

**CITY OF SEAT PLEASANT, MARYLAND
FINANCIAL STATEMENTS
JUNE 30, 2020**

CITY OF SEAT PLEASANT

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Independent Auditor's Report

Honorable Mayor
Members of the City Council
City of Seat Pleasant, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Seat Pleasant (the "City") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

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 of 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Seat Pleasant as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information on pages 4 through 10 and 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, there were prior period accounting errors resulting in an understatement of net position and an overstatement of fund balance. As a result of these errors, the City has restated beginning Net Position by (\$764,346) from \$6,073,426 to \$5,309,080 and beginning fund balance by \$1,281,128 from \$3,790,870 to \$5,071,998. Our opinion is not modified with respect to this matter.

Hindsey & Associates, LLC

September 29, 2023

CITY OF SEAT PLEASANT, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

Our discussion and analysis of the financial performance of the City of Seat Pleasant provides an overview of the City's financial activities for the year ended June 30, 2020. Please read it in conjunction with the City's financial statements.

Financial Highlights

- The assets of the City exceeded its liabilities (net position) as of June 30, 2020, by \$3.7 million. Of this amount, \$1.9 million is unrestricted and may be used to meet the City's future obligations. All of the \$1.9 million is related to governmental activities, which consist solely of the General Fund. Restricted net assets consists of \$1,044,613 restricted for time or purpose. The unrestricted net assets are available for future General Fund expenditures. The remaining \$692,986 of the \$3.7 million represents the City's investment in Capital Assets, net of related debt and restricted net position.
- The unassigned fund balance for the General Fund represented 12.69 percent of total General Fund expenditures.
- In comparison with the prior fiscal year, the City's total net position decreased by \$2,417,612. This is primarily due to an increase in expenditures for renovation of City Hall, the general housing trust fund, and the police modular expansion project.

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 City as a whole and present a longer-term view of the City's finances. Fund financial statements report the City's operation in more detail than the government-wide statements by providing information about the City's most significant funds and individual parts.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

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

CITY OF SEAT PLEASANT, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

These two statements report net position and changes in the City's net position. You can think of the City's net position (the difference between assets plus deferred outflows and liabilities plus deferred inflows) as one way to measure the City's financial health or position. Over time, increases or decreases in the City'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 City's property tax base and the condition of the City's roads to assess the overall health of the City.

In the Statement of Net Position and the Statement of Activities, there are only Governmental activities:

- Governmental Activities: The City's basic services are reported here, including the police, general administration, maintenance and parks. Taxes, franchise fees, fines, and state and federal grants finance most of these activities.
- The City currently does not have any business-type activities.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds-not the City as a whole.

- Governmental funds – The City's basic services are reported in the governmental funds, which focus on how money flows into and out of these 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 readily be converted to cash. The government fund statements provide a detailed short-term view of the City'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 City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in the reconciliation to the right of the fund financial statements.
- Proprietary funds – The City has no proprietary funds.

CITY OF SEAT PLEASANT, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

The City as a Whole

Governmental Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenditures and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City'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: Building permit fees, rental housing licenses, and penalties

Highways and streets: Highway User Revenues

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.

CITY OF SEAT PLEASANT, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

Governmental-Wide Financial information

The following is selected information as of June 30, 2020 and 2019.

	2020	2019
Current assets	\$ 3,760,302	\$ 6,718,406
Capital assets	5,613,249	5,246,707
Total assets	9,373,551	11,965,113
Deferred outflows	-	-
Total deferred outflows and assets	9,373,551	11,965,113
Current liabilities	1,226,983	488,472
Long-term liabilities	4,796,397	5,403,215
Total liabilities	6,023,380	5,891,687
Deferred inflows	-	-
Net position		
Net investment in capital assets	692,986	5,124,446
Restricted	1,044,613	185,207
Unrestricted	1,918,215	763,773
Total net position	3,655,814	6,073,426
Total liabilities, deferred inflows and net position	9,679,194	11,965,113
Program revenues		
Charges for services	5,449,996	5,653,824
Operating grants and contributions	470,490	393,123
General Revenues		
Income taxes	461,656	355,650
Property taxes	2,339,107	3,390,037
Miscellaneous	576,422	9,377
Investment earnings	26,133	44,917
Total general revenues	5,598,479	4,161,622
Transfers	-	-
Total revenues and transfers	11,518,965	10,208,569
Expenses		
General government	9,030,541	4,594,861
Public safety	2,725,799	3,428,715
Public works	1,318,403	1,245,346
Recreation and culture	49,532	1,102,507
Interest	47,956	206,016
Total expenses and transfers	13,172,231	10,577,445
Change in net position	(1,653,266)	(252,842)
Net position, beginning of year - restated for 2020	5,309,080	6,326,268
Net position, end of year	\$ 3,655,814	\$ 6,073,426

CITY OF SEAT PLEASANT, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

The City's Funds

The following schedule presents a summary of general fund revenues and expenditures for the fiscal year ended June 30, 2020 and the amount of increases and decreases in relation to the prior year.

	FY2020 Amount	FY2019 Amount	Increase (Decrease) From FY19	Percent of Total
Revenues				
Taxes	\$ 5,026,678	\$ 3,693,005	\$ 1,333,673	44%
Fines, licenses and permits	3,528,746	3,455,504	73,242	31%
Charges for services	1,905,850	280,886	1,624,964	17%
Intergovernmental	286,964	509,170	(222,206)	2%
Investment earnings	26,133	44,917	(18,784)	0%
Miscellaneous	738,572	13,727	724,845	6%
TOTAL REVENUE	\$ 11,512,943	\$ 7,997,209	\$ 3,515,734	100%
Expenditures				
General government	\$ 8,860,155	\$ 4,374,973	\$ 4,485,182	64%
Public safety	2,425,248	2,994,161	(568,913)	18%
Public works	1,244,551	1,142,522	102,029	9%
Recreation and culture	49,532	1,092,846	(1,043,314)	0%
Capital outlays	955,928	-	955,928	7%
Debt service				
Principal	271,115	807,340	(536,225)	2%
Interest	47,956	466,599	(418,643)	0%
TOTAL EXPENDITURES	\$ 13,854,485	\$ 10,878,441	\$ 2,976,044	100%

Fines, as well as licenses and permits increased due to an increase in the collections of speed camera fines. Public Safety increased from the prior year due primarily to an increase in the speed and red light camera expenditures.

CITY OF SEAT PLEASANT, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

Capital Asset and Debt Administration

Capital Assets

The City's capital assets for its governmental activities as of June 30, 2020, amounted to \$5.92 million (net of accumulated depreciation). Capital assets include land, historical treasures, building and improvements, improvements other than buildings, and machinery and equipment. During the year, the city made capital outlays of \$955,928.

More detailed information about the City's capital assets is presented in Note 6 to the basic financial statements.

Debt

As of June 30, 2020, the City had one bond outstanding in the amount of \$4,100,000. The only other long-term debt obligation is compensated absences of \$167,240.

Neither Maryland State law nor the City Charter mandates a limit on municipal debt. On May 10, 1999, the City Council established a policy to limit debt to 0.8 percent of assessed value of taxable property. As of June 30, 2020, assessed value of such property totaled approximately \$302,366,631, the debt limit was approximately \$2.4 million, and the actual outstanding debt was \$4,100,000.

Economic Factors and next Year's Budgets and Rates

The City is located in the southern part of Prince George's County and east of Washington, D.C. Although considered to be in the Washington, DC metropolitan area, the City's location also gives it easy access to Annapolis and Baltimore. The Washington, D.C. metropolitan area is considered to be one of the fastest growing regions in the nation. Proximity to the Washington, D.C. area and federal government spending generally contributes to the City's stability.

The City's total assessed value for personal property increased by \$728,086. This increase has been attributed primarily to an increase in assessments.

The City generally expects tax revenues to increase in the future. The majority of homes in the city are owner-occupied single-family homes with a median value of \$222,500 according to the 2020 census. The homeownership rate in the City is 60%, which is close to the national average of 64.4%.

The Maryland Department of Labor, Licensing and Regulation reported the unemployment rate in Prince George's County at 1.7 percent and the State at 1.8 percent as of June 30, 2020. In 2020, the estimated median income for the City of Seat Pleasant was \$53,532. The estimated median income for the State of Maryland was \$91,431, and for the United States was \$54,132

CITY OF SEAT PLEASANT, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

The City in the future will be preparing a financial forecast as a component of developing the annual operating budget and capital improvements program. The assumptions in the forecast will be reviewed with the City Council as background for decisions about revenue projections and estimated costs.

The adopted budget for FY 2020 does not propose any tax rate changes. The real and personal property tax rates remain at \$.58 and \$15.00 per \$100 of assessed valuation, respectively.

The State of Maryland's budget situation mirrors that of most states - significant deficits in the current and upcoming year are projected, along with gloomy forecasts well into the latter half of the decade. The City felt the impact of these financial woes in FY2003 when the State reduced the amount of Highway User Revenue distributed to local governments. As a result, the City has lost approximately \$15,000 annually since FY2003. In FY 2020, the City received 57% less than it received in the prior fiscal year. Fortunately, current state income tax proceeds, the City's largest source of state shared revenues, have remained relatively stable over the last few years. In addition to the above, the City's real estate assessment base increased 5.7%.

In FY 2021, the City anticipates a substantial increase in Highway User Revenue from estimates provided by Maryland Municipal League and the Maryland Comptroller's Office. Additional grant revenue is also anticipated. As of this writing, the City has been awarded \$907,000 in restricted revenue to construct two single-family homes in the City, purchase police body armor, and recruit and retain police personnel, in addition to CARES Act funding.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Mayor and City Council at 6301 Addison Road, Seat Pleasant, MD 20743.

CITY OF SEAT PLEASANT MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2020

	Primary Government		Component Unit (SPICE)	
	Governmental Activities	Total		
ASSETS				
Current Assets				
Cash and cash equivalents - unrestricted	\$ 1,823,861	\$ 1,823,861	\$ 282,952	
Cash and cash equivalents - restricted	10,485	10,485	-	
Investments	67,646	67,646	-	
Amounts due from other governments	226,551	226,551	-	
Accounts receivable - fines	448,798	448,798	-	
Personal property taxes receivable, net of allowances	911,158	911,158	-	
Accounts receivable - income taxes	121,649	121,649	-	
Accounts receivable - real estate	135,877	135,877	-	
Prepaid expenses	14,277	14,277	-	
Total Current Assets	<u>3,760,302</u>	<u>3,760,302</u>	<u>282,952</u>	
Noncurrent Assets				
Land held for sale	305,643	305,643	-	
Net capital assets	<u>5,613,249</u>	<u>5,613,249</u>	-	
Total Noncurrent Assets	<u>5,918,892</u>	<u>5,918,892</u>	-	
TOTAL ASSETS	<u>9,679,194</u>	<u>9,679,194</u>	<u>282,952</u>	
DEFERRED OUTFLOWS OF RESOURCES				
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 9,679,194</u>	<u>\$ 9,679,194</u>	<u>\$ 282,952</u>	
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 935,877	\$ 935,877	\$ 35,769	
Current portion of long-term debt	291,106	291,106	-	
Total Current Liabilities	<u>1,226,983</u>	<u>1,226,983</u>	<u>35,769</u>	
Noncurrent Liabilities				
Compensated absences	167,240	167,240	-	
Loan payable - long-term	<u>4,629,157</u>	<u>4,629,157</u>	-	
Total Noncurrent Liabilities	<u>4,796,397</u>	<u>4,796,397</u>	-	
TOTAL LIABILITIES	<u>6,023,380</u>	<u>6,023,380</u>	<u>35,769</u>	
DEFERRED INFLOWS OF RESOURCES				
NET POSITION				
Net investment in capital assets	692,986	692,986	-	
Restricted	1,044,613	1,044,613		
Unrestricted	<u>1,918,215</u>	<u>1,918,215</u>	<u>247,183</u>	
TOTAL NET POSITION	<u>3,655,814</u>	<u>3,655,814</u>	<u>247,183</u>	
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 9,679,194</u>	<u>\$ 9,679,194</u>	<u>\$ 282,952</u>	

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

CITY OF SEAT PLEASANT MARYLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Position					
	Expenses	Indirect Expense Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government					
						Governmental Activities	Total	Component Unit (SPICE)			
Primary Government											
Governmental Activities:											
General government	\$ 9,030,541	\$ 15,586	343,726	148,115	\$ -	\$ (8,554,286)	\$ (8,554,286)	\$ -			
Public safety	2,725,799	32,370	3,412,324	264,005	-	918,160	918,160	-			
Public works	1,318,403	-	1,693,946	56,883	-	432,426	432,426	-			
Recreation and culture	49,532	-	-	1,487	-	(48,045)	(48,045)	-			
Interest expense	47,956	(47,956)	-	-	-	-	-	-			
Total Governmental Activities	13,172,231	-	5,449,996	470,490	-	(7,251,745)	(7,251,745)	-			
Total Primary Government	\$ 13,172,231	\$ -	\$ 5,449,996	\$ 470,490	\$ -	\$ (7,251,745)	\$ (7,251,745)	\$ -			
Component Unit: SPICE	\$ 126,907	\$ -	\$ -	\$ -				\$ (126,907)			
General revenues:											
Taxes											
Income taxes				461,656		461,656		-			
Property taxes				2,339,107		2,339,107		-			
Personal property taxes				2,195,161		2,195,161		-			
Interest and investment earnings				26,133		26,133		-			
Miscellaneous				576,422		576,422		-			
Total General Revenues				5,598,479		5,598,479		-			
Transfers in (out)											
Change in Net Position											
					(1,653,266)	(1,653,266)	(126,907)				
Net Position, beginning of year - restated											
					5,309,080	5,309,080	374,090				
Net Position, end of year											
					\$ 3,655,814	\$ 3,655,814	\$ 247,183				

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

CITY OF SEAT PLEASANT MARYLAND
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020

	General Fund	Total Governmental Funds	
ASSETS			
Cash and cash equivalents - unrestricted	\$ 1,823,861	\$ 1,823,861	
Cash and cash equivalents - restricted	10,485	10,485	
Investments	67,646	67,646	
Amounts due from other governments	226,551	226,551	
Other accounts receivable, net of allowances	448,798	448,798	
Personal property taxes receivable, net of allowance	911,158	911,158	
Accounts receivable - income tax	121,649	121,649	
Accounts receivable - real estate	135,877	135,877	
Prepaid expenses	<u>14,277</u>	<u>14,277</u>	
TOTAL ASSETS	<u>3,760,302</u>	<u>3,760,302</u>	
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 3,760,302</u>	<u>\$ 3,760,302</u>	
LIABILITIES			
Accounts payable	\$ 935,877	\$ 935,877	
TOTAL LIABILITIES	<u>935,877</u>	<u>935,877</u>	
DEFERRED INFLOWS OF RESOURCES	<u>93,969</u>	<u>93,969</u>	
FUND BALANCES			
Non-spendable	14,277	14,277	
Restricted	1,044,613	1,044,613	
Unassigned	1,671,566	1,671,566	
TOTAL FUND BALANCES	<u>2,730,456</u>	<u>2,730,456</u>	
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 3,760,302</u>	<u>\$ 3,760,302</u>	

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2020

Total Governmental Fund Balances \$ 2,730,456

Receivables pertaining to revenue that is not available in accordance with modified accrual accounting are reported as deferred inflows of resources in the funds. 93,969

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 5,613,249

Land held for sale is not reported in the funds. 305,643

Long-term liabilities, including loans payable are not due and payable in the current period and therefore are not reported in the funds. (5,087,503)

Net Position of Governmental Activities \$ 3,655,814

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

CITY OF SEAT PLEASANT MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	General Fund	Total Governmental Funds
REVENUES		
Property taxes	\$ 2,321,392	\$ 2,321,392
Personal property tax	2,192,276	2,192,276
Income tax	455,634	455,634
Other taxes	57,376	57,376
Licenses and permits	73,354	73,354
Intergovernmental	286,964	286,964
Charges for service	1,905,850	1,905,850
Fines	3,455,392	3,455,392
Miscellaneous	764,705	764,705
Total Revenues	11,512,943	11,512,943
EXPENDITURES		
Current Operations		
General government	8,860,155	8,860,155
Public safety	2,425,248	2,425,248
Public works	1,244,551	1,244,551
Recreation and culture	49,532	49,532
Capital outlays	955,928	955,928
Debt Service		
Principal	271,115	271,115
Interest	47,956	47,956
Total Expenditures	13,854,485	13,854,485
Excess of revenues over (under) expenditures and other financing sources	(2,341,542)	(2,341,542)
Other financing sources (uses)		
Proceeds from long-term debt	-	-
Total other financing sources (uses)	-	-
Excess of revenue and other financing sources over (under) expenditures and other financing uses	(2,341,542)	(2,341,542)
Fund balance, beginning of year - restated	5,071,998	5,071,998
Fund balance, end of year	\$ 2,730,456	\$ 2,730,456

**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**

<i>Net Change in Fund Balances - Total Governmental Funds</i>	<i>\$ (2,341,542)</i>
Differences in accounting for compensated absences between the accrual basis and the modified accrual basis.	44,597
Increases in deferred inflows of resources relating to state income taxes do not provide current financial resources and are not reported as revenue in the governmental funds.	6,022
Proceeds from long-term debt are recorded as other financing sources in the governmental funds. However, in the statement of activities the proceeds are recorded as long-term debt.	-
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 during the year.	271,115
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	366,542
<i>Change in Net Position of Governmental Activities</i>	<i>\$ (1,653,266)</i>

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

CITY OF SEAT PLEASANT, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The City of Seat Pleasant, Maryland is a municipal corporation governed by an elected mayor and an elected City council and provides the following services as authorized by its charter: public safety, highways and streets, sanitation, public improvements, parks and recreation, and general administrative services.

The accounting policies of the City of Seat Pleasant conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

In evaluating how to define the City of Seat Pleasant, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set by the Governmental Accounting Standards Board. Component units are legally separate organizations for which the elected officials of the City are financially accountable and a financial benefit or burden relationship exists. In addition, component units can be other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading.

The following discretely presented component unit is reported in a separate column in the government-wide statements to emphasize that it is legally separate from the City. The Seat Pleasant Investment Corporate Enterprise, LLC ("SPICE") was created by the City Council April 9, 2018. SPICE is a wholly owned Maryland corporation. Funding for SPICE was primarily from appropriations from the City's general fund. No funding for SPICE was provided in FY2020.

Basis of Presentation – Fund Accounting

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

The City's governmental funds include one fund, the General Fund. The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

CITY OF SEAT PLEASANT, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of Accounting

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the City, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. The City has no business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting, including the reclassification or elimination of internal activity (between funds). This is the same approach used in the preparation of the proprietary fund financial statements, if any, but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

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

CITY OF SEAT PLEASANT, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Fund Financial Statements

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

Governmental Funds

City activities pertaining to general government, public safety, highways and streets, sanitation, recreation, and cable TV are reported in the governmental funds. All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

The major governmental fund is the:

- General Fund – This is the City's primary operating fund. It is used to account for all financial resources except for those required to be accounted for in another fund.

Revenue Recognition

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

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

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

CITY OF SEAT PLEASANT, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Expenditure Recognition

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

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

Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments held at June 30, 2020, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

Receivables

Receivables at June 30, 2020, consist of personal property tax, real estate tax, income tax, due from other governments and business licenses. Taxes are deemed collectible in full.

Deferred Outflows and Inflows of Resources

A *deferred outflow of resources* represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Likewise, a *deferred inflow of resources* represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. As of June 30, 2020, deferred inflows of resources consisted of income taxes of \$67,552.

Inventory

Inventory is stated at cost on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental funds and as assets and costs of goods sold in the government wide statements. Inventory for the year ended June 30, 2020, consisted of homes bought and held for sale, in the amount of \$305,643.

CITY OF SEAT PLEASANT, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Local Tax Reserve Fund

At June 30, 2020, the City was advised by the State of Maryland that \$121,649 of the Local Tax Reserve Fund was allocable to the City. The City recorded receivable and deferred inflows of resources in the amount of \$67,552 in the fund financial statements. The change in this amount has been reflected as income tax revenue in the government-wide financial statements in accordance with full accrual accounting.

Capital Assets and Depreciation

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

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

Restricted Reserves

The City generally uses restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available; however, some public safety expenditures are paid with unrestricted first.

Interest Expense

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

CITY OF SEAT PLEASANT, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, compensatory time and sick pay benefits. No liability is reported for unpaid accumulated sick leave. Vacation pay is accrued when incurred and reported as a liability in the government wide financial statements. The total amount of accumulated vacation leave balance at June 30, 2020, is \$167,240.

Net Position

The government-wide statement of net position reports \$1,044,613 of restricted net position which is either restricted by enabling legislation or restrictions determined to be legally enforceable.

Estimates

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

Equity Classifications

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

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

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

Unrestricted net position – consist of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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

CITY OF SEAT PLEASANT, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Governmental Fund Balances

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

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

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

Prior Period Accounting Errors

There were prior period accounting errors relating to fixed assets, accounts receivable, and salary expenses. As a result of these errors, the City has restated beginning Net Position by (\$764,346) from \$6,073,426 to \$5,309,080 and beginning fund balance by \$1,281,128 from \$3,790,870 to \$5,071,998. Our opinion is not modified with respect to this matter.

CITY OF SEAT PLEASANT, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Subsequent Events

Management has evaluated subsequent events through September 29, 2023, the date that the financial statements were available to be issued. Except as disclosed below, no subsequent events were identified for recognition or disclosure in the financial statements.

Subsequent to June 30, 2020, the City notified the Chair of the Seat Pleasant Investment Corporation (SPICE) Board on February 19, 2021 to dissolve SPICE LLC and the following corporations: SPICE Housing Trust, LLC, SPICE Arts, Cultural and Technology, LLC and Center for Government Synergism, LLC.

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

Budget Requirements, Accounting, and Reporting

Requirements for all funds:

Annual budgets are adopted for all City funds. The City Council may subsequently amend the budget and the budget was amended during fiscal year 2020. For day-to-day management control, expenditures may not exceed budget at the department level. The City prepares an annual operating budget on a basis not consistent with generally accepted accounting principles.

CITY OF SEAT PLEASANT, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposit Policies

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

The City's deposits are insured by FDIC or secured by a surety bond or collateralized with securities held by the City, its agent, or by the pledging financial institution's trust department or agent in the name of the City.

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy requires deposits to be insured by FDIC, and balances exceeding FDIC limits be secured by a surety bond or collateral valued at 102 percent of principal and accrued interest. Collateral is to be held by the City, its agent, or by the pledging institution's trust department or agent in the name of the City.

At year-end, the carrying amounts of the City's deposits were \$1,834,346 and the bank balances totaled \$2,322,857. Of the bank balances, only \$250,000 was insured by Federal Depository Insurance Corporation (FDIC) with the remaining balance collateralized by assets held by the depository's agent in the City's name. SPICE holds \$282,952 in a money market account. The funds are not insured by FDIC.

Investment Policies

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

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

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City has no policy regarding concentration of credit risk.

CITY OF SEAT PLEASANT, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 – DEPOSITS AND INVESTMENTS – continued

For investments, **custodial credit risk** is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party. City policy is for collateral to be held by the City, its agent, or by the pledging institution's trust department or agent in the name of the City.

Generally, the City's investing activities are managed by the Chief Financial Officer with approval of the City Council. Investing is performed in accordance with investment policies adopted by the City Council complying with State Statutes and the City Charter.

Investments

The City has invested at June 30, 2020, \$67,646 in the State of Maryland Local Government Investment Pool (MLGIP). The pool is under the administrative control of the State's Treasurer's Office. The City's investments are shown by type, carrying amount, fair value, cost and level of risk assumed in holding the various accounts. Investments are carried at cost which approximates market. The fair value of MLGIP investments is determined daily. PNC is currently contracted to operate the Pool and may invest in any instrument permitted by Section 6-222 of the State Finance and Procurement Article. The City's fair value position in the Pool is the same as the value of pool share.

As of June 30, 2020, the City had the following investments:

<u>Types of Investments</u>	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings</u>
MLGIP	\$ 67,646	\$ 67,646	AAAm
Total Investments	<u>\$ 67,646</u>	<u>\$ 67,646</u>	

Note: Ratings are provided where applicable to indicate associated Credit Risk.

CITY OF SEAT PLEASANT, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4 - RECEIVABLES

Accounts receivable are comprised of the following as of June 30, 2020:

Highway user	\$ 226,551
Speed camera	448,798
Real and personal property tax	1,047,035
Income tax	121,649
	<hr/> <u>\$ 1,844,033</u>

NOTE 5 – PROPERTY TAX

Real estate and personal property taxes are levied as of July 1 on property values as of the same date. City residents pay all property taxes directly to the County. The County then forwards all payments made to the City office. Tax billings are considered past due after September 30. The real and personal property tax rates for the year ended June 30, 2020 were \$0.58 per \$100 and \$15 per \$100 of assessed value, respectively.

CITY OF SEAT PLEASANT, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Not being depreciated:				
Land	\$ 628,831	\$ -	\$ -	\$ 628,831
Art/historical treasures	518	-	-	518
Construction in progress	563,319	-	-	563,319
Subtotal	<u>1,192,668</u>	<u>-</u>	<u>-</u>	<u>1,192,668</u>
Depreciable capital assets:				
Buildings	4,974,875	-	-	4,974,875
Equipment	4,475,111	955,928	-	5,431,039
Furniture and fixtures	211,926	-	-	211,926
Subtotal	<u>9,661,912</u>	<u>955,928</u>	<u>-</u>	<u>10,617,840</u>
Total capital assets	10,854,580	955,928	-	11,810,508
Accumulated depreciation:				
Buildings	2,807,863	137,059	-	2,944,922
Equipment	2,639,897	436,281	-	3,076,178
Furniture and fixtures	160,113	16,046	-	176,159
Subtotal,				
accumulated depreciation	<u>5,607,873</u>	<u>589,386</u>	<u>-</u>	<u>6,197,259</u>
Net capital assets	<u><u>\$ 5,246,707</u></u>	<u><u>\$ 366,542</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,613,249</u></u>

CITY OF SEAT PLEASANT, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION – continued

Depreciation was charged to functions as follows:

Governmental activities:	
General government	\$ 214,983
Public safety	300,551
Public works	<u>73,852</u>
Total	<u>\$ 589,386</u>

The City has a construction commitment in the amount of \$1,442,174, for the construction of the new City Hall, as of June 30, 2020.

NOTE 7 – LONG-TERM OBLIGATIONS

In September 2017, the City borrowed \$4,100,000 from BB&T bank to finance the construction of the new City Hall at an average coupon rate of 3.02%. Interest only payments, in the amount of \$61,910 are due semi-annually until August 15, 2019, at which time the entire principal amount, as well as interest, is due. The changes in long term debt for the year ended June 30, 2020, are as follows:

Governmental activities:	July 1, 2019	Additions	Retirements	June 30, 2020	Amount Due	
					Within 1 Year	After 1 Year
Capital leases	\$ 1,091,378	\$ -	\$ 271,115	\$ 820,263	\$ 291,106	
Direct borrowings	4,100,000	-	-	4,100,000		-
Compensated absences	211,837	-	44,597	167,240		-
Total	<u>\$ 5,403,215</u>	<u>\$ -</u>	<u>\$ 315,712</u>	<u>\$ 5,087,503</u>	<u>\$ 291,106</u>	

Interest costs charged to expense during the year ended June 30, 2020 was \$47,956.

The future principal and interest requirements until maturity are as follows:

June 30,	Principal	Interest	Total
2021	\$ 297,733	\$ 30,676	\$ 328,409
2022	309,450	70,207	379,657
2023	4,199,937	71,511	4,271,448
2024	113,143	4,625	117,768
Total	<u>\$ 4,920,263</u>	<u>\$ 177,019</u>	<u>\$ 5,097,282</u>

CITY OF SEAT PLEASANT, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8 – POST RETIREMENT BENEFITS

The City does not provide and has no liability for post-retirement benefits as of June 30, 2020.

NOTE 9 – CAPITAL LEASES

On June 19, 2017, the City entered into a 60 month lease agreement with Pitney Bowes for a postage meter and related services. Monthly payments are \$115, billed quarterly at \$344, with the last payment due July 1, 2022. Total lease payments for the year ended June 30, 2020, were \$1,377.

NOTE 10 – DEFERRED COMPENSATION PLAN

The City of Seat Pleasant offers its full-time employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all full-time employees and permits them to defer a portion of their current salary until future years. The plan provides for employer contributions of 5% of the annual base compensation of full-time participants employed each pay period. The City's contributions become fully vested between five and seven years of employment service.

In compliance with the Internal Revenue Code Section 457(g), all assets and income of the plan are held in trust for the exclusive benefit of participants and their beneficiaries. Management's involvement with the plan is limited to transferring amounts withheld from payroll to the trustee and administrator, "ICMA-RC." Management has little administrative involvement with the plan and does not perform the investing function for the plan. Investments designated for compensation benefits are no longer reported on the City's balance sheet. Accordingly, the fair value of the plan assets at June 30, 2020 is not reflected in the City's financial statements. All taxes are deferred on those contributions and related earnings until the participant terminates the plan.

CITY OF SEAT PLEASANT, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 11 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to workers, and natural disasters. For property, general, and health and dental insurance, the City is covered through commercial insurance carriers subject to deductibles and to annual aggregate/per occurrence dollar limits.

The City also has an insurance agreement with the Local Government Insurance Trust (LGIT), a public entity risk pool. LGIT provides the City's excess environmental liability coverage.

This is a total risk and cost sharing pool for all participants. In the event that the Trust's General Fund falls into a deficit that cannot be satisfied by transfers from the Trust's capital and surplus accounts, the Trustees shall determine a method to fund the deficit.

The Trust agreement empowers the Trustees to assess an additional premium to each deficit-year participant. Debt issues could also be used to fund a deficit.

Premiums are charged to the City's General Fund, with no provision made for claim liability in addition to premiums, unless an assessment is made by the Trust. There have been no assessments during the year ended June 30, 2020, and the amounts of settlements have not exceeded coverage for each of the past three years.

NOTE 12 – CONCENTRATIONS

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

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Grants

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

Litigation

As of June 30, 2020, the City was a defendant in a lawsuit which was later settled and paid by the City's insurance. Subsequent to June 30, 2020, the City has been involved in other lawsuits that were either paid by insurance or which the City is vigorously defending.

CITY OF SEAT PLEASANT, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 14 – RECONCILIATION OF NON-GAAP BUDGET TO GAAP BUDGET

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

Budgeted excess of revenue over (under) expenditures -	
Non-GAAP basis	\$ -
Less: prior year reserves	<u>(1,675,000)</u>
Budgeted excess of revenues over (under) expenditures -	
GAAP basis	<u>\$ (1,675,000)</u>

NOTE 15 – FUND BALANCE REPORTING

Fund balances for the City's governmental funds consisted of the following as of June 30, 2020:

Non-spendable Fund Balance

The non-spendable fund balance of \$14,277 is non-spendable for prepaid expenses.

Restricted Fund Balance

The restricted fund balance of \$1,044,613 and related net position resulting from speed camera revenue and police seizures is restricted for public safety expenditures.

Unassigned Fund Balance

All remaining fund balances in the General Fund are unassigned. At June 30, 2020, this amount was \$1,671,566.

CITY OF SEAT PLEASANT, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 16 – NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued the following statements:

Statement No. 87, *Leases*, issued June 2018, effective for financial statements for fiscal years beginning after June 15, 2021.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, issued June 2018, effective for reporting periods beginning after December 15, 2020.

Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, issued August 2018, effective for reporting periods beginning after December 15, 2019.

Statement No. 91, *Conduit Debt Obligations*, issued May 2019, effective for reporting periods beginning after December 15, 2021.

Statement No. 92, *Omnibus 2020*, issued January 2020, effective for reporting periods beginning after June 15, 2021.

Statement No. 93, *Replacement of Interbank Offered Rates*, issued March 2020, effective for reporting periods beginning after June 15, 2020.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, issued March 2020, effective for reporting periods beginning after June 15, 2022.

Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, issued May 2020, effective immediately.

Statement No. 96, *Subscription-Based Information Technology Arrangements*, issued May 2020, effective for reporting periods beginning after June 15, 2022.

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, issued June 2020, effective for reporting periods beginning after June 15, 2021.

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

CITY OF SEAT PLEASANT MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020

	Governmental Funds			
	Original Budget	Final Budget	Actual	Variance
Revenues				
Property taxes	\$ 4,445,368	\$ 4,445,368	\$ 2,321,392	\$ (2,123,976)
Personal property tax	-	-	2,192,276	2,192,276
Income tax	-	-	455,634	455,634
Other taxes	-	-	57,376	57,376
Licenses and permits	58,600	58,600	73,354	14,754
Intergovernmental	3,063,195	3,063,195	286,964	(2,776,231)
Charges for service	264,600	264,600	1,905,850	1,641,250
Fines	2,721,189	2,721,189	3,455,392	734,203
Miscellaneous	263,300	263,300	764,705	501,405
Prior year reserves	<u>1,675,000</u>	<u>1,675,000</u>	-	(1,675,000)
Total Revenues	<u>\$ 12,491,252</u>	<u>\$ 12,491,252</u>	<u>\$ 11,512,943</u>	<u>\$ (978,309)</u>
Expenditures				
General government	\$ 8,151,022	\$ 8,151,022	\$ 8,860,155	\$ (709,133)
Public safety	3,048,480	3,048,480	2,425,248	623,232
Public works	1,166,750	1,166,750	1,244,551	(77,801)
Recreation and culture	-	-	49,532	(49,532)
Capital outlays	-	-	955,928	(955,928)
Debt service				
Principal	125,000	125,000	271,115	(146,115)
Interest	-	-	47,956	(47,956)
Total Expenditures	<u>\$ 12,491,252</u>	<u>\$ 12,491,252</u>	<u>\$ 13,854,485</u>	<u>\$ (1,363,233)</u>