



CITY OF BRUNSWICK, MARYLAND

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

For the Year Ended June 30, 2021

CITY OF BRUNSWICK, MARYLAND
Summary of Elected and Appointed Officials
As of June 30, 2021

Mayor

Nathan Brown

City Council

John Dayton

Brian Sandusky

Andrew St. John

Christopher Vigliotti

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

Kevin Grunwell

City of Brunswick, Maryland
For the Year Ended June 30, 2021

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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, 2021, 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, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2021, on our consideration of the City of Brunswick, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Brunswick, Maryland's internal control over financial reporting and compliance.

DeLeon & Stang

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

City of Brunswick, Maryland
Management's Discussion and Analysis
For the Year Ended June 30, 2021

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, 2021.

Financial Highlights

- The City's assets totaled \$51,716,443; increasing \$1,002,359 from the prior year. Capital assets, net of accumulated depreciation, totaled \$38,366,331; representing 74% of total assets.
- The City's deferred outflows of resources totaled \$429,409 in FY 2021; the prior year balance was \$380,772. These amounts represent financial reporting for pensions as required by Governmental Accounting Standards Board Statement No. 68 (GASB 68).
- The City's liabilities totaled \$13,388,035; increasing \$752,435 from the prior year. Long-term debt obligations were \$7,976,219 of this total. During FY20, the City issued \$6.6 million in bonds, allocated for Capital Improvements Projects. All three Funds received portions for Capital Infrastructure projects. These projects continued during FY2021 with projected completions in FY2022.
- The City's deferred inflows of resources totaled \$8,870,638; decreasing \$442,228 from the prior year. Developer unearned revenue attributable to Brunswick Crossing tap fee credits was \$8,138,075 of this total.
- The City's government-wide net position was \$29,887,178; increasing \$740,791 from the FY 2020 net position. In the current year, net position for governmental activities increased \$475,090 and business-type activities increased \$265,701.
- Of the government-wide net position, net investment in capital assets totaled \$29,728,262; approximately a 10.6% decrease from the prior year. The unrestricted portion of the City's net position was a negative \$4,250,462. Unearned developer revenue in the business type activities represents a significant portion of the deficit.
- As of June 30, 2021, the City's governmental funds (General and Capital Projects) reported combined ending fund balances of \$4,550,631; a decrease of \$757,909 or 14% compared to the prior year. Approximately 52% of the total governmental fund balance is available for spending at the government's discretion; 45% is assigned to Capital Projects and Leases, and 3% is committed.
- The City's governmental long-term debt obligations decreased \$125,312 while the business-type long-term debt obligations decreased \$431,214 from its prior fiscal year position.

Grant Highlights

The following is an overview of the City's ongoing grants that were awarded, received or applied for during FY 2021.

Management's Discussion and Analysis

- MD Department of Environment – An operating grant was awarded and received 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 2021.
- MD Department of Housing and Community Development – received \$500,000 from the Strategic Demolition Fund program to purchase the Kaplon Building in downtown Brunswick and prepare it for resale.
- State of Maryland – Governor's CIP – Awarded \$476,000 for 811 West Potomac Street PW/PD/Emergency Operations Building construction.
- State of Maryland – Governor's CIP – Awarded \$500,000 for improvements to the Reservoir site.

Overview of the Financial Statements

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

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

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

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

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

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

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

Management's Discussion and Analysis

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

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

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

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

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

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

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

The basic proprietary fund financial statements are on pages 16-19 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 20–41 of this report.

Government-wide Financial Analysis

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the city as a

Management's Discussion and Analysis

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, 2021 and 2020.

The assets and deferred outflows of the City exceeded liabilities and deferred inflows by \$29,887,178 as of June 30, 2021; this is a \$740,791 increase from FY 2020. The largest portion of the City's net position reflects its investments in capital assets (e.g. land, buildings, vehicles, equipment, infrastructure), less accumulated depreciation and less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The resources needed to repay the debt related to these capital assets must be provided from other sources, as the capital assets cannot be used to liquidate these liabilities.

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

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 5,486,542	\$ 5,945,245	\$ 7,863,569	\$ 8,437,139	\$ 13,350,111	\$ 14,382,384
Capital assets, net	12,205,500	10,509,504	26,160,831	25,822,194	38,366,331	36,331,698
Deferred outflows of resources	347,290	304,221	82,119	76,551	429,409	380,772
Total assets and deferred outflows of resources	18,039,332	16,758,970	34,106,519	34,335,884	52,145,851	51,094,854
Other liabilities	1,177,528	904,490	874,237	382,349	2,051,765	1,286,839
Long-term liabilities outstanding	1,707,916	1,741,377	7,666,525	8,140,681	9,374,441	9,882,058
Net pension liability	1,646,367	1,213,111	315,462	253,593	1,961,829	1,466,704
Deferred inflows of resources	436,595	304,156	8,434,043	9,008,710	8,870,638	9,312,866
Total liabilities and deferred inflows of resources	4,968,406	4,163,134	17,290,267	17,785,333	22,258,673	21,948,467
Net position:						
Net investment in capital assets, net	10,593,519	9,767,370	19,134,743	23,489,697	29,728,262	33,257,067
Restricted for capital projects	-	992,730	4,409,378	5,625,471	4,409,378	6,618,201
Unrestricted	2,477,407	1,835,736	(6,727,869)	(12,564,617)	(4,250,462)	(10,728,881)
Total net position	\$ 13,070,926	\$ 12,595,836	\$ 16,816,252	\$ 16,550,551	\$ 29,887,178	\$ 29,146,387

At June 30, 2021 the City is able to report positive balances in net position in the net investment in capital assets category for both the government as a whole and for its separate governmental and business-type activities. However, consistent with similar years, the business-type activities reported a negative balance in unrestricted net position.

Governmental Activities

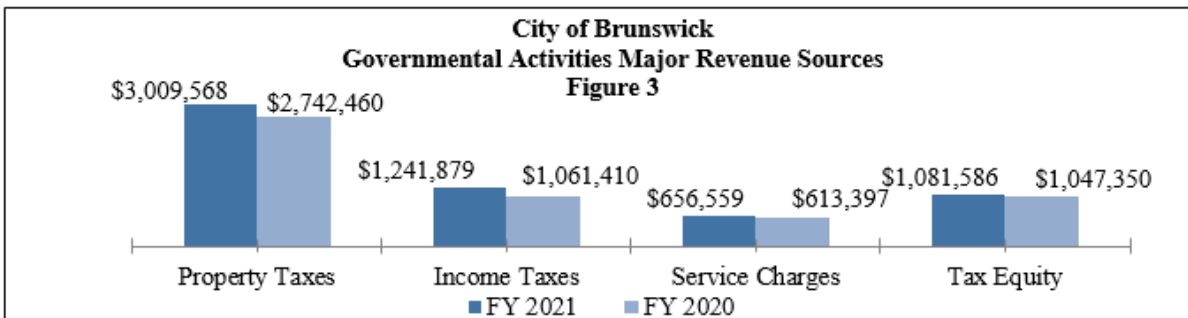
Governmental activities increased the City's net position by \$475,090 as shown below in Figure 2, which shows the City's revenue and expenses of the governmental and business-type activities for the years ended June 30, 2021 and 2020.

Management's Discussion and Analysis

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

	Governmental Activities		Business-Type Activities		Total		Change
	2021	2020	2021	2020	2021	2020	
REVENUES							
Program Revenues							
Operating grants and contributions	468,247	554,441	42,000	142,000	510,247	696,441	(186,194)
Charges for services	656,559	613,397	4,483,761	3,989,439	5,140,320	4,602,836	537,484
Capital grants and contributions	494,884	34,598	-	-	494,884	34,598	460,286
General Revenues							
Taxes	4,389,053	3,935,349	-	-	4,389,053	3,935,349	453,704
County Tax Equity	1,081,586	1,047,350	-	-	1,081,586	1,047,350	34,236
Income on investments	3,636	96,410	-	-	3,636	96,410	(92,774)
Rental income	3,025	3,933	103,872	106,645	106,897	110,578	(3,681)
Miscellaneous	514,740	393,715	127,956	76,384	642,696	470,099	172,597
TOTAL REVENUES	7,611,730	6,679,193	4,757,589	4,314,468	12,369,319	10,993,661	1,375,658
PROGRAM EXPENSES							
General government	(1,672,226)	(1,503,471)	-	-	(1,672,226)	(1,503,471)	(168,755)
Public safety	(2,116,189)	(2,291,802)	-	-	(2,116,189)	(2,291,802)	175,613
Public works	(2,331,111)	(2,363,215)	-	-	(2,331,111)	(2,363,215)	32,104
Waste collection and disposal	(424,861)	(392,667)	-	-	(424,861)	(392,667)	(32,194)
Recreation and culture	(391,819)	(361,001)	-	-	(391,819)	(361,001)	(30,818)
Community & Econ Developmt	(86,925)	(96,178)	-	-	(86,925)	(96,178)	9,253
Interest	(56,886)	(124,979)	-	-	(56,886)	(124,979)	68,093
Miscellaneous	(56,623)	(112,295)	-	-	(56,623)	(112,295)	55,672
Business-type activities	-	-	(4,491,888)	(4,727,550)	(4,491,888)	(4,727,550)	235,662
TOTAL EXPENSES	(7,136,641)	(7,245,608)	(4,491,888)	(4,727,550)	(11,628,529)	(11,973,158)	344,630
TRANSFERS	-	-	-	-	-	-	-
CHANGE IN NET POSITION	475,090	(566,415)	265,701	(413,082)	740,791	(979,497)	1,720,288

In FY 2021 the City's general revenues from governmental activities totaled \$5,992,040; taxes (property taxes, income taxes, public utility taxes) represented 72% of total general revenues. Figure 3 below shows a year-to-year comparison of major revenue sources.



In FY 2021, the City's expenses from governmental activities totaled \$7,136,641, down from \$7,245,609 in FY 2020.

Management's Discussion and Analysis

Business-type Activities

Referring to Figure 2, business-type activities increased the City's net position by \$265,701. A key element for the positive shift in FY 2021 net position was the City's service revenues exceeding expenses.

In FY 2021, the City's revenues from business-type activities totaled \$4,757,589; utility service charges for water and sewer represented 94% of total revenue. The increased rates in the City's service charge revenue exceeded expenses by \$245,134.

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 \$2,378,784. 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 \$3,015,785 to total fund expenditures of \$6,230,841.

At June 30, 2021, the governmental funds of City of Brunswick reported a combined fund balance of \$4,550,631 with a net decrease in fund balance of (\$757,909).

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 \$910,463 more than the amended budgeted amount. More specifically, total tax revenues were \$704,533 more than the final appropriated budget amount and Misc. Revenues were \$112,860 more than the final appropriated budget amount, more specifically Refunds and Rebates.

Total FY21 expenditures were \$76,359 less than the amended budgeted amount. The Police Department was under budget by \$153,824, due to the transition of personnel. The Public Works Department was over budget by \$64,183 due to unbudgeted but approved additional truck lease.

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 \$406,427; an increase of \$352,505 from FY 2020. The Sewer Fund had an operating income of \$112,535 as compared to a loss of \$108,150 in FY 2020. The operating income/loss is derived by calculating the difference between operating revenues and operating expenses.

Depreciation expense for business-type activities amounted to \$1,535,702; 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 2021.

The Water Fund total operating revenues increased 5%; whereas total operating expenses decreased 10%. The driving factor for the Water Fund revenue increase was primarily the increase in connection charges revenue.

The Sewer Fund had an operating income increasing from a loss the prior year. In FY 2021 operating expenses for the Sewer Fund included depreciation and amortization costs of \$906,589; 40% of total operating expenses. Total operating revenues increased 16%; whereas total operating expenses increased 5%.

Highlights of Fiscal Year 2022

- 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 and throughout the City. Property assessments, other than appeals, will have a slight increase phased in over the next three years per reassessed values as of January 1, 2018.
- For FY2022, City officials voted to maintain the property tax rate of \$0.41 per \$100 of assessed value.
- Tax Equity revenue received from Frederick County is projected to remain steady for FY2022. FY2021 actual ended at \$1,241,878 and budget for FY2022 is estimated \$1,163,000.
- State of Maryland stated Highway User Revenue is estimated to increase to \$341,226 for FY2022.
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Management's Discussion and Analysis

- The new Emergency Operations Center, Police Department, and Public Works Department building is under construction in FY2022 and expected completion in December 2022. The City was awarded over \$2 million in State Bonds in the previous fiscal year.
- Yourtee Springs Improvements project is anticipated to be completed by December 2021 at an estimated construction cost of \$1.7 million. This will allow resumption of additional residential drinking water supply of approximately 125,000 gallons per day.
- The City raised water and sewer rates in FY2022 to cover increased operational costs. A utility bill for usage of water and sewer increased 5% for FY2022.
- The City is anticipated to receive an estimated \$6.3 million from the American Rescue Plan Act of 2021 Coronavirus Local Fiscal Recovery Funds (CLFRF) in FY2022 for use on infrastructure projects to be determined by the Mayor and Council.

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, 2021

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets			
Cash and cash equivalents	\$ 4,094,997	\$ 2,447,775	\$ 6,542,772
Restricted cash and investments	339,925	4,381,579	4,721,505
Taxes receivable	2,050	-	2,050
Accounts receivable, net of allowance	135,319	854,260	989,579
Due from other governments	779,600	26,753	806,353
Other receivables	37,845	100,027	137,872
Other assets	-	53,175	53,175
Advances to sewer fund	96,806	-	96,806
Capital assets:			
Capital assets not being depreciated	2,315,058	1,418,407	3,733,465
Capital assets being depreciated	16,734,297	49,345,631	66,079,928
Less: Accumulated depreciation	<u>(6,843,855)</u>	<u>(24,603,207)</u>	<u>(31,447,062)</u>
Capital assets, net	<u>12,205,500</u>	<u>26,160,831</u>	<u>38,366,331</u>
Total Assets	<u>17,692,042</u>	<u>34,024,400</u>	<u>51,716,443</u>
Deferred Outflows of Resources	<u>347,290</u>	<u>82,119</u>	<u>429,409</u>
Total Assets and Deferred Outflows of Resources	<u>18,039,332</u>	<u>34,106,519</u>	<u>52,145,851</u>
Liabilities			
Accounts payable	\$ 509,109	\$ 648,042	\$ 1,157,151
Accrued liabilities	54,428	82,112	136,540
Compensated absences	267,859	81,694	349,553
Retainage payable	51,110	50,338	101,448
Escrow deposits	216,050	12,051	228,102
Deposits held for specific purposes	78,972	-	78,972
Noncurrent liabilities			
Debt obligations due within one year	230,769	431,081	661,850
Debt obligations due in more than one year	1,381,212	6,595,007	7,976,219
Unamortized bond premium	95,935	543,631	639,566
Advances from general fund	-	96,806	96,806
Net pension liability	<u>1,646,367</u>	<u>315,462</u>	<u>1,961,829</u>
Total Liabilities	<u>4,531,811</u>	<u>8,856,224</u>	<u>13,388,035</u>
Deferred Inflows of Resources	<u>436,595</u>	<u>8,434,043</u>	<u>8,870,638</u>
Total Liabilities and Deferred Inflows of Resources	<u>4,968,406</u>	<u>17,290,267</u>	<u>22,258,674</u>
Net Position			
Net investment in capital assets	10,593,519	19,134,743	29,728,262
Restricted for capital projects	-	4,409,378	4,409,378
Unrestricted	<u>2,477,407</u>	<u>(6,727,869)</u>	<u>(4,250,462)</u>
Total Net Position	<u>\$ 13,070,926</u>	<u>\$ 16,816,252</u>	<u>\$ 29,887,178</u>

The accompanying notes are an integral part of this statement.

CITY OF BRUNSWICK, MARYLAND
Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
General government	\$ (1,672,226)	\$ 253,573	\$ 11,884	\$ 37,300	\$ (1,369,469)	\$ -	\$ (1,369,469)
Public safety	(2,116,189)	3,071	99,524	-	(2,013,594)	-	(2,013,594)
Public works	(2,331,111)	5,069	329,714	457,584	(1,538,744)	-	(1,538,744)
Waste collection and disposal	(424,861)	296,097	-	-	(128,764)	-	(128,764)
Recreation and culture	(391,819)	98,749	13,125	-	(279,945)	-	(279,945)
Community and economic development	(86,925)	-	14,000	-	(72,925)	-	(72,925)
Miscellaneous	(56,623)	-	-	-	(56,623)	-	(56,623)
Interest Expense	(56,886)	-	-	-	(56,886)	-	(56,886)
Total governmental activities	<u>(7,136,641)</u>	<u>656,559</u>	<u>468,247</u>	<u>494,884</u>	<u>(5,516,950)</u>	<u>-</u>	<u>(5,516,950)</u>
Business-type activities							
Water services	(2,134,259)	2,254,244	-	-	-	119,985	119,985
Sewer services	<u>(2,357,629)</u>	<u>2,229,517</u>	<u>42,000</u>	<u>-</u>	<u>-</u>	<u>(86,112)</u>	<u>(86,112)</u>
Total business-type activities	<u>(4,491,888)</u>	<u>4,483,761</u>	<u>42,000</u>	<u>-</u>	<u>-</u>	<u>33,873</u>	<u>33,873</u>
Total primary government	<u>\$ (11,628,529)</u>	<u>\$ 5,140,320</u>	<u>\$ 510,247</u>	<u>\$ 494,884</u>	<u>(5,516,950)</u>	<u>33,873</u>	<u>33,873</u>
General Revenues							
Taxes							
Property taxes, levied for general purposes					3,009,568	-	3,009,568
Income taxes					1,241,879	-	1,241,879
Other local taxes					137,606	-	137,606
County tax equity					1,081,586	-	1,081,586
Income on investments					3,636	-	3,636
Rental income					3,025	103,872	106,897
Administrative fees					-	10,000	10,000
Miscellaneous income					514,740	117,956	632,696
Total general revenues					<u>5,992,040</u>	<u>231,828</u>	<u>6,223,868</u>
Change in net position					475,090	265,701	740,791
Net position - beginning of year					<u>12,595,836</u>	<u>16,550,551</u>	<u>29,146,387</u>
Net position - end of year					<u>\$ 13,070,926</u>	<u>\$ 16,816,252</u>	<u>\$ 29,887,178</u>

The accompanying notes are an integral part of this statement.

CITY OF BRUNSWICK, MARYLAND
Balance Sheet
Governmental Funds
June 30, 2021

	<u>Governmental Fund Types</u>		<u>Total Governmental Funds</u>
	<u>General</u>	<u>Capital Projects</u>	
Assets			
Cash and cash equivalents	\$ 4,094,997	\$ -	\$ 4,094,997
Restricted cash and investments	295,022	44,903	339,925
Receivables:			
Taxes	2,050	-	2,050
Customers	135,319	-	135,319
Other governments	322,016	457,584	779,600
Other	37,845	-	37,845
Advances to sewer fund	96,806	-	96,806
Due from other funds	-	1,400,752	1,400,752
Total Assets	<u>\$ 4,984,055</u>	<u>\$ 1,903,239</u>	<u>\$ 6,887,294</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	\$ 191,826	\$ 317,283	\$ 509,109
Accrued liabilities	54,428	-	54,428
Retainage payable	-	51,110	51,110
Escrow deposits	216,050	-	216,050
Deposits held for specific purposes	78,972	-	78,972
Due to other funds	1,400,752	-	1,400,752
Total Liabilities	<u>1,942,028</u>	<u>368,393</u>	<u>2,310,422</u>
Deferred Inflows of Resources	26,241	-	26,241
Total Liabilities and Deferred Inflows of Resources	<u>1,968,269</u>	<u>368,393</u>	<u>2,336,663</u>
Fund Balances			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	57,838	44,903	102,741
Assigned	579,163	1,489,943	2,069,106
Unassigned	2,378,784	-	2,378,784
Total Fund Balances	<u>3,015,785</u>	<u>1,534,846</u>	<u>4,550,631</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,984,054</u>	<u>\$ 1,903,239</u>	<u>\$ 6,887,294</u>

CITY OF BRUNSWICK, MARYLAND
Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

	General	Capital Projects	Total Governmental Funds
Revenues			
Local property taxes	\$ 3,009,568	\$ -	\$ 3,009,568
Local income taxes	1,241,879	-	1,241,879
Other local taxes	137,606	-	137,606
Licenses and permits	126,647	-	126,647
Intergovernmental revenues	1,687,192	457,887	2,145,079
User fees	196,418	4,902	201,320
Waste collection and disposal	296,097	-	296,097
Fines and forfeitures	32,495	-	32,495
Miscellaneous	503,260	18	503,278
Total Revenues	7,231,162	462,807	7,693,969
Expenditures			
General government	1,497,060	24,636	1,521,696
Public safety	1,931,577	557,230	2,488,807
Public works	1,716,583	1,645,390	3,361,973
Waste collection and disposal	424,861	-	424,861
Recreation and culture	317,949	125,094	443,043
Economic development	82,651	-	82,651
Miscellaneous	56,623	-	56,623
Debt service	203,537	-	203,537
Total Expenditures	6,230,841	2,352,350	8,583,191
Excess (Deficiency) of Revenues over Expenditures	1,000,321	(1,889,543)	(889,222)
Other Financing Sources (Uses)			
Transfers	(533,597)	533,597	-
Sale of capital assets	14,815	-	14,815
Debt proceeds	116,498	-	116,498
Total Other Financing Sources (Uses)	(402,284)	533,597	131,313
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	598,037	(1,355,946)	(757,909)
Fund Balance - July 1, 2020	2,417,748	2,890,792	
Fund Balance - June 30, 2021	\$ 3,015,785	\$ 1,534,846	
Adjustments for the Statement of Activities			
Capital outlay			2,519,524
Depreciation expense			(823,528)
Net decrease in deferred inflows of resources - grant revenues			(100,362)
Compensated absences			126,528
Debt service expenditures			146,651
Amortization of bond premium			3,308
Debt proceeds			(116,498)
Net pension adjustment			(522,624)
Change in Net Position of Governmental Activities			\$ 475,090

The accompanying notes are an integral part of this statement.
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CITY OF BRUNSWICK, MARYLAND
Reconciliation of Fund Balance to Net Position of Governmental Activities
June 30, 2021

Fund balances - governmental funds	\$ 4,550,631
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, therefore are not reported in the funds	
Property and equipment, net	12,205,500
Deferred outflows of resources - pension	347,290
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	
	26,241
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds	
Long-term debt, including a premium of \$95,935	(1,707,916)
Compensated absences	(267,859)
Net pension liability	(1,646,367)
Deferred inflows of resources - pension	<u>(436,595)</u>
Net position - governmental activities	<u>\$ 13,070,926</u>

CITY OF BRUNSWICK, MARYLAND
Statement of Net Position
Proprietary Funds
June 30, 2021

	Business-Type Activities - Enterprise Funds		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Assets			
Current Assets			
Cash and cash equivalents	\$ 831,295	\$ 1,616,480	\$ 2,447,775
Restricted cash	2,584,854	1,796,725	4,381,579
Due from customers	412,710	441,550	854,260
Due from other governments	-	26,753	26,753
Other receivables	100,027	-	100,027
Other assets	53,175	-	53,175
Due from water fund	-	2,861,765	2,861,765
Total Current Assets	<u>3,982,061</u>	<u>6,743,273</u>	<u>10,725,334</u>
Capital Assets			
Capital assets not being depreciated	988,350	430,057	1,418,407
Capital assets being depreciated	19,135,302	30,210,329	49,345,631
Accumulated depreciation	(9,401,225)	(15,201,982)	(24,603,207)
Total Capital Assets, net	<u>10,722,427</u>	<u>15,438,404</u>	<u>26,160,831</u>
Total Assets	<u>14,704,488</u>	<u>22,181,677</u>	<u>36,886,165</u>
Deferred Outflows of Resources			
	<u>39,588</u>	<u>42,531</u>	<u>82,119</u>
Total Assets and Deferred Outflows of Resources	<u>14,744,076</u>	<u>22,224,208</u>	<u>36,968,284</u>
Liabilities			
Current Liabilities			
Accounts payable	\$ 447,984	\$ 200,058	\$ 648,042
Accrued liabilities	40,554	41,558	82,112
Compensated absences	42,940	38,754	81,694
Retainage payable	50,338	-	50,338
Escrow deposits	12,051	-	12,051
Current portion of debt obligations	236,567	194,514	431,081
Due to sewer fund	2,861,765	-	2,861,765
Total Current Liabilities	<u>3,692,199</u>	<u>474,884</u>	<u>4,167,083</u>
Noncurrent Liabilities			
Advances from general fund	-	96,806	96,806
Net pension liability	160,870	154,592	315,462
Unamortized bond premium	319,783	223,848	543,631
Long-term debt obligations	3,826,487	2,768,520	6,595,007
Total Noncurrent Liabilities	<u>4,307,140</u>	<u>3,243,766</u>	<u>7,550,906</u>
Total Liabilities	<u>7,999,339</u>	<u>3,718,650</u>	<u>11,717,989</u>
Deferred Inflows of Resources			
	<u>3,776,096</u>	<u>4,657,947</u>	<u>8,434,043</u>
Total Liabilities and Deferred Inflows of Resources	<u>11,775,435</u>	<u>8,376,597</u>	<u>20,152,032</u>
Net Position			
Net investment in capital assets	6,659,373	12,475,370	19,134,743
Restricted for capital projects	2,572,803	1,836,575	4,409,378
Unrestricted	(6,263,535)	(464,334)	(6,727,869)
Total Net Position	<u>\$ 2,968,641</u>	<u>\$ 13,847,611</u>	<u>\$ 16,816,252</u>

The accompanying notes are an integral part of this statement.
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CITY OF BRUNSWICK, MARYLAND
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2021

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues			
Charges for services	\$ 2,254,244	\$ 2,229,517	\$ 4,483,761
Rental income	103,872	-	103,872
Operating grants	-	42,000	42,000
Miscellaneous	<u>37,753</u>	<u>90,203</u>	<u>127,956</u>
Total Operating Revenues	2,395,869	2,361,720	4,757,589
Operating Expenses			
Personnel services	635,213	555,984	1,191,197
Operating	725,116	786,612	1,511,728
Depreciation	<u>629,113</u>	<u>906,589</u>	<u>1,535,702</u>
Total Operating Expenses	<u>1,989,442</u>	<u>2,249,185</u>	<u>4,238,627</u>
Operating income	406,427	112,535	518,962
Nonoperating Expenses			
Interest expense and fees	<u>(144,817)</u>	<u>(108,444)</u>	<u>(253,261)</u>
Total Nonoperating Expenses	<u>(144,817)</u>	<u>(108,444)</u>	<u>(253,261)</u>
Net income	261,610	4,091	265,701
Change in Net Position	261,610	4,091	265,701
Total Net Position, beginning of year	<u>2,707,031</u>	<u>13,843,520</u>	<u>16,550,551</u>
Total Net Position, end of year	<u>\$ 2,968,641</u>	<u>\$ 13,847,611</u>	<u>\$ 16,816,252</u>

CITY OF BRUNSWICK, MARYLAND
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Total
Cash flows from operating activities			
Cash received from customers and users	\$ 2,111,080	\$ 1,770,737	\$ 3,881,817
Cash received from other governments	-	141,396	141,396
Cash payments to developers	(865)	(866)	(1,731)
Other operating cash receipts	20,188	59,277	79,465
Cash payments to suppliers	(197,978)	(734,220)	(932,197)
Cash payments to employees for services	(627,113)	(504,680)	(1,131,793)
Net cash provided by operating activities	1,305,311	731,645	2,036,956
 Cash flows from capital and related financing activities			
Purchase of capital assets	(533,994)	(201,853)	(735,847)
Current year construction of capital assets	(736,298)	(402,195)	(1,138,493)
Payment on interfund advance	-	(49,000)	(49,000)
Principal paid on capital debt	(223,094)	(183,316)	(406,410)
Interest paid on capital debt	(139,855)	(101,989)	(241,844)
Net cash used in capital and related financing activities	(1,633,241)	(938,353)	(2,571,594)
 Net decrease in cash, cash equivalents and restricted cash	(327,930)	(206,708)	(534,638)
Cash, cash equivalents and restricted cash - beginning of year	3,744,078	3,619,913	7,363,991
Cash, cash equivalents and restricted cash - end of year	\$ 3,416,148	\$ 3,413,205	\$ 6,829,354
 Reconciliation to Statement of Net Position:			
Cash and cash equivalents	831,295	1,616,480	2,447,775
Restricted cash	2,584,854	1,796,725	4,381,579
	\$ 3,416,148	\$ 3,413,205	\$ 6,829,354

CITY OF BRUNSWICK, MARYLAND
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 406,427	\$ 112,535	\$ 518,962
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	629,113	906,589	1,535,702
Bond premium	(11,027)	(7,719)	(18,746)
Net change in operating assets and liabilities			
Due from customers	(9,530)	(18,437)	(27,967)
Due from other governments	-	(3,787)	(3,787)
Other receivables	1,948	-	1,948
Other assets	68,740	-	68,740
Deferred outflows of resources	(899)	(4,669)	(5,569)
Accounts & retainage payable	458,398	52,392	510,790
Accrued liabilities	(15,740)	(12,850)	(28,589)
Escrow deposits	(865)	(866)	(1,731)
Net pension liability	16,253	45,616	61,869
Deferred inflows of resources	(236,177)	(338,490)	(574,667)
Interfund activity	(1,330)	1,330	-
Net cash provided by operating activities	<u>\$ 1,305,311</u>	<u>\$ 731,645</u>	<u>\$ 2,036,956</u>

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2021

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

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

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

Government-wide and Fund Financial Statements

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

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements

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

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

The following is a brief description of the specific funds used by the City in fiscal year 2021:

Governmental Fund Types

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

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

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements

Proprietary Fund Types

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

Measurement focus, basis of accounting, and financial statement presentation

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental fund.

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

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

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

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting, and financial statement presentation

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

Budgets and Budgetary Accounting

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

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

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

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

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

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

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

Appropriations lapse at the end of the fiscal year.

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

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash, Cash Equivalents, Restricted Cash and Investments

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

Receivables and Uncollectible Accounts

Significant receivables include amounts from customers primarily for utility services. These receivables are due within one year. For the year ended June 30, 2021, 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, 2021 are recorded as prepaid items. In the governmental fund financial statements, reported prepaid items are equally offset in the fund balance as nonspendable, which indicates they do not constitute "available spendable resources" even though they are a component of total assets.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

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

Compensated Absences

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

Deferred Outflows / Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that period.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that period.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

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

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

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

Committed fund balance – Amounts that can only be used for specific purposes because of a formal action (resolution or ordinance) by the City's highest level of decision-making authority, the Mayor and Council. Committed fund balance in the governmental funds include \$44,903 in collected impact fees and \$57,838 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 \$579,163 for the remaining capital lease obligations of eight separate capital leases and \$1,489,943 for future capital projects.

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

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

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

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

Interfund Transactions

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. For the year ended June 30, 2021, the General Fund transferred \$533,597 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, 2021, \$96,806 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, RESTRICTED CASH, INVESTMENTS, AND EQUITY IN POOL INVESTED CASH

Credit Risk

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

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2021

NOTE 2- CASH, RESTRICTED 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 \$11,261,528; the bank balance was \$11,454,021 and cash on hand was \$2,750. The City's deposits were fully covered by the Federal Deposit Insurance Corporation and collateral held by the pledging financial institution as of June 30, 2021.

Included in cash and cash equivalents, the City had \$140,575 invested in the Maryland Local Government Investment Pool (MLGIP) as of June 30, 2021.

The City's cash and investments as of June 30, 2021, 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, 2021

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

	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 4,094,997	\$ 2,447,775	\$ 6,542,772
Restricted cash and investments	339,925	4,381,579	4,721,505
	<u>\$ 4,434,922</u>	<u>\$ 6,829,354</u>	<u>\$ 11,264,277</u>

Custodial Credit Risk

	Governmental Activities	Business-type Activities	Total
Cash on hand	\$ 2,750	\$ -	\$ 2,750
Deposits in banks	3,962,245	6,829,354	10,791,599
Certificates of deposit	329,352	-	329,352
Investment pools (MLGIP)	140,575	-	140,575
	<u>\$ 4,434,922</u>	<u>\$ 6,829,354</u>	<u>\$ 11,264,277</u>

As of June 30, 2021, the City had the following investments:

<u>Investment Type (All funds)</u>	<u>Fair Value</u>	<u>Investment Maturities</u>		<u>% of Portfolio</u>
		<u>< 1 Year</u>	<u>1-5 Years</u>	
Certificate of deposit	\$ 312,494	\$ 312,494	\$ -	94.88%
Certificate of deposit restricted	16,858	16,858	-	5.12%
	<u>\$ 329,352</u>	<u>\$ 329,352</u>	<u>\$ -</u>	<u>100.00%</u>

Concentration of Credit Risk

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

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2021

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

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy is not explicit as to how interest rate risk is managed. The interest rate in the MLGIP fluctuates throughout the year. The applicable interest rates as of June 30, 2021 were 0.03% for the MLGIP and between .04% and 0.15% for the certificates of deposit.

NOTE 3- UNEARNED REVENUE

Unearned revenue arises in governmental funds when revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenue also arises, in both governmental and proprietary funds, when resources are received by the government before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. Unearned revenue in the proprietary funds amounted to \$8,335,300 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, 2021 was \$744,560,263. The property tax rate was \$0.41 per \$100 of assessed value.

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2021

NOTE 5- CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

<u>Governmental Activities</u>	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance June 30, 2021</u>
Capital assets, not being depreciated					
Land and land improvements	\$ 537,574	\$ -	\$ -	\$ -	\$ 537,574
Historical Collections	58,736	-	-	-	58,736
Projects under construction	641,543	1,614,736	-	(537,531)	1,718,748
Total capital assets not being depreciated	<u>1,237,853</u>	<u>1,614,736</u>	<u>-</u>	<u>(537,531)</u>	<u>2,315,058</u>
Capital assets, being depreciated					
Buildings	1,384,458	363,849	-	286,264.00	2,034,571
Improvements	4,198,797	18,155	-	-	4,216,952
Infrastructure	6,505,968	291,185	-	142,320	6,939,473
Machinery and equipment	1,430,992	37,300	-	108,947	1,577,239
Vehicles	1,792,807	187,818	(102,588)	-	1,878,037
Software	81,544	6,481	-	-	88,025
Total capital assets being depreciated	<u>15,394,566</u>	<u>904,788</u>	<u>(102,588)</u>	<u>537,531</u>	<u>16,734,297</u>
Less: accumulated depreciation	<u>(6,122,915)</u>	<u>(823,528)</u>	<u>102,588</u>	<u>-</u>	<u>(6,843,855)</u>
Total capital assets being depreciated, net	<u>9,271,651</u>	<u>81,260</u>	<u>-</u>	<u>537,531</u>	<u>9,890,442</u>
Governmental Activities capital assets, net	<u>\$ 10,509,504</u>	<u>\$ 1,695,996</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,205,500</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government	\$ 72,822
Public safety	96,448
Public works	580,387
Parks and recreation	<u>73,871</u>
Total depreciation expense - Governmental activities	<u>\$ 823,528</u>

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2021

NOTE 5- CAPITAL ASSETS (Continued)

<u>Business-type Activities</u>	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance June 30, 2021</u>
Capital assets, not being depreciated					
Land and land improvements	\$ 28,068	\$ -	\$ -	\$ -	\$ 28,068
Projects under construction	<u>336,346</u>	<u>1,138,493</u>	<u>-</u>	<u>(84,500)</u>	<u>1,390,339</u>
Total capital assets not being depreciated	<u>364,414</u>	<u>1,138,493</u>	<u>-</u>	<u>(84,500)</u>	<u>1,418,407</u>
Capital assets, being depreciated					
Buildings and improvements	9,089,874	-	-	-	9,089,874
Infrastructure	36,650,535	534,723	-	84,500	37,269,758
Machinery and equipment	2,449,565	201,124	-	-	2,650,689
Vehicles	<u>335,310</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>335,310</u>
Total capital assets being depreciated	<u>48,525,284</u>	<u>735,847</u>	<u>-</u>	<u>84,500</u>	<u>49,345,631</u>
Less: accumulated depreciation	<u>(23,067,505)</u>	<u>(1,535,702)</u>	<u>-</u>	<u>-</u>	<u>(24,603,207)</u>
Total capital assets being depreciated, net	<u>25,457,779</u>	<u>(799,855)</u>	<u>-</u>	<u>84,500</u>	<u>24,742,424</u>
Business-type Activities capital assets, net	<u>\$ 25,822,193</u>	<u>\$ 338,638</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,160,831</u>

Depreciation expense was charged to functions/programs as follows:

Business-type activities

Water	\$ 629,113
Sewer	<u>906,589</u>
Total depreciation expense - Business-type activities	<u>\$ 1,535,702</u>

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2021

NOTE 6- LONG-TERM DEBT OBLIGATIONS

Debt outstanding as of June 30, 2021 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%	\$ 161,319
2019 Public Improvement Bonds to BB&T (15% allocated to Governmental Activities); Due 2039; Annual principal and interest payments fluctuate throughout the life of the bonds	2.00% - 5.00%	871,500
Capital Lease - IT equipment; Due 2022; Annual principal and interest payments of approximately \$18,000	6.30%	20,345
Capital Lease - security system; Due 2022; Annual principal and interest payments of approximately \$4,800	9.63%	6,460
Capital Lease - copier/printer equipment; Due 2022; Annual principal and interest payments of approximately \$10,600	2.56%	15,044
Capital Lease - imaging system; Due 2022; Annual principal and interest payments of approximately \$2,400	7.20%	3,384
Capital Lease - global search software; Due 2022; Annual principal and interest payments of approximately \$4,800	6.37%	5,672
Capital Lease - five vehicles; Due 2023; Annual principal and interest payments of approximately \$42,900	16.07%	105,190
Capital Lease - keycard access and server; Due 2023; annual principal and interest payments of approximately \$1,410	9.87%	43,031
Capital Lease - four vehicles; Due 2025; annual principal and interest payments of approximately \$46,300	20.16%	131,761
Capital Lease - Vac-Con truck; Due 2023; annual principal and interest payments of approximately \$46,400	3.56%	141,611
Capital Lease - three vehicles; Due 2026; Annual principal and interest payments of approximately \$28,800	22% - 25%	<u>106,664</u>
		<u>\$ 1,611,981</u>

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2021

NOTE 6- LONG-TERM DEBT OBLIGATIONS (Continued)

Debt outstanding as of June 30, 2021 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%	\$ 81,680
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%	95,042
2012 Tax-Exempt Bond payable to PNC Bank; Due 2030; Annual principal and interest payments fluctuate throughout the life of the bonds	2.90%	1,768,331
2019 Public Improvement Bonds to BB&T (85% allocated to Business-Type Activities); Due 2039; Annual principal and interest payments fluctuate throughout the life of the bonds	2.00% - 5.00%	4,938,500
Capital Lease - IT equipment; Due 2022; Annual principal and interest payments of approximately \$6,500	6.30%	7,000
Capital Lease - copier/printer equipment; Due 2022; Annual principal and interest payments of approximately \$1,000	2.56%	1,511
Capital Lease - security system; Due 2022; Annual principal and interest payments of approximately \$255	9.63%	347
Capital Lease - keycard access and server; Due 2023; annual principal and interest payments of approximately \$330	9.87%	10,022
Capital Lease - two vehicles; Due 2025; annual principal and interest payments of approximately \$11,500	22.76%	29,247
Capital Lease - Vac-Con truck; Due 2023; annual principal and interest payments of approximately \$30,900	3.56%	<u>94,408</u>
Total Enterprise Fund Debt		<u>\$ 7,026,088</u>

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2021

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>
2022	\$ 230,769	\$ 70,637	\$ 431,081	\$ 231,525
2023	209,448	66,073	442,633	218,130
2024	223,704	52,387	471,333	202,736
2025	96,600	39,583	412,671	182,710
2026	67,978	29,625	409,575	165,956
2027-2031	292,981	93,950	2,079,756	563,436
2032-2036	255,750	45,574	1,449,250	258,254
2037-2041	234,751	12,073	1,329,789	68,412

Interest expense

For the year ended June 30, 2021, total interest was \$310,147 and reported as follows: interest expense of \$56,886 for governmental activities and \$253,261 for business-type activities. Cash paid for interest for business-type activities was \$241,845.

Changes in Long-Term Liabilities

During the year ended June 30, 2021 the following changes occurred in long-term liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due in 1 year</u>
Governmental activities:					
Bonds payable	\$1,075,773	\$ -	\$ (42,954)	\$1,032,819	\$ 45,072
Unamortized bond premium	99,243	-	(3,308)	95,935	-
Capital leases	566,361	116,498	(103,697)	579,162	185,697
Governmental activities - Long-term liabilities	<u>\$1,741,377</u>	<u>\$ 116,498</u>	<u>\$ (149,959)</u>	<u>\$1,707,916</u>	<u>\$ 230,769</u>
Business-type activities:					
Bonds payable	\$7,252,173	\$ -	\$ (368,620)	\$6,883,553	\$ 384,240
Unamortized bond premium	562,377	-	(18,746)	543,631	-
Capital leases	180,325	-	(37,790)	142,535	46,841
Business-type activities - Long-term liabilities	<u>\$7,994,875</u>	<u>\$ -</u>	<u>\$ (425,156)</u>	<u>\$7,569,719</u>	<u>\$ 431,081</u>

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2021

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, 2021

NOTE 7- EMPLOYEE BENEFITS (Continued)

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

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

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

2012	\$133,685
2013	144,206
2014	146,700
2015	154,964
2016	144,022
2017	151,976
2018	175,372
2019	191,873
2020	202,917
2021	225,028

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

2012	\$128,921
2013	109,297
2014	127,454
2015	138,013
2016	115,190
2017	108,053
2018	121,337
2019	146,025
2020	186,107
2020	215,548

Total pension expense for the year ended June 30, 2021 was \$654,128.

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 11.60% including wage inflation
Discount rate	7.40%
Investment rate of return	7.40%
Mortality	Fully generational – PB-2010/MP2018
Actuarial valuation date	June 30, 2020

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2021

NOTE 7- EMPLOYEE BENEFITS (Continued)

Discount rate

A single discount rate of 7.40% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.40%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.40%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

System	1% Decrease to 6.40%	Current Discount	1% Increase to 8.40%
Employees Pension (muni)	\$ 2,648,374	\$ 1,961,829	\$ 1,386,647

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2021

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

For the year ended June 30, 2021, the City reported deferred outflows and inflows of resources related to the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of pension assumptions	\$ 5,609	\$ 26,317
Difference between actual and expected experience		48,801
Net difference between projected and actual earnings on pension plan investments	119,361	
Change in proportionate share	88,891	460,220
City contributions subsequent to the measurement date	<u>215,548</u>	<u>-</u>
	<u>\$ 429,409</u>	<u>\$ 535,338</u>
Other deferred inflows:		
Connection charges		197,225
Developer contributions		<u>8,138,075</u>
		<u>\$ 8,870,638</u>

Deferred outflows of resources of \$215,548 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, 2022.

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:

2022	\$ 99,962
2023	67,380
2024	41,600
2025	64,902
2026	<u>47,633</u>
	<u>\$ 321,477</u>

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, 2021, the City's federal grant expenditures did not exceed \$750,000; therefore, they are not subject to the Single Audit Act.

NOTE 10- RISKS, COMMITMENTS AND CONTINGENCES

Grant Funds

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

Risk Management

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

Global Pandemic

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) a pandemic. The pandemic has caused business disruption through mandated and voluntary closings of businesses for nonessential services and triggered volatility in financial markets and a significant negative impact on the global economy. Management has concluded that while it is reasonably possible that COVID-19 could have a negative impact on the City's operations, the specific impact is not readily determinable. However, there are no comparable recent events which may provide guidance as to the effect of the spread of the pandemic. As a result, the ultimate impact of the COVID-19 outbreak is highly uncertain and subject to change. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

CITY OF BRUNSWICK, MARYLAND
Notes to the Financial Statements
June 30, 2021

NOTE 12 - RESTRICTED NET POSITION

Restricted net position represents unspent bond proceeds restricted for specific capital projects for the Business-Type Activities. Unspent balances are as follows as of June 30, 2021:

Business-Type Activities	
Water Fund	\$ 2,572,803
Sewer Fund	<u>1,836,575</u>
	<u>\$ 4,409,378</u>

NOTE 13- SUBSEQUENT EVENTS

Subsequent events are defined as events or transactions that occur after the Statement of Net Position date through the date that the financial statements are available to be issued. As of October 29, 2021, the date the financial statements were available to be issued, the City performed an evaluation and revealed no other material events or transactions which would require an adjustment or disclosure in the accompanying financial statements, except for the event noted below.

In July 2021, the City received \$3,197,660 as the first payment from the American Rescue Plan Act. The City is evaluating and determining what projects the funds will be used for, as well as expecting a second payment in the same amount in approximately twelve months from the first payment's date.

CITY OF BRUNSWICK, MARYLAND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual - General Fund
For the Year Ended June 30, 2021

	Original Budget	Final Appropriated Budget	(Budgetary Basis) Actual	Variance with Final Budget- Positive (Negative)
REVENUES				
Taxes	\$ 3,684,500	\$ 3,684,500	\$ 4,389,053	\$ 704,553
Licenses and Permits	111,000	111,000	126,647	15,647
Intergovernmental Revenues	2,212,400	1,712,400	1,687,192	(25,208)
Service Charges				
User Fees	109,900	109,900	196,418	86,518
Waste Collection and Disposal	301,000	301,000	296,097	(4,903)
Total Service Charges	410,900	410,900	492,515	81,615
Fines and Forfeitures	11,500	11,500	32,495	20,995
Miscellaneous Revenues	390,400	390,400	503,260	112,860
Total Revenues	\$ 6,820,700	\$ 6,320,700	\$ 7,231,162	\$ 910,463
EXPENDITURES				
General Government				
Mayor & Council	\$ 109,000	\$ 109,000	\$ 143,149	\$ (34,149)
Financial Administration	832,700	832,700	910,413	(77,713)
Planning, Zoning, & Enforcement	449,200	449,200	443,498	5,702
Total General Government	1,390,900	1,390,900	1,497,060	(106,161)
Public Safety				
Police Department	2,042,400	2,042,400	1,886,277	156,123
Fire and Rescue Contributions	43,000	43,000	45,300	(2,300)
Total Public Safety	2,085,400	2,085,400	1,931,577	153,824
Public Works				
Highways and Streets	1,652,400	1,652,400	1,716,583	(64,183)
Total Public Works	1,652,400	1,652,400	1,716,583	(64,183)

The accompanying notes are an integral part of this schedule.

CITY OF BRUNSWICK, MARYLAND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual - General Fund
For the Year Ended June 30, 2021

For the Year Ended June 30, 2021	Original Budget	Final Appropriated Budget	(Budgetary Basis) Actual	Variance with Final Budget- Positive (Negative)
Waste Collection and Disposal	383,000	383,000	424,861	(41,861)
Recreation and Culture				
Parks	74,700	74,700	106,763	(32,063)
Pool	91,300	91,300	85,086	6,214
Skate Park	-	-	27	(27)
Berlin Cemetery	29,000	29,000	-	29,000
Campground	22,700	22,700	31,487	(8,787)
Special Events	110,600	110,600	94,586	16,014
Total Recreation and Culture	<u>328,300</u>	<u>328,300</u>	<u>317,949</u>	<u>10,351</u>
Economic Development				
Economic Development	501,000	1,000	64,106	(63,106)
Economic Development Commission	5,000	5,000	-	5,000
MainStreet Program	64,200	64,200	18,545	45,655
Total Economic Development	<u>570,200</u>	<u>70,200</u>	<u>82,651</u>	<u>(12,451)</u>
Miscellaneous				
Contributions & Donations	157,000	157,000	56,623	100,377
Total Miscellaneous	<u>157,000</u>	<u>157,000</u>	<u>56,623</u>	<u>100,377</u>
Debt Service	<u>240,000</u>	<u>240,000</u>	<u>203,537</u>	<u>36,463</u>
Total Expenditures	6,807,200	6,307,200	6,230,841	76,359
Other Financing Sources (Uses)				
Transfers	(107,800)	(533,597)	(533,597)	-
Sale of capital assets	3,000	3,000	14,815	11,815
Debt proceeds	91,300	91,300	116,498	25,198
Total Other Financing Sources (Uses)	<u>(13,500)</u>	<u>(439,297)</u>	<u>(402,284)</u>	<u>37,013</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (425,797)</u>	<u>\$ 598,037</u>	<u>\$ 1,023,835</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

For the Year Ended June 30	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
City's proportion of the net pension liability	0.008680137%	0.007111082%	0.006084879%	0.004865486%	0.005913001%	0.006547945%
City's proportionate share of the net pension liability	<u>\$ 1,961,829</u>	<u>\$ 1,466,704</u>	<u>\$ 1,276,705</u>	<u>\$ 1,147,964</u>	<u>\$ 1,395,115</u>	<u>\$ 1,360,775</u>
Covered-employee payroll	\$ 2,943,571	\$ 2,855,987	\$ 2,487,954	\$ 2,284,090	\$ 2,187,278	\$ 2,139,205
City's proportionate share of net pension liability as a percentage of its covered-employee payroll	<u>66.65%</u>	<u>51.36%</u>	<u>51.32%</u>	<u>50.26%</u>	<u>63.78%</u>	<u>63.61%</u>
Plan Fiduciary Net position as a % of total pension liability	<u>70.72%</u>	<u>72.34%</u>	<u>71.18%</u>	<u>69.38%</u>	<u>65.79%</u>	<u>68.78%</u>

CITY OF BRUNSWICK, MARYLAND
Schedule of Contributions and Related Ratios

For the Year Ended June 30	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 215,548	\$ 186,107	\$ 146,025	\$ 121,337	\$ 108,053	\$ 115,190
Actual contribution	(215,548)	(186,107)	(146,025)	(121,337)	(108,053)	(115,190)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,943,571	\$ 2,855,987	\$ 2,487,954	\$ 2,284,090	\$ 2,187,278	\$ 2,139,205
Contributions as a percentage of covered-employee payroll	7.32%	6.52%	5.87%	5.31%	4.94%	5.38%

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, 2021, and the related notes to the financial statements, which collectively comprise the City of Brunswick, Maryland's basic financial statements, and have issued our report thereon dated October 29, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as Finding 2021-001 that we consider 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 findings identified in our audit is described in the accompanying schedule of finding and questioned costs. 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
October 29, 2021**

CITY OF BRUNSWICK, MARYLAND
Schedule of Findings and Responses
For the Year Ended June 30, 2021

Finding 2021-001: Contractor Invoices

Criteria: The City is responsible for having adequate internal controls over financial reporting to ensure the City's books and records are complete and all costs related to capital projects of the City are adjusted for and appropriately recorded.

Condition: During our search for unrecorded liabilities, we noted several contractor invoices for various capital projects of the City where the corresponding retainage had not been recorded as of June 30, 2021. Additional capital outlay costs and corresponding retainage payables were recorded as of year-end for the Water and Capital Projects Funds.

Cause: The current internal control design over the payables process, as it relates to the significant capital projects of the City, does not involve the City Accountant.

Effect: Additional capital outlay costs were recorded for the following amounts, as a result of adjusting for the applicable retainage payables amongst the following funds;

Water Fund	\$ 50,338
Capital Projects Fund	<u>51,110</u>
Total Retainage	\$ 101,448

Recommendation: We recommend the City review its current internal control policies to ensure situations like the one described above are properly detected and corrected.

Response: While this has been a common practice for many years at the City, the City is adding a process in its internal control for Accounts Payable Processing of invoices to include not only Capital Projects but any invoices that contain "retainage" in the payment requirements that a copy be provided to the City Accountant. This will allow the City Accountant to record by journal entry proper liabilities in a Retainage Payable account. The Accounts Payable Clerk and the City Accountant will keep spreadsheets for all retainage invoices with special emphasis of submissions for the larger projects of known contractors that will be preparing an Application for Payment to track payments and retainage. The Accounts Payable Clerk will notify the City Accountant when a project is complete and final retainage payment is made on any invoice, so that the proper journal entry to record final retainage payment can be made.