<u>\$ 14,102,334</u>	<u>\$ 16,963,633</u>

The accompanying notes are an integral part of this statement.

**CITY OF BRUNSWICK, MARYLAND**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2019**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Total</b>
<b>Operating Revenues</b>			
Charges for services	\$ 1,911,879	\$ 1,923,847	\$ 3,835,726
Rental income	102,837	-	102,837
Operating grants	-	42,000	42,000
Miscellaneous	33,454	44,704	78,158
<b>Total Operating Revenues</b>	<b>2,048,170</b>	<b>2,010,551</b>	<b>4,058,721</b>
<b>Operating Expenses</b>			
Personnel services	594,155	415,000	1,009,155
Operating	742,906	694,591	1,437,497
Depreciation	606,799	1,023,612	1,630,411
<b>Total Operating Expenses</b>	<b>1,943,860</b>	<b>2,133,203</b>	<b>4,077,063</b>
<b>Operating income (loss)</b>	<b>104,310</b>	<b>(122,652)</b>	<b>(18,342)</b>
<b>Nonoperating Revenues (Expenses)</b>			
Interest expense and fees	(42,504)	(44,382)	(86,886)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(42,504)</b>	<b>(44,382)</b>	<b>(86,886)</b>
<b>Net income (loss)</b>	<b>61,806</b>	<b>(167,034)</b>	<b>(105,228)</b>
<b>Change in Net Position</b>	<b>61,806</b>	<b>(167,034)</b>	<b>(105,228)</b>
Total Net Position, beginning of year	2,799,493	14,269,368	17,068,861
<b>Total Net Position, end of year</b>	<b>\$ 2,861,299</b>	<b>\$ 14,102,334</b>	<b>\$ 16,963,633</b>

The accompanying notes are an integral part of this statement.

**CITY OF BRUNSWICK, MARYLAND**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2019**

	<u><b>Business-Type Activities - Enterprise Funds</b></u>		
	<u><b>Water</b></u>	<u><b>Sewer</b></u>	<u><b>Total</b></u>
<b>Cash flows from operating activities</b>			
Cash received from customers and users	\$ 1,662,363	\$ 1,364,604	\$ 3,026,967
Cash received from other governments	-	140,451	140,451
Cash payments to developers	75	(3,697)	(3,622)
Other operating cash receipts	24,669	38,591	63,260
Cash payments to suppliers	(665,124)	(526,778)	(1,191,902)
Cash payments to employees for services	(556,203)	(428,337)	(984,540)
Net cash provided by operating activities	<u>465,780</u>	<u>584,834</u>	<u>1,050,614</u>
 <b>Cash flows from capital and related financing activities</b>			
Purchase of capital assets	(11,240)	(363,965)	(375,205)
Current year construction of capital assets	(74,329)	(68,261)	(142,590)
Interfund advance	-	243,806	243,806
Payment on interfund advance	-	(49,000)	(49,000)
Proceeds from new debt	2,075	15,578	17,653
Principal paid on capital debt	(112,683)	(175,987)	(288,670)
Interest paid on capital debt	(37,690)	(41,444)	(79,134)
Net cash used in capital and related financing activities	<u>(233,867)</u>	<u>(439,273)</u>	<u>(673,140)</u>
 Net increase in cash and cash equivalents	231,913	145,561	377,474
Cash and cash equivalents, beginning of year	<u>937,343</u>	<u>1,285,643</u>	<u>2,222,986</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,169,256</u></u>	<u><u>\$ 1,431,204</u></u>	<u><u>\$ 2,600,460</u></u>

The accompanying notes are an integral part of this statement.

**CITY OF BRUNSWICK, MARYLAND**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2019**

	<u><b>Business-Type Activities - Enterprise Funds</b></u>		
	<u><b>Water</b></u>	<u><b>Sewer</b></u>	<u><b>Total</b></u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ 104,310	\$ (122,652)	\$ (18,342)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	606,799	1,023,612	1,630,411
Projects under construction adjustments	83,515	41,179	124,694
Net change in operating assets and liabilities			
Due from customers	(35,558)	(37,266)	(72,824)
Due from other governments	-	(11,064)	(11,064)
Other receivables	74	-	74
Other assets	(4,374)	-	(4,374)
Deferred outflows of resources	(3,681)	1,843	(1,838)
Accounts payable	(1,358)	126,634	125,276
Accrued liabilities	263	4,688	4,951
Escrow deposits	75	(3,697)	(3,622)
Net pension liability	32,509	(25,981)	6,528
Deferred inflows of resources	(318,141)	(411,117)	(729,258)
Interfund activity	1,346	(1,346)	-
Net cash provided by operating activities	<u>\$ 465,780</u>	<u>\$ 584,834</u>	<u>\$ 1,050,614</u>

The accompanying notes are an integral part of this statement.



**CITY OF BRUNSWICK, MARYLAND**  
**Notes to the Financial Statements**  
**June 30, 2019**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial Reporting Entity**

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

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

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

**Government-wide and Fund Financial Statements**

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

**CITY OF BRUNSWICK, MARYLAND**

**Notes to the Financial Statements**

**June 30, 2019**

**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 2019:

**Governmental Fund Types**

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

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

**CITY OF BRUNSWICK, MARYLAND**

**Notes to the Financial Statements**

**June 30, 2019**

**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.

**CITY OF BRUNSWICK, MARYLAND**

**Notes to the Financial Statements**

**June 30, 2019**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Measurement focus, basis of accounting, and financial statement presentation**

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

**Budgets and Budgetary Accounting**

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

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

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

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

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

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

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

Appropriations lapse at the end of the fiscal year.

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

**CITY OF BRUNSWICK, MARYLAND**

**Notes to the Financial Statements**

**June 30, 2019**

**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, 2019, 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, 2019 are recorded as prepaid items. In the governmental fund financial statements, reported prepaid items are equally offset in the fund balance as nonspendable, which indicates they do not constitute “available spendable resources” even though they are a component of total assets.

**CITY OF BRUNSWICK, MARYLAND**

**Notes to the Financial Statements**

**June 30, 2019**

**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.

**CITY OF BRUNSWICK, MARYLAND**

**Notes to the Financial Statements**

**June 30, 2019**

**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 \$34,852 in collected impact fees and \$75,540 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 \$340,072 for the remaining capital lease obligations of eight separate capital leases, \$22,315 for the Berlin Cemetery project and \$2,831,269 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.

**CITY OF BRUNSWICK, MARYLAND**

**Notes to the Financial Statements**

**June 30, 2019**

**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, 2019, the General Fund transferred \$772,705 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, 2019, \$194,806 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, 2019**

**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 \$7,648,733; the bank balance was \$7,780,566 and cash on hand was \$500. 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, 2019.

Included in cash and cash equivalents, the City had \$138,111 invested in the Maryland Local Government Investment Pool (MLGIP) as of June 30, 2019.

The City's cash and investments as of June 30, 2019, 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, 2019**

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

	<b>Governmental Business-type</b>		
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
Cash and cash equivalents	\$ 4,823,264	\$ 2,583,806	\$ 7,407,070
Restricted cash and investments	225,011	16,652	241,663
	<u>\$ 5,048,275</u>	<u>\$ 2,600,458</u>	<u>\$ 7,648,733</u>

**Custodial Credit Risk**

	<b>Governmental Business-type</b>		
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
Cash on hand	\$ 500	\$ -	\$ 500
Deposits in banks	4,581,058	2,600,458	7,181,516
Certificates of deposit	328,606	-	328,606
Investment pools (MLGIP)	138,111	-	138,111
	<u>\$ 5,048,275</u>	<u>\$ 2,600,458</u>	<u>\$ 7,648,733</u>

As of June 30, 2019, the City had the following investments:

<b>Investment Type (All funds)</b>	<b>Fair Value</b>	<b>Investment Maturities</b>		<b>% of Portfolio</b>
		<b>&lt; 1 Year</b>	<b>1-5 Years</b>	
Certificate of deposit	\$ 311,786	\$ 311,786	\$ -	94.88%
Certificate of deposit restricted	16,819	16,819	-	5.12%
	<u>\$ 328,605</u>	<u>\$ 328,605</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, 2019**

**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, 2019 were 2.22% for the MLGIP and between 0.15% and 0.17% 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 \$9,474,846 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, 2019 was \$616,438,196. The property tax rate was \$0.42 per \$100 of assessed value.

**CITY OF BRUNSWICK, MARYLAND**  
**Notes to the Financial Statements**  
**June 30, 2019**

**NOTE 5- CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2019 was as follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2019</u>
Capital assets, not being depreciated					
Land and land improvements	\$ 470,185	\$ -	\$ -	\$ -	\$ 470,185
Historical Collections	58,736	-	-	-	58,736
Projects under construction	176,972	78,495	-	(109,161)	146,306
Total capital assets not being depreciated	<u>705,893</u>	<u>78,495</u>	<u>-</u>	<u>(109,161)</u>	<u>675,227</u>
Capital assets, being depreciated					
Buildings	1,384,458	-	-	-	1,384,458
Improvements	3,722,273	355,409	-	100,370	4,178,052
Infrastructure	6,152,428	-	-	-	6,152,428
Machinery and equipment	1,227,778	160,581	-	8,791	1,397,150
Vehicles	1,126,611	267,797	(82,922)	-	1,311,486
Software	81,544	-	-	-	81,544
Total capital assets being depreciated	<u>13,695,092</u>	<u>783,787</u>	<u>(82,922)</u>	<u>109,161</u>	<u>14,505,118</u>
Less: accumulated depreciation	<u>(4,752,674)</u>	<u>(683,664)</u>	<u>82,922</u>	<u>-</u>	<u>(5,353,416)</u>
Total capital assets being depreciated, net	<u>8,942,418</u>	<u>100,123</u>	<u>-</u>	<u>109,161</u>	<u>9,151,702</u>
Governmental Activities capital assets, net	<u>\$ 9,648,311</u>	<u>\$ 178,618</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,826,929</u>

Depreciation expense was charged to functions/programs as follows:

**Governmental activities:**

General government	\$ 71,073
Public safety	77,591
Public works	439,799
Parks and recreation	<u>95,201</u>
Total depreciation expense - Governmental activities	<u>\$ 683,664</u>

**CITY OF BRUNSWICK, MARYLAND**  
**Notes to the Financial Statements**  
**June 30, 2019**

**NOTE 5- CAPITAL ASSETS (Continued)**

<u>Business-type Activities</u>	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers &amp;</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2019</u>
Capital assets, not being depreciated					
Land and land improvements	\$ 28,068	\$ -	\$ -	\$ -	\$ 28,068
Projects under construction	<u>204,447</u>	<u>142,590</u>	<u>-</u>	<u>(285,112)</u>	<u>61,925</u>
Total capital assets not being depreciated	<u>232,515</u>	<u>142,590</u>	<u>-</u>	<u>(285,112)</u>	<u>89,993</u>
Capital assets, being depreciated					
Buildings and improvements	9,089,874	-	-	-	9,089,874
Infrastructure	35,819,762	95,417	-	160,418	36,075,597
Machinery and equipment	2,015,635	279,788	-	-	2,295,423
Vehicles	<u>119,410</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>119,410</u>
Total capital assets being depreciated	47,044,681	375,205	-	160,418	47,580,304
Less: accumulated depreciation	<u>(19,914,561)</u>	<u>(1,630,411)</u>	<u>-</u>	<u>-</u>	<u>(21,544,972)</u>
Total capital assets being depreciated, net	<u>27,130,120</u>	<u>(1,255,206)</u>	<u>-</u>	<u>160,418</u>	<u>26,035,332</u>
Business-type Activities capital assets, net	<u>\$ 27,362,635</u>	<u>\$ (1,112,616)</u>	<u>\$ -</u>	<u>\$ (124,694)</u>	<u>\$ 26,125,325</u>

Depreciation expense was charged to functions/programs as follows:

**Business-type activities**

Water	\$ 606,799
Sewer	<u>1,023,612</u>
Total depreciation expense - Business-type activities	<u>\$ 1,630,411</u>

**CITY OF BRUNSWICK, MARYLAND**  
**Notes to the Financial Statements**  
**June 30, 2019**

**NOTE 6- LONG-TERM DEBT OBLIGATIONS**

Debt outstanding as of June 30, 2019 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%	\$ 186,781
Capital Lease - audio/visual equipment; Due 2021; Annual principal and interest payments of approximately \$2,500	9.50%	5,502
Capital Lease - IT equipment; Due 2022; Annual principal and interest payments of approximately \$18,000	6.30%	52,087
Capital Lease - security system; Due 2022; Annual principal and interest payments of approximately \$4,800	9.63%	13,772
Capital Lease - copier/printer equipment; Due 2022; Annual principal and interest payments of approximately \$10,600	2.56%	34,800
Capital Lease - imaging system; Due 2022; Annual principal and interest payments of approximately \$2,400	7.20%	7,367
Capital Lease - global search software; Due 2022; Annual principal and interest payments of approximately \$4,800	6.37%	13,729
Capital Lease - five vehicles; Due 2023; Annual principal and interest payments of approximately \$42,900	16.07%	146,888
Capital Lease - keycard access and server; Due 2023; annual principal and interest payments of approximately \$1,410	9.87%	<u>65,927</u>
		<u>\$ 526,853</u>

**CITY OF BRUNSWICK, MARYLAND**  
**Notes to the Financial Statements**  
**June 30, 2019**

**NOTE 6- LONG-TERM DEBT OBLIGATIONS (Continued)**

Debt outstanding as of June 30, 2019 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%	\$ 135,592
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%	138,130
2012 Tax-Exempt Bond payable to PNC Bank; Due 2030; Annual principal and interest payments fluctuate throughout the life of the bonds	2.90%	2,047,438
2012 Taxable Bond payable to PNC Bank; Due 2020; Annual principal and interest payments fluctuate throughout the life of the bonds	4.45%	85,000
Capital Lease - IT equipment; Due 2022; Annual principal and interest payments of approximately \$6,500	6.30%	18,141
Capital Lease - copier/printer equipment; Due 2022; Annual principal and interest payments of approximately \$1,000	2.56%	3,424
Capital Lease - security system; Due 2022; Annual principal and interest payments of approximately \$255	9.63%	740
Capital Lease - keycard access and server; Due 2023; annual principal and interest payments of approximately \$330	9.87%	<u>15,355</u>
Total Enterprise Fund Debt		<u><u>\$2,443,820</u></u>

**CITY OF BRUNSWICK, MARYLAND**  
**Notes to the Financial Statements**  
**June 30, 2019**

**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>
2020	\$ 77,648	\$ 41,578	\$ 262,427	\$ 70,214
2021	87,552	34,786	216,805	61,941
2022	94,134	27,144	224,635	56,299
2023	72,811	21,071	226,706	49,487
2024	80,566	8,158	232,901	19,697
2025-2029	93,072	11,378	1,048,847	144,917
2030-2034	21,070	611	231,499	14,089

**Interest expense**

For the year ended June 30, 2019, total interest was \$124,800 and reported as follows: interest expense of \$37,914 for governmental activities and \$86,886 for business-type activities.

**Changes in Long-Term Liabilities**

During the year ended June 30, 2019 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>
<b>Governmental activities:</b>					
Bonds payable	\$ 204,383	\$ -	\$ (17,602)	\$ 186,781	\$ 11,007
Capital leases	161,335	237,010	(58,273)	340,072	66,641
Governmental activities - Long-term liabilities	<u>\$ 365,718</u>	<u>\$237,010</u>	<u>\$ (75,875)</u>	<u>\$ 526,853</u>	<u>\$ 77,648</u>
<b>Business-type activities:</b>					
Bonds payable	\$ 2,686,604	\$ -	\$ (280,444)	\$ 2,406,160	\$ 253,987
Capital leases	28,269	17,653	(8,262)	37,660	8,440
Business-type activities - Long-term liabilities	<u>\$ 2,714,873</u>	<u>\$ 17,653</u>	<u>\$ (288,706)</u>	<u>\$ 2,443,820</u>	<u>\$ 262,427</u>



**CITY OF BRUNSWICK, MARYLAND**

**Notes to the Financial Statements**

**June 30, 2019**

**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, 2019**

**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

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

Total pension expense for the year ended June 30, 2019 was \$231,097.

**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 9.10% including inflation
Discount rate	7.45%
Investment rate of return	7.45%
Mortality	RP-2014 Mortality tables
Actuarial valuation date	June 30, 2018

**CITY OF BRUNSWICK, MARYLAND**

**Notes to the Financial Statements**

**June 30, 2019**

**NOTE 7- EMPLOYEE BENEFITS (Continued)**

**Discount rate**

A single discount rate of 7.45% 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 7.45%. 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 7.45%, 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:

	<b>1%</b>	<b>Current</b>	<b>1%</b>
<b>System</b>	<b>Decrease to 6.45%</b>	<b>Discount</b>	<b>Increase to 8.45%</b>
Employees Pension (muni)	1,757,614	1,276,705	874,399

**CITY OF BRUNSWICK, MARYLAND**

**Notes to the Financial Statements**

**June 30, 2019**

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

For the year ended June 30, 2019, the City reported deferred outflows and inflows of resources related to the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of pension assumptions	\$ 31,900	\$ -
Difference between actual and expected experience		80,977
Net difference between projected and actual earnings on pension plan investments	41,515	
Change in proportionate share	217,613	142,556
City contributions subsequent to the measurement date	<u>146,025</u>	<u>-</u>
	<u>\$ 437,053</u>	<u>\$ 223,533</u>
Other deferred inflows:		
Connection charges		41,061
Developer contributions		<u>9,433,785</u>
		<u>\$ 9,698,379</u>

Deferred outflows of resources of \$146,025 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, 2020.

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:

2020	\$ (55,918)
2021	(26,413)
2022	35,262
2023	2,680
2024	<u>(23,105)</u>
	<u>\$ (67,494)</u>

**CITY OF BRUNSWICK, MARYLAND**

**Notes to the Financial Statements**

**June 30, 2019**

**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, 2019, 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- SUBSEQUENT EVENTS**

Subsequent events are defined as events or transactions that occur after the Statement of Net Position date through the date that the financial statements are available to be issued. The City performed an evaluation as of December 26, 2019, the date the financial statements were available to be issued.

The City issued Public Improvement Bonds in August 2019 for a total debt service of \$8,162,791. In addition, the City executed a lease for a Vac-Con Truck in September 2019 for a total commitment of \$358,717.

**CITY OF BRUNSWICK, MARYLAND**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget to Actual - General Fund**  
**For the Year Ended June 30, 2019**

	<b>Original Budget</b>	<b>Final Appropriated Budget</b>	<b>(Budgetary Basis) Actual</b>	<b>Variance with Final Budget- Positive (Negative)</b>
<b>REVENUES</b>				
<b>Taxes</b>	\$ 3,167,035	\$ 3,379,483	\$ 3,713,265	\$ 333,782
<b>Licenses and Permits</b>	112,700	112,700	117,395	4,695
<b>Intergovernmental Revenues</b>	1,453,967	1,453,967	1,407,843	(46,124)
<b>Service Charges</b>				
User Fees	138,900	138,900	191,864	52,964
Waste Collection and Disposal	312,500	312,500	283,099	(29,401)
<b>Total Service Charges</b>	<u>451,400</u>	<u>451,400</u>	<u>474,963</u>	<u>23,563</u>
<b>Fines and Forfeitures</b>	12,500	12,500	11,073	(1,427)
<b>Miscellaneous Revenues</b>	268,750	268,750	398,497	129,747
<b>Total Revenues</b>	<u>\$ 5,466,352</u>	<u>\$ 5,678,800</u>	<u>\$ 6,123,036</u>	<u>\$ 444,236</u>
<b>EXPENDITURES</b>				
<b>General Government</b>				
Mayor & Council	\$ 97,800	\$ 97,800	\$ 96,163	\$ 1,637
Financial Administration	783,300	783,300	844,822	(61,522)
Planning, Zoning, & Enforcement	288,250	334,356	338,045	(3,689)
<b>Total General Government</b>	<u>1,169,350</u>	<u>1,215,456</u>	<u>1,279,030</u>	<u>(63,574)</u>
<b>Public Safety</b>				
Police Department	1,815,400	1,815,400	1,786,932	28,468
Fire and Rescue Contributions	40,100	40,100	38,571	1,529
<b>Total Public Safety</b>	<u>1,855,500</u>	<u>1,855,500</u>	<u>1,825,503</u>	<u>29,997</u>
<b>Public Works</b>				
Highways and Streets	1,484,300	1,589,432	1,589,432	-
<b>Total Public Works</b>	<u>1,484,300</u>	<u>1,589,432</u>	<u>1,589,432</u>	<u>-</u>

The accompanying notes are an integral part of this schedule.

**CITY OF BRUNSWICK, MARYLAND**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget to Actual - General Fund**  
**For the Year Ended June 30, 2019**

<b>For the Year Ended June 30, 2019</b>	<b>Original Budget</b>	<b>Final Appropriated Budget</b>	<b>(Budgetary Basis) Actual</b>	<b>Variance with Final Budget- Positive (Negative)</b>
<b>Waste Collection and Disposal</b>	354,200	382,395	393,096	(10,701)
<b>Recreation and Culture</b>				
Parks	48,000	48,000	58,575	(10,575)
Pool	32,200	65,215	65,215	-
Skate Park	-	-	25	(25)
Berlin Cemetery	31,000	31,000		
Campground	27,100	27,100	20,345	6,755
Special Events	102,575	102,575	105,438	(2,863)
<b>Total Recreation and Culture</b>	240,875	273,890	249,598	24,292
<b>Economic Development</b>				
Economic Development	89,800	89,800	115,925	(26,125)
Economic Development Commission	69,900	69,900	300	69,600
<b>Total Economic Development</b>	159,700	159,700	116,225	43,475
<b>Miscellaneous</b>				
Contributions & Donations	92,000	92,000	85,000	7,000
<b>Total Miscellaneous</b>	92,000	92,000	85,000	7,000
<b>Debt Service</b>	83,300	83,300	113,789	(30,489)
<b>Total Expenditures</b>	5,439,225	5,651,673	5,651,673	-
<b>Other Financing Sources (Uses)</b>				
Transfers	(29,627)	(772,705)	(772,705)	-
Sale of capital assets	2,500	2,500	7,414	4,914
Debt Proceeds	-	-	237,010	237,010
<b>Total Other Financing Sources (Uses)</b>	(27,127)	(770,205)	(528,281)	241,924
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ (743,078)</u>	<u>\$ (56,918)</u>	<u>\$ 686,160</u>

The accompanying notes are an integral part of this schedule.

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

<b>For the Year Ended June 30</b>	<u><b>2019</b></u>	<u><b>2018</b></u>	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>
City's proportion of the net pension liability	0.006084879%	0.004865486%	0.005913001%	0.006547945%	0.005469283%
City's proportionate share of the net pension liability	<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	\$ 2,487,954	\$ 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>51.32%</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>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**

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

The accompanying notes are an integral part of this schedule.



**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, 2019, 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 December 26, 2019.

**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. We consider the deficiency described in the accompanying schedule of findings and responses as item Finding 2019-001 to be a material weakness.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompany schedule of findings and responses as item 2019-002 to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Brunswick, Maryland's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**City of Brunswick, Maryland's Response to Findings**

City of Brunswick, Maryland's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. City of Brunswick, Maryland's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**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  
December 26, 2019**



**CITY OF BRUNSWICK, MARYLAND**  
**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2019**

**Finding 2019-001 – Bank account reconciliations**

**Criteria:** The City’s internal control procedures state that the Accountant and Accounting Clerk strive to reconcile bank accounts on a quarterly basis and all bank reconciliations are reviewed by the City Administrator or the Mayor.

**Condition:** Per inquiry of the Accountant, the bank reconciliations from September 2018 through June 2019 were all completed at the same time in September 2019 via a manual spreadsheet. As of our return for final fieldwork in October 2019, these bank reconciliations had not been reviewed by the City Administrator or Mayor.

**Cause:** In response to this same finding from the fiscal year 2018 audit in January 2019, the City was working to implement and train on the Accounting System Module to facilitate and improve the monthly bank account reconciliation process. Per inquiry, the implementation to this the Accounting System Module did not occur and caused the back log of reconciliations.

**Effect:** Bank account reconciliations should be prepared to ensure that all cash transactions have been properly recorded and to discover any errors timely. The established procedures were not followed over the bank reconciliations during fiscal year 2019. Without completing and reviewing the bank reconciliations timely, the City faces a greater risk that errors may not be detected.

**Recommendation:** We recommend the City follow its established internal control procedures over bank reconciliations.

**Response:** The City desires to have the bank reconciliations processed through the Springbrook accounting system. As the FY19 year-end approached however, the Accountant encountered difficulty locating the needed online training. This triggered the Accountant to process the bank reconciliations through Excel (as had been done before) and cause a delay in the process. In fiscal year 2020, the Accountant will seek out the required proper information from Springbrook, and have the bank reconciliations processed through the accounting system, and signed off appropriately and on a timely basis.

**CITY OF BRUNSWICK, MARYLAND**  
**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2019**

**Finding 2019-002 – Year-end Financial Close**

**Criteria:** The City is responsible for ensuring there is an effective financial close and reporting process so that their books and records are reconciled at year-end to prevent any material misstatements.

**Condition:** As a result of our audit procedures we identified twenty audit adjustments, which affected all four funds of the City. The effect across the governmental and business-type activities are as follows;

Governmental Activities – An increase of \$102,655 to net position

Business-Type Activities – A decrease of \$70,145 to net position

**Cause:** Several of the journal entries are related to more complex transaction areas of the City, and it appeared there was a lack of technical training. For the other audit adjustments that were more routine and less complex in nature, it appeared that these were an oversight, perhaps due to the City not having a financial close and reporting process to follow.

**Effect:** Without such a process and adequate training of the City’s employees, the City is at a greater risk that their books and records will be materially misstated.

**Recommendation:** We recommend the City implement a financial close and reporting process and consider providing technical training to its employees, as determined necessary.

**Response:** The Accountant is in the process of preparing a checklist that will serve as a guide for that individual throughout the fiscal year to eliminate any missed and needed journal entries during the course of the fiscal year. This should provide a blueprint for the Accountant to ensure all required entries are done and fewer adjusting journal entries needed to be processed from the audit team. Furthermore, the Accountant may suggest a day to meet with audit team, prior to prelim fieldwork in July, to see what is missing and needed still before they arrive at City Hall for fieldwork. Also, the Accountant will seek out specific governmental accounting training assistance resources – such as online webinars or in-person seminars.