

**TOWN OF BERWYN HEIGHTS, MARYLAND
FINANCIAL STATEMENTS
JUNE 30, 2019**

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, 2019, 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, 2019, 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.

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 11, 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 30, 2019

**TOWN OF BERWYN HEIGHTS, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

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, 2019. Please read it in conjunction with the transmittal letter and the Town's financial statements.

Financial Highlights

-) For FY19, 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.
-) FY 2019 Town's entire operating needs are financed through revenues received on an annual basis in addition to some of the prior year funds to balance the budget. This is largely due to less than expected revenue received from permits, fines, and rentals income.
-) Although each department maintained its expenses within their assigned budgets, the Town had planned the use of prior year funds to balance the budget.
-) The FY19 approved budget, included funds from a bond through the State of Maryland Department of Housing and Community Development, which were intended to be used to fund Phase II of the road repair project. The Town Council ultimately decided to use the Infrastructure Reserve Fund for to finance the project in order to maintain its debt- free status.
-) The Town is entirely debt-free except for net pension liability and compensated absences. The Town has dedicated reserves to finance capital purchases and projects, including street and sidewalk construction, facility improvements, and vehicle and equipment purchases.
-) Reserve transfers for this fiscal year include:
 - o Infrastructure Improvement Reserve: \$218,902.94
(Includes funds from the Town and the State of Maryland through Highway User Revenue receipts)
 - o Vehicle and Equipment Replacement Reserve: \$24,605.25
 - o Neighborhood Watch/Emergency Preparedness Trailer Reserve: \$2,238.97
 - o Cable TV Reserve Fund: (\$464.41)
-) Sources of revenue this fiscal year are the real property tax, personal property tax, income tax, intergovernmental grants, and town-collected fees and fines.
-) Major projects funded this fiscal year include:

**TOWN OF BERWYN HEIGHTS, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

- The completion of Phase II of the road repair project. The total cost for this phase: \$797,742
- The purchase of new hybrid town car total at the cost of \$27,100. The car was partially funded by a \$20,000 grant received from the Maryland Department of Energy, bringing the cost for the vehicle and down to \$7,100.
- The installation of two free charging stations for electric vehicles on town property for public use. These charging stations belong to the Electric Vehicle Institute and are not a Town asset. The cost of the installation of the charging stations was \$3,133.
- The payment of the town's share for the purchase of a new 4 Cities Street Sweeper in the amount of \$21,286.
- The completion of the pruning and maintenance of the town tree canopy. The total cost of the project: \$42,800
- The purchase of 64-gallon recycling toters for all town residences at a cost of \$49,731.

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-

**TOWN OF BERWYN HEIGHTS, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

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.

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. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The town has two types of funds: governmental and fiduciary funds.

-) 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 right of the fund financial statements.
-) Fiduciary funds – Fiduciary funds are used to account for assets held for the benefit of employees by private organizations. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's programs.

**TOWN OF BERWYN HEIGHTS, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

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, 2019**

Government-Wide Financial Information

The following is selected information as of June 30, 2019, and June 30, 2018.

	2018	2019
Current assets	\$ 4,058,969	\$ 3,926,614
Capital assets	2,031,117	2,781,551
Total assets	6,090,086	6,708,165
Deferred outflows	236,915	211,651
Total assets and deferred outflows	6,327,001	6,919,816
Current liabilities	168,886	228,579
Long-term liabilities	906,157	1,077,367
Total liabilities	1,075,043	1,305,946
Deferred inflows	114,378	122,935
Net position		
Net investment in capital assets	2,031,085	2,780,694
Restricted	42,283	8,454
Unrestricted	3,064,212	2,686,776
Total net position	5,137,580	5,475,924
Total liabilities, deferred inflows and net position	6,327,001	6,904,805
Program revenues		
Charges for services	156,356	71,924
Grants and contributions	180,827	196,956
General revenues		
Income taxes	403,393	455,614
Property taxes	2,059,595	2,040,472
Total general revenues	2,920,827	2,929,148
Transfers	-	-
Total revenues and transfers	3,258,010	3,198,028
Expenses		
General government	404,964	548,903
Public safety	762,058	864,131
Code enforcement & van program	112,113	113,526
Public works	811,544	865,761
Recreation	27,242	23,337
Other	455,767	444,026
Total expenses and transfers	2,573,688	2,859,684
Change in net position	684,322	338,344
Net position, beginning of year - restated for 2018	4,453,258	5,137,580
Net position, end of year	5,137,580	5,475,924

**TOWN OF BERWYN HEIGHTS, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

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, 2019.

	FY2019 Amount	Percent of Total	Increase (Decrease) From FY18
Revenues			
Taxes	\$ 2,474,342	80%	\$ 51,909
Intergovernmental	193,800	6%	27,264
Charges for services	47	0%	(1,411)
Fines, licenses and permits	192,774	6%	(77,788)
Interest income	14,871	1%	(3,166)
Miscellaneous	233,280	8%	(6,879)
Total Revenues	\$ 3,109,114	101%	\$ (10,071)
Expenditures			
General government	\$ 417,904	13%	\$ (4,751)
Public safety	669,528	20%	44,557
Code enforcement & van program	118,381	3%	7,013
Public works	651,991	20%	(47,563)
Recreation	23,337	1%	(3,905)
Other	437,724	13%	(11,883)
Capital outlays	981,732	30%	884,637
Total Expenditures	\$ 3,300,597	100%	\$ 868,105

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, 2019**

Budgetary Highlights

The Fiscal Year 2019 budgeted revenues and expenditures were \$4,568,431 which is \$1,402,837 more than the Fiscal Year 2018, with anticipation of the receipt a bond from the State of Maryland to be used on Phase II of the road repair project. The Town ultimately funded the project through the Infrastructure Reserve funds.

Capital Asset and Debt Administration

Capital Assets

The major capital projects and purchases this year include projects in the Town's The major capital expense for the fiscal year was the completion of Phase II of the road repair project as part of the 2018 Town's Strategic Plan. The Town had anticipated entering into a Bond Agreement with the State of Maryland Department of Housing and Community Development to cover the cost, ultimately deciding to use the Infrastructure Reserve Fund to finance the project.

Debt

The Town's long-term debt consists of compensated absences and net pension liability.

Economic Factors and Next Year's Budgets and Rates

An increase in the Town's revenue from property tax collection is expected in Fiscal Year 2020. The Town Council approved an increase in the residential tax rate by .015, bringing the new real property tax rate to .00545 per 100,000 assessed. This increase will generate an additional \$152,801 in revenue for FY20. The Town Council also approved an increase in the Recycling Fee charged to homeowners. This increase was needed in order to better cover the cost of the recycling program.

The budget preparation process was changed for FY20. Each Department Director now submits the department budget request, as well as any budget enhancements, to the Town Manager and Town Council for approval. Once the budget is approved by Town Council, each department is responsible for the tracking and maintaining of expenses within the assigned budget.

The funds for the architectural and engineering study of the town office building, funded in the FY19 were encumbered by action of the Town Council, so that the study could be undertaken in FY20. This study will determine if the town office building can structurally support a second story or other expansion needs in order to move the police department into the building. The funds have been encumbered by Ordinance 175, Amendment D "Encumber the Funding for the Architectural and Engineering Study of the Town Office Building" until the study has been completed.

**TOWN OF BERWYN HEIGHTS, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

In FY19, the Town Council approved the change to a Council/Manager form of government, with the Town's first Town Manager hired in August 2018. Under the direction of the Town Manager, a new budget process was adopted, and a number of financial controls were implemented. Under the new budget process, department directors propose the budgets under their direction, with increases for new projects, personnel or programs reviewed and approved/denied by the Town Council individually.

Other financial controls include the implementation of:

-) leave slips to track annual leave requests;
-) approval forms for accrued compensation time;
-) written department approval before invoices can be paid by the treasurer;
-) a credit card policy to be signed by each card user;
-) limits on the amount of credit card purchases that can be made without approval;
-) a requisition and purchase order program;
-) conference and training approval/reimbursement;
-) check request approval form;
-) an account reconciliation process has been created; and
-) the Town is in the process of adopting an investment policy for the first time.

In response to feedback in the FY18 Auditor's Report, procedures were corrected so that exempt employees no longer earn compensation time, and the Employee Handbook is now followed, allowing exempt employees to earn flex time, with no cash-out obligation to the Town shall an employee leave employment with the Town.

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 finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Maria T. Broadbent, Town Manager at 5700 Berwyn Road, Berwyn Heights, Maryland 20740 or via telephone at 301-474-5000.

TOWN OF BERWYN HEIGHTS, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities	Total
ASSETS		
Current Assets		
Cash and cash equivalents - unrestricted	\$ 3,780,338	\$ 3,780,338
Cash and cash equivalents - restricted	10,552	10,552
Accounts receivable - income taxes	124,446	124,446
Prepaid expenses	11,278	11,278
Total Current Assets	3,926,614	3,926,614
Noncurrent Assets		
Net capital assets	2,781,551	2,781,551
Total Noncurrent Assets	2,781,551	2,781,551
TOTAL ASSETS	6,708,165	6,708,165
DEFERRED OUTFLOWS OF RESOURCES	211,651	211,651
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 6,919,816	\$ 6,919,816
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	\$ 168,900	\$ 168,900
Unearned revenue	9,259	9,259
Amounts held in escrow and deposit	46,940	46,940
Other current liabilities	2,623	2,623
Current portion of long-term debt	857	857
Total Current Liabilities	228,579	228,579
Noncurrent Liabilities		
Compensated absences	32,344	32,344
Net pension liability	1,045,023	1,045,023
Total Noncurrent Liabilities	1,077,367	1,077,367
TOTAL LIABILITIES	1,305,946	1,305,946
DEFERRED INFLOWS OF RESOURCES	122,935	122,935
NET POSITION		
Net investment in capital assets	2,780,694	2,780,694
Restricted	8,454	8,454
Unrestricted	2,686,776	2,686,776
Total Net Position	5,475,924	5,475,924
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 6,904,805	\$ 6,904,805

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, 2019

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	Governmental Activities	Total
Primary Government							
Governmental Activities:							
General government	\$ 548,903	\$ 93,244	\$ 10,820	\$ 8,156	\$ -	\$ (623,171)	\$ (623,171)
Public safety	864,131	182,051	44,694	49,829	-	(951,659)	(951,659)
Code enforcement and van program	113,526	35,522	14,811	-	-	(134,237)	(134,237)
Public works	865,761	133,209	1,599	138,971	-	(858,400)	(858,400)
Recreation	23,337	-	-	-	-	(23,337)	(23,337)
Other	444,026	(444,026)	-	-	-	-	-
Total Governmental Activities	<u>2,859,684</u>	<u>-</u>	<u>71,924</u>	<u>196,956</u>	<u>-</u>	<u>(2,590,804)</u>	<u>(2,590,804)</u>
Total Primary Government	<u>\$ 2,859,684</u>	<u>\$ -</u>	<u>\$ 71,924</u>	<u>\$ 196,956</u>	<u>\$ -</u>	<u>\$ (2,590,804)</u>	<u>\$ (2,590,804)</u>
				General revenues:			
				Taxes			
				Income taxes	455,614	455,614	
				Property taxes	2,040,472	2,040,472	
				Other taxes	72,170	72,170	
				Licenses and permits	133,281	133,281	
				Grants and contributions	34,695	34,695	
				Interest and investment earnings	14,871	14,871	
				Miscellaneous	178,045	178,045	
				Total General Revenues	<u>2,929,148</u>	<u>2,929,148</u>	
				Change in Net Position	338,344	338,344	
				Net Position, beginning of year	<u>5,137,580</u>	<u>5,137,580</u>	
				Net Position, end of year	<u>\$ 5,475,924</u>	<u>\$ 5,475,924</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, 2019**

	General Fund	Public Safety Taxing District (Non-major Fund)	Public Safety Reserve Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents - unrestricted	\$ 3,780,338	\$ -	\$ -	\$ 3,780,338
Cash and cash equivalents - restricted	-	2,098	8,454	10,552
Accounts receivable - income taxes	124,446	-	-	124,446
Prepaid expenses	11,278	-	-	11,278
TOTAL ASSETS	<u>3,916,062</u>	<u>2,098</u>	<u>8,454</u>	<u>3,926,614</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 3,916,062</u>	<u>\$ 2,098</u>	<u>\$ 8,454</u>	<u>\$ 3,926,614</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 168,900	\$ -	\$ -	\$ 168,900
Amounts held in escrow and deposit	46,940	-	-	46,940
Unearned revenue	9,259	-	-	9,259
Other current liabilities	2,623	-	-	2,623
TOTAL LIABILITIES	<u>227,722</u>	<u>-</u>	<u>-</u>	<u>227,722</u>
DEFERRED INFLOWS OF RESOURCES	<u>124,446</u>	<u>-</u>	<u>-</u>	<u>124,446</u>
FUND BALANCES				
Non-spendable	11,278	-	-	11,278
Restricted	-	-	8,454	8,454
Committed				
Dedicated - infrastructure improvement reserve	619,722	-	-	619,722
Dedicated - public safety reserve	-	2,098	-	2,098
Dedicated - cable TV - capital outlay	122,547	-	-	122,547
Dedicated - NW/EP trailer reserve	12,297	-	-	12,297
Dedicated - vehicle equipment replacement reserve	332,900	-	-	332,900
Assigned	2,461	-	-	2,461
Unassigned	2,462,689	-	-	2,462,689
TOTAL FUND BALANCES	<u>3,563,894</u>	<u>2,098</u>	<u>8,454</u>	<u>3,574,446</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 3,916,062</u>	<u>\$ 2,098</u>	<u>\$ 8,454</u>	<u>\$ 3,926,614</u>

**RECONCILIATION OF TOTAL GOVERNMENTAL
FUND BALANCE TO NET POSITION OF
GOVERNMENTAL ACTIVITIES
JUNE 30, 2019**

<i>Total Governmental Fund Balances</i>	\$ 3,574,446
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,781,551
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.	(1,078,224)
Deferred inflows of resources pertaining to net pension liability are not reported in the funds.	(122,935)
Deferred outflows of resources pertaining to net pension liability are not reported in the funds.	211,651
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>124,446</u>
<i>Net Position of Governmental Activities</i>	<u>\$ 5,490,935</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, 2019

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, 2019

	General Fund	Public Safety Taxing District (Non-major Fund)	Public Safety Reserve Fund	Total Governmental Funds
REVENUES				
Taxes	\$ 2,474,342	\$ 67,528	\$ -	\$ 2,541,870
Intergovernmental	193,800	-	-	193,800
Charges for services	47	-	-	47
Fines, licenses, permits	192,774	-	15,011	207,785
Interest income	14,871	-	-	14,871
Miscellaneous	233,280	-	-	233,280
Total Revenues	<u>3,109,114</u>	<u>67,528</u>	<u>15,011</u>	<u>3,191,653</u>
EXPENDITURES				
Current Operations				
General government	417,904	-	-	417,904
Public safety	669,528	79,157	18,206	766,891
Code enforcement and van program	118,381	-	-	118,381
Public works	651,991	-	-	651,991
Recreation	23,337	-	-	23,337
Other	437,724	6,302	-	444,026
Capital projects	981,732	-	-	981,732
Total Expenditures	<u>3,300,597</u>	<u>85,459</u>	<u>18,206</u>	<u>3,404,262</u>
Excess of revenues over (under) expenditures and other financing uses	<u>(191,483)</u>	<u>(17,931)</u>	<u>(3,195)</u>	<u>(212,609)</u>
Other financing sources (uses)				
Transfers in (out)	57,440	(26,806)	(30,634)	-
Proceeds from long-term debt	-	-	-	-
Total other financing sources (uses)	<u>57,440</u>	<u>(26,806)</u>	<u>(30,634)</u>	<u>-</u>
Excess of revenue and other financing sources over (under) expenditures and other financing uses	<u>(134,043)</u>	<u>(44,737)</u>	<u>(33,829)</u>	<u>(212,609)</u>
Fund balance, beginning of year	<u>3,697,937</u>	<u>46,835</u>	<u>42,283</u>	<u>3,787,055</u>
Fund balance, end of year	<u>\$ 3,563,894</u>	<u>\$ 2,098</u>	<u>\$ 8,454</u>	<u>\$ 3,574,446</u>

<i>Net Change in Fund Balances - Total Governmental Funds</i>	\$ (212,609)
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.	750,434
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.	26,386
Differences between accrual and modified accrual in accounting for revenue.	(5,000)
Differences between accrual and modified accrual in accounting for compensated absences.	6,225
Pension expense pertaining to the net pension liability is not reported in the funds.	<u>(212,081)</u>
<i>Change in Net Position of Governmental Activities</i>	<u>\$ 353,355</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, 2019**

ASSETS	
Cash and cash equivalents	\$ -
Investments, at fair value	458,194
Loan receivable	15,581
Total assets	<u>473,775</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	473,775
Total net position	<u>\$ 473,775</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, 2019**

ADDITIONS

Contributions		
Employer	\$	-
Plan member		915
Total contributions		<u>915</u>
Investment Income		
Net increase in fair value of investments		24,550
Interest		-
Net investment income		<u>24,550</u>
Total additions		25,465

DEDUCTIONS

Distributions		(7,569)
Administrative expenses		<u>(350)</u>
Total deductions		<u>(7,919)</u>

Net increase		17,546
Net position held in trust for pension benefits, beginning of year		<u>456,229</u>
Net position held in trust for pension benefits, end of year		<u><u>\$ 473,775</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, 2019

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 whether 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, 2019

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, 2019

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, 2019

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, 2019

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, 2019, 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, 2019, consist of income tax, property tax, code liens and related interest, pedestrian bridge reimbursement, and admission and amusement tax revenue. Receivables are deemed collectible in full, and the allowance for doubtful accounts at June 30, 2019, 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, 2019

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, 2019, the balance of deferred inflows of resources in the fund financial statements consisted of income taxes of \$124,446, and the balance of deferred inflows and deferred outflows of resources in the government-wide financial statements consisted of \$122,935 and \$211,651, respectively, pertaining to pension payments.

Local Tax Reserve Fund

At June 30, 2019, the Town was advised by the State of Maryland that \$124,446 of the Local Tax Reserve Fund was allocable to the Town. The Town recorded receivable and deferred inflows of resources in the amount of \$124,446 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 in the government-wide statements. 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, 2019

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, compensatory time, and sick pay benefits. Per the Town's policy, no more than 40 hours of compensatory time can be accrued at one time per non-exempt employee, and if unused by the end of the calendar year, these hours must be paid out during the calendar year's last payroll. Due to its nature, a liability is recognized for the current portion of compensatory time due within one year of fiscal year-end. No exempt employees are permitted to accrued compensatory time. No more than 120 vacation hours are to be carried over to the next calendar year. Starting in 2019, the vacation hour carryover will be limited to 80 hours per employee. No liability is reported for unpaid accumulated sick leave. The total amount of accumulated vacation leave and accrued compensatory time at June 30, 2019, is \$33,201.

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.

TOWN OF BERWYN HEIGHTS, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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.

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 Manager/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.

TOWN OF BERWYN HEIGHTS, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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.

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 2019. 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.

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.

TOWN OF BERWYN HEIGHTS, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 – CASH AND INVESTMENTS - continued

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 \$3,790,690 and the bank balances totaled \$4,045,920. 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, 2019

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 Manager. 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

As of June 30, 2019, the only investments were in the Pension Trust Fund:

<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>\$ 458,194</u>	<u>\$ 458,194</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, 2019

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, 2019, was \$0.53 and \$1.325 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, 2019, was an additional \$.10 per \$100 of assessed value for real property and an additional \$.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, 2019.

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, 2019

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2019, 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	2,717,817	846,628	-	3,564,445
Machinery and equipment	2,579,422	135,104	28,070	2,686,456
Subtotal	5,297,239	981,732	28,070	6,250,901
Total capital assets	5,999,517	981,732	28,070	6,953,179
Accumulated depreciation:				
Buildings and improvements	1,576,118	102,733	-	1,678,851
Machinery and equipment	2,392,282	128,565	28,070	2,492,777
Subtotal, accumulated depreciation	3,968,400	231,298	28,070	4,171,628
Net capital assets	\$ 2,031,117	\$ 750,434	\$ -	\$ 2,781,551

Depreciation was charged to functions as follows:

Government activities:	
General government	\$ 59,669
Public works	143,379
Public safety	28,250
Total government activities depreciation expense	<u>\$ 231,298</u>

The Town has no material construction commitments as of June 30, 2019.

TOWN OF BERWYN HEIGHTS, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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 \$1,045,023 as of the measurement date of June 30, 2018.

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 2019 contribution of \$103,987 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, 2019

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, 2019, 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 not adjusted to account 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, 2019, the Town contributed \$103,987. The Town contributed 100% of its required contribution for the year ended June 30, 2019. 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, 2019

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, 2019, was based on the annualized gross hourly rate in effect on June 30, 2018. 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		
	2019	2018	2017
Retirement plan contributions	<u>\$ 103,987</u>	<u>\$ 98,409</u>	<u>\$ 80,263</u>

The Town contributed \$103,987 to the System for fiscal year 2019 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, 2019

NOTE 6 – RETIREMENT PLAN – continued

Required disclosures aggregate for the plan:

	<u>Maryland State Pension System</u>
Total pension liability	\$ 72,808,833,000
Total fiduciary net position	51,827,233,000
Town's proportionate share of total pension liabilities	1,045,023
Town's proportionate share of net pension liabilities	0.00498%
Total pension assets	\$ 51,827,233,000
Measurement date of collective net pension liability	June 30, 2018
Date of actuarial valuation	June 30, 2018
Deferred outflows related to pensions	211,651
Deferred inflows related to pensions	122,935
Pension expense/expenditures for the period	212,081

Actuarial assumptions

The annual required contribution for the current year was determined as part of the actuarial valuation on July 1, 2017 rolled forward to June 30, 2018. The key assumptions used to perform the June 30, 2018, 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)	2.60% general, 3.10% wage
Salary Increases	3.15% to 9.15%
Discount Rate (a)	7.45%
Investment Rate of Return (b)	7.45%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience.

- (a) Discount rate at prior measurement date was 7.50%.
- (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 2018 valuation:
 - a. Investment return assumption decreased to 7.45%.
 - b. Inflation assumption decreased to 2.60%.

TOWN OF BERWYN HEIGHTS, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6 – RETIREMENT PLAN – continued

The components of the net pension liability for the System as of June 30, 2018, calculated in accordance with GASB Statement No. 67, are shown in the following table:

Total pension liability	\$ 72,808,833,000
Plan Fiduciary Net Position	<u>51,827,233,000</u>
Net Pension Liability	<u><u>\$ 20,981,600,000</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u><u>71.18%</u></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	37%	5.8%
Private equity	13%	6.7%
Rate sensitive	19%	1.1%
Credit opportunity	9%	3.6%
Real assets	14%	4.8%
Absolute return	8%	3.2%
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, 2018.

TOWN OF BERWYN HEIGHTS, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6 – RETIREMENT PLAN – continued

Discount Rate

A single discount rate of 7.45% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.45%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at 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 7.45%, a single discount rate that is 1-percentage point lower (i.e., 6.45%), and a single discount rate that is 1-percentage point higher (i.e., 8.45%).

	1% Lower - 6.45%	Current Rate - 7.45%	1% Higher - 8.45%
The System's Net Pension Liability	\$ 30,220,704,000	\$ 20,981,600,000	\$ 13,313,808,000
The Town's Proportionate Share of the Net Pension Liability	\$ 1,505,192	\$ 1,045,023	\$ 663,116

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

At June 30, 2019, the Town’s reported a liability of \$1,045,023 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2018, the Town’s proportion was approximately 0.0049807 percent.

TOWN OF BERWYN HEIGHTS, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6 – RETIREMENT PLAN – continued

For the year ended June 30, 2019, the Town recognized pension expense of \$212,081. At June 30, 2019, 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	\$ 29,416	\$ -
Differences in actual and expected experiences	-	81,622
Net difference between projected and actual earnings on pension plan investments	78,248	41,313
Contributions made subsequent to the measurement date	103,987	
Total	\$ 211,651	\$ 122,935

The deferred outflow of resources of \$103,987 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources are being amortized over a five-year period beginning in fiscal 2018. 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, 2018, were as follows:

Total pension liability	\$ 3,626,363
Plan Fiduciary Net Position	<u>2,581,340</u>
Net Pension Liability	<u><u>\$ 1,045,023</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 <u><u>71.18%</u></u>

TOWN OF BERWYN HEIGHTS, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019.

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, 2019, is not reflected in the Town's financial statements.

TOWN OF BERWYN HEIGHTS, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 – 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, 2019, the Comptroller’s Office has not identified any returns in the Town that were amended as a result of the Wynne case.

NOTE 10 – 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 11 – 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, 2019, 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, 2019

NOTE 12 – 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.

Litigation

In the normal course of business, the Town is a defendant in two lawsuits which management is vigorously defending. No contingency has been established because neither the outcome of the cases nor the amount of the award, if any, can be determined. The City’s insurance carrier is defending these matters.

NOTE 13 – 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.

NOTE 14 - 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	\$ (30,000)
Plus: Transfer to reserve fund	352,969
Less: Prior years' surplus -revenues	<u>(1,369,458)</u>
Budgeted excess of revenue over (under)	
expenditures - GAAP basis	<u><u>\$ (1,046,489)</u></u>

TOWN OF BERWYN HEIGHTS, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 15 – OTHER POST-EMPLOYMENT BENEFITS

The Town offers no other post-employment benefits.

NOTE 16 – FUND BALANCE REPORTING

Fund balances for the Town's governmental funds consisted of the following as of June 30, 2019:

Non-Spendable Fund Balances

At June 30, 2019, \$11,278 is non-spendable in the general fund and pertains to prepaid expenses.

Restricted Fund Balances

At June 30, 2019, \$8,454 is restricted in the public safety reserve fund.

Committed Fund Balances

The committed fund balance in the General Fund is composed of \$619,722 for dedicated-infrastructure improvement reserves, \$122,547 for capital outlay reserves, \$12,297 for NW/EP trailer reserves, and \$332,900 for vehicle equipment replacement reserves.

All fund balances in the Public Safety Taxing District are committed for public safety expenditures. At June 30, 2019, this amount was \$33,192.

Assigned Fund Balances

At June 30, 2019, \$2,461 is assigned in the general fund and pertains to two SECU bank accounts.

Unassigned Fund Balances

All remaining general fund balances are unassigned. At June 30, 2019, this amount was \$2,462,689.

TOWN OF BERWYN HEIGHTS, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 17– NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued the following statements:

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

Statement No. 87, *Leases*, issued June 2018, effective for financial statements for fiscal years beginning after December 15, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, issued June 2018, effective for reporting periods 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	FY 2018	FY 2019
Town's proportion (%) of collective net pension liability	0.00402%	0.00453%	0.00450%	0.00401%	0.00498%
Town's proportionate share (\$) of collective net pension liability	\$ 713,567	\$ 940,799	\$ 1,062,127	\$ 866,763	\$ 1,045,023
Town's covered payroll(\$)	\$ 1,010,950	\$ 1,028,082	\$ 998,586	\$ 1,160,260	\$ 1,168,637
Town's proportionate share of collective net pension liability as a percentage of its covered payroll	75.58%	91.51%	106.36%	74.70%	89.42%
Pension plan's fiduciary net position as a percentage of the total pension liability	71.87%	68.78%	65.79%	69.38%	71.18%

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 103,987	\$ 98,409	\$ 80,263	\$ 88,420	\$ 95,418
Contributions in relation to the contractually required contribution	103,987	98,409	80,263	88,420	95,418
Contribution deficiency (excess)	-	-	-	-	-
Town's covered payroll	1,168,637	1,160,260	998,586	1,028,082	1,010,950
Contributions as a percentage of covered-employee payroll	9%	8.5%	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 (NON-GAAP BASIS) AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Income taxes	\$ 375,000	\$ 375,000	\$ 429,228	\$ 54,228
Property taxes	2,007,249	2,007,249	1,972,944	(34,305)
Other taxes	72,170	72,170	72,170	-
Fines, licenses and permits	240,400	240,400	192,774	(47,626)
Interest and investment earnings	15,000	15,000	14,871	(129)
Charges for services	2,700	2,700	47	(2,653)
Operating grants and contributions	172,604	172,604	193,800	21,196
Other revenues	283,850	283,850	233,280	(50,570)
Prior years' surplus	1,369,458	1,369,458	-	(1,369,458)
Total Revenues	<u>\$ 4,538,431</u>	<u>\$ 4,538,431</u>	<u>\$ 3,109,114</u>	<u>\$ (1,429,317)</u>
Expenditures				
General government	\$ 446,209	\$ 451,641	\$ 417,904	\$ 33,737
Public safety	755,600	756,610	669,528	87,082
Code enforcement	145,770	132,790	118,381	14,409
Public works	769,600	823,480	651,991	171,489
Recreation	37,900	33,900	23,337	10,563
Capital projects	1,511,423	1,511,423	981,732	529,691
Other	507,050	505,618	437,724	67,894
Transfer to reserves	364,879	352,969	-	352,969
Total Expenditures	<u>\$ 4,538,431</u>	<u>\$ 4,568,431</u>	<u>\$ 3,300,597</u>	<u>\$ 1,267,834</u>

**TOWN OF BERWYN HEIGHTS, MARYLAND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET TO ACTUAL - PUBLIC SAFETY TAXING DISTRICT
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budget</u>	<u>Actual</u>	Variable Favorable (Unfavorable)
REVENUES			
Taxes			
Real estate	\$ 53,000	\$ 44,117	\$ (8,883)
Personal property	32,000	23,411	(8,589)
Total Taxes	<u>85,000</u>	<u>67,528</u>	<u>(17,472)</u>
TOTAL REVENUES	<u>\$ 85,000</u>	<u>\$ 67,528</u>	<u>\$ (17,472)</u>
EXPENDITURES			
Public Safety			
Salaries	67,500	64,128	3,372
Overtime	1,600	4,127	(2,527)
Shift differential	250	-	250
Supplies	-	533	(533)
FICA	5,150	5,030	120
Repairs	-	494	(494)
Training	-	549	(549)
Gas and oil	3,500	2,335	1,165
Communications	500	655	(155)
Uniforms	700	1,306	(606)
Total Public Safety	<u>79,200</u>	<u>79,157</u>	<u>43</u>
Miscellaneous			
Pension plan contribution	5,800	6,302	(502)
Total Miscellaneous	<u>5,800</u>	<u>6,302</u>	<u>(502)</u>
TOTAL EXPENDITURES	<u>\$ 85,000</u>	<u>\$ 85,459</u>	<u>\$ (459)</u>

TOWN OF BERWYN HEIGHTS, MARYLAND
SCHEDULE OF REVENUES
BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

REVENUES	<u>Budget</u>	<u>Actual</u>	Variable Favorable (Unfavorable)
Taxes			
Real estate	\$ 1,655,424	\$ 1,643,894	\$ (11,530)
Personal property	239,000	202,440	(36,560)
Real estate- road fund	99,325	105,294	5,969
Personal property- road fund	13,500	12,141	(1,359)
Personal property- road fund PY	-	217	217
Penalties and interest	-	8,958	8,958
Income taxes	375,000	429,228	54,228
Recycling tax	72,170	72,170	-
Total Taxes	<u>2,454,419</u>	<u>2,474,342</u>	<u>19,923</u>
Licenses and Permits			
Business licenses	19,000	15,813	(3,187)
Traders licenses	2,000	2,632	632
Building permits	15,000	9,673	(5,327)
Cable TV franchise fee	48,600	43,835	(4,765)
Rental licenses	61,500	59,773	(1,727)
Dumpster permits	1,000	1,262	262
Other permits	300	293	(7)
Total Licenses and Permits	<u>147,400</u>	<u>133,281</u>	<u>(14,119)</u>
Intergovernmental			
Police regular aid	53,497	54,829	1,332
Disposal fee rebate	8,232	6,174	(2,058)
Highway user revenue	110,875	112,797	1,922
MD Smart Energy Community	-	20,000	20,000
Total Intergovernmental	<u>172,604</u>	<u>193,800</u>	<u>21,196</u>

TOWN OF BERWYN HEIGHTS, MARYLAND
SCHEDULE OF REVENUES
BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND - continued
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	Variable Favorable <u>(Unfavorable)</u>
Service Charges			
Pedestrian bridge reimbursement	\$ 2,700	\$ 35	\$ (2,665)
Van fares	-	12	12
Total Service Charges	<u>2,700</u>	<u>47</u>	<u>(2,653)</u>
Fines and Forfeitures			
Police department	53,000	44,694	(8,306)
Speed camera	30,000	-	(30,000)
Code enforcement	10,000	14,799	4,799
Total Fines and Forfeitures	<u>93,000</u>	<u>59,493</u>	<u>(33,507)</u>
Surplus			
Surplus budget adopted and amended	125,968	-	(125,968)
Surplus capital equipment purchases	66,000	-	(66,000)
Vehicle replacement reserves	30,000	-	(30,000)
Infrastructure improvement reserves	1,147,490	-	(1,147,490)
Total surplus	<u>1,369,458</u>	<u>-</u>	<u>(1,369,458)</u>
Miscellaneous			
Interest	15,000	14,871	(129)
Rents	10,000	5,532	(4,468)
Recycling	1,300	1,564	264
Sale of bags and copying	750	134	(616)
National Night Out donation	-	50	50
Other	2,400	2,356	(44)
Miscellaneous police	3,000	3,295	295
Advertising bulletin	4,000	5,154	1,154
Cable TV grant	9,400	8,156	(1,244)
Insurance recovery	-	15,461	15,461
Verizon PEG grant	21,000	19,234	(1,766)
Sale of assets	2,000	-	(2,000)
Greenbelt station metroland impact fees	230,000	172,344	(57,656)
Total Miscellaneous	<u>298,850</u>	<u>248,151</u>	<u>(50,699)</u>
Total Revenues	<u>\$ 4,538,431</u>	<u>\$ 3,109,114</u>	<u>\$ (1,429,317)</u>

TOWN OF BERWYN HEIGHTS, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND - continued
FOR THE YEAR ENDED JUNE 30, 2019

EXPENDITURES	<u>Budget</u>	<u>Actual</u>	<u>Variable Favorable (Unfavorable)</u>
General Government			
Mayor and Council			
Conventions & training	\$ 7,500	\$ 7,156	\$ 344
Education	4,500	4,418	82
Public relations	1,000	996	4
Stipends	15,000	14,500	500
Miscellaneous	500	532	(32)
Communications	500	499	1
Total Mayor and Council	<u>29,000</u>	<u>28,101</u>	<u>899</u>
Administrative			
Salaries	273,928	245,293	28,635
FICA	22,183	25,217	(3,034)
Office supplies	4,700	4,757	(57)
Postage	1,600	1,506	94
Bulletin	18,821	23,288	(4,467)
Repairs and maintenance	1,000	1,000	-
Audit	13,000	9,974	3,026
Legal	7,000	5,601	1,399
Dues and conventions	6,000	5,824	176
Public relations	2,500	2,309	191
Training	2,000	2,033	(33)
Travel	1,000	884	116
Network/software support	-	608	(608)
Books and periodicals	500	694	(194)
Copier maintenance	5,100	5,100	-
Payroll processing fees	3,500	4,214	(714)
Newspaper - employment notices	-	252	(252)
Communications	1,000	1,299	(299)
Capital outlay > \$500	8,000	7,419	581
Town council dues	5,259	5,243	16
Gas and oil	1,000	524	476
Miscellaneous	3,500	1,089	2,411
Law book subscription	1,750	903	847
Total Administration	<u>383,341</u>	<u>355,031</u>	<u>28,310</u>

TOWN OF BERWYN HEIGHTS, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND - continued
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	Variable Favorable (Unfavorable)
Municipal Building			
Repairs and maintenance	\$ 5,500	\$ 6,131	\$ (631)
Electricity	3,500	3,245	255
Water	500	207	293
Gas	1,100	565	535
Custodial supplies	200	202	(2)
Improvement to grounds	-	154	(154)
Telephone	2,800	2,981	(181)
Hospitality	1,500	768	732
Total Municipal Building	<u>15,100</u>	<u>14,253</u>	<u>847</u>
Town Center			
Repairs and maintenance	11,000	7,081	3,919
Electricity	6,500	6,800	(300)
Water	1,200	1,896	(696)
Gas	3,500	2,807	693
Custodial supplies	200	202	(2)
Telephone	1,400	1,333	67
Miscellaneous	400	400	-
Total Town Center	<u>24,200</u>	<u>20,519</u>	<u>3,681</u>
Total General Government	<u>451,641</u>	<u>417,904</u>	<u>33,737</u>

TOWN OF BERWYN HEIGHTS, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND - continued
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variable Favorable (Unfavorable)</u>
Public Safety			
Police			
Salaries	\$ 495,000	\$ 435,880	\$ 59,120
Salaries - overtime	25,000	27,922	(2,922)
Salaries - shift differential	11,000	5,576	5,424
FICA	38,500	38,821	(321)
Supplies	6,500	6,732	(232)
Postage	1,000	1,281	(281)
Locality Pay	4,800	2,862	1,938
Vehicle maintenance and repairs	18,000	19,800	(1,800)
Other repairs and maintenance	4,000	3,116	884
Public relations	5,000	4,438	562
Dues and conventions	4,000	1,934	2,066
Training	6,000	791	5,209
Network/software support	2,000	1,021	979
Miscellaneous	4,010	4,481	(471)
Books and periodicals	600	189	411
Electricity	4,000	3,670	330
Gas and oil	22,000	22,431	(431)
Communications	13,000	8,821	4,179
Telephone	1,400	1,333	67
Capital outlay >\$500	10,000	12,698	(2,698)
Police station rent	24,000	20,935	3,065
Ammunition	2,400	163	2,237
Uniforms	13,500	14,961	(1,461)
Copier rental and maintenance	3,000	1,653	1,347
National night out	4,000	4,689	(689)
Secret service reimbursement	-	945	(945)
Speed camera administration	20,000	10,724	9,276
Total Police	<u>742,710</u>	<u>657,867</u>	<u>84,843</u>
Other Public Safety			
Emergency preparedness	3,900	1,661	2,239
Berwyn Heights VFD donation	10,000	10,000	-
Total Other Public Safety	<u>13,900</u>	<u>11,661</u>	<u>2,239</u>
Total Public Safety	<u>756,610</u>	<u>669,528</u>	<u>87,082</u>

TOWN OF BERWYN HEIGHTS, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND - continued
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	Variable Favorable (Unfavorable)
Code Enforcement and Van Program			
Code Enforcement			
Salaries	\$ 60,810	\$ 54,141	\$ 6,669
Clerk-part-time	38,820	36,521	2,299
FICA	9,500	6,487	3,013
Supplies	1,000	1,055	(55)
Postage	1,500	1,199	301
Repairs and maintenance	1,500	1,354	146
Dues and conventions	490	347	143
Public relations	400	181	219
Training and seminars	2,000	1,415	585
Miscellaneous	-	226	(226)
Network/software support	10,400	10,856	(456)
Books and periodicals	420	420	-
Gas and oil	1,200	412	788
Communications	2,600	1,735	865
Capital outlay > \$500	1,500	1,595	(95)
Uniforms	450	289	161
	<u>132,590</u>	<u>118,233</u>	<u>14,357</u>
Total Code Enforcement			
Van Program			
Repairs and maintenance	1	1	-
Gas	199	147	52
Total Van Program	<u>200</u>	<u>148</u>	<u>52</u>
Total Code and Van Program	<u>132,790</u>	<u>118,381</u>	<u>14,409</u>
Public Works			
Building			
Supplies	3,000	2,910	90
Repairs and maintenance	4,700	1,644	3,056
Electricity	3,500	2,553	947
Water	1,000	662	338
Gas	3,000	1,001	1,999
Communications	2,500	1,551	949
Telephone	1,400	1,333	67
Capital outlay - building	2,000	1,589	411
Equipment	2,500	134	2,366
Tools	3,000	1,653	1,347
Total Building	<u>26,600</u>	<u>15,030</u>	<u>11,570</u>

TOWN OF BERWYN HEIGHTS, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND - continued
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	Variable Favorable (Unfavorable)
Public Works			
Sanitation and Streets			
Salaries	\$ 346,000	\$ 284,374	\$ 61,626
Salaries - overtime	15,000	13,480	1,520
Salaries - part time	57,000	54,726	2,274
Employee recognition incentives	1,000	181	819
FICA	31,000	27,490	3,510
Supplies	4,000	1,439	2,561
Postage	100	-	100
Temp service	4,000	6,634	(2,634)
Vehicle repairs and maintenance	48,000	48,461	(461)
Dues and conventions	2,000	2,394	(394)
Books and periodicals	500	324	176
Training	6,000	3,596	2,404
Travel	500	500	-
Miscellaneous	1,200	931	269
Gas and oil	25,000	24,589	411
Capital outlay > \$500	1,000	-	1,000
Uniforms	12,000	11,255	745
Equipment rental	8,000	3,159	4,841
Disposal	79,000	83,202	(4,202)
Leaf collection	8,000	7,788	212
Mosquito control	1,200	-	1,200
Snow and ice removal	7,000	2,419	4,581
Street materials	7,000	4,101	2,899
Street repairs	20,000	11,550	8,450
Street signs	7,000	5,904	1,096
Pedestrian bridge repairs	2,500	457	2,043
Tree service	6,000	930	5,070
Recreation council events	1,800	511	1,289
Recycling supplies	55,880	4,629	51,251
Total Sanitation and Streets	<u>757,680</u>	<u>605,024</u>	<u>152,656</u>

TOWN OF BERWYN HEIGHTS, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND - continued
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variable Favorable (Unfavorable)</u>
Street Lighting			
Lighting	\$ 39,000	\$ 31,899	\$ 7,101
School flasher	200	38	162
Total Street Lighting	<u>39,200</u>	<u>31,937</u>	<u>7,263</u>
Total Public Works	<u>823,480</u>	<u>651,991</u>	<u>171,489</u>
Recreation			
Pop's Park supplies	3,000	725	2,275
Pop's Park maintenance	1,550	734	816
Volunteer appreciation dinner	1,000	1,310	(310)
Miscellaneous	700	(730)	1,430
BH historical committee	2,000	1,065	935
Green Team	2,750	2,581	169
Special events	13,400	13,358	42
Playground supplies	250	94	156
Playground utilities	450	196	254
Sports park-repairs and maintenance	5,800	3,984	1,816
Pontiac Field maintenance	3,000	20	2,980
Total Recreation	<u>33,900</u>	<u>23,337</u>	<u>10,563</u>

TOWN OF BERWYN HEIGHTS, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND - continued
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	Variable Favorable (Unfavorable)
Cable TV			
Repairs and maintenance	\$ 2,000	\$ 586	\$ 1,414
I-Net participation fee	5,400	5,225	175
Operators/programmers wages	13,800	14,027	(227)
Video live streaming	4,500	4,500	-
Miscellaneous	400	-	400
Capital outlay-equip>\$500	2,100	2,100	-
Total Cable TV	<u>28,200</u>	<u>26,438</u>	<u>1,762</u>
Miscellaneous			
Unemployment insurance	9,000	8,845	155
Custodial services	12,000	10,956	1,044
General insurance	35,000	32,319	2,681
Workers compensation	72,500	56,844	15,656
Public officials' bond	1,100	578	522
Employee recognition award	1,800	2,791	(991)
Miscellaneous benefits	10,000	2,989	7,011
Vision/dental/life insurance	19,000	13,307	5,693
MD State Pension admin fee	5,000	3,916	1,084
Health insurance	157,000	119,285	37,715
Cities street sweeper-program	19,000	24,607	(5,607)
Network/software support	18,000	18,070	(70)
Credit card equipment and fees	750	823	(73)
Pension contribution	105,768	97,685	8,083
Consultant services	-	6,014	(6,014)
Employee Wellness initiative	10,000	10,757	(757)
Website services	1,500	1,500	-
Total Miscellaneous	<u>477,418</u>	<u>411,286</u>	<u>66,132</u>
Capital Projects			
Infrastructure reserve fund	99,325	-	99,325
Debt service phase II road improvement	115,968	-	115,968
Transfer to Greenbelt Station reserve	160,000	-	160,000
Transfer to vehicle equipment reserve	80,144	-	80,144
HUR revenue	13,500	-	13,500
Machinery, vehicles, and equipment	67,090	135,104	(68,014)
Architecture & Engineering	40,000	-	40,000
Buildings and grounds improvements	50,000	48,886	1,114
Street projects	1,238,365	797,742	440,623
Total Capital Projects	<u>1,864,392</u>	<u>981,732</u>	<u>882,660</u>
Total Expenditures	<u>\$ 4,568,431</u>	<u>\$ 3,300,597</u>	<u>\$ 1,267,834</u>

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October 30, 2019

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, 2019, and have issued our report thereon dated October 30, 2019. 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 February 21, 2019 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 tests of the Town's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests were 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, 2019, 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

No difficulties were encountered in performing 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, revenue, liabilities, prepaids, expenses, cash, fixed assets, and equity. 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 30, 2019.

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.

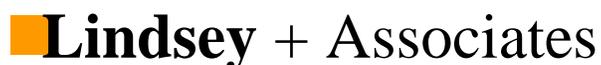
Other Audit Findings or Issues

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 30, 2019 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,



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October 30, 2019

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, 2019, 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.

Record Accrued Payroll in the Proper Accounts

During our review of payroll, we noted that a portion of the year-end accrued payroll (6/16/19-6/29/19 pay period) was recorded incorrectly. While the expense portion was properly recorded, the offsetting entry was posted to cash as opposed to being recorded as a year-end liability. The year-end accrued payroll should always be recorded as a debit to expenses and a credit to an accrued expense liability account. The error was material, and was corrected with a proposed adjustment. Nevertheless, to make the yearly financial statements a meaningful analysis tool, care should be taken to properly and consistently classify accrued payroll. The correct coding of accrued payroll is essential for accurate and useful financial statements.

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,