

**TOWN OF EDMONSTON**

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

# TOWN OF EDMONSTON

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## Independent Auditors' Report

To the Mayor and Town Council  
Town of Edmonston  
Edmonston, MD

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Edmonston as of and for the year ended June 30, 2020, 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.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Edmonston as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditors' Report (continued)

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of revenues and expenditures – general fund – budget and actual (non-GAAP budgetary basis), schedule of the Town's proportionate share of the net pension liability, and schedule of the Town's pension plan contributions on pages 3 through 8 and 34 through 36 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 Edmonston's basic financial statements. The schedule of revenues – budget and actual – general fund (non-GAAP budgetary basis) and schedule of expenditures – budget and actual – general fund (non-GAAP budgetary basis) (supplemental information) on pages 37 through 40 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues – budget and actual – general fund (non-GAAP budgetary basis) and schedule of expenditures – budget and actual – general fund (non-GAAP budgetary basis) are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Weyrich, Cronin & Sosa, LLC*

October 22, 2020  
Hunt Valley, MD

## TOWN OF EDMONSTON

### Management Discussion and Analysis June 30, 2020

The following information includes our discussion and analysis of the financial performance of the Town of Edmonston and provides an overview of the Town's financial activities for the year ended June 30, 2020. Please read it in conjunction with the transmittal letter and the Town's financial statements.

#### Financial Highlights

The Town of Edmonston continues to work diligently to reduce expenditures in all departments and continuously seek to obtain new sources of revenue. The Council reviews all the fees for service each year during the budget process.

One revenue that did grow in FY19-20 was grants. We continue to apply for and receive new grants and have a reasonable degree of assurance of obtaining some if not all the grants. During the fiscal year, we were successful in obtaining several new grants. They included a \$66,698 storm water grant for Lafayette Street to install rain gardens; a \$74,500 from the Maryland Department of Wildlife and Parks to construct an exercise/walking trail at the Edmonston Recreation Center park, a \$50,000 "Edmonston Beautiful" grant from the Maryland Department of Housing and Community Development. During the fiscal year, we completed the rehabilitation of 14 homes with grant funds from the Maryland Department of Housing and Community Development. The program is designed to assist low-to-moderate senior citizens with repairs to the façade of their homes. We constructed 6 rain gardens on 46<sup>th</sup> Avenue and installed 400 linear feet of pervious gutter panels in a demonstration project funded by the Chesapeake Bay Trust.

While the Town continues to write grants, we also continue working on several other grants that have been awarded in previous fiscal years. These include a \$179,000 Safe Routes to Schools grant to construct sidewalks on two streets that will be completed in the Spring of 2021. A Chesapeake Bay Trust Grant to install rain gardens and pervious gutter panels on Ingraham. We also received a \$50,000 "Edmonston Beautiful" grant from the Maryland Department of Community Development and Housing that is assisting up to 10 homeowners with façade improvements to their property. This grant will be completed in the Fall of 2020.

The State of Maryland Department of Assessments and Taxation certifies the assessable base for the Town of Edmonston each year. We saw a growth in the assessment for FY19-20 and are seeing a growth for the upcoming budget year. It increased from \$160,056,094 in FY19-20 to \$167,608,267 for FY20-21 which continues to allow the Town to utilize the constant yield rate for property taxes and decrease the tax rate for FY 2019-20 and again for the upcoming fiscal year of FY20-21.

We continue to monitor all business properties to ensure an increase in Personal Property Taxes and that there is full compliance with the Town's business license requirements. This has been aided by the work of our full time Code Enforcement Officer. With the renewal of business licenses, businesses are required to provide a copy of the Prince George's County Use and Occupancy permit. There are 136 businesses located in Edmonston. During FY19-20 the Town received a \$50,000 Business Façade Improvement grant from the Maryland Department of Housing and Community Development. Businesses will be allowed to apply for up to a \$10,000 grant to improve the façade on their business.

Finally, the Town staff is working on a grant to the Prince George's County Planning Department for a \$50,000 strategic planning grant that would fund the development of a strategic plan with the Mayor and Council. The grant would include a consensus building strategic plan development with residents input also. In FY19-20, the Town was successful via partnership with the three other Port Towns, Bladensburg, Colmar Manor and Cottage City in receiving approval of the Port Towns Sustainable Action Plan. The 5-year plan is approved by the Maryland Department of Housing and Community Development and provides objectives for improving the infrastructure of the Port Towns.

# TOWN OF EDMONSTON

## Management Discussion and Analysis June 30, 2020

The Town continues to work with handling infrastructure maintenance projects on a pay as you go basis. During FY19-20, the Town completed the first phase of the repair of Decatur Street. The second and third phases will be completed in subsequent years. A grant was applied for to construct sidewalks on each side of every street in Ward 2. The Town is reviewing adding sidewalks on 47<sup>th</sup> Avenue and on Gallatin Street.

The Town completed a refinancing of their outstanding general obligation debt during FY19-20 through the Maryland Department of Housing and Community Development. The interest rate was reduced from 4.33% to 2%.

The Town's investment fund continues to grow, with the Town moving surplus funds at the end of the fiscal year to an investment account. This ensures that future obligations are met during times of economic uncertainty. The Town anticipates moving revenue more than expenditures to the reserves after the completion of the FY19-20 annual audit. The balance in the investment account at June 30, 2020 was \$634,554 versus \$624,123 at June 30, 2019. This represents 34% of the annual budget for FY19-20 excluding the refinancing debt service.

The Town filled the vacant Police Chief position in FY19-20. Chief of Police Demetrious Harris was hired in December 2019. Chief Harris has begun an update of the Police Department's image, policies and procedures. One of his recommendations to the Town Council is the creation of a Police Advisory Board. The Town currently has one vacant Police Department employee. The Town is actively recruiting to fill all positions in early FY20-21.

### **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 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 report 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 and deferred outflows and liabilities and deferred inflows using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

## TOWN OF EDMONSTON

Management Discussion and Analysis  
June 30, 2020

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, economic development, and recreation. Taxes, 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.

- Governmental funds - All 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 services 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 through a reconciliation.

# TOWN OF EDMONSTON

Management Discussion and Analysis  
June 30, 2020

## The Town as a Whole Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of 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 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 and other support grants
- Public Safety: State aid, grants, fines and vehicle release fees
- Public Works: Highway User revenues, storm water management grants, and landfill rebates.

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.

### Government-Wide Financial Information

The following is a condensed statement of net position as of June 30, 2020 and 2019:

#### Town of Edmonston Condensed Statement of Net Position

|                                | Governmental Activities |                     |
|--------------------------------|-------------------------|---------------------|
|                                | 2020                    | 2019                |
| Current and Other Assets       | \$ 1,557,274            | \$ 1,200,122        |
| Capital Assets                 | 1,167,645               | 1,323,569           |
| Total Assets                   | <u>2,724,919</u>        | <u>2,523,691</u>    |
| Deferred outflows of resources | <u>30,851</u>           | <u>37,408</u>       |
| Long-term Liabilities          | 632,250                 | 667,193             |
| Other Liabilities              | 60,318                  | 56,255              |
| Total Liabilities              | <u>692,568</u>          | <u>723,448</u>      |
| Deferred inflows of resources  | <u>22,192</u>           | <u>21,595</u>       |
| Net Position                   |                         |                     |
| Net investment in capital      | 759,248                 | 867,004             |
| Restricted                     | 140,910                 | 21,947              |
| Unrestricted                   | 1,140,852               | 927,105             |
|                                | <u>\$ 2,041,010</u>     | <u>\$ 1,816,056</u> |

**TOWN OF EDMONSTON**

Management Discussion and Analysis  
June 30, 2020

The following table is a condensed statement of activities for the years ended June 30, 2020 and 2019:

**Town of Edmonston  
Condensed Statement of Activities**

|  | <u>Governmental Activities</u> |                     |
|--|--------------------------------|---------------------|
|  | <u>2020</u>                    | <u>2019</u>         |
| Revenue                                |                                |                     |
| Program revenue:                       |                                |                     |
| Charges for services                   | \$ 289,514                     | \$ 208,348          |
| Operating grants/contributions         | 467,458                        | 296,968             |
| Capital grants/contributions           | 13,042                         | 14,000              |
| General revenue:                       |                                |                     |
| Property and income taxes              | 1,258,122                      | 1,240,419           |
| Other taxes                            | 8,083                          | 10,704              |
| Franchise fees                         | 17,399                         | 22,156              |
| Investment income                      | 12,972                         | 16,159              |
| Miscellaneous                          | 33,863                         | 55,387              |
| Total revenue                          | <u>2,100,453</u>               | <u>1,864,141</u>    |
| Expenses                               |                                |                     |
| General government                     | 675,517                        | 650,151             |
| Public safety                          | 669,199                        | 595,117             |
| Public works                           | 491,427                        | 740,051             |
| Interest                               | 39,356                         | 18,940              |
| Total expenses                         | <u>1,875,499</u>               | <u>2,004,259</u>    |
| Increase (decrease) in<br>net position | <u>224,954</u>                 | <u>(140,118)</u>    |
| Net position, beginning of year        | <u>1,816,056</u>               | <u>1,956,174</u>    |
| Net position, end of year              | <u>\$ 2,041,010</u>            | <u>\$ 1,816,056</u> |

**The Town's Funds**

The following schedule presents a summary of revenues and expenditures for the years ended June 30, 2020 and 2019:

|                             | <u>2020</u>         | <u>2019</u>         | <u>Change</u>     |
|-----------------------------|---------------------|---------------------|-------------------|
| Revenues                    |                     |                     |                   |
| Taxes                       | \$ 1,262,500        | \$ 1,241,634        | \$ 20,866         |
| Intergovernmental           | 443,268             | 285,823             | 157,445           |
| Fines, licenses and permits | 232,440             | 192,185             | 40,255            |
| Charges for services        | 48,800              | 57,725              | (8,925)           |
| Investment income           | 12,972              | 16,159              | (3,187)           |
| Miscellaneous               | 33,863              | 55,387              | (21,524)          |
|                             | <u>\$ 2,033,843</u> | <u>\$ 1,848,913</u> | <u>\$ 184,930</u> |
| Expenditures                |                     |                     |                   |
| General government          | \$ 655,423          | \$ 617,949          | \$ 37,474         |
| Public safety               | 607,421             | 515,956             | 91,465            |
| Public works                | 378,578             | 622,062             | (243,484)         |
| Capital outlays             | 18,418              | 77,329              | (58,911)          |
| Debt service                | 471,958             | 91,247              | 380,711           |
|                             | <u>\$ 2,131,798</u> | <u>\$ 1,924,543</u> | <u>\$ 207,255</u> |

## **TOWN OF EDMONSTON**

Management Discussion and Analysis  
June 30, 2020

### **Budgetary Highlights**

There were budgetary amendments during the year. At a meeting on June 10, 2020, both expenditures and revenues decreased, and the final amendment was adopted by a majority of the Town Council. The Town experienced greater than expected receipts for taxes and intergovernmental grants. The Town was under budget for all expenditure categories excluding the effects of the refinanced general obligation debt.

### **Capital Assets**

Major capital additions for the year included \$18,418 for building, equipment and infrastructure.

### **Debt**

The Town refinanced their outstanding general obligation debt during FY19-20 through the Maryland Department of Housing and Community Development. At year-end, the outstanding balance of all debt was \$448,469.

### **Economic Factors and Next Year's Budget and Rates**

The Town was impacted in the Spring of FY19-20 by the Covid-19 Pandemic. The Pandemic required shifting staff to telework for a 10-week period, closing Town Hall to outside customers and reducing or deferring expenditures. The Edmonston Recreation Center was closed resulting in the loss of rental income and interest income dropped substantially. To offset the impact of the Pandemic, the Town received a grant of \$91,000 from Prince George's County from the federally approved "CARES ACT". The grant is covering the cost of personal protective equipment, hazard duty pay, purchase of laptops for teleworking, funding to local businesses that were closed during the Pandemic and creating distance learning videos for the children. The Mayor and Town Council meet virtually. The Town will move forward cautiously for FY20-21 until they are able to evaluate the overall impact of the Pandemic on future revenues.

In the meantime, the Town's business base continues to remain constant. There are 136 businesses operating in the Town of Edmonston. The businesses range from being environmentally based to service oriented. Most businesses in the Town have remained open during the Pandemic. The Town Council is working with Prince George's Economic Development Council to recruit retail businesses.

The net assessable real property base for the Town continues to grow. The assessed value for FY19-20 was \$160,056,094 and for FY20-21 it will be \$167,608,267. This results in a property tax rate change from FY19-20 to FY20-21. The rate will decrease from \$.5748 per \$100 assessed value to \$.5478 per \$100 assessed value.

### **Contacting the Town's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact The Town Administrator at 5005 52nd Avenue, Edmonston, Maryland 20781.

**TOWN OF EDMONSTON**

Statement of Net Position  
June 30, 2020

|   |              | Governmental Activities |
|---|--------------|-------------------------|
| <b>ASSETS</b>                                 |              |                         |
| <b>CURRENT ASSETS</b>                         |              |                         |
| Cash and cash equivalents                     | \$ 1,126,662 |                         |
| Restricted cash                               | 140,910      |                         |
| Accounts receivable - intergovernmental       | 54,012       |                         |
| Accounts receivable - taxes                   | 127,253      |                         |
| Accounts receivable - other, net of allowance | 108,437      |                         |
| <b>TOTAL CURRENT ASSETS</b>                   |              | \$ 1,557,274            |
| <b>CAPITAL ASSETS</b>                         |              |                         |
| Construction in progress - nondepreciable     | 18,418       |                         |
| Land - nondepreciable                         | 100,803      |                         |
| Buildings, infrastructure and equipment - net | 1,048,424    |                         |
| <b>TOTAL CAPITAL ASSETS</b>                   |              | 1,167,645               |
| <b>TOTAL ASSETS</b>                           |              | 2,724,919               |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>         |              |                         |
| Defined benefit pensions                      | 30,851       |                         |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>   |              | 30,851                  |
| <b>LIABILITIES</b>                            |              |                         |
| <b>CURRENT LIABILITIES</b>                    |              |                         |
| Accounts payable & accrued expenses           | 60,318       |                         |
| Long-term obligations - current portion       | 53,041       |                         |
| <b>TOTAL CURRENT LIABILITIES</b>              |              | 113,359                 |
| <b>NONCURRENT LIABILITIES</b>                 |              |                         |
| Long-term obligations                         | 401,799      |                         |
| Net pension liability                         | 177,410      |                         |
| <b>TOTAL NONCURRENT LIABILITIES</b>           |              | 579,209                 |
| <b>TOTAL LIABILITIES</b>                      |              | 692,568                 |
| <b>DEFERRED INFLOWS OF RESOURCES</b>          |              |                         |
| Defined benefit pensions                      | 22,192       |                         |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>    |              | 22,192                  |
| <b>NET POSITION</b>                           |              |                         |
| Net investment in capital assets              | 759,248      |                         |
| Restricted                                    | 140,910      |                         |
| Unrestricted                                  | 1,140,852    |                         |
| <b>TOTAL NET POSITION</b>                     |              | \$ 2,041,010            |

See accompanying notes to financial statements

**TOWN OF EDMONSTON**

Statement of Activities  
For the Year Ended June 30, 2020

| FUNCTIONS/PROGRAMS              | Expenses            | Program Revenues        |  |                                      | Net (Expense) Revenue and<br>Changes in Net Position |                    |
|---------------------------------|---------------------|-------------------------|--|--------------------------------------|--|--------------------|
|                                 |                     | Charges For<br>Services | Operating<br>Grants &<br>Contributions | Capital<br>Grants &<br>Contributions | Governmental<br>Activities                           | Total              |
| <b>GOVERNMENTAL ACTIVITIES:</b> |                     |                         |  |                                      |  |                    |
| General government              | \$ 675,517          | \$ 87,015               | \$ 362,642                             | \$ - 0 -                             | \$ (225,860)   | \$ (225,860)       |
| Public safety                   | 669,199             | 202,499                 | 30,966                                 | - 0 -                                | (435,734)  | (435,734)          |
| Public works                    | 491,427             | - 0 -                   | 73,850                                 | 13,042                               | (404,535)  | (404,535)          |
| Interest expense                | 39,356              | - 0 -                   | - 0 -                                  | - 0 -                                | (39,356)   | (39,356)           |
| Total Governmental Activities   | 1,875,499           | 289,514                 | 467,458                                | 13,042                               | (1,105,485)  | (1,105,485)        |
| <b>TOTAL PRIMARY GOVERNMENT</b> | <b>\$ 1,875,499</b> | <b>\$ 289,514</b>       | <b>\$ 467,458</b>                      | <b>\$ 13,042</b>                     | <b>(1,105,485)</b>                                   | <b>(1,105,485)</b> |
| <b>GENERAL REVENUES:</b>        |                     |                         |  |                                      |  |                    |
| Taxes:                          |                     |                         |  |                                      |  |                    |
| Real estate                     |                     |                         |  |                                      | 918,416  | 918,416            |
| Personal property               |                     |                         |  |                                      | 207,068  | 207,068            |
| Income                          |                     |                         |  |                                      | 132,638  | 132,638            |
| Other taxes                     |                     |                         |  |                                      | 8,083  | 8,083              |
| Cable franchise fees            |                     |                         |  |                                      | 17,399   | 17,399             |
| Investment income               |                     |                         |  |                                      | 12,972   | 12,972             |
| Miscellaneous                   |                     |                         |  |                                      | 33,863   | 33,863             |
| TOTAL GENERAL REVENUES          |                     |                         |  |                                      | 1,330,439  | 1,330,439          |
| CHANGE IN NET POSITION          |                     |                         |  |                                      | 224,954  | 224,954            |
| NET POSITION - BEGINNING        |                     |                         |  |                                      | 1,816,056  | 1,816,056          |
| NET POSITION - ENDING           |                     |                         |  |                                      | \$ 2,041,010   | \$ 2,041,010       |

See accompanying notes to financial statements

# TOWN OF EDMONSTON

## Balance Sheet Governmental Funds June 30, 2020

|   | <u>General Fund</u> |
|---|---------------------|
| <u>ASSETS</u>   |                     |
| Cash and cash equivalents   | \$ 1,126,662        |
| Restricted cash   | 140,910             |
| Accounts receivable - intergovernmental                             | 54,012              |
| Accounts receivable - taxes   | 127,253             |
| Accounts receivable - other   | <u>108,437</u>      |
| Total Assets  | <u>\$ 1,557,274</u> |
| <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u> |                     |
| <u>LIABILITIES</u>  |                     |
| Accounts payable and accrued expenses                               | <u>\$ 60,318</u>    |
| Total Liabilities   | \$ 60,318           |
| <u>DEFERRED INFLOWS OF RESOURCES</u>                                |                     |
| Unavailable revenue - property taxes                                | 11,802              |
| Unavailable revenue - income taxes                                  | 38,126              |
| Unavailable revenue - fines   | 59,612              |
| Unavailable revenue - other   | <u>26,330</u>       |
| Total Deferred Inflows of Resources                                 | 135,870             |
| <u>FUND BALANCES</u>  |                     |
| Nonspendable  | 13,940              |
| Restricted  | 140,910             |
| Committed   | 235,171             |
| Assigned  | 114,844             |
| Unassigned  | <u>856,221</u>      |
| Total Fund Balances   | <u>1,361,086</u>    |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances  | <u>\$ 1,557,274</u> |

See accompanying notes to financial statements

**TOWN OF EDMONSTON**

Reconciliation of Balance Sheet - Governmental Funds to the Statement of Net Position  
June 30, 2020

|   |                    |                         |
|---|--------------------|-------------------------|
| TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS   | \$                 | 1,361,086               |
| <p>Amounts reported for Governmental Activities in the Statement of Net Position are different because:</p>   |                    |                         |
| <p>Capital assets used in Governmental Activities are not financial resources and, therefore, are not reported in the governmental funds.</p>   |                    |                         |
| Governmental capital assets   | \$ 3,123,975       |                         |
| Less: accumulated depreciation  | <u>(1,956,330)</u> | 1,167,645               |
| <p>Long term liabilities are not payable in the current period and are not reported in the governmental funds.</p>  |                    |                         |
| Bonds and leases payable  | (408,397)          |                         |
| Compensated absences  | (46,443)           |                         |
| Net pension liability   | <u>(177,410)</u>   | (632,250)               |
| <p>The net pension liability is not due and payable in the current period and related deferred outflows and inflows of resources are not an available resource and, therefore, are not reported in the funds.</p> |                    |                         |
|   |                    | 8,659                   |
| <p>Revenues that will be collected after year-end, but not available soon enough to pay the current period's expenditures are reported as deferred inflows of resources.</p>                                      |                    |                         |
| Fines   | 59,612             |                         |
| Other income  | 26,330             |                         |
| Income taxes  | 38,126             |                         |
| Property taxes  | <u>11,802</u>      | <u>135,870</u>          |
| NET POSITION OF GOVERNMENTAL ACTIVITIES   | \$                 | <u><u>2,041,010</u></u> |

See accompanying notes to financial statements

**TOWN OF EDMONSTON**

Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Funds  
For the Year Ended June 30, 2020

|   | <u>General Fund</u>        |
|---|----------------------------|
| <b>REVENUES</b>   |                            |
| Taxes   | \$ 1,262,500               |
| Intergovernmental   | 443,268                    |
| Fines, licenses and permits -<br>net of collection fees of \$77,469 | 232,440                    |
| Charges for services  | 48,800                     |
| Investment income   | 12,972                     |
| Miscellaneous   | <u>33,863</u>              |
| Total Revenues  | \$ 2,033,843               |
| <b>EXPENDITURES</b>   |                            |
| Current operating   |                            |
| General government  | 655,423                    |
| Public safety   | 607,421                    |
| Public works  | 378,578                    |
| Capital outlays   | 18,418                     |
| Debt service - principal  | 429,943                    |
| Debt service - interest   | <u>42,015</u>              |
| Total Expenditures  | <u>2,131,798</u>           |
| EXCESS OF EXPENDITURES OVER REVENUES                                | (97,955)                   |
| <b>OTHER FINANCING SOURCES</b>                                      |                            |
| Proceeds from debt - refunding bonds                                | <u>384,434</u>             |
| Total other financing sources                                       | <u>384,434</u>             |
| NET CHANGE IN FUND BALANCES   | 286,479                    |
| FUND BALANCES - BEGINNING   | <u>1,074,607</u>           |
| FUND BALANCES - ENDING  | <u><u>\$ 1,361,086</u></u> |

See accompanying notes to financial statements

**TOWN OF EDMONSTON**

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, 2020

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 286,479

Amounts reported for Governmental Activities in the Statement of Activities are different because:

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 and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays.

|                                 |               |           |
|---------------------------------|---------------|-----------|
| Total depreciation for the year | \$ (174,342)  |           |
| Capital outlays                 | <u>18,418</u> | (155,924) |

Amortization of bond premiums do not provide current financial resources and are not reported in the funds. 2,659

Governmental funds report principal debt payments as expenditures because they use current financial resources. Principal payments reduce long term debt in the Statement of Net Position. This is the amount of principal payments made during the year. 429,943

Governmental funds recognize proceeds from financing and capital lease obligations as an other financing source. Proceeds increase long term debt in the Statement of Net Position. This is the amount of proceeds from financing during the year. (384,434)

Governmental funds report compensated absences when paid. However, in the Statement of Activities, they are recorded when earned. This is the excess of the amount earned over the amount paid for the year. (12,989)

Governmental funds report pension expenditures when paid. This is the change that was reflected in the Statement of Activities as a long-term liability, deferred inflows and deferred outflows of resources for the year. (7,390)

Governmental funds recognize revenues if they are received within sixty days of year end. The Statement of Activities reports revenues when earned.

|  |               |               |
|--|---------------|---------------|
| Revenues received, but not earned in the current period: |               |               |
| Property taxes   | (4,868)       |               |
| Revenue earned, but not received in the current period:  |               |               |
| Other income   | 26,330        |               |
| Income taxes   | 8,573         |               |
| Traffic camera fines                                     | <u>36,575</u> | <u>66,610</u> |

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 224,954

**TOWN OF EDMONSTON**

Statement of Fiduciary Net Position - Fiduciary Fund  
June 30, 2020

|   | Employee<br>Benefit Plan |
|---|--------------------------|
| ASSETS                                  |                          |
| Investments with fiscal agents          | \$ 117,774               |
| NET POSITION                            |                          |
| Held in trust for employee benefit plan | \$ 117,774               |

Statement of Changes in Fiduciary Net Position - Fiduciary Fund  
For the Year Ended June 30, 2020

|                                | Employee<br>Benefit Plan |
|--------------------------------|--------------------------|
| CONTRIBUTIONS                  |                          |
| Employer                       | \$ - 0 -                 |
| Employees                      | - 0 -                    |
| Investment gains               | 3,920                    |
| Total Contributions            | 3,920                    |
| DISTRIBUTIONS                  |                          |
| Total Distributions            | - 0 -                    |
| CHANGE IN NET POSITION         | 3,920                    |
| TOTAL NET POSITION - BEGINNING | 113,854                  |
| TOTAL NET POSITION - ENDING    | \$ 117,774               |

See accompanying notes to financial statements

# TOWN OF EDMONSTON

## Notes to Financial Statements June 30, 2020

### 1. Summary of Significant Accounting Policies

The Town of Edmonston, Maryland (the Town) was incorporated in 1924 and is located in Prince George's County, Maryland (the County). The Town is a municipal corporation governed by an elected Mayor and Town Council and provides the following services as authorized by its charter: public safety, public works, and general administrative services. A substantial portion of the Town's revenue is received from the property and income taxes related to the residents and businesses of the Town.

In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The basis for determining component units is the governing body's ability to exercise oversight responsibility or the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities. Based on this criteria, the Town has concluded that there are no component unit relationships that are required to be presented in these financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation – The financial statements of the Town are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applicable to local governments. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements.

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The government-wide statements are reported using the "economic resources measurement focus" and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied, while grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

Program revenues include: (1) charges for services which report fees and other charges to users of the Town's services and facilities; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets, when applicable. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

While government-wide and fund financial statements are presented separately, they are interrelated. The governmental activities column of the government-wide statements incorporates data from governmental funds. Separate financial statements are provided for each major governmental and fiduciary fund held by the Town. The Town has no business-type activities or proprietary funds. However, data from the fiduciary fund is not incorporated in the government-wide financial statements.

# TOWN OF EDMONSTON

## Notes to Financial Statements June 30, 2020

### 1. Summary of Significant Accounting Policies (continued)

Governmental fund financial statements are reported using the "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included in the balance sheets. The Town's deferred outflows or resources and deferred inflows of resources are noncurrent. The statement of revenues, expenditures and changes in fund balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting revenues are recognized as soon as they are both measurable and available. Available means collectible within the current period, or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Major revenue sources susceptible to year-end accruals include: Income tax receipts and property taxes. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). In general, all other revenues are considered to be measurable and available when cash is received.

Since the governmental funds financial statements are presented using a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented on the page following each fund level statement that summarizes the adjustments necessary to convert the fund level statements into the government-wide presentation.

Fiduciary funds account for assets held by the Town in a trustee capacity on behalf of others. As such, fiduciary funds are not reported in the government-wide statements.

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. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

#### Fund Types and Major Funds

The accounts of the Town are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. There are no non-major funds.

## TOWN OF EDMONSTON

### Notes to Financial Statements June 30, 2020

#### 1. Summary of Significant Accounting Policies (continued)

The Town reports the following major governmental fund:

The General Fund is the primary operating fund of the Town. It accounts for all of the financial resources and the legally authorized activities of the Town except for those required to be accounted for in other specialized funds. The general fund accounts for the normal operating activities of the Town. These activities are financed primarily by taxes, grants from other governments and charges for services.

The Town reports the following fiduciary fund:

The fiduciary fund is used to account for assets held in trust for the payment of benefits under the Town of Edmonston Deferred Compensation Plan. This fund is reported using the "economic resources management focus" and the accrual basis of accounting.

Budgetary Data – Formal budgetary accounting is employed as a management control for the General Fund. The budget is presented annually by the Mayor to the Town Council at least 32 days before the beginning of the fiscal year. The budget shall be adopted by a majority vote of the Mayor and Town Council before the first day of the new fiscal year. The Mayor and Town Council may amend the budget upon 30 days advance public notice of such changes.

For day-to-day management control, expenditures should not exceed budget at the department level. The budget uses the same basis of accounting as used to reflect actual revenues and expenditures, except that prior year surpluses may be utilized to offset budget short falls in the current year's budget.

Cash and Cash Equivalents – Cash and cash equivalents may include demand deposits, money market accounts, and investments in the Maryland Local Government Investment Pool (MLGIP.)

Restricted Cash – Consists of funds to be used for stormwater stewardship improvements.

Accounts Receivable – Receivables not expected to be collected within 60 days of year end will be reported as a deferred inflow of resources in the Balance Sheet – Governmental Funds, as they are not currently available to the Town. All receivables excluding red light and parking citations are reported at gross values. No other allowance for uncollectible accounts is deemed necessary.

Intergovernmental – Receivables from other governments primarily consists of highway user fees, collected on behalf of the Town by the State of Maryland and remitted to the Town, as well as grant payments. Amounts due from other governments include grants earned of \$35,850, highway user fees of \$15,034, and police aid of \$3,128. All amounts except for \$15,034 of highway user fees and \$11,296 of grants were received within sixty days of year-end.

Taxes – Consists of personal property taxes billed and collected by the Town based on assessed values provided by the State of Maryland, real property taxes billed and collected by the County, and state income taxes collected on behalf of the Town by the State of Maryland and remitted to the Town.

# TOWN OF EDMONSTON

## Notes to Financial Statements June 30, 2020

### 1. Summary of Significant Accounting Policies (continued)

Taxes (continued) - The balance of personal property taxes due was \$49,418. Of this amount, \$11,802 was not collected within sixty days of year end and accordingly has been deferred in the general fund financial statements. The balance of income taxes due was \$71,159. Of this amount, \$38,126 was not received within sixty days of year-end and accordingly, has been deferred in the general fund financial statements. The balance of real property taxes due was \$6,676. The amount not collected within sixty days of year end was immaterial.

Other – Includes amounts for cable franchise fees, amounts owed from Town residents and red light camera and parking citations, net of allowance.

The balance of amounts receivable for cable franchise fees was \$4,067. No allowance or deferred inflows were deemed necessary as amounts were collected within sixty days of year-end.

The balance owed from Town residents was \$13,940. Repayment terms are uncertain.

Red light camera, net of allowance - As of June 30, 2020, the Town had outstanding \$438,280 of unpaid citations. Management has determined citations greater than six months outstanding have a remote chance of collection and accordingly an allowance for doubtful accounts of \$394,230 has been established. The general fund reports a short-term receivable of \$44,050 of which \$25,505 is not collectible within sixty days and therefore has been deferred.

Parking citations, net of allowance - As of June 30, 2020, the Town had outstanding \$803,425 of unpaid citations. Management has determined citations greater than six months outstanding have a remote chance of collection and accordingly an allowance for doubtful accounts of \$757,045 has been established. The general fund reports a short-term receivable of \$46,380 of which \$34,107 is not collectible within sixty days and therefore has been deferred.

Net Capital Assets - The Town's property, buildings and facilities with an initial, individual cost of more than \$5,000 and an estimated useful life of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. All land is capitalized. Donated capital assets received on or before June 15, 2015 are stated at their estimated fair value at the date of donation. Donated capital assets after June 15, 2015 are recorded at acquisition value. The costs of normal maintenance and repairs which do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

The Town has been exempted from retroactively reporting its infrastructure assets. However, all future construction or major improvements to the roads, bridges, sidewalks, drainage and lighting systems for the Town will be capitalized and depreciated in a manner consistent with current policies for capital assets in the governmental activities.

Estimated useful lives for depreciable assets are as follows:

|                                   |              |
|-----------------------------------|--------------|
| Infrastructure                    | 5 - 50 years |
| Buildings and improvements        | 5 - 50 years |
| Vehicles, furniture and equipment | 5 - 20 years |

## TOWN OF EDMONSTON

Notes to Financial Statements  
June 30, 2020

### 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.

Long-Term Obligations - In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts adjust the carrying value of the bonds and are amortized over the life of the bonds. Issuance costs are expensed as incurred. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Compensated Absences - Compensated absences are those earned but unused absences for which employees will be paid, such as vacation and sick leave. Employees are granted vacation and sick leave in varying amounts. It is the Town's policy to permit employees to accumulate earned but unused sick leave without limitation and up to 240 hours of vacation leave. Upon separation from employment, an employee will be paid for unused vacation leave, but not for unused sick leave. Vacation and sick leave are accrued as applicable in the government-wide financial statements as part of long term obligations. A liability is reported in governmental fund financial statements only if it has matured, for example, as a result of employee resignations and retirements.

#### Net Position –

In the government-wide financial statements, net position is classified in the following categories:

#### *Net Investment in Capital Assets*

This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balance of the debt that is attributable to the acquisition, construction or improvement of these assets reduce this category.

#### *Restricted*

This category represents the net position of the Town which has been restricted for a specific project or purpose by a third party. As of June 30, 2020, the Town's restricted net position consisted of \$140,910 to be used for storm water stewardship improvements.

#### *Unrestricted*

This category represents the net position of the Town, which is not restricted for any project or other purpose by third parties.

#### Fund Balance –

In the fund financial statements, fund balances are classified in the following categories:

#### *Nonspendable*

This category includes amounts that cannot be spent due to form, such as inventory, prepaid amounts, long term receivables or amounts that must be maintained intact legally or contractually.

# TOWN OF EDMONSTON

## Notes to Financial Statements June 30, 2020

### 1. Summary of Significant Accounting Policies (continued)

As of June 30, 2020, balances classified as nonspendable consisted of \$13,940 due from Town residents with uncertain repayment terms.

#### *Restricted*

This category includes amounts constrained by an external party, constitutional provision or enabling legislation. As of June 30, 2020, balances classified as restricted consisted of \$140,910 to be used for storm water stewardship improvements.

#### *Committed*

This category includes amounts constrained for a specific purpose by the Mayor and Council using its highest level of decision making authority, prior to year-end. As of June 30, 2020, the Mayor and Council committed \$144,699 for trash removal contracts and \$90,472 for rain garden construction contracts.

#### *Assigned*

This category includes amounts constrained by the intent to be used for a specific purpose by a governing board which has the authority to assign funds. As of June 30, 2020, the Town had \$114,844 of assigned funds appropriated for the Town's fiscal year 2021 budget.

#### *Unassigned*

This category includes all funds which are not specifically classified as Nonspendable, Restricted, Committed or Assigned.

Pensions - For purposes of measuring the net pension liability, deferred outflows and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maryland State Retirement and Pension System (the "System") and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. The System's financial statements are prepared on the accrual basis of accounting and are prepared in accordance with accounting principles generally accepted in the United States of America that apply to governmental accounting for fiduciary funds. Investment purchases and sales are recorded as of their respective trade dates. Employer and member benefits are recognized in the period when due, pursuant to statutory or contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the System. Investments are reported at fair value. Investment purchases and sales are recorded as of their respective trade dates.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

**TOWN OF EDMONSTON**

Notes to Financial Statements  
June 30, 2020

2. Cash and Cash Equivalents

Deposits are carried at cost plus accrued interest. The carrying amount of deposits is separately displayed on the balance sheet as “Cash and cash equivalents” and “Restricted cash.” Cash and cash equivalents and Restricted cash include demand deposits, money market accounts, and investments in the Maryland Local Government Investment Pool (MLGIP).

Credit Risk - The Town has adopted a policy to be followed when investing public funds in accordance with the provisions of Section 17-101 of the Local Government Article of the Annotated Code of Maryland which prescribes the type of investments permissible for Maryland Municipalities. This policy requires that Town funds be invested in obligations for which the United States has pledged its full faith and credit, obligations insured by a federal agency (such as the FDIC), obligations collateralized by federal obligations, and portfolios created under the Maryland Local Government Investment Pool. The Town was in compliance with the provisions of the Annotated Code of Maryland as of June 30, 2020, which was adopted to mitigate credit risk for the Town.

Interest Rate and Credit Risk – The Town manages interest rate and credit risk by investing primarily in short term holdings, including demand deposits and MLGIP.

Custodial Credit Risk – The Town manages custodial credit risk through its use of permissible investments based on its compliance with the Annotated Code of Maryland as previously described. As such, uninsured or uncollateralized funds are not permitted.

Deposits recorded in the following schedule are reported in the financial statements as Cash and cash equivalents and Restricted cash. The Town’s deposits by level of risk are:

|  | Carrying<br>Amount | Bank<br>Balance |
|--|--------------------|-----------------|
| Cash on hand   | \$ 300             | \$ - 0 -        |
| FDIC Insured   | 250,000            | 250,000         |
| Uninsured, collateral held by pledging bank’s<br>Trust Department in the Town’s name | 382,718            | 382,079         |
| Maryland Local Government Investment Pool  | 634,554            | 634,554         |
| Total deposits   | \$ 1,267,572       | \$ 1,266,633    |

**TOWN OF EDMONSTON**

Notes to Financial Statements  
June 30, 2020

3. Capital Assets

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

|                                   | Beginning<br>Balance | Increases         | Decreases       | Ending<br>Balance   |
|-----------------------------------|----------------------|-------------------|-----------------|---------------------|
| <b>Governmental Activities:</b>   |                      |                   |                 |                     |
| Nondepreciable                    |                      |                   |                 |                     |
| Construction in progress          | \$ - 0 -             | \$ 18,418         | \$ - 0 -        | \$ 18,418           |
| Land                              | 100,803              | - 0 -             | - 0 -           | 100,803             |
| Buildings & improvements          | 227,727              | - 0 -             | - 0 -           | 227,727             |
| Furniture and equipment           | 228,524              | - 0 -             | - 0 -           | 228,524             |
| Infrastructure                    | 2,034,741            | - 0 -             | - 0 -           | 2,034,741           |
| Vehicles                          | <u>513,762</u>       | <u>- 0 -</u>      | <u>- 0 -</u>    | <u>513,762</u>      |
| Total                             | <u>3,105,557</u>     | <u>\$ 18,418</u>  | <u>\$ - 0 -</u> | <u>3,123,975</u>    |
| Less: Accumulated depreciation    |                      |                   |                 |                     |
| Buildings & improvements          | 135,704              | \$ 6,024          | \$ - 0 -        | 141,728             |
| Furniture and equipment           | 189,874              | 11,740            | - 0 -           | 201,614             |
| Infrastructure                    | 1,100,464            | 94,006            | - 0 -           | 1,194,470           |
| Vehicles                          | <u>355,946</u>       | <u>62,572</u>     | <u>- 0 -</u>    | <u>418,518</u>      |
| Total accumulated<br>depreciation | <u>1,781,988</u>     | <u>\$ 174,342</u> | <u>\$ - 0 -</u> | <u>1,956,330</u>    |
| <b>Governmental Activities</b>    |                      |                   |                 |                     |
| Capital Assets, net               | <u>\$ 1,323,569</u>  |                   |                 | <u>\$ 1,167,645</u> |

Depreciation expense was charged to governmental functions as follows:

|                            |                   |
|----------------------------|-------------------|
| General government         | \$ 11,723         |
| Public safety              | 54,698            |
| Public works               | <u>107,921</u>    |
| Total depreciation expense | <u>\$ 174,342</u> |

4. Long Term Obligations

Long term obligations at June 30, 2020 consists of:

Governmental Activities:

Direct Borrowings:

In November 2016, the Town entered into a lease purchase agreement of \$43,317 with Ford Motor Credit for vehicles. Interest is fixed at 5.95%. Quarterly principal and interest payments of \$3,017 are due through August 2020. The balance outstanding as of June 30, 2020 is \$2,973.

In August 2017, the Town entered into a lease purchase agreement of \$29,128 with Ford Motor Credit for vehicles. Interest is fixed at 5.45%. Quarterly principal and interest payments of \$2,011 are due through May 2021. The balance outstanding as of June 30, 2020 is \$7,778.

In October 2018, the Town entered into a lease purchase agreement of \$48,417 with Ford Motor Credit for vehicles. Interest is fixed at 6.70%. Quarterly principal and interest payments of \$3,417 are due through July 2022. The balance outstanding as of June 30, 2020 is \$25,390.

## TOWN OF EDMONSTON

### Notes to Financial Statements June 30, 2020

#### 4. Long Term Obligations (continued)

The total capitalized cost of vehicles under lease purchase agreements is \$120,862 and as of June 30, 2020 accumulated depreciation is \$64,259. These assets are held as security and collateral on the related debt.

The Town's outstanding direct borrowings contain acceleration provisions that in the event of default the full amount outstanding including accrued interest may become due and payable immediately or the lender may retake possession of the collateral under the lease to sell or lease, holding the Town liable for any difference between proceeds and amounts outstanding.

#### General Obligation Bond:

In July 2017, the Town reissued general obligation bonds held by TD Bank. In November 2019, the Town refinanced these bonds through the Maryland Department of Housing and Community Development, Community Development Administration Local Government Infrastructure Bonds. The bonds were issued at a premium of \$42,545. Semi-annual interest at 2% is due April and October 1 beginning April 1, 2020. Annual principal payments are due beginning April 1, 2020 through April 1, 2029. The balance of principal and premium outstanding as of June 30, 2020 is \$365,885.

Through the refinancing, the Town was able to reduce the interest rate from 4.33% to 2%. The difference in payments to service the refunded debt of \$462,620 and the refunding debt of \$420,636 is \$41,984. The purpose of the refunding was to realize savings on debt service costs. The Town obtained an economic gain, that is the difference between the present value of the debt service streams for the refunding debt and refunded debt, of \$41,384. Included in interest expense for the year ended June 30, 2020 are bond issuance costs of \$19,213.

These bonds are backed by the full faith and credit of the Town and contain acceleration provisions that in the event of default the full amount outstanding including accrued interest may become due and payable immediately. Additionally, the trustee may intercept revenues due from the State (such as income taxes) to satisfy the debt of the Local Government Infrastructure Bonds. Defaults would be triggered by events such as bankruptcy or failure to pay principal and interest when due.

The following is a summary of changes in long term obligations during the year ended June 30, 2020:

|                          | Beginning<br>Balance | Increases  | Decreases  | Ending<br>Balance |
|--------------------------|----------------------|------------|------------|-------------------|
| Governmental Activities: |                      |            |            |                   |
| General obligation bond  | \$ 378,986           | \$ 341,890 | \$ 394,876 | \$ 326,000        |
| Plus: Bond premiums      | - 0 -                | 42,544     | 2,659      | 39,885            |
| Bonds payable – net      | 378,986              | 384,434    | 397,535    | 365,885           |
| Lease purchases          | 69,206               | - 0 -      | 33,065     | 36,141            |
| Compensated absences     | 33,454               | 16,310     | 3,321      | 46,443            |
| Totals                   | \$ 481,646           | \$ 400,744 | \$ 433,921 | \$ 448,469        |

The Town will liquidate compensated absences through the general fund as they become due.

**TOWN OF EDMONSTON**

Notes to Financial Statements  
June 30, 2020

4. Long Term Obligations (continued)

Combined lease purchase and general obligation bond future debt service requirements are as follows:

| <u>Years Ending June 30</u> | Governmental Activities |                     |                       |                     |
|-----------------------------|-------------------------|---------------------|-----------------------|---------------------|
|                             | Bonds                   |                     | Direct Borrowings     |                     |
|                             | Principal<br>Maturing   | Interest<br>Payable | Principal<br>Maturing | Interest<br>Payable |
| 2021                        | \$ 31,000               | \$ 12,894           | \$ 19,878             | \$ 1,436            |
| 2022                        | 32,500                  | 11,918              | 12,900                | 770                 |
| 2023                        | 33,000                  | 10,894              | 3,363                 | 56                  |
| 2024                        | 34,500                  | 9,524               | - 0 -                 | - 0 -               |
| 2025                        | 36,000                  | 8,093               | - 0 -                 | - 0 -               |
| 2026-2030                   | <u>159,000</u>          | <u>16,808</u>       | <u>- 0 -</u>          | <u>- 0 -</u>        |
| Totals                      | <u>\$ 326,000</u>       | <u>\$ 70,131</u>    | <u>\$ 36,141</u>      | <u>\$ 2,262</u>     |

5. Equipment Leases

In March 2019, the Town entered into a 48-month lease for office equipment meeting the criteria for capital lease treatment. The lease is payable in monthly installments of \$215. The cost of the equipment capitalized and included in governmental activities was \$8,850 and accumulated depreciation as of June 30, 2020 is \$2,360.

Activity for the year ended June 30, 2020 was as follows:

|                                     |                 |
|-------------------------------------|-----------------|
| Amount payable at beginning of year | \$ 8,373        |
| Advances                            | - 0 -           |
| Principal retirements               | <u>(2,002)</u>  |
| Amount payable at end of year       | <u>\$ 6,371</u> |

Future minimum lease payments at June 30, 2020 are as follows:

|  |      |                 |
|--|------|-----------------|
| Year ending June 30,                         | 2021 | \$ 2,580        |
|  | 2022 | 2,580           |
|  | 2023 | <u>1,935</u>    |
|  |      | 7,095           |
| Less: amount representing interest and taxes |      | <u>724</u>      |
| Present value of net minimum lease payments  |      | <u>\$ 6,371</u> |

## TOWN OF EDMONSTON

### Notes to Financial Statements June 30, 2020

#### 6. Property Tax

Property taxes on real estate are recorded as receivables and attach as an enforceable lien on property on July 1, the date levied. Semi-annual installment payments are mandatory for qualified properties unless the taxpayer chooses to pay in one installment. Qualified property is defined as "an owner-occupied principal residence". Under the semi-annual plan, one-half of the tax bill is due September 30 with the balance due on December 31. For all other properties, the bill is due in its entirety on September 30. After the due date, interest is charged on the delinquent portion. All delinquent taxes are turned over to the county for tax sale. The tax rate for real property for the fiscal year ended June 30, 2020 was \$0.5748 per \$100 assessed value

Personal property taxes are billed annually by the Town, based on an assessment determined by the State of Maryland. The government-wide financial statements reflect the personal property taxes in the period they were earned, that is the tax year for which they were levied. However, amounts not collected within 60 days of year end of \$11,802 are reported as a deferred inflow as of June 30, 2020. The tax rate for personal property for the fiscal year ended June 30, 2020 was \$1.50 per \$100 assessed value.

#### 7. Employee Benefit Plans

##### *Deferred Compensation Plan*

The Town offers a deferred compensation plan in accordance with Section 457(b) of the Internal Revenue Code to all employees. The plan permits employees to defer a portion of their salary until future years and is administered by the ICMA Retirement Corporation. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency. The plan was adopted by resolution of the Mayor and Council and may be amended by such. During the year ended June 30, 2020, there were no contributions by the Town or employees as there were no active participants in the plan as of June 30, 2020.

##### *Employees' Retirement Plan*

##### Description of Plan

Collectively known as the Maryland State Retirement and Pension System (the "System"), the plan is comprised of the Employees' Retirement System and the Employees' Pension System and was established by the State Personnel and Pensions Article of the Annotated Code of Maryland. On October 1, 1941, the Employees' Retirement System was established to provide retirement allowances and other benefits to State employees, elected and appointed officials, and the employees of participating governmental units. Effective January 1, 1980, the Employees' Retirement System was essentially closed to new members and the Employees' Pension System was established. As a result, State employees (other than correctional officers) and employees of participating governmental units hired after December 31, 1979, became members of the Employees' Pension System as a condition of employment, while all State correctional officers and members of the Maryland General Assembly continue to be enrolled as members of the Employees' Retirement System. On or after January 1, 2005, an individual who is a member of the Employees' Retirement System may not transfer membership to the Employees' Pension System. During the year ended June 30, 2015, the Town elected to join the System and qualifies as a Participating Governmental Unit ("PGU"). Currently, more than 150 governmental units participate in the Employees' Retirement System.

## TOWN OF EDMONSTON

### Notes to Financial Statements June 30, 2020

#### 7. Employee Benefit Plans (continued)

The State Retirement Agency (the "Agency") is the System administrator and fiduciary. Responsibility for the System's administration and operation is vested in a 15-member Board of Trustees. The System is a cost-sharing multiple-employer public employee retirement system and provides pension, death, and disability benefits to members and beneficiaries. The System is made up of two cost-sharing employer pools: the "State Pool" and the "Municipal Pool". The "State Pool" consists of the State agencies, boards of education, community colleges, and libraries. The "Municipal Pool" consists of the participating governmental units that elected to join the System. Neither pool shares in each other's actuarial liabilities, thus participating governmental units that elect to join the System (the "Municipal Pool") share in the liabilities of the Municipal Pool only.

The State of Maryland (the "State") is the statutory guarantor for the payment of all pensions, annuities, retirement allowances, refunds, reserves, and other benefits of the System. The State is obligated to annually pay into the accumulation fund of each State system at least an amount that, when combined with the System's accumulation funds, is sufficient to provide benefits payable under each plan during that fiscal year. The System is accounted for as one defined benefit plan as defined in accordance with accounting principles generally accepted in the United States of America. Additionally, the System is fiscally dependent on the State by virtue of the legislative and executive controls exercised with respect to its operations, policies, and administrative budget. Accordingly, the System is included in the State's reporting entity and disclosed in its financial statements as a pension trust fund.

The System prepares a separately audited Comprehensive Annual Financial Report that includes disclosures regarding: plan assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position. The System's fiduciary net position has been determined on the same basis used by the System. Actual employer contributions billed to participating government units for the year ending June 30, 2019 are used as the basis for determining each employer's proportionate share of the collectible pension amounts reported in the Schedule of Employer Allocations. The report can be obtained from the Maryland State Retirement and Pension System, 120 E. Baltimore Street, Suite 1600, Baltimore, Maryland 21202-1600 or located online at <http://www.sra.state.md.us/Agency/Downloads/CAFR/>.

#### Benefits

The System provides retirement, death and disability benefits in accordance with State statutes. For participants enrolled prior to July 1, 2011, vesting occurs after five years of service. A member terminating employment before attaining retirement age, but after completing five years of service becomes eligible for a vested retirement allowance provided the member does not withdraw his or her accumulated contributions. Members of the Retirement System may retire with full benefits after attaining the age of 60, or completing 30 years of service credit, regardless of age. Members of the Pension Systems may retire with full benefits after attaining the age of 62 with five years of service, or after completing 30 years of service credit, regardless of age.

The annual benefit for Retirement System members is equal to 1/55 (1.8%) of the member's highest three-year average final salary multiplied by the number of years of service credit. A member may retire with reduced benefits after completing 25 years of service, regardless of age.

## TOWN OF EDMONSTON

### Notes to Financial Statements June 30, 2020

#### 7. Employee Benefit Plans (continued)

A member of the Pension System enrolled prior to July 1, 2011, will generally receive, upon retirement, an annual service retirement allowance equal to 1.2% of the member's highest three-consecutive year average final salary multiplied by the number of years of service credit on or before June 30, 1998, plus 1.8% of the highest three-consecutive year average final salary multiplied by the number of years of service credit after June 30, 1998.

The annual benefit for a Pension System member who is employed by a participating governmental unit that does not provide enhanced pension benefits is equal to 0.8% of the member's highest three-consecutive year average final salary multiplied by the number of years of service credit, with a provision for additional benefits for compensation earned in excess of the Social Security Integration Level base.

A member of either type of pension system enrolled prior to July 1, 2011, may retire with reduced benefits after attaining age 55 and completing 15 years of service. For new Pension System members hired on or after July 1, 2011, benefit reforms enacted during the 2011 Legislative Session establish the pension benefit multiplier at 1.5% rather than 1.8%, calculate average final compensation based on the five highest consecutive years of service rather than the three highest, and allow vesting after ten years of eligible service rather than five years.

#### Funding Policy

In accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland, employer contribution rates are established by annual actuarial valuations using the entry age normal cost method and other actuarial assumptions adopted by the Board of Trustees. In accordance with the law governing the Systems, all benefits of the System are funded in advance. The entry age normal cost method is the actuarial cost method used to determine the employers' contribution rates. Members of the Retirement system are required to contribute to the System a fixed percentage of their regular salaries and wages, 7% or 5%, depending on the retirement plan selected. Under the 2011 Pension Reforms, members of the Pension System are required to contribute to the System 7% of their regular salaries and wages. Members of the Pension System who are employed by a participating government that does not provide enhanced pension benefits are required to contribute to the System 5% of the regular salaries and wages that exceed the Social Security wage base. All contributions are deducted from each member's salary, and the resulting payments are remitted to the System on a regular and periodic basis.

The contribution requirements of the System members, as well as the State and participating governmental employers, are established and may be amended by the General Assembly of the State of Maryland. Contribution rates for employer and other nonemployer contributing entities are established by annual actuarial valuations using the Individual Entry Age Normal Cost method with projection and other actuarial assumptions adopted by the Board of Trustees. These contribution rates have been established as the rates necessary to fully fund normal costs and amortize the unfunded actuarial accrued liability.

The unfunded actuarial liability was being amortized in distinct layers. The unfunded actuarial liability which existed as of the June 30, 2000, actuarial valuation was being amortized over a 40-year period (as provided by law) from July 1, 1980 and as provided by law, any new unfunded liabilities or surpluses arising during the fiscal year ended June 30, 2001, or any fiscal year thereafter, was being amortized over a 25-year period from the end of the fiscal year in which the liability or surplus arose.

**TOWN OF EDMONSTON**

Notes to Financial Statements  
June 30, 2020

7. Employee Benefit Plans (continued)

However, in the 2014 legislative session, the Legislature changed the method used to fund the System. The unfunded liability for each System is being amortized over a single closed 25-year period.

The Town's required contribution based on the statutory provisions in the amount of \$18,860 was paid to the System during the year ended June 30, 2020 and was based on salaries for the year ended June 30, 2019. The Town paid 100% of the required contribution.

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

At June 30, 2020, the Town reported a liability of \$177,410 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. There have been no changes in the benefit terms that would affect the measurement of the total pension liability since the last measurement date. The State's proportion of the net pension liability was based on adjusted contributions to the System in fiscal year 2019 relative to adjusted contributions of the Town and all participating local governments, actuarially determined. At June 30, 2020, the Town's proportion was 0.0008601%.

For the year ended June 30, 2020, the Town recognized pension expense of \$26,561. The Town made contributions of \$17,663 also recognized in pension expense \$8,898 the net of its proportionate share of the System's deferred inflows (an increase of pension expense) and its proportionate share of the System's deferred outflows (a decrease of pension expense).

As of June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred<br>Outflows | Deferred<br>Inflows |
|---|----------------------|---------------------|
| Differences in investment earnings                | \$ 8,680             | \$ 5,080            |
| Differences in actual and expected experience     | - 0 -                | 12,284              |
| Changes in assumptions                            | 3,000                | 4,828               |
| Contributions made subsequent to measurement date | 19,171               | - 0 -               |
| Total   | \$ 30,851            | \$ 22,192           |

Deferred outflows of resources related to the Town of \$19,171, resulting from Town contributions subsequent to the measurement date, will be recognized as a reduction in the net pension liability in the year ended June 30, 2021. Other amounts to be recognized as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending June 30 |             |
|---------------------|-------------|
| 2021                | \$ 238      |
| 2022                | (5,677)     |
| 2023                | (3,050)     |
| 2024                | (1,060)     |
| 2025                | (963)       |
|                     | \$ (10,512) |

**TOWN OF EDMONSTON**

Notes to Financial Statements  
June 30, 2020

7. Employee Benefit Plans (continued)

Summary disclosures for the System for the year ended June 30, 2020 are as follows:

|  |                                 |
|--|---------------------------------|
| Total pension liability  | \$ 74,569,030,000               |
| Total fiduciary net position   | 53,943,420,000                  |
| Net pension liability  | <u><u>\$ 20,625,610,000</u></u> |
|  |                                 |
| Plan fiduciary net position as a percentage of total pension liability | 72.34%                          |
| Measurement date of collective net pension liability                   | June 30, 2019                   |

The components of the Town's proportionate share of the System's net pension liability reported above as of the measurement date of June 30, 2019 were as follows:

|   |                          |
|---|--------------------------|
| Total pension liability                             | \$ 641,377               |
| Total fiduciary net position                        | 463,967                  |
| Net pension liability                               | <u><u>\$ 177,410</u></u> |
|   |                          |
| Town's proportionate share of net pension liability | 0.0008601%               |
|   |                          |
| Deferred outflows related to pensions               | \$ 30,851                |
| Deferred inflows related to pensions                | 22,192                   |
| Pension expense for the year                        | 26,561                   |

The Town's proportionate share as of the measurement date of June 30, 2019 was .0008601%. The Town's proportionate share at the prior measurement date was 0.0008444%. There were no changes in benefit terms during the year. Adjustments to roll-forward liabilities were made to reflect the following assumption change in the 2019 valuation: inflation assumption changed from 2.60% to 2.65%.

Actuarial Assumptions

|                           |  |
|---------------------------|--|
| Actuarial Method          | Entry Age Normal   |
| Amortization Method       | Level Percent Closed   |
|                           |  |
| Asset Valuation method    | 5 Year Smoothed Market   |
| Inflation                 | 2.65%  |
| Salary Increase           | 3.15%  |
| Discount Rate             | 7.40%, prior measurement date 7.45%  |
| Investment Rate of Return | 7.40%  |
| Retirement Age            | Experience based table of rates that are specific to the type of eligibility condition   |
| Mortality                 | RP-2010 Mortality Tables with generational mortality improvements based on the MP-2018 2-dimensional mortality improvement scale |

The last experience study covered the period of July 1, 2014 to June 30, 2018.

**TOWN OF EDMONSTON**

Notes to Financial Statements  
June 30, 2020

7. Employee Benefit Plans (continued)

Discount Rate

A single discount rate of 7.40% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.40%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at 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.

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 Board after considering input from the System's investment consultant(s) and actuary(s).

For each major asset class that is included in the System's target asset allocation as of June 30, 2019, the Board of Trustees' adopted asset allocation policy and best estimate of geometric real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

| <u>Asset Class</u> | <u>Target<br/>Allocation</u> | <u>Long-Term<br/>Expected Real<br/>Rate of<br/>Return</u> |
|--------------------|------------------------------|---|
| Public Equity      | 37%                          | 6.30%   |
| Private Equity     | 13%                          | 7.50%   |
| Rate Sensitive     | 19%                          | 1.30%   |
| Credit Opportunity | 9%                           | 3.90%   |
| Real Assets        | 14%                          | 4.50%   |
| Absolute Return    | 8%                           | 3.00%   |
|                    | <u>100%</u>                  |   |

For the year ending June 30, 2019, the annual money-weighted rate of return of pension plan investments, net of the pension plan investment expense was 6.44%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

## TOWN OF EDMONSTON

Notes to Financial Statements  
June 30, 2020

### 7. Employee Benefit Plans (continued)

#### Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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 7.40%, as well as what the net pension liability would be if it were calculated using a single discount rate that is 1-percentage point lower (i.e., 6.40%), and a single discount rate that is 1-percentage point higher (i.e., 8.40%).

|  | 1% Decrease<br>(6.40%) | Discount Rate<br>(7.40%) | 1% Increase<br>(8.40%) |
|--|------------------------|--------------------------|------------------------|
| The System's Net Pension Liability                 | \$ 29,853,506,000      | \$ 20,625,610,000        | \$ 12,939,936,000      |
| The Town's Proportion of the Net Pension Liability | \$ 256,770             | \$ 177,410               | \$ 111,296             |

### 8. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town purchases insurance to protect its interest in its property and equipment, insurance against employee dishonesty and liability protection. During the year ended June 30, 2020, there was no significant reduction in insurance coverage. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years. Insurance is provided through the Maryland Local Government Insurance Trust (the "Trust") and by commercial insurance. The Trust is a total risk and cost sharing plan for all participants. In the event that the Trust's General Fund falls into a deficit that cannot be satisfied by transfer from the Trust's capital and surplus accounts, the Trustees 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.

### 9. Contingent Liabilities and Commitments

Most grants and cost-reimbursable contracts specify the types of expenditures for which the grants or contract funds may be used. The expenditures made by the Town under some of these grants and contracts are subject to audit. To date, the Town has not been notified of any significant unallowable costs relating to its grants or contracts. In the opinion of management, adjustments for unallowable costs, if any, resulting from such audits will not have a material effect on the accompanying financial statements.

During the year ended June 30, 2020, the Town was issued three irrevocable standby letters of credit with T.D. Bank totaling \$1,050,000 as collateral to secure public deposits placed with the Member by the Beneficiary pursuant to the conditions and guidelines for letters of credit referenced in Maryland Code Annotated, State Finance and Procurement Article §6-202.

During the year ended June 30, 2020, the Town awarded a construction contract for rain gardens to E&R Services in the amount of \$90,472. No costs have been incurred as of June 30, 2020. The Town was awarded a Chesapeake Bay Trust grant to support this project.

## TOWN OF EDMONSTON

### Notes to Financial Statements June 30, 2020

#### 9. Contingent Liabilities and Commitments (continued)

During the year ended June 30, 2019, the Town entered into a trash removal contract with Bates Trash Removal for the period April 1, 2019 through March 31, 2022 not to exceed \$227,384. The amount of the contract outstanding as of June 30, 2020 was \$144,699.

During the year ended June 30, 2018, the Town entered into a Memorandum of Understanding with the State Highway Administration of the Maryland Department of Transportation to construct sidewalks and improvements funded through the Safe Routes to School Program. Total estimate project costs are approximately \$220,000. The Town was awarded a grant for 80% of the eligible costs not to exceed \$179,250. The Town is completing the preliminary design phase with construction proposed to start before the end of calendar year 2020. Costs incurred and capitalized during the year ended June 30, 2020 were \$18,418 and the Town received reimbursement of \$13,042.

In March 2020, significant mitigation efforts began taking effect in the United States in an attempt to curtail the spread of the coronavirus (COVID-19) pandemic. Such efforts have included travel restrictions, business closures, and event cancellations. Capital markets have seen significant volatility in the wake of the pandemic and significant economic disruptions are likely to occur. In response, the Town has altered its operations by reducing personnel on-site and by working remotely where possible. Management cannot reasonably estimate the related financial impact and duration of the situation at this time. However, the Town believes it has sufficient cash and investment reserves to sustain operations in the event of continued disruption. Management intends to monitor the situation on an ongoing basis and to continue efforts to reduce its impact on the Town's operations and financial resources

#### 10. Tax Abatements

The State of Maryland has designated certain parcels within the corporate limits of the Town as "Enterprise Zones" pursuant to the Economic Development Article, Sections 5-701 through 5-708 of the Annotated Code of Maryland. Businesses located in the Enterprise Zone may qualify for a tax credit equal to the amount of real property tax imposed on the eligible assessment of the qualified property as defined in Section 9-103 of the Tax Property Article for a period of ten years. The percentage of the credit is 80% during years 1 through 5 and declines by 10% each subsequent year down to 30% in year 10.

Companies applying for the credit must submit data as required by the local zoning administrator who is responsible for determining the firm continues to meet the eligibility criteria. There is no recapture provision. If the zoning administrator determines the firm is not in compliance with the terms of the program it will lose the credit for those years it is not in compliance. During the year ended June 30, 2020, \$1,149 in Real Property Taxes were abated as part of this program.

#### 11. Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition through October 22, 2020, the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF EDMONSTON**

Schedule of Revenues and Expenditures - General Fund - Budget and Actual (Non-GAAP Budgetary Basis)  
For the Year Ended June 30, 2020

|  | General Fund       |                  |                   |                   |
|--|--------------------|------------------|-------------------|-------------------|
|  | Original<br>Budget | Final Budget     | Actual            | Variance          |
| Revenues   |                    |                  |                   |                   |
| Taxes  | \$ 1,237,061       | \$ 1,148,294     | \$ 1,262,500      | \$ 114,206        |
| Intergovernmental  | 449,523            | 308,387          | 443,268           | 134,881           |
| Charges for services   | 52,200             | 51,330           | 48,800            | (2,530)           |
| Fines, licenses and permits                                      | 172,900            | 209,947          | 232,440           | 22,493            |
| Miscellaneous  | 41,000             | 36,000           | 46,835            | 10,835            |
| Total Revenues   | <u>1,952,684</u>   | <u>1,753,958</u> | <u>2,033,843</u>  | <u>279,885</u>    |
| Other financing sources - loan                                   | - 0 -              | - 0 -            | 384,434           | 384,434           |
| Prior year surplus   | 132,150            | 91,639           | - 0 -             | (91,639)          |
|  | <u>132,150</u>     | <u>91,639</u>    | <u>384,434</u>    | <u>292,795</u>    |
| Total revenues and other financing sources                       | <u>2,084,834</u>   | <u>1,845,597</u> | <u>2,418,277</u>  | <u>572,680</u>    |
| Expenditures   |                    |                  |                   |                   |
| General government   | 802,734            | 676,859          | 655,423           | 21,436            |
| Public safety  | 788,645            | 661,757          | 607,421           | 54,336            |
| Public works   | 374,016            | 399,173          | 378,578           | 20,595            |
| Capital outlays  | 20,000             | 20,000           | 18,418            | 1,582             |
| Debt service   | 99,439             | 87,808           | 471,958           | (384,150)         |
| Total expenditures   | <u>2,084,834</u>   | <u>1,845,597</u> | <u>2,131,798</u>  | <u>(286,201)</u>  |
| Excess of expenditures over revenues and other financing sources | <u>\$ - 0 -</u>    | <u>\$ - 0 -</u>  | <u>\$ 286,479</u> | <u>\$ 286,479</u> |

See accompanying notes to required supplementary information.

**TOWN OF EDMONSTON**

Schedule of the Town's Proportionate Share of the Net Pension Liability  
Last 10 years\*

|  | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u>  | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|--|-------------|-------------|-------------|
| Town's proportion (%) of collective net pension liability  | 0.0008601%  | 0.0008444%  | 0.0005959%  | 0.0006636%  | 0.0008261%  | 0.000747%   |  |             |             |             |
| Town's proportionate share (\$) of collective net pension liability  | \$ 177,410  | \$ 177,174  | \$ 128,849  | \$ 156,568  | \$ 171,675  | \$ 132,597  |  |             |             |             |
| Town's covered-employee payroll (\$)   | \$ 560,759  | \$ 511,447  | \$ 565,127  | \$ 575,523  | \$ 513,485  | \$ 492,779  | Information for FY 2014 and earlier is not available |             |             |             |
| Town's proportionate share of collective net pension liability as a percentage of its covered-employee payroll | 31.64%      | 34.64%      | 22.80%      | 27.20%      | 33.43%      | 26.91%      |  |             |             |             |
| Pension plan's fiduciary net position as a percentage of the total pension liability                           | 72.34%      | 71.18%      | 69.38%      | 65.79%      | 68.78%      | 71.87%      |  |             |             |             |

\* This schedule is required to present information for 10 years. However, until a full 10-year trend is compiled, information is only presented for those years available

Schedule of the Town's Pension Plan Contributions  
Last 10 years\*

|  | <u>2020</u>     | <u>2019</u>     | <u>2018</u>     | <u>2017</u>     | <u>2016</u>     | <u>2015</u>     | <u>2014</u>  | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|--|-------------|-------------|-------------|
| Contractually required contributions                                 | \$ 18,860       | \$ 17,663       | \$ 16,268       | \$ 12,128       | \$ 13,387       | \$ 17,412       |  |             |             |             |
| Contributions in relation to the contractually required contribution | <u>18,860</u>   | <u>17,663</u>   | <u>16,268</u>   | <u>12,128</u>   | <u>13,387</u>   | <u>17,412</u>   |  |             |             |             |
| Contribution deficiency (excess)                                     | <u>\$ - 0 -</u> | Information for FY 2014 and earlier is not available |             |             |             |
| Town's covered-employee payroll (\$)                                 | \$ 560,759      | \$ 511,447      | \$ 565,127      | \$ 575,523      | \$ 513,485      | \$ 492,779      |  |             |             |             |
| Contributions as a percentage of covered-employee payroll            | 3.36%           | 3.45%           | 2.88%           | 2.11%           | 2.61%           | 3.53%           |  |             |             |             |

\* This schedule is required to present information for 10 years. However, until a full 10-year trend is compiled, information is only presented for those years available

See accompanying notes to required supplementary information.

# TOWN OF EDMONSTON

## Notes to Required Supplementary Information June 30, 2020

### 1. Budgetary Information

The Mayor shall submit a budget to the Town Council at least 32 days before the beginning of the fiscal year. The budget shall provide a complete financial plan for the fiscal year and contain estimates of anticipated revenues and proposed expenditures for the coming year. Total anticipated revenues shall equal or exceed the total of proposed expenditures. The budget shall be adopted by a majority vote of the Mayor and Town Council before the first day of the new fiscal year. The Mayor and Town Council may make modifications to the budget upon 30 days advance public notice of such changes by posting a copy of such notice.

The budget uses the same basis of accounting as used to reflect actual revenues and expenditures, except that prior year surpluses may be utilized to offset budget short falls in the current year's budget. Prior year surpluses are not considered revenue for GAAP purposes.

|   |                     |
|---|---------------------|
| Total budgeted revenues and other financing sources | \$ 1,845,597        |
| Less: prior year surplus                            | <u>(91,639)</u>     |
| Total GAAP budgetary revenues                       | <u>\$ 1,753,958</u> |

This adjustment increases the favorable revenue variance of \$572,680 to \$664,319.

The legal level of budgetary control is at the department level. The Town exceeded its budget at June 30, 2020 for debt service by \$384,150. The debt service variance was the result of the Town refinancing outstanding general obligation bonds during the year.

### 2. Pensions

Method and Assumptions used in calculations of actuarially determined contributions were as follows:

Actuarial Method – Entry Age Normal  
Amortization Method – Level Percentage of Payroll – closed  
Asset Valuation Method – Five-year smoothed market  
Inflation – 2.65%  
Salary Increases – 3.15%  
Discount Rate – 7.40%  
Investment Rate of Return – 7.40%  
Retirement Age - Experience-based table of rates that are specific to the type of eligibility condition  
Mortality - RP-2010 Mortality Tables with generational mortality improvements based on the MP-2018 2-dimensional mortality improvement scale

There were no changes in benefit terms during the year. Adjustments were made to roll-forward liabilities to reflect a change in the inflation assumption from 2.60% to 2.65%.

**OTHER SUPPLEMENTARY INFORMATION**

**TOWN OF EDMONSTON**

Schedule of Revenues  
Budget and Actual - General Fund (Non-GAAP Budgetary Basis)  
For the Year Ended June 30, 2020

|                                    | Final<br>Budget     | Actual              | Variance          |
|------------------------------------|---------------------|---------------------|-------------------|
| <b>Revenues</b>                    |                     |                     |                   |
| <b>Taxes</b>                       |                     |                     |                   |
| Real Estate Taxes                  | \$ 885,098          | \$ 918,416          | \$ 33,318         |
| Personal Property Taxes            | 197,207             | 211,936             | 14,729            |
| State Income Tax                   | 54,374              | 124,065             | 69,691            |
| Amusement / Admission Tax          | 11,615              | 8,083               | (3,532)           |
| Total taxes                        | <u>1,148,294</u>    | <u>1,262,500</u>    | <u>114,206</u>    |
| <b>Intergovernmental</b>           |                     |                     |                   |
| Highway User Tax                   | 49,484              | 55,316              | 5,832             |
| State Aid for Police               | 30,403              | 25,966              | (4,437)           |
| Other Grants                       | 225,000             | 358,486             | 133,486           |
| County Dump Rebate                 | 3,500               | 3,500               | - 0 -             |
| Total intergovernmental            | <u>308,387</u>      | <u>443,268</u>      | <u>134,881</u>    |
| <b>Charges for services</b>        |                     |                     |                   |
| Apartment/rental inspections       | 31,500              | 31,300              | (200)             |
| Rec. Center rental                 | 19,830              | 17,500              | (2,330)           |
| Total charges for services         | <u>51,330</u>       | <u>48,800</u>       | <u>(2,530)</u>    |
| <b>Fines, licenses and permits</b> |                     |                     |                   |
| Red Light Camera                   | 140,000             | 159,889             | 19,889            |
| Traders licenses                   | 37,849              | 34,599              | (3,250)           |
| Vehicle Release                    | 3,000               | 6,035               | 3,035             |
| Buildings permits                  | 3,000               | 3,050               | 50                |
| State Business Licenses            | 698                 | 566                 | (132)             |
| Cable TV franchise fee             | 16,000              | 17,399              | 1,399             |
| Cable TV equipment grant           | 9,400               | 10,902              | 1,502             |
| Total licenses and permits         | <u>209,947</u>      | <u>232,440</u>      | <u>22,493</u>     |
| <b>Miscellaneous</b>               |                     |                     |                   |
| Interest on Savings and Checking   | 15,000              | 12,972              | (2,028)           |
| Miscellaneous                      | 20,000              | 33,863              | 13,863            |
| Asset Liquidation                  | 1,000               | - 0 -               | (1,000)           |
| Carryover previous year            | 91,639              | - 0 -               | (91,639)          |
| Proceeds from financing            | - 0 -               | 384,434             | 384,434           |
| Total Miscellaneous                | <u>127,639</u>      | <u>431,269</u>      | <u>303,630</u>    |
| <b>Total Revenues</b>              | <u>\$ 1,845,597</u> | <u>\$ 2,418,277</u> | <u>\$ 572,680</u> |

**TOWN OF EDMONSTON**

Schedule of Expenditures  
Budget and Actual - General Fund (Non-GAAP Budgetary Basis)  
For the Year Ended June 30, 2020

| EXPENDITURES                     | Final<br>Budget | Actual         | Variance      |
|----------------------------------|-----------------|----------------|---------------|
| General Government               |                 |                |               |
| Salaries                         | \$ 190,007      | \$ 185,676     | \$ 4,331      |
| Overtime                         | 500             | 431            | 69            |
| Payroll taxes                    | 14,972          | 14,257         | 715           |
| Medical/life insurance           | 22,635          | 22,478         | 157           |
| State retirement                 | 7,539           | 7,359          | 180           |
| Telephone/communications         | 21,346          | 20,472         | 874           |
| Postage/delivery                 | 1,750           | 1,613          | 137           |
| Supplies and small equipment     | 8,300           | 8,280          | 20            |
| Utilities                        | 4,550           | 3,076          | 1,474         |
| Repairs and maintenance          | 3,300           | 3,270          | 30            |
| Fuel                             | 350             | 340            | 10            |
| Vehicle maintenance              | 1,800           | 1,596          | 204           |
| Dues                             | 4,700           | 4,675          | 25            |
| Conventions/seminars/training    | 11,025          | 10,373         | 652           |
| Liability and property insurance | 2,000           | 1,915          | 85            |
| Worker's compensation insurance  | 900             | 890            | 10            |
| Advertising                      | 2,500           | 2,265          | 235           |
| Printing                         | 14,000          | 13,829         | 171           |
| Elections                        | 1,000           | 600            | 400           |
| Contributions                    | 17,985          | 17,942         | 43            |
| Community events                 | 26,000          | 25,974         | 26            |
| Employee events                  | 3,200           | 3,148          | 52            |
| Uniforms                         | - 0 -           | (624)          | 624           |
| Bank charges                     | 1,000           | 964            | 36            |
| Grant expenditures               | 255,000         | 246,926        | 8,074         |
| Miscellaneous                    | 14,000          | 13,674         | 326           |
| Auditing                         | 5,700           | 5,638          | 62            |
| Legal counsel                    | 12,800          | 9,661          | 3,139         |
| Contract services                | 45,000          | 44,253         | 747           |
| Consulting                       | 3,000           | 2,890          | 110           |
| <b>Total General Government</b>  | <b>696,859</b>  | <b>673,841</b> | <b>23,018</b> |

**TOWN OF EDMONSTON**

Schedule of Expenditures  
 Budget and Actual - General Fund - (Non-GAAP Budgetary Basis) - continued  
 For the Year Ended June 30, 2020

|                                  | Final<br>Budget | Actual         | Variance      |
|----------------------------------|-----------------|----------------|---------------|
| Public Safety                    |                 |                |               |
| Salaries                         | \$ 330,000      | \$ 316,672     | \$ 13,328     |
| Overtime                         | 20,000          | 19,500         | 500           |
| Payroll taxes                    | 35,498          | 25,185         | 10,313        |
| Medical/life insurance           | 55,000          | 53,191         | 1,809         |
| State retirement                 | 8,609           | 8,417          | 192           |
| Telephone/communication          | 12,000          | 10,143         | 1,857         |
| Postage                          | 750             | 603            | 147           |
| Supplies and small equipment     | 12,500          | 11,926         | 574           |
| Utilities                        | 4,000           | 3,075          | 925           |
| Repairs and maintenance          | 14,000          | 13,384         | 616           |
| Vehicle fuel                     | 15,000          | 9,910          | 5,090         |
| Vehicle maintenance              | 17,500          | 16,302         | 1,198         |
| Dues                             | 1,300           | 1,072          | 228           |
| Conventions/seminars/training    | 4,000           | 2,818          | 1,182         |
| Auto liability insurance         | 7,100           | 7,100          | - 0 -         |
| Liability and property insurance | 10,000          | 9,828          | 172           |
| Worker's compensation insurance  | 40,000          | 38,718         | 1,282         |
| Advertising                      | 200             | 549            | (349)         |
| Printing                         | 2,000           | 1,685          | 315           |
| Community events                 | 4,400           | 4,341          | 59            |
| Uniforms                         | 8,500           | 8,104          | 396           |
| Grant expenditures               | - 0 -           | 1,350          | (1,350)       |
| Miscellaneous                    | 10,500          | 9,865          | 635           |
| Auditing                         | 5,700           | 5,638          | 62            |
| Legal                            | 1,200           | 540            | 660           |
| Contract Service                 | 42,000          | 27,505         | 14,495        |
| <b>Total Public Safety</b>       | <b>661,757</b>  | <b>607,421</b> | <b>54,336</b> |

**TOWN OF EDMONSTON**

Schedule of Expenditures  
Budget and Actual - General Fund - (Non-GAAP Budgetary Basis) - continued  
For the Year Ended June 30, 2020

|   | Final<br>Budget     | Actual              | Variance            |
|---|---------------------|---------------------|---------------------|
| Public Works                                  |                     |                     |                     |
| Salaries                                      | \$ 93,000           | \$ 90,282           | \$ 2,718            |
| Overtime                                      | 5,000               | 4,642               | 358                 |
| Payroll taxes                                 | 7,746               | 7,248               | 498                 |
| Medical/life insurance                        | 17,597              | 16,333              | 1,264               |
| State retirement                              | 3,395               | 3,395               | - 0 -               |
| Telephone/communications                      | 2,400               | 2,400               | - 0 -               |
| Supplies and small equipment                  | 8,800               | 8,706               | 94                  |
| Street lighting                               | 30,000              | 24,091              | 5,909               |
| Repairs and maintenance                       | 14,500              | 14,415              | 85                  |
| Vehicle fuel                                  | 3,000               | 2,944               | 56                  |
| Vehicle Maintenance                           | 5,000               | 4,789               | 211                 |
| Dues  | 75                  | 75                  | - 0 -               |
| Conventions/seminars/training                 | 15                  | 14                  | 1                   |
| Auto liability insurance                      | 1,900               | 1,900               | - 0 -               |
| Liability and property insurance              | - 0 -               | 387                 | (387)               |
| Worker's compensation insurance               | 4,905               | 4,895               | 10                  |
| Uniforms                                      | 1,200               | 1,110               | 90                  |
| Mosquito control                              | 1,000               | - 0 -               | 1,000               |
| Snow and ice removal                          | 3,000               | 3,000               | - 0 -               |
| Dump Fees                                     | 2,000               | 1,018               | 982                 |
| Beautification                                | 32,000              | 31,513              | 487                 |
| Tree maintenance                              | 4,000               | 3,100               | 900                 |
| Property/street improvement                   | 38,000              | 37,849              | 151                 |
| Trash/recycling contract                      | 85,040              | 79,016              | 6,024               |
| Contract service                              | 24,200              | 24,136              | 64                  |
| Engineering                                   | 11,400              | 11,320              | 80                  |
| <b>Total Public Works</b>                     | <u>399,173</u>      | <u>378,578</u>      | <u>20,595</u>       |
| <b>Total Expenditures Before Debt Service</b> | <u>1,757,789</u>    | <u>1,659,840</u>    | <u>97,949</u>       |
| <b>Debt Service</b>                           | <u>87,808</u>       | <u>471,958</u>      | <u>(384,150)</u>    |
| <b>Total Expenditures</b>                     | <u>\$ 1,845,597</u> | <u>\$ 2,131,798</u> | <u>\$ (286,201)</u> |