

TOWN OF BERWYN HEIGHTS, MARYLAND
FINANCIAL STATEMENTS
JUNE 30, 2017

TOWN OF BERWYN HEIGHTS

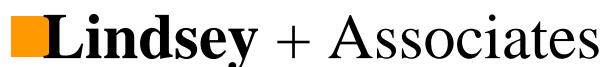
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Independent Auditor's Report

Honorable Mayor and Members of the Town Council
Town of Berwyn Heights, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Berwyn Heights, Maryland, as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the Town'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.

Auditor's 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. 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 auditor's 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.

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, each major fund and the aggregate remaining fund information of the Town of Berwyn Heights, Maryland, as of June 30, 2017, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, there was a prior period accounting error pertaining to expenditures, resulting in an overstatement of previously reported equity. As a result, the Town has restated beginning Net Position by \$45,205 from \$4,088,357 to \$4,043,152 and beginning Fund Balance in the Public Safety Reserve Fund by \$45,205 from \$107,518 to \$62,313. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the pension-related supplementary information, and the budgetary comparison information on pages 4 through 10, 44, and 45 through 46, respectively, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Berwyn Heights, Maryland's financial statements as a whole. The schedule of revenues – budget and actual general fund and the schedule of expenditures – budget and actual general fund on pages 47 through 55 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of revenues – budget and actual general fund and the schedule of expenditures – budget and actual general fund are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

October 26, 2017

Kindley & Associates, LLC

TOWN OF BERWYN HEIGHTS, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

The following information includes our discussion and analysis of the financial performance of the Town of Berwyn Heights and provides an overview of the Town's financial activities for the year ended June 30, 2017. Please read it in conjunction with the transmittal letter and the Town's financial statements.

Financial Highlights

- The Town's real property tax rate remained at \$0.53 per \$100 of assessed value. The Town's personal property tax rate remained at \$1.325 per \$100 of assessed value. For properties located in the Public Safety Taxing District, an additional \$0.10 per \$100 of assessed value for real property and an additional \$0.15 per \$100 of assessed value for personal property is also levied.
- The Town is entirely debt-free. The Town has dedicated reserves to finance capital purchases and projects, such as street and sidewalk construction, Town facility improvements, and vehicle and equipment purchases. Reserve transfers for this fiscal year include:
 - Infrastructure Improvement Reserve: \$224,182 (including funding from the Town and the State of Maryland through Highway User Revenue receipts)
 - Vehicle and Equipment Replacement Reserve: \$93,400
 - Greenbelt Station Reserve: \$200,400
 - Cable Television Reserve: \$19,444
- Sources of revenue this fiscal year are the real property tax, personal property tax, income tax, intergovernmental grants, and Town-collected fees and fines. The State of Maryland Comptroller notified the Town it had been overpaid \$160,000 in income tax receipts from FY 2010-2014. The State General Assembly passed legislation not requiring the Town to repay this received overpayment, and the Governor signed the bill into law during the 2017 legislative session.
- Major projects funded this fiscal year include:
 - Development of the Town's first Strategic Plan with Action Items.
 - Installation of new heating and air conditioning equipment at the Town Hall.
 - Completion of new VoIP telephone project in all Town facilities.
 - Purchase of armored vests for all Police Officers.
 - Upgraded street and traffic signs.

TOWN OF BERWYN HEIGHTS, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities are government-wide statements that provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements report the Town's operation in more detail than the government-wide statements by providing information about the Town's most significant funds and individual parts.

Reporting the Town as a Whole

The Statement of the Net Position and the Statement of Activities

One of the most important questions asked about the Town's finances is, "Is the Town as a whole, better off or worse off as a result of the year's activities?" The statement of Net Position and the Statement of Activities reports information about the Town as a whole and about its activities in a way that helps to answer this question. These statements include all assets plus deferred outflows and liabilities plus deferred inflows using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report changes in the Town's net position. You can think of the Town's net position (the difference between assets plus deferred outflows and liabilities plus deferred inflows) as one way to measure the Town's financial health or position. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, such as changes in the Town's property tax base and the condition of the Town's roads to assess the overall health of the Town.

In the Statement of Net Position and the Statement of Activities, we divide the Town into two kinds of activity:

- **Governmental Activity-** All of the Town's basic services are reported here, including the police, general government, public works, fire, economic development, and recreation. Taxes, franchise fees, fines, and state and federal grants finance most of these activities.
- **Business-type Activity –** The Town currently has no business-type activities.

**TOWN OF BERWYN HEIGHTS, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Reporting the Town's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the Town as a whole. The Town's government fund:

- **Governmental funds-** Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic service it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund financial statements.

The Town as a Whole

Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the Town's taxpayers. It also identifies how much each function draws from the general revenues or if it is self- financing through fees and grants. Some of the individual line item revenues reported for each function are:

General Government	Rental License Fees
Public Safety	State Grants, Homeland Security Grant, and Vehicle Release Fees
Public Works	Highway User Revenues, Stormwater Management Payment, and Landfill Rebate Charges

All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted to a specific purpose.

TOWN OF BERWYN HEIGHTS, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

Government-Wide Financial Information

The following is selected information as of June 30, 2017 and June 30, 2016 for the years then ended.

	2016	2017
Current assets	\$ 2,727,350	\$ 3,358,234
Capital assets	2,395,635	2,252,848
Total assets	5,122,985	5,611,082
Deferred outflows	213,080	290,413
Total assets and deferred outflows	5,336,065	5,901,495
Current liabilities	207,359	166,280
Long-term liabilities	979,447	1,089,271
Total liabilities	1,186,806	1,255,551
Deferred inflows	60,902	70,585
Net position		
Net investment in capital assets	2,395,635	2,252,848
Restricted	107,518	90,669
Unrestricted	1,585,204	2,231,842
Total net position	4,088,357	4,575,359
Total liabilities, deferred inflows and net position	5,336,065	5,901,495
Program revenues		
Charges for services	230,431	147,967
Grants and contributions	166,110	331,426
General revenues		
Income taxes	378,382	368,093
Property taxes	1,672,236	1,826,458
Total general revenues	2,547,683	2,675,426
Transfers	-	-
Total revenues and transfers	2,944,224	3,154,819
Expenses		
General government	653,012	571,500
Public safety	761,625	790,977
Code enforcement & van program	98,635	110,100
Public works	719,213	712,384
Recreation	14,745	19,337
Other	424,478	418,314
Total expenses and transfers	2,671,708	2,622,612
Change in net position	272,516	532,207
Net position, beginning of year - restated	3,815,841	4,043,152
Net position, end of year	4,088,357	4,575,359

**TOWN OF BERWYN HEIGHTS, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Business-type Activities

The Town currently has no business-type activities.

The Town' Funds

The following schedule presents a summary of revenues and expenditures for the fiscal year ending June 30, 2017.

	FY2017 Amount	Percent of Total	Increase (Decrease) From FY16
Revenues			
Taxes	\$ 2,181,296	73%	\$ 121,082
Intergovernmental	322,047	11%	165,345
Charges for services	1,051	0%	834
Fines, licenses and permits	206,392	7%	(2,736)
Interest income	14,593	0%	(1,869)
Miscellaneous	278,935	9%	(7,047)
Total Revenues	<u>\$ 3,004,314</u>	<u>100%</u>	<u>\$ 275,609</u>
Expenditures			
General government	\$ 407,038	17%	\$ (29,288)
Public safety	652,052	28%	30,342
Code enforcement & van program	109,091	5%	11,465
Public works	652,510	28%	19,757
Recreation	19,337	1%	4,592
Other	413,094	18%	(6,159)
Capital outlays	73,685	3%	(433,450)
Total Expenditures	<u>\$ 2,326,807</u>	<u>100%</u>	<u>\$ (402,741)</u>

The above table does not include funds transferred to or from dedicated reserve funds or from the Unassigned portion of the Fund Balances.

**TOWN OF BERWYN HEIGHTS, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Budgetary Highlights

The Fiscal Year 2017 budgeted revenues were approved at \$3,020,759 which is \$69,145 less than Fiscal Year 2016. Expenditures were also approved at \$3,013,359 and were \$76,545 less than Fiscal Year 2016 due to fewer expenses associated with capital projects and purchases in Fiscal Year 2017.

Capital Asset and Debt Administration

Capital Assets

The major capital projects and purchases this year include:

- Development of the Town's first Strategic Plan with Action Items.
- Installation of new heating and air conditioning equipment at the Town Hall.
- Completion of new VoIP telephone project in all Town facilities.
- Purchase of armored vests for all Police Officers.
- Upgraded street and traffic signs.
- Funding of a new Police patrol vehicle after the other was rendered unusable from a collision.
- Software and hardware to live stream Town Council Meetings and Work Sessions over the internet.

Debt

The Town is debt free.

**TOWN OF BERWYN HEIGHTS, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Economic Factors and Next Year's Budget and Rates

Fiscal Year 2017 marks the beginning of the Town's triennial real property assessment cycle with an approximate 7% increase in assessed residential real property values. Real property assessments are conducted every three years. The Town expects to see revenue from property tax collection increase in Fiscal Year 2018 due to property assessments beginning to recover from declines brought about by the recent economic downturn.

The State Comptroller had alerted the Town to the income tax overpayment during the FY 2018 budget discussions. As a result, the Town budgeted income tax revenue to decrease in the FY 2018 budget.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Administrator at 5700 Berwyn Road, Berwyn Heights, Maryland 20740.

TOWN OF BERWYN HEIGHTS, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities	Total
ASSETS		
Current Assets		
Cash and cash equivalents - unrestricted	\$ 3,119,613	\$ 3,119,613
Cash and cash equivalents - restricted	76,771	76,771
Amounts due from other governments	20,564	20,564
Accounts receivable - income taxes	75,770	75,770
Other receivables	57,452	57,452
Prepaid expenses	8,064	8,064
Total Current Assets	<u>3,358,234</u>	<u>3,358,234</u>
Noncurrent Assets		
Net capital assets	2,252,848	2,252,848
Total Noncurrent Assets	<u>2,252,848</u>	<u>2,252,848</u>
TOTAL ASSETS	<u>5,611,082</u>	<u>5,611,082</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>290,413</u>	<u>290,413</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 5,901,495</u>	<u>\$ 5,901,495</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	\$ 66,064	\$ 66,064
Amounts held in escrow and deposit	51,253	51,253
Other current liabilities	48,963	48,963
Total Current Liabilities	<u>166,280</u>	<u>166,280</u>
Noncurrent Liabilities		
Compensated absences	27,144	27,144
Net pension liability	1,062,127	1,062,127
Total Noncurrent Liabilities	<u>1,089,271</u>	<u>1,089,271</u>
TOTAL LIABILITIES	<u>1,255,551</u>	<u>1,255,551</u>
DEFERRED INFLOWS OF RESOURCES	<u>70,585</u>	<u>70,585</u>
NET POSITION		
Net investment in capital assets	2,252,848	2,252,848
Restricted	90,669	90,669
Unrestricted	2,231,842	2,231,842
TOTAL NET POSITION	<u>4,575,359</u>	<u>4,575,359</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 5,901,495</u>	<u>\$ 5,901,495</u>

The accompanying notes to these financial statements are an integral part of this statement.

TOWN OF BERWYN HEIGHTS, MARYLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
						Governmental Activities	Total
Primary Government							
Governmental Activities:							
General government	\$ 571,500	\$ 92,029	\$ 15,239	\$ 9,379	\$ -	\$ (638,911)	\$ (638,911)
Public safety	790,977	175,692	123,408	53,497	-	(789,764)	(789,764)
Code enforcement and van program	110,100	33,465	6,867	-	-	(136,698)	(136,698)
Public works	712,384	117,128	2,453	268,550	-	(558,509)	(558,509)
Recreation	19,337	-	-	-	-	(19,337)	(19,337)
Other	418,314	(418,314)	-	-	-	-	-
Total Governmental Activities	<u>2,622,612</u>	<u>-</u>	<u>147,967</u>	<u>331,426</u>	<u>-</u>	<u>(2,143,219)</u>	<u>(2,143,219)</u>
Total Primary Government	<u>\$ 2,622,612</u>	<u>\$ -</u>	<u>\$ 147,967</u>	<u>\$ 331,426</u>	<u>\$ -</u>	<u>\$ (2,143,219)</u>	<u>\$ (2,143,219)</u>
General revenues:							
Taxes							
Income taxes						368,093	368,093
Property taxes						1,826,458	1,826,458
Other taxes						72,170	72,170
Licenses and permits						141,203	141,203
Grants and contributions						25,388	25,388
Interest and investment earnings						14,593	14,593
Miscellaneous						227,521	227,521
Total General Revenues						<u>2,675,426</u>	<u>2,675,426</u>
Change in Net Position						532,207	532,207
Net Position, beginning of year - restated						<u>4,043,152</u>	<u>4,043,152</u>
Net Position, end of year						<u>\$ 4,575,359</u>	<u>\$ 4,575,359</u>

The accompanying notes to these financial statements are an integral part of this statement.

**TOWN OF BERWYN HEIGHTS, MARYLAND
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017**

	General Fund	Public Safety Taxing District (Non-major Fund)	Public Safety Reserve Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents - unrestricted	\$ 3,119,613	\$ -	\$ -	\$ 3,119,613
Cash and cash equivalents - restricted	-	-	76,771	76,771
Amounts due from other governments	20,564	-	-	20,564
Amounts due from other funds	9,020	31,093	13,898	54,011
Accounts receivable - income taxes	75,770	-	-	75,770
Other receivables	35,983	21,469	-	57,452
Prepaid expenses	8,064	-	-	8,064
TOTAL ASSETS	<u>3,269,014</u>	<u>52,562</u>	<u>90,669</u>	<u>3,412,245</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 3,269,014</u>	<u>\$ 52,562</u>	<u>\$ 90,669</u>	<u>\$ 3,412,245</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 59,141	\$ 6,923	\$ -	\$ 66,064
Amounts held in escrow and deposit	51,253	-	-	51,253
Amounts due to other funds	44,991	9,020	-	54,011
Other current liabilities	48,963	-	-	48,963
TOTAL LIABILITIES	<u>204,348</u>	<u>15,943</u>	<u>-</u>	<u>220,291</u>
DEFERRED INFLOWS OF RESOURCES	<u>75,770</u>	<u>-</u>	<u>-</u>	<u>75,770</u>
FUND BALANCES				
Non-spendable	8,064	-	-	8,064
Restricted	-	-	90,669	90,669
Committed				
Dedicated - operating reserve	442,000	-	-	442,000
Dedicated - infrastructure improvement reserve	976,702	-	-	976,702
Dedicated - public safety reserve	-	36,619	-	36,619
Dedicated - cable TV - capital outlay	114,553	-	-	114,553
Dedicated - NW/EP trailer reserve	8,493	-	-	8,493
Dedicated - recycling disposal fee reserve	10,000	-	-	10,000
Dedicated - vehicle equipment replacement reserve	252,477	-	-	252,477
Dedicated - greenbelt station impact fee reserve	531,300	-	-	531,300
Unassigned	645,307	-	-	645,307
TOTAL FUND BALANCES	<u>2,988,896</u>	<u>36,619</u>	<u>90,669</u>	<u>3,116,184</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 3,269,014</u>	<u>\$ 52,562</u>	<u>\$ 90,669</u>	<u>\$ 3,412,245</u>

**RECONCILIATION OF TOTAL GOVERNMENTAL
FUND BALANCE TO NET POSITION OF
GOVERNMENTAL ACTIVITIES
JUNE 30, 2017**

<i>Total Governmental Fund Balances</i>	\$ 3,116,184
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,252,848
Long-term liabilities, including bonds payable and compensated absences are not due and payable in the current period and therefore are not reported in the funds.	(1,089,271)
Deferred outflows of resources pertaining to net pension liability are not reported in the funds.	(70,585)
Deferred inflows of resources pertaining to net pension liability are not reported in the funds.	290,413
Receivables pertaining to revenue that is not available in accordance with modified accrual accounting are reported as deferred inflows of resources in the funds.	<u>75,770</u>
<i>Net Position of Governmental Activities</i>	<u>\$ 4,575,359</u>

The accompanying notes to these financial statements are an integral part of this statement.

TOWN OF BERWYN HEIGHTS, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Public Safety Taxing District (Non-major Fund)	Public Safety Reserve Fund	Total Governmental Funds
REVENUES				
Taxes	\$ 2,181,296	\$ 91,814	\$ -	\$ 2,273,110
Intergovernmental	322,047	-	-	322,047
Charges for services	1,051	-	-	1,051
Fines, licenses, permits	206,392	-	65,080	271,472
Interest income	14,593	-	-	14,593
Miscellaneous	278,935	-	-	278,935
Total Revenues	<u>3,004,314</u>	<u>91,814</u>	<u>65,080</u>	<u>3,161,208</u>
EXPENDITURES				
Current Operations				
General government	407,038	-	-	407,038
Public safety	652,052	68,900	36,724	757,676
Code enforcement and van program	109,091	-	-	109,091
Public works	652,510	-	-	652,510
Recreation	19,337	-	-	19,337
Other	413,094	5,220	-	418,314
Capital projects	73,685	-	-	73,685
Total Expenditures	<u>2,326,807</u>	<u>74,120</u>	<u>36,724</u>	<u>2,437,651</u>
Excess of revenues over (under) expenditures and other financing uses	<u>677,507</u>	<u>17,694</u>	<u>28,356</u>	<u>723,557</u>
Other financing sources (uses)				
Transfers in (out)	-	-	-	-
Proceeds from long-term debt	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenue and other financing sources over (under) expenditures and other financing uses	<u>677,507</u>	<u>17,694</u>	<u>28,356</u>	<u>723,557</u>
Fund balance, beginning of year - restated	<u>2,311,389</u>	<u>18,925</u>	<u>62,313</u>	<u>2,392,627</u>
Fund balance, end of year	<u>\$ 2,988,896</u>	<u>\$ 36,619</u>	<u>\$ 90,669</u>	<u>\$ 3,116,184</u>

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

<i>Net Change in Fund Balances - Total Governmental Funds</i>	\$ 723,557
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(142,787)
Changes in deferred inflows of resources pertaining to state income taxes do not provide current financial resources and are not reported as revenue in the funds.	(6,389)
Differences between accrual and modified accrual in accounting for compensated absences.	11,504
Pension expense pertaining to the net pension liability is not reported in the funds.	<u>(53,678)</u>
<i>Change in Net Position of Governmental Activities</i>	<u>\$ 532,207</u>

The accompanying notes to these financial statements are an integral part of this statement.

TOWN OF BERWYN HEIGHTS, MARYLAND
STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2017

ASSETS

Cash and cash equivalents	\$ -
Investments, at fair value	421,804
Loan receivable	23,108
Total assets	<u>444,912</u>

DEFERRED OUTFLOWS OF RESOURCES

<u>-</u>

LIABILITIES

Accounts payable	-
Total liabilities	<u>-</u>

DEFERRED INFLOWS OF RESOURCES

<u>-</u>

NET POSITION

Held in trust for pension benefits	444,912
Total net position	<u><u>\$ 444,912</u></u>

The accompanying notes to these financial statements are an integral part of this statement.

TOWN OF BERWYN HEIGHTS, MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2017

ADDITIONS

Contributions	
Employer	\$ -
Plan member	8,158
Total contributions	<u>8,158</u>
Investment Income	
Net increase in fair value of investments	-
Interest	24,093
Net investment income	<u>24,093</u>
Total additions	32,251

DEDUCTIONS

Distributions	(9,244)
Administrative expenses	(375)
	<u>(9,619)</u>
Net increase	22,632
Net position held in trust for pension benefits, beginning of year	<u>422,280</u>
Net position held in trust for pension benefits, end of year	<u><u>\$ 444,912</u></u>

The accompanying notes to these financial statements are an integral part of this statement.

TOWN OF BERWYN HEIGHTS, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Town of Berwyn Heights, Maryland is a municipal corporation governed by an elected mayor and an elected town council and provides the following services as authorized by its charter: police and code enforcement, public works, recreation and cultural, and general administrative. Its major sources of revenues are derived from real estate taxes, income taxes, personal property taxes, highway user revenues and user fees.

The accounting policies of the Town of Berwyn Heights conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

In evaluating how to define the Town of Berwyn Heights, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set by the Governmental Accounting Standards Board. Component units are legally separate organizations for which the elected officials of the Town are financially accountable and a financial benefit or burden relationship exists. In addition, component units can be other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the Town's financial statements to be misleading. Based upon the application of criteria set by the Governmental Accounting Standards Board, there are no separate component units of the Town.

Basis of Presentation – Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

TOWN OF BERWYN HEIGHTS, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

The Town's funds are grouped into two broad fund categories.

Governmental funds include the General Fund, the Public Safety Taxing District and the Public Safety Reserve Fund. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. The Public Safety Taxing District is used to account for the funding of public safety activities, and acquisition of Public Safety Capital Assets. The Public Safety Reserve Fund is used to account for the Town's revenue from speed cameras and the associated administration costs and public safety projects.

The Town currently has one Fiduciary Fund. The Pension Trust Fund is used to account for defined contribution plan assets held by the Town in a trustee capacity. This fund is accounted for and reported in a manner similar to proprietary funds since capital maintenance is critical.

Basis of Accounting

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Town, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. The Town has no business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting including the reclassification or elimination of internal activity (between or within funds). This is the same approach used in the preparation of the proprietary fund financial statements but 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 governmental funds.

TOWN OF BERWYN HEIGHTS, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

The government-wide statement of activities presents a comparison between expenses, and program revenues for each segment of the business-type activities of the Town, if any, and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect costs are allocated to programs. When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the Town. Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Fiduciary funds are excluded from the government-wide financial statements.

Separate financial statements are provided for governmental funds, proprietary funds, if any, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds, if any, are reported as separate columns in the fund financial statements.

Fund Financial Statements

Fund financial statements report detailed information about the Town. The focus of governmental and enterprise financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds, if any, are aggregated and presented in a single column.

TOWN OF BERWYN HEIGHTS, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Governmental Funds

Town activities pertaining to general government, public safety, public works, recreation, and culture are reported in the governmental funds. All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. The major governmental funds are:

- General Fund – This is the Town’s primary operating fund. It is used to account for all financial resources except for those required to be accounted for in another fund.
- Public Safety Reserve Fund – The Public Safety Reserve Fund is used to account for the Town’s revenue from speed cameras and the associated administration costs and public safety projects.

The Town’s only non-major fund is the Public Safety Taxing District. The purpose of this fund is to account for the funding of public safety activities and acquisition of public safety capital assets.

Fiduciary Fund – Pension Trust Fund

The Town currently has one Fiduciary Fund. The Pension Trust Fund is used to account for defined contribution plan assets held by the Town in a trustee capacity. This fund is accounted for and reported in a manner similar to proprietary funds since capital maintenance is critical.

Revenue Recognition

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e. collectible within the current year or within two months of year-end and available to pay obligations of the current period). These include property taxes, franchise taxes, investment earnings, charges for services and intergovernmental revenues.

Some revenues, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, some revenues are recorded as receivables and deferred inflows of resources.

TOWN OF BERWYN HEIGHTS, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Other revenues, including licenses and permits, certain charges for services, and miscellaneous revenues, are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on long-term debt, which has not matured, are recognized when paid.

Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Cash and Cash Equivalents

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition, excluding investments in the State of Maryland Local Government Investment Pool.

Investments

Investments held at June 30, 2017 with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

Receivables

Receivables at June 30, 2017 consist of income tax, property tax and highway user revenue. Receivables are deemed collectible in full, and the allowance for doubtful accounts at June 30, 2017 is \$0.

Inventory of Supplies

Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental type funds and expenses in the proprietary type funds, if any, when used.

TOWN OF BERWYN HEIGHTS, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Deferred Outflows and Inflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Likewise, a deferred inflow of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

As of June 30, 2017 the balance of deferred inflows of resources per the fund financial statements consisted of income taxes of \$75,770, and the balance of deferred outflows of resources in the government-wide financial statements consisted of \$290,413 pertaining to pension payments.

Local Tax Reserve Fund

At June 30, 2017, the Town was advised by the State of Maryland that \$75,770 of the Local Tax Reserve Fund was allocable to the Town. The Town recorded receivable and deferred inflows of resources in the amount of \$75,770 in the fund financial statements. The change in this amount has been reflected as income tax revenue in the government-wide financial statements in accordance with full accrual accounting.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the Town as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. Infrastructure such as bridges, roads, curbs and gutters, streets, sidewalks, drainage systems and lighting systems are capitalized. The valuation bases for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated. Intangible assets are recognized if they are identifiable, and are amortized over their useful lives if they do not have indefinite lives.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 15 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 20 years.

Restricted Reserves

The Town uses restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

TOWN OF BERWYN HEIGHTS, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Interest Expense

Interest is expensed as incurred except when interest is incurred during the construction period and is capitalized as part of the cost of the asset.

Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave. The total amount of accumulated vacation leave at June 30, 2017 is \$27,144.

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues, expenditures, and expenses. Actual results could vary from the estimates that were used.

Equity Classifications

Equity is classified as net position and is displayed in three components:

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings, and reduced or increased by deferred inflows and outflows attributable to the acquisition, construction or improvement of those assets.

Restricted net position – Consists of net position with constraints placed on its use either by 1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation and are reduced by liabilities and deferred inflows of resources related to those constraints.

Unrestricted net position – all other net position that does not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first and then unrestricted resources as needed.

TOWN OF BERWYN HEIGHTS, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

1. Non-Spendable Fund Balance – amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.
2. Restricted Fund Balance – amounts that can be spent only for specific purposes because of restrictions imposed externally by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by the Town Charter, Town Code or enabling legislation.
3. Committed Fund Balance – amounts that can be used only for specific purposes determined by a formal action by Town Council, the Town's highest level of decision-making authority, ordinance or resolution.
4. Assigned Fund Balance – amounts that are constrained by the Town's intent that they will be used for specific purposes but are neither restricted nor committed. Pursuant to the Town Charter, the Town Administrator/CFO and the Town council are authorized to assign amounts for specific purposes.
5. Unassigned Fund Balance – all amounts not included in other spendable classifications.

The Town considers restricted fund balances to be spent for governmental expenditures first when both restricted and unrestricted resources are available. The Town also considers committed fund balances to spend first when other unrestricted fund balance classifications are available for use.

There was a prior period accounting error pertaining to expenditures, resulting in an overstatement of previously reported equity. As a result, the Town has restated beginning Net Position by \$45,205 from \$4,088,357 to \$4,043,152 and beginning Fund Balance in the Public Safety Reserve Fund by \$45,205 from \$107,518 to \$62,313.

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

Budget Requirements, Accounting, and Reporting

Requirements for all funds:

Annual budgets are adopted for all Town funds. The Town Council may subsequently amend the budget and the budget was amended during fiscal year 2017. For day-to-day management control, expenditures may not exceed total budget of the major activity. The Town prepares an annual operating budget on a basis not consistent with generally accepted accounting principles.

TOWN OF BERWYN HEIGHTS, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 – CASH AND INVESTMENTS

Deposit Policies

Statutes authorize the Town to invest in certificates of deposit, repurchase agreements, passbooks, banker's acceptance, and other available bank investments provided that approved securities are pledged to secure those funds deposited in an amount equal to the amount of those funds. In addition, the Town can invest in direct debt securities of the United States unless such an investment is expressly prohibited by law and can invest in the State of Maryland Local Government Investment Pool.

The Town's deposits are insured or collateralized with securities held by the Town, its agent, or by the pledging financial institution's trust department or agent in the name of the Town.

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned or the Town will not be able to recover collateral securities in the possession of an outside party. The Town's policy requires deposits to be insured by FDIC.

At year-end, the carrying amounts of the Town's deposits were \$3,196,184 and the bank balances totaled \$3,230,969. Of the bank balances, the entire amount was either insured by Federal Depository Insurance Corporation (FDIC), or balances exceeding FDIC limits are secured by a surety bond or collateral valued 102 percent of principal and accrued interest. Collateral is to be held by the Town, its agent, or by the pledging institution's trust department or agent in the name of the Town. At year end, the Town's bank balances were not exposed to any custodial credit risk because all deposits were fully collateralized.

Investment Policies

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town has no policy regarding credit risk.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Town's policy provides that to the extent practicable, investments are matched with anticipated cash flows.

TOWN OF BERWYN HEIGHTS, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 – CASH AND INVESTMENTS – continued

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town's policy is to not concentrate investments in a single issuer.

For investments, **custodial credit risk** is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities in the possession of an outside party. Town policy provides that investment collateral is held by a third party custodian with whom the Town has a current custodial agreement in the Town's name.

Generally, the Town's investing activities are managed by the Town Administrator. Investing is performed in accordance with investment policies adopted by the Town Council complying with State Statutes and the Town Charter. Town funds may be invested in: 1) U.S. Treasury obligations; 2) U.S. Government Agency and U.S. Government-sponsored instrumentalities; 3) Repurchase agreements (master repurchase agreement required); 4) Collateralized certificates of deposit (only Maryland commercial banks); and 5) Maryland Local Government Investment Pool.

Investments

The Town has invested at June 30, 2017, \$0 in the State of Maryland Local Government Investment Pool (MLGIP). The pool is under the administrative control of the State's Treasurer's Office. The Town's investments are shown by type, carrying amount, fair value, cost and level of risk assumed in holding the various accounts. Investments are carried at cost which approximates market. The fair value of MLGIP investments is determined daily. PNC Institutional Investments (formerly Mercantile-Safe Deposit and Trust Company) is currently contracted to operate the Pool and may invest in any instrument permitted by Section 6-222 of the State Finance and Procurement Article. The Town's fair value position in the Pool is the same as the value of pool share.

In addition, there was \$0 invested in certificates of deposits and \$0 invested in money market accounts, all of which were covered by FDIC or by pledged collateral held in the Town's name.

TOWN OF BERWYN HEIGHTS, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 – DEPOSITS AND INVESTMENTS - continued

As of June 30, 2017, the Town had the following investments:

<u>Types of Investments</u>	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings</u>
<u>Pension Investments</u>			
Mutual funds	<u>\$ 421,804</u>	<u>\$ 421,804</u>	N/A

Note: Ratings are provided where applicable to indicate associated Credit Risk.
N/A indicates not applicable.

TOWN OF BERWYN HEIGHTS, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 – PROPERTY TAX

Real and personal property taxes are levied at rates enacted by the Mayor and Town Council in the annual budget on the assessed value as determined by the Maryland State Department of Assessments and Taxation. The tax rate for the fiscal year ended June 30, 2017 was \$0.53 and \$1.365 per \$100 of assessed value for real and personal property, respectively.

The real property tax rate for the Public Safety taxing District for the fiscal year ended June 30, 2017 was \$.10 per \$100 of assessed value for real property and \$.15 per \$100 of assessed value for personal property.

In fiscal year 2012, the Town introduced a Road Repair levy to overlay and reconstruct Town streets. The special levy was \$.03 per \$100 of assessed value for real property and \$.075 per \$100 of assessed value for personal property. The Town continued the special Road Repair levy at the same rates for the year ended June 30, 2017.

Real estate taxes are levied on July 1 and are payable by September 30 of the same year. If the property is a residential owner-occupied property, and the owner pays at least half of the tax bill by September 30, and the remaining balance by December 31, there is no penalty or interest. This is by state law. If the property owner does not pay at least half of the tax bill by September 30, then they will pay penalty and interest starting October 1. If the tax bill is not paid in full by December 31, the property owner is subject to penalty and interest starting January 1.

If the property is a residential non-owner occupied property, then the real property tax bill must be paid in full on or before September 30. The same holds true for commercial and industrial properties.

If the taxes remain unpaid the property is placed with Prince George's County for tax sale the following May.

Personal property taxes are levied throughout the year when the assessment is received from the State of Maryland. The taxes are payable within 30 days after levy. Penalties and interest are charged on any unpaid taxes after the thirty days has expired.

TOWN OF BERWYN HEIGHTS, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Not being depreciated:				
Land	\$ 702,278	\$ -	\$ -	\$ 702,278
Construction in progress	-	-	-	-
Subtotal	702,278	-	-	702,278
Depreciable capital assets:				
Buildings and improvements	2,628,757	32,806	-	2,661,563
Machinery and equipment	2,525,017	40,879	-	2,565,896
Subtotal	5,153,774	73,685	-	5,227,459
Total capital assets	5,856,052	73,685	-	5,929,737
Accumulated depreciation:				
Buildings and improvements	1,393,931	85,216	-	1,479,147
Machinery and equipment	2,066,486	131,256	-	2,197,742
Subtotal, accumulated depreciation	3,460,417	216,472	-	3,676,889
Net capital assets	\$ 2,395,635	\$ (142,787)	\$ -	\$ 2,252,848

Depreciation was charged to functions as follows:

Government activities:	
General government	\$ 112,942
Public works	68,958
Public safety	34,572
Total government activities depreciation expense	<u>\$ 216,472</u>

The Town has no material construction commitments as of June 30, 2017.

TOWN OF BERWYN HEIGHTS, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 – RETIREMENT PLAN

The Town participates in the Maryland State Pension System (the “System”) described below and qualifies as a Participating Governmental Unit (“PGU”). The State Retirement Agency (the “Agency”) is the Plan administrator and fiduciary. GASB No. 68 requires that a PGU recognize its proportionate share of the System’s net pension liability (i.e., unfunded pension liability) and pension expense. The Town’s proportionate share of the net pension liability is based on total System contributions and approximates \$1,062,127 as of the measurement date of June 30, 2016.

The Town has also adopted GASB No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB No. 68. GASB No. 71 requires that contributions to the pension plan subsequent to the measurement date be recognized as a deferred outflow of resources. The Town’s fiscal 2017 contribution of \$80,263 is therefore recognized as a pension-related deferred outflow of resources.

A. Description of Plan

The Town of Berwyn Heights entered into the Employees Contributory Pension System of the State Retirement and Pension Systems of Maryland as of July 1, 2008. The Town’s actuarial accrued liability to enter into the system was calculated based on the 22 current employees at June 30, 2008 for 33 1/3 % of past service. The Town’s actuarial accrued liability to enter into the system was \$131,185, either to be amortized over the next 25 years with level payments or paid in full. The Town elected to pay in full.

Under the terms of the Contributory Pension System, a member may retire after 30 years of service regardless of age; at age 65 with two years of service; at age 64 with three years of service; at age 63 with four years of service; or at age 62 with at least 5 years of service. An employee may also take an early retirement with reduced benefits at age 55 with 15 years of service. A member terminating employment before attaining retirement age, but after completing five years of eligible service, becomes eligible for a vested pension allowance upon reaching age 62 except those employees hired after July 1, 2011 require ten years of eligible service to vest.

On retirement from service, a member of the plan shall receive an annual service retirement allowance based on the member’s average final compensation and years of creditable service multiplied by a factor. The factor varies from 1.2% to 2.6% per eligible service year, depending on employee/employer contributions and other plan-specific provisions. Early retirement, where available, is subject to provisions that reduce the benefits received.

Benefits under the plan are established under the State Personnel and Pensions Article of the Annotated Code of Maryland.

TOWN OF BERWYN HEIGHTS, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 – RETIREMENT PLAN – continued

The Maryland State Retirement Agency issues a comprehensive annual financial report that includes disclosures regarding: plan assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position. The pension plans' fiduciary net position has been determined on the same basis used by the pension plans. The pension plans' financial statements are prepared on the accrual basis of accounting and are prepared in accordance with principles generally accepted in the United States of America that apply to governmental accounting for fiduciary funds. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. Actual employer contributions billed to participating governmental units for the year ending June 30, 2016 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported in the Schedule of Employer Allocations. The contributions were adjusted by increasing contributions by approximately \$77,000,000 to adjust for differences between actuarially determined contributions and actual contributions by the State of Maryland. This report can be obtained from the agency's office as follows:

State Retirement and Pension Systems of Maryland
120 E. Baltimore Street, Suite 1601
Baltimore Maryland, 21202-1600

Funding Policy

Obligations to contribute to the plans are under the Annotated Code of Maryland. Members of the pension plan contribute 7% of annual compensation during employment. The required contribution rate is determined on an actuarially determined basis. During the year ended June 30, 2017 the Town contributed \$80,263. The Town contributed 100% of its required contribution for the year ended June 30, 2017. For members of the pension plan, full service pension allowances equal 2% of average final compensation (AFC) up to a maximum benefit of 60% of AFC (30 years of credit).

TOWN OF BERWYN HEIGHTS, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 – RETIREMENT PLAN – continued

Required contributions not funded by employee contributions are funded by the Town. The contributions by the Town to the State Plan for the current fiscal year takes place before December 31 and are based on the annualized gross base hourly rate in effect on June 30 of the preceding fiscal year. The Town contribution for the year ending June 30, 2017 was based on the annualized gross hourly rate in effect on June 30, 2016. Required employee contribution under the plan was 5% of the employee's gross base salary, excluding holiday, overtime and shift differential pay for fiscal year 2011 and is 7 percent for each fiscal year thereafter. The contribution requirements of plan members of the reporting entity are established and may be amended by the Maryland State Pension System Board of Trustees. The required and actual Town contributions for the fiscal years ended June 30 were as follows:

	Fiscal Year Ending June 30		
	2017	2016	2015
Retirement plan contributions	<u>\$ 80,263</u>	<u>\$ 88,420</u>	<u>\$ 95,418</u>

The Town contributed \$80,263 to the System for fiscal year 2017 which was actuarially determined based on statutory provisions. The Town has also recognized in Pension Expense its proportionate share of the System's deferred inflows of resources (an increase in Pension Expense) attributable to the net difference between projected and actual investment earnings on pension plan assets and its proportionate share of the System's deferred outflows of resources (a decrease in Pension Expense) attributable to changes in assumptions.

TOWN OF BERWYN HEIGHTS, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 – RETIREMENT PLAN – continued

Required disclosures aggregate for the plan:

	<u>Maryland State Pension System</u>
Total pension liability	\$ 68,959,954,000
Total fiduciary net position	\$ 45,365,927,000
Town's proportionate share of total pension liabilities	1,062,127
Town's proportionate share of net pension liabilities	0.00450%
Total pension assets	\$ 45,365,927,000
Measurement date of collective net pension liability	June 30, 2016
Date of actuarial valuation	June 30, 2016
Deferred outflows related to pensions	290,413
Deferred inflows related to pensions	70,585
Pension expense/expenditures for the period	53,678

Actuarial assumptions

The annual required contribution for the current year was determined as part of the actuarial valuation on July 1, 2015 rolled forward to June 30, 2016. The key assumptions used to perform the June 30, 2016 pension liability calculation for the System are as follows:

Actuarial Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Asset valuation method	5-year smoothed market; 20% collar
Inflation (b)	2.70% general, 3.20% wage
Salary Increases	3.30% to 9.2%, including inflation
Discount Rate (a)	7.55%
Investment Rate of Return (b)	7.55%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period 2006-2010.
Mortality	RP-2014 Mortality Table

- (a) Discount rate at prior measurement date was 7.65%.
- (b) There were no benefit changes during the year. Adjustments to the roll-forward liabilities were made to reflect the following assumption changes in the 2016 valuation:
 - a. Investment return assumption remained the same at 7.55%.
 - b. Inflation assumption remained the same at 2.70%.

TOWN OF BERWYN HEIGHTS, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 – RETIREMENT PLAN – continued

The components of the net pension liability for the System as of June 30, 2016, calculated in accordance with GASB Statement No. 67, are shown in the following table:

Total pension liability	\$ 68,959,954,000
Plan Fiduciary Net Position	45,365,927,000
Net Pension Liability	<u>\$ 23,594,027,000</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>65.79%</u>

Investments

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

Asset Class	Target Allocations	Long-term Expected Real Rate of Return
Public Equity	35%	6.30%
Fixed income	10%	0.60%
Credit opportunity	10%	3.20%
Real return	14%	1.80%
Absolute return	10%	4.20%
Private equity	10%	7.20%
Real estate	10%	4.40%
Cash	1%	0.00%
Total	100%	

The above was the Pension System's Board of Trustee's adopted asset allocation policy and best estimate of geometric real rates of return for each major asset class as of June 30, 2016.

TOWN OF BERWYN HEIGHTS, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 – RETIREMENT PLAN – continued

Discount Rate

A single discount rate of 7.55% 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 7.55%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer 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 System's net pension liability and the Town's proportionate share of the System's net pension liability, calculated using a single discount rate of 7.55%, a single discount rate that is 1-percentage point lower (i.e., 6.55%), and a single discount rate that is 1-percentage point higher (i.e., 8.55%).

	1% Lower - 6.55%	Current Rate - 7.55%	1% Higher - 8.55%
The System's Net Pension Liability	\$ 32,048,443,000	\$ 23,594,027,000	\$ 16,259,113,000
The Town's Proportionate Share of the Net Pension Liability	\$ 1,442,718	\$ 1,062,127	\$ 731,933

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the Town's reported a liability of \$1,062,127 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental units, actuarially determined. At June 30, 2016, the Town's proportion was approximately 0.00450 percent.

TOWN OF BERWYN HEIGHTS, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 – RETIREMENT PLAN – continued

For the year ended June 30, 2017, the Town recognized pension expense of \$53,678. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Changes of assumptions	\$ 42,993	\$ -
Net difference between projected and actual earnings on pension plan investments	167,157	70,585
Contributions made subsequent to the measurement date	80,263	
Total	\$ 290,413	\$ 70,585

The deferred outflow of resources of \$80,263 relating to contributions subsequent to the measurement date will be recognized as a reduction of the Town's net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources are being amortized over a five-year period beginning in fiscal 2017. These unamortized amounts will be ratably recognized in pension expense over the next four years.

Net Pension Liability

The components of the Town's proportionate share of the Pension System's net pension liability as of the measurement date of June 30, 2016 were as follows:

Total pension liability	\$ 3,104,355
Plan Fiduciary Net Position	<u>2,042,228</u>
Net Pension Liability	<u>\$ 1,062,127</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>65.79%</u>

TOWN OF BERWYN HEIGHTS, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 – DEFINED CONTRIBUTION PLAN

Prior to July 1, 2008, when the Town joined the Maryland State Retirement System, the Town provided retirement benefits for all of its full-time employees through a noncontributory defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Full time employees were eligible to participate on the first day of work. The Town annually contributed an amount equal to 6% of the employee's base salary. The Town's contribution for each employee (and interest allocated to employee's account) fully vested the employee after 5 years of continuous service. The Town contributions for employee and the interest allocated to employee's account are forfeited by the employee who leaves employment with the Town before 5 years of continuous service and the forfeited funds can be used to reduce the Town's current-period contribution requirement or for any other purpose.

When the Town joined the State pension system on July 1, 2008, it discontinued contributing to the ICMA-RC 401 plan. Therefore; there was no contribution for the year ended June 30, 2017.

TOWN OF BERWYN HEIGHTS, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 – DEFERRED COMPENSATION PLAN

All employees of the Town government may participate in the deferred compensation plan organized under the Internal Revenue Code Section 457, and administered by Public Employees Benefit Services Corporation. Under the terms of the plan, participating employees may have a portion of their salaries withheld, subject to limitations imposed by the Internal Revenue Service, and invested in the plan.

As an incentive to enroll in the deferred compensation plan, the Town offered a match for those employees who contribute up to 3% of their base pay. When the Town joined the State pension system on July 1, 2008, it discontinued contributing to the 457 plan; therefore, there was no match. Management's involvement with the plan is limited to transferring amounts withheld from payroll. Management has little administrative involvement with the plan and does not perform the investing function for the plan. All taxes are deferred on those contributions and related earnings until the participant terminates the plan.

In compliance with the Internal Revenue Code Section 457(g), all assets and income of the plan are held in trust for the exclusive benefit of participants and their beneficiaries. Investments designated for compensation benefits are not reflected in the Town's financial statements. Accordingly, the fair value of the plan assets at June 30, 2017 is not reflected in the Town's financial statements.

NOTE 9 – LONG-TERM DEBT

The following is a summary of the activity in the Town's long-term debt:

	Accumulated Annual Leave	Total
Balance at July 1, 2016	\$ 38,648	\$ 38,648
Additions	(11,504)	(11,504)
Payments	-	-
Balance at June 30, 2017	\$ 27,144	\$ 27,144
Amount due within 1 year	\$ -	\$ -

TOWN OF BERWYN HEIGHTS, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 – COMPTROLLER OF THE TREASURY OF MARYLAND V. WYNNE

In 2015, in *Comptroller of the Treasury of Maryland v. Wynne*, the Supreme Court invalidated a portion of Maryland's personal income tax scheme after determining that it inherently burdened the earnings of individuals who resided in one state but earned income in another.

In response, Maryland has enacted corrective legislation allowing a credit for Maryland residents against personal income tax for income taxed by other states. The Court had ruled that the failure of Maryland law to allow such a credit rendered Maryland's personal income tax scheme unconstitutional.

As of June 30 2017, the Comptroller's Office has not identified any returns in the Town that were amended as a result of the Wynne case. As taxpayers have three years to amend their returns, the Town could be impacted in future years.

NOTE 11 – CONCENTRATIONS

The Town derives most of its revenues from the citizens of the Town. The Town is located in Prince George's County, Maryland.

NOTE 12 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to workers; and natural disasters.

The Town has an insurance agreement with the Local Government Insurance Trust (LGIT), a public entity risk pool. LGIT provides the Town's property, general, automobile, employee, police and public officials' legal liability insurance coverage.

This is a total risk and cost sharing pool for all participants. In the event that the Trust's General Fund falls into a deficit that cannot be satisfied by transfers from the Trust's capital and surplus accounts, the Trustees shall determine a method to fund the deficit. The Trust agreement empowers the Trustees to assess an additional premium to each deficit-year participant. Debt issues could also be used to fund a deficit.

Premiums are charged to the Town's General Fund, with no provision made for claim liability in addition to premiums, unless an assessment is made by the Trust. There have been no assessments during the year ended June 30, 2017 and the amount of settlements has not exceeded coverage for each of the past three years.

TOWN OF BERWYN HEIGHTS, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Grants

The Town receives grants from time-to-time. Expenditures from certain grants are subject to audit by the grantor, and the Town is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of the Town's management, no material refunds will be required as a result of disallowed expenditures.

NOTE 14 – RISKS AND UNCERTAINTIES

The Pension Trust Fund is invested in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net position available for benefits.

TOWN OF BERWYN HEIGHTS, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 15 - RECONCILIATION OF NON-GAAP BUDGET TO GAAP BUDGET

The financial statements and notes conform to GAAP. The budget is prepared on a basis not consistent with GAAP because the prior years' surplus is included in budgeted revenues and expenditures. The reconciliation between the non-GAAP budget and GAAP follows:

Budgeted excess of revenue over (under)	
expenditures - Non-GAAP basis	\$ 7,400
Plus: Transfer to reserve fund	16,400
Less: Prior years' surplus -revenues	<u>(16,400)</u>
Budgeted excess of revenue over (under)	
expenditures - GAAP basis	<u><u>\$ 7,400</u></u>

NOTE 16 – OTHER POST-EMPLOYMENT BENEFITS

The Town offers no other post-employment benefits as defined by the Government Accounting Standards Board Statement No. 45, “Accounting and Financial Reporting for Post Employment Benefit Plans Other Than Pensions” (GASB 45).

NOTE 17 – FUND BALANCE REPORTING

Fund balances for the Town’s governmental funds consisted of the following as of June 30, 2017:

Non-Spendable Fund Balances

At June 30, 2017, \$8,064 is non-spendable in the general fund and pertains to prepaid expenses.

Restricted Fund Balances

At June 30, 2017, \$90,669 is restricted in the public safety reserve fund.

TOWN OF BERWYN HEIGHTS, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 17 – FUND BALANCE REPORTING - continued

Committed Fund Balances

The committed fund balance in the General Fund is composed of \$442,000 for dedicated-operating reserve, \$976,702 for dedicated-infrastructure improvement reserve, \$114,553 for dedicated-cable TV-capital outlay, \$8,493 dedicated-NW/EP-trailer reserve, \$10,000 for dedicated-recycling disposal fee, \$252,477 dedicated-vehicle equipment replacement reserve, and \$531,300 for dedicated-greenbelt station impact fee reserve.

All fund balances in the Public Safety Taxing District are committed for public safety expenditures. At June 30, 2017, this amount was \$36,619.

Unassigned Fund Balances

All remaining general fund balances are unassigned. At June 30, 2017, this amount was \$645,307.

TOWN OF BERWYN HEIGHTS, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 18– NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued the following statements:

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued June 2015, effective for financial statements for fiscal years beginning after June 15, 2017.

Statement No. 81, *Irrevocable Split-Interest Agreements*, issued March 2016, effective for financial statements for fiscal years beginning after December 15, 2016.

Statement No. 83, *Certain Asset Retirement Obligations*, issued November 2016, effective for financial statements for fiscal years beginning after June 15, 2018.

Statement No. 84, *Fiduciary Activities*, issued January 2017, effective for financial statements for fiscal years beginning after December 15, 2018.

Statement No. 85, *Omnibus 2017*, issued March 2017, effective for financial statements for fiscal years beginning after June 15, 2017.

Statement No. 86, *Certain Debt Extinguishment Issues*, issued May 2017, effective for financial statements for fiscal years beginning after June 15, 2017.

Statement No. 87, *Leases*, issued June 2017, effective for financial statements for fiscal years beginning after December 15, 2019.

The Town will implement these statements as necessary as of their effective dates. While the Town is still in the process of determining the effect of implementing these GASB statements, they are not expected to have a material effect on the financial position of the Town.

Town of Berwyn Heights, MD
SCHEDULES OF REQUIRED PENSION-RELATED
SUPPLEMENTARY INFORMATION

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY

	FY 2015	FY 2016	FY 2017
Town's proportion (%) of collective net pension liability	0.00402%	0.00453%	0.00450%
Town's proportionate share (\$) of collective net pension liability	\$ 713,567	\$ 940,799	\$ 1,062,127
Town's covered payroll(\$)	\$ 1,010,950	\$ 1,028,082	\$ 998,586
Town's proportionate share of collective net pension liability as a percentage of its covered payroll	75.58%	91.51%	106.36%
Pension plan's fiduciary net position as a percentage of the total pension liability	71.87%	68.78%	65.79%

SCHEDULE OF THE TOWN'S PENSION PLAN CONTRIBUTIONS
Last 10 Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 80,263	\$ 88,420	\$ 95,418
Contributions in relation to the contractually required contribution	80,263	88,420	95,418
Contribution deficiency (excess)	-	-	
Town's covered payroll	998,586	1,028,082	1,010,950
Contributions as a percentage of covered-employee payroll	8.0%	8.6%	9.4%

The above schedules are presented to illustrate the requirement for specific information for 10 years; however, until a full 10-year trend is compiled, information is only presented for those years for which information is available.

TOWN OF BERWYN HEIGHTS, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2017

General Fund				
	Original Budget	Final Budget	Actual	Variance
Revenues				
Income taxes	\$ 430,000	\$ 430,000	\$ 374,482	\$ (55,518)
Property taxes	1,775,061	1,775,061	1,734,644	(40,417)
Other taxes	72,170	72,170	72,170	-
Fines, licenses and permits	235,300	235,300	206,392	(28,908)
Interest and investment earnings	18,000	18,000	14,593	(3,407)
Charges for services	2,700	2,700	1,051	(1,649)
Operating grants and contributions	190,078	190,078	322,047	131,969
Other revenues	281,050	281,050	278,935	(2,115)
Prior years' surplus	16,400	16,400	-	(16,400)
Total Revenues	<u>\$ 3,020,759</u>	<u>\$ 3,020,759</u>	<u>\$ 3,004,314</u>	<u>\$ (16,445)</u>
Expenditures				
General government	\$ 424,872	\$ 424,872	\$ 407,038	\$ 17,834
Public safety	706,676	706,676	652,052	54,624
Code enforcement	117,155	117,155	109,091	8,064
Public works	696,910	696,910	652,510	44,400
Recreation	28,500	28,500	19,337	9,163
Capital projects	65,320	65,320	73,685	(8,365)
Other	973,926	973,926	413,094	560,832
Total Expenditures	<u>\$ 3,013,359</u>	<u>\$ 3,013,359</u>	<u>\$ 2,326,807</u>	<u>\$ 686,552</u>

TOWN OF BERWYN HEIGHTS, MARYLAND
SCHEDULE OF REVENUES AND EXPENDITURES
REQUIRED SUPPLEMENTARY INFORMATION-UNAUDITED
PUBLIC SAFETY TAXING DISTRICT
YEAR ENDED JUNE 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variable Favorable (Unfavorable)</u>
REVENUES			
Taxes			
Real estate	\$ 41,046	\$ 24,529	\$ (16,517)
Personal property	31,944	67,285	35,341
Total Taxes	<u>72,990</u>	<u>91,814</u>	<u>18,824</u>
 TOTAL REVENUES	 <u><u>\$ 72,990</u></u>	 <u><u>\$ 91,814</u></u>	 <u><u>\$ 18,824</u></u>
 EXPENDITURES			
Public Safety			
Salaries	58,700	53,391	5,309
Overtime	2,000	3,168	(1,168)
Shift differential	500	-	500
FICA	4,500	4,139	361
Training	600	-	600
Gas and oil	4,800	3,574	1,226
Communications	1,000	1,216	(216)
Capital outlay >\$500	900	-	900
Ammunition	600	-	600
Uniforms	1,200	3,412	(2,212)
Total Public Safety	<u>74,800</u>	<u>68,900</u>	<u>5,900</u>
 Miscellaneous			
Pension plan contribution	4,900	5,220	(320)
Total Miscellaneous	<u>4,900</u>	<u>5,220</u>	<u>(320)</u>
 TOTAL EXPENDITURES	 <u><u>\$ 79,700</u></u>	 <u><u>\$ 74,120</u></u>	 <u><u>\$ 5,580</u></u>

TOWN OF BERWYN HEIGHTS, MARYLAND
SCHEDULE OF REVENUES
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variable Favorable (Unfavorable)
REVENUES			
Taxes			
Real estate	\$ 1,407,605	\$ 1,386,042	\$ (21,563)
Personal property	265,000	235,345	(29,655)
Real estate- road fund	84,456	89,794	5,338
Personal property- road fund	15,000	13,658	(1,342)
Personal property- road fund PY	-	565	565
Penalties and interest	3,000	9,240	6,240
Income taxes	430,000	374,482	(55,518)
Recycling tax	72,170	72,170	-
Total Taxes	<u>2,277,231</u>	<u>2,181,296</u>	<u>(95,935)</u>
Licenses and Permits			
Business licenses	19,500	17,685	(1,815)
Traders licenses	2,600	2,561	(39)
Building permits	8,000	18,171	10,171
Cable TV franchise fee	47,000	48,700	1,700
Rental licenses	57,000	52,220	(4,780)
Dumpster permits	500	1,298	798
Other permits	700	568	(132)
Total Licenses and Permits	<u>135,300</u>	<u>141,203</u>	<u>5,903</u>
Intergovernmental			
Police regular aid	51,430	53,497	2,067
Disposal fee rebate	8,232	10,290	2,058
Highway user revenue	110,216	110,875	659
Other grants	20,200	147,385	127,185
Total Intergovernmental	<u>190,078</u>	<u>322,047</u>	<u>131,969</u>

TOWN OF BERWYN HEIGHTS, MARYLAND
SCHEDULE OF REVENUES
BUDGET AND ACTUAL - GENERAL FUND - continued
YEAR ENDED JUNE 30, 2017

	<u>Budget</u>	<u>Actual</u>	Variable Favorable (Unfavorable)
Service Charges			
Pedestrian bridge reimbursement	\$ 2,700	\$ 1,045	(1,655)
Van fares	-	6	6
Total Service Charges	<u>2,700</u>	<u>1,051</u>	<u>(1,649)</u>
Fines and Forfeitures			
Police department	50,000	58,328	8,328
Speed camera	30,000	-	(30,000)
Code enforcement	20,000	6,861	(13,139)
Total Fines and Forfeitures	<u>100,000</u>	<u>65,189</u>	<u>(34,811)</u>
Miscellaneous			
Interest	18,000	14,593	(3,407)
Rents	5,200	5,895	695
Recycling	1,000	1,408	408
Sale of bags and copying	250	768	518
National Night Out donation	-	50	50
Other	2,700	22,127	19,427
Miscellaneous police	3,000	3,603	603
Advertising bulletin	3,500	8,576	5,076
Cable TV grant	30,400	9,379	(21,021)
Insurance recovery	-	4,357	4,357
Verizon PEG grant	-	21,031	21,031
Sale of assets	5,000	1,341	(3,659)
Greenbelt station metroland impact fees	230,000	200,400	(29,600)
Surplus	16,400	-	(16,400)
Total Miscellaneous	<u>315,450</u>	<u>293,528</u>	<u>(21,922)</u>
Total Revenues	<u>\$ 3,020,759</u>	<u>\$ 3,004,314</u>	<u>\$ (16,445)</u>

TOWN OF BERWYN HEIGHTS, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variable Favorable (Unfavorable)</u>
EXPENDITURES			
General Government			
Mayor and Council			
Conventions & training	\$ 7,500	\$ 9,566	\$ (2,066)
Education	4,500	-	4,500
Public relations	1,000	554	446
Stipends	15,000	14,750	250
Miscellaneous	500	652	(152)
Communications	500	-	500
Total Mayor and Council	<u>29,000</u>	<u>25,522</u>	<u>3,478</u>
Administrative			
Salaries	246,000	237,583	8,417
FICA	19,000	19,415	(415)
Office supplies	4,700	4,798	(98)
Postage	1,600	1,400	200
Bulletin	23,000	23,192	(192)
Repairs and maintenance	1,000	-	1,000
Audit	12,500	18,689	(6,189)
Legal	6,000	6,325	(325)
Dues and conventions	5,000	5,148	(148)
Public relations	2,500	631	1,869
Training	2,000	2,471	(471)
Travel	1,000	1,282	(282)
Network/software support	2,000	1,057	943
Books and periodicals	500	882	(382)
Copier maintenance	4,500	5,083	(583)
Payroll processing fees	3,500	3,736	(236)
Communications	800	897	(97)
Capital outlay>\$500	8,000	1,029	6,971
Town council dues	5,222	4,554	668
Gas and oil	1,000	607	393
Miscellaneous	3,500	5,247	(1,747)
Law book subscription	2,300	-	2,300
Total Administration	<u>355,622</u>	<u>344,026</u>	<u>11,596</u>

TOWN OF BERWYN HEIGHTS, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND - continued
YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variable Favorable (Unfavorable)
Municipal Building			
Repairs and maintenance	\$ 5,500	\$ 4,192	\$ 1,308
Electricity	4,500	3,270	1,230
Water	500	409	91
Gas	1,100	893	207
Custodial supplies	100	243	(143)
Improvement to grounds	-	273	(273)
Telephone	2,000	2,559	(559)
Hospitality	1,500	395	1,105
Miscellaneous	-	248	(248)
Total Municipal Building	<u>15,200</u>	<u>12,482</u>	<u>2,718</u>
Town Center			
Repairs and maintenance	11,000	13,320	(2,320)
Electricity	7,250	5,511	1,739
Water	1,000	1,160	(160)
Gas	4,100	2,919	1,181
Custodial supplies	200	280	(80)
Telephone	1,100	1,137	(37)
Miscellaneous	400	681	(281)
Total Town Center	<u>25,050</u>	<u>25,008</u>	<u>42</u>
Total General Government	<u>424,872</u>	<u>407,038</u>	<u>17,834</u>

TOWN OF BERWYN HEIGHTS, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND - continued
YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variable Favorable (Unfavorable)
Public Safety			
Police			
Salaries	\$ 456,200	\$ 426,183	\$ 30,017
Salaries - overtime	25,000	18,361	6,639
Salaries - shift differential	10,800	7,704	3,096
FICA	35,300	36,710	(1,410)
Supplies	6,500	7,208	(708)
Postage	1,300	1,364	(64)
Locality Pay	7,200	4,708	2,492
Vehicle maintenance and repairs	15,000	14,677	323
Other repairs and maintenance	3,000	3,344	(344)
Public relations	2,000	1,837	163
Dues and conventions	4,000	2,855	1,145
Training	4,000	1,660	2,340
Travel	-	1,500	(1,500)
Network/software support	2,000	1,052	948
Miscellaneous	3,000	2,886	114
Books and periodicals	600	1,342	(742)
Electricity	4,000	3,968	32
Gas and oil	22,000	20,583	1,417
Communications	13,000	11,509	1,491
Telephone	1,700	3,156	(1,456)
Capital outlay >\$500	15,000	18,174	(3,174)
Police station rent	22,876	20,935	1,941
Ammunition	2,400	2,398	2
Uniforms	11,500	10,550	950
Copier rental and maintenance	1,800	4,210	(2,410)
National night out	3,500	3,234	266
Secret service reimbursement	-	(913)	913
Speed camera administration	20,000	9,394	10,606
Total Police	<u>693,676</u>	<u>640,589</u>	<u>53,087</u>
Other Public Safety			
Emergency preparedness	3,000	1,463	1,537
Berwyn Heights VFD donation	10,000	10,000	-
Total Other Public Safety	<u>13,000</u>	<u>11,463</u>	<u>1,537</u>
Total Public Safety	<u>706,676</u>	<u>652,052</u>	<u>54,624</u>

TOWN OF BERWYN HEIGHTS, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND - continued
YEAR ENDED JUNE 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variable Favorable (Unfavorable)</u>
Code Enforcement and Van Program			
Code Enforcement			
Salaries	\$ 58,400	\$ 58,260	\$ 140
Clerk-part-time	33,000	28,657	4,343
FICA	7,000	5,917	1,083
Supplies	1,000	892	108
Postage	2,300	1,435	865
Repairs and maintenance	1,500	1,014	486
Dues and conventions	735	-	735
Public relations	400	50	350
Training and seminars	1,100	25	1,075
Travel	50	-	50
Miscellaneous	-	81	(81)
Network/software support	5,000	6,106	(1,106)
Books and periodicals	420	-	420
Gas and oil	1,200	1,109	91
Communications	1,700	2,573	(873)
Telephone	700	1,304	(604)
Capital outlay > \$500	1,000	-	1,000
Uniforms	450	757	(307)
	<u>115,955</u>	<u>108,180</u>	<u>7,775</u>
Total Code Enforcement			
	<u>115,955</u>	<u>108,180</u>	<u>7,775</u>
Van Program			
Repairs and maintenance	1,000	911	89
Gas	200	-	200
Total Van Program	<u>1,200</u>	<u>911</u>	<u>289</u>
	<u>1,200</u>	<u>911</u>	<u>289</u>
Total Code and Van Program	<u>117,155</u>	<u>109,091</u>	<u>8,064</u>
	<u>117,155</u>	<u>109,091</u>	<u>8,064</u>
Public Works			
Building			
Supplies	3,000	2,234	766
Repairs and maintenance	4,700	1,639	3,061
Software support	1,000	814	186
Electricity	5,500	3,171	2,329
Water	450	836	(386)
Gas	3,000	1,724	1,276
Communications	3,000	1,707	1,293
Telephone	1,100	2,293	(1,193)
Capital outlay - building	2,000	4,212	(2,212)
Equipment	2,500	80	2,420
Tools	3,000	358	2,642
Total Building	<u>29,250</u>	<u>19,068</u>	<u>10,182</u>
	<u>29,250</u>	<u>19,068</u>	<u>10,182</u>

TOWN OF BERWYN HEIGHTS, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND - continued
YEAR ENDED JUNE 30, 2017

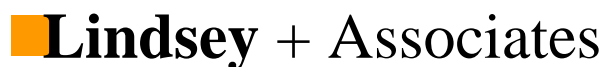
	Budget	Actual	Variable Favorable (Unfavorable)
Public Works			
Sanitation and Streets			
Salaries	\$ 285,000	\$ 267,171	\$ 17,829
Salaries - overtime	15,000	9,417	5,583
Salaries - part time	33,000	19,616	13,384
Employee recognition incentives	800	352	448
FICA	25,000	23,179	1,821
Supplies	4,750	6,621	(1,871)
Postage	100	60	40
Temp service	4,000	30,977	(26,977)
Vehicle repairs and maintenance	47,000	67,420	(20,420)
Dues and conventions	1,000	1,432	(432)
Books and periodicals	500	299	201
Training	2,000	-	2,000
Travel	100	525	(425)
Miscellaneous	700	2,080	(1,380)
Gas and oil	40,000	17,864	22,136
Capital outlay > \$500	1,000	1,445	(445)
Uniforms	10,000	9,311	689
Equipment rental	8,000	1,650	6,350
Disposal	74,000	85,101	(11,101)
Leaf collection	8,000	4,923	3,077
Mosquito control	1,200	777	423
Snow and ice removal	7,000	8,310	(1,310)
Street materials	7,500	2,447	5,053
Street repairs	20,000	15,703	4,297
Street signs	12,000	2,824	9,176
Storm drain construction	2,000	-	2,000
Pedestrian bridge repairs	2,500	1,122	1,378
Tree service	9,000	8,500	500
Recreation council events	1,800	1,321	479
Recycling supplies	5,500	70	5,430
Total Sanitation and Streets	628,450	590,517	37,933

TOWN OF BERWYN HEIGHTS, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND - continued
YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variable Favorable (Unfavorable)
Street Lighting			
Lighting	\$ 39,000	\$ 42,792	\$ (3,792)
School flasher	210	133	77
Total Street Lighting	<u>39,210</u>	<u>42,925</u>	<u>(3,715)</u>
Total Public Works	<u>696,910</u>	<u>652,510</u>	<u>44,400</u>
Recreation			
Pop's Park supplies	3,000	1,206	1,794
Postage	-	50	(50)
Pop's Park maintenance	1,550	614	936
Volunteer appreciation dinner	1,000	1,914	(914)
Miscellaneous	700	10	690
Equipment	2,750	-	2,750
BH historical committee	2,000	2,175	(175)
Special events	10,000	9,735	265
Playground supplies	250	-	250
Playground utilities	450	214	236
Sports park-repairs and maintenance	3,800	3,419	381
Pontiac Field maintenance	3,000	-	3,000
Total Recreation	<u>28,500</u>	<u>19,337</u>	<u>9,163</u>

TOWN OF BERWYN HEIGHTS, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND - continued
YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variable Favorable (Unfavorable)
Cable TV			
Repairs and maintenance	\$ 2,000	\$ 420	\$ 1,580
I-Net participation fee	4,390	3,213	1,177
Miscellaneous	450	724	(274)
Capital outlay-equip>\$500	8,000	6,609	1,391
Total Cable TV	14,840	10,966	3,874
Miscellaneous			
Unemployment insurance	2,300	6,484	(4,184)
Custodial services	12,000	11,199	801
General insurance	31,000	28,907	2,093
Workers compensation	73,000	61,264	11,736
Public officials' bond	1,100	900	200
Employee recognition award	1,800	1,742	58
Strategic planning workshop	3,000	3,498	(498)
Miscellaneous benefits	5,254	3,232	2,022
Employee merit increases	31,000	36,638	(5,638)
Vision/dental/life insurance	14,100	14,974	(874)
MD State Pension admin fee	3,900	3,978	(78)
Health insurance	116,000	118,531	(2,531)
Cities street sweeper-program	19,000	13,075	5,925
Tuition reimbursement	1,000	-	1,000
Economic development study	30,000	-	30,000
Network/software support	16,000	15,500	500
Credit card equipment and fees	750	621	129
Animal study	-	8,000	(8,000)
Pension contribution	95,000	75,043	19,957
HRA reimbursement fund	-	(2,973)	2,973
Website services	1,500	1,515	(15)
Transfers to reserves	501,382	-	501,382
Total Miscellaneous	959,086	402,128	556,958
Capital Projects			
HVAC system	15,640	15,640	-
Police equipment	-	7,736	(7,736)
Telephone system	18,980	17,503	1,477
Administration vehicle	29,200	-	29,200
Buildings and grounds improvements	-	31,280	(31,280)
Town Hall security	500	-	500
Museum improvements	1,000	1,526	(526)
Total Capital Projects	65,320	73,685	(8,365)
Total Expenditures	\$ 3,013,359	\$ 2,326,807	\$ 686,552



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October 26, 2017

Honorable Mayor, Members of the Town Council
Town of Berwyn Heights, Maryland

We audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Berwyn Heights, Maryland (the "Town") for the year ended June 30, 2017, and have issued our report thereon dated October 26, 2017. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U. S. Generally Accepted Auditing Standards

As stated in our engagement letter dated November 22, 2017 our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U. S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Town. Such consideration was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of the Town's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our test was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Town are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2017 except as may be explained in Note 1 to the financial statements. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

There were no difficulties encountered during the audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We proposed adjustments to receivables, payables, and real estate tax revenue. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representation from management that is included in the management representation letter dated October 26, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

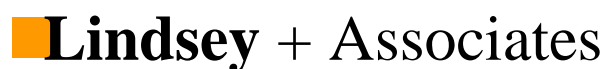
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationships and our responses were not a condition to our retention.

We have also provided the Town’s management with a letter dated October 26, 2017 pertaining to our audit findings and recommendations.

This information is intended solely for the use of the Mayor and Members of Town Council and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Hindley & Associates, LLC



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October 26, 2017

Honorable Mayor, Members of the Town Council
Town of Berwyn Heights, Maryland

In planning and performing our audit of the financial statements of the Town of Berwyn Heights, Maryland (the "Town") as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a material weakness.

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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in the Town's internal control to be material weaknesses:

Preparation of Financial Statements

In the current year as well as the prior year we noted no Town employee or officer has the technical background to prepare the financial statements, including the related notes to the financial statements, in accordance with generally accepted accounting principles.

As part of the audit, the Town's management has requested us to prepare a draft of the Town's financial statements, including related notes to the financial statements. The Town Manager performed a review of the financial statements. However, in order to provide improved oversight of the financial statement preparation services at an appropriate level and implement controls over the financial reporting process, we recommend the Town obtain and use one or both of the following publications in subsequent years when reviewing the financial statements: *Governmental Accounting, Auditing, and Financial Reporting Using the GASB 34 Model* available from the Government Finance Officers Association at www.gfoa.org or *Preparing Governmental Financial Statements Under GASBS No. 34* available from Thomson Tax & Accounting at www.ppc.thomson.com.

Review Bank Reconciliations

Timely preparation of complete and accurate bank reconciliations is a key to ensuring that cash receipts and disbursements are properly recorded. During much of the year, the operating bank account reconciliations appeared to be generally incomplete. Specifically, they contained unreconciled differences. An unreconciled difference that appears immaterial can obscure significant but offsetting items (such as bank errors or improperly recorded transactions) that would be a cause for investigation if items were apparent. We recommend that bank reconciliations be reviewed for accuracy and completeness on a timely basis by the manager of accounting. The review should include tests of mechanical accuracy and tracing of items on the reconciliation to the relevant source documents. The composition of unreconciled differences should be determined and followed up on, and any journal entries deemed necessary as a result be recorded. If necessary, the accounting clerk who prepares the reconciliations should be given additional training and instruction on how to prepare them accurately and completely.

This communication is intended solely for the information and use of the Mayor, Town Council, management and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Kindley & Associates, LLC