

BAINBRIDGE DEVELOPMENT CORPORATION

**Financial Statements Together with
Report of Independent Public Accountants**

For the Year Ended June 30, 2022



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JUNE 30, 2022

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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON THE
AUDIT OF THE FINANCIAL STATEMENTS**

To the Board of Directors
Bainbridge Development Corporation
Port Deposit, MD

Opinions

We have audited the financial statements of the governmental activities, the general fund, and the fiduciary fund of the Bainbridge Development Corporation (BDC) (a component unit of Cecil County, Maryland), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the BDC's financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the general fund, and the fiduciary fund of the BDC, as of June 30, 2022, and the respective changes in its financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the BDC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The BDC's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the BDC's ability to continue as a going concern for one year after the financial statement are available to be issued.



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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal controls relevant to the audit 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 BDC's internal controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the BDC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



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Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management’s discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a required 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.

Owings Mills, Maryland
September 19, 2022

BAINBRIDGE DEVELOPMENT CORPORATION

**Management Discussion and Analysis
As of June 30, 2022**

The Board of Directors of Bainbridge Development Corporation (BDC) presents this overview and analysis of the financial activities of the Corporation for the fiscal year ended June 30, 2022.

Financial Highlights

Government-wide

The BDC’s assets exceeded its liabilities by \$3,396,266 (net position).

Fund Level

As of the close of the fiscal year, the BDC reported an ending fund balance of \$1,116,733.

Overview of the Financial Statements

This discussion and analysis is an introduction to the basic financial statements of the Bainbridge Development Corporation, a “special purpose” governmental entity. The BDC’s basic financial statements are comprised of three components: government-wide financial statements, fund financial statements and notes to the financial statements.

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

The Statement of Net Position (page 8) presents information on all of the BDC’s assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the BDC is improving or not.

During this reporting period the BDC’s net position decreased by \$1,209,425. This expected decrease comes from the economic development activities. The first phase of development was formally initiated in fall of 2021 with the transfer of 444 acres from the BDC to MRP Industrial. The value of the Phase 1 land, no longer owned by the BDC, was deducted from the corporation’s net position.

The Statement of Activities (page 9) presents information showing how the BDC’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Fund Financial Statements: The BDC uses only one governmental fund (the General Fund). Fund financial statements provide detail information and begin on page 10. Fiduciary fund statements are provided for the Custodial Fund held for the benefit of BDC’s developer. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the BDC uses to keep track of specific sources of funding and spending.

BAINBRIDGE DEVELOPMENT CORPORATION

**Statement of Net Position
As of June 30, 2022**

The BDC’s services are reported in a governmental fund, which focuses on how financial resources flow into and out of the fund and the balance left at year-end that is available for future spending. The governmental fund financial statements provide a detailed short-term view of the BDC’s general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the BDC’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, reconciliations are provided to reconcile between the Governmental Fund Balance Sheet and the Statement of Net Position and between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and the Statement of Activities. The fund is reported using modified accrual accounting, which primarily measures cash and other financial assets usable in the short-term (current flow of resources).

The governmental fund balance increased \$201,905 over the prior reporting period where the government wide net position decreased \$1,209,425. The increase in the governmental fund balance is due to operating grants. Several factors contributed to the increase in the governmental fund. The annual operating payment received by the developer continues to increase by 3% every fiscal year, while the corporation remains dedicated to keeping operating costs from rising. The corporation also receives reimbursement for staff time spent on ESCA activities (causing a favorable budget v. actuals). The decrease in the government wide fund balance is due in large part to the transfer of the Phase 1 acreage and the removal of that land value from the BDC’s financial records.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 15 of this report.

Financial Analysis

Net Position. A year-to-year comparison of net position is as follows:

**Bainbridge Development Corporation’s Net Position
as of June 30, 2022**

	<u>Governmental Activities</u>		
	<u>2022</u>	<u>2021</u>	<u>Change</u>
Current Assets	\$ 723,374	\$ 1,452,719	\$ (729,345)
Other Assets	2,612,982	3,942,391	(1,329,409)
Capital Assets	151,751	186,304	(34,553)
Total Assets	<u>3,488,107</u>	<u>5,581,414</u>	<u>(2,093,307)</u>
Current Liabilities	-	883,882	(883,882)
Long Term Liabilities	91,841	91,841	-
Total Liabilities	<u>91,841</u>	<u>975,723</u>	<u>(883,882)</u>
Net Position			
Net investment in			
Capital Assets	151,751	186,304	(34,553)
Restricted - Land	2,219,623	3,549,600	(1,329,977)
Unrestricted	1,024,892	869,787	155,105
Total Net Position	<u>\$ 3,396,266</u>	<u>\$ 4,605,691</u>	<u>\$ (1,209,425)</u>

BAINBRIDGE DEVELOPMENT CORPORATION

Statement of Net Position

As of June 30, 2022

The largest component of the BDC's net position reflects its \$2,219,623 investment in land held for development.

Changes in Net Position. A schedule of a comparison of year-to-year changes follows.

The BDC's net position decreased \$1,209,425.

Comparison to Prior Year. Revenues decreased during this reporting period as the BDC received less funding in fiscal year 2022 via the Environmental Services Cooperative Agreement (ESCA) with the U.S Department of the Navy, to address any hazardous materials of concern on the Phase 1 parcel (roughly 444 acres). Charges for services increased, due to the 3% increase in the MTPM annual operating payment.

Bainbridge Development Corporation's Changes in Net Position for the year ended June 30, 2022

	Governmental Activities		
	2022	2021	Change
REVENUES			
Investment Earnings	\$ 668	\$ 1,269	\$ (601)
Operating Grants	67,560	1,357,108	(1,289,548)
Charges for Services	403,174	391,432	11,742
Total Revenues	<u>471,402</u>	<u>1,749,809</u>	<u>(1,278,407)</u>
EXPENSES			
Economic Development	1,680,827	1,622,143	58,684
Total Expenses	<u>1,680,827</u>	<u>1,622,143</u>	<u>58,684</u>
Donated Capital Asset	<u>-</u>	<u>150,000</u>	<u>(150,000)</u>
Change in Net Position	<u>\$ (1,209,425)</u>	<u>\$ 277,666</u>	<u>\$ (1,487,091)</u>

Fixed Assets

As of June 30, 2022, the BDC owned a total of \$2,371,374, net of accumulated depreciation. Various structures exist on the property but are not valued. All structures cannot be occupied in their current condition and are subject to demolition or historic preservation as determined by engineering reports, the Board, and negotiations resulting in development of the property.

Long Term Liability

As of June 30, 2022, the BDC had a long term liability of \$91,841. For the fiscal year ended June 30, 2022, the BDC made no payments on the liability. More detailed information regarding the BDC's long term liability can be found in Note 4 to the financial statements.

BAINBRIDGE DEVELOPMENT CORPORATION

Statement of Net Position

As of June 30, 2022

Budgets, Ongoing Developments and Economic Factors

The Bainbridge Development Corporation was created in 1999 by the Maryland General Assembly to design and implement a dynamic, suitable plan for the 1,185-acre former Bainbridge Naval Training Center through its development into productive use via the public and/or private sector. BDC is managed by an Executive Director and governed by a 15-member Board of Directors comprised of 9 residents of Cecil County, and complimented by representatives from applicable State agencies.

A development agreement between BDC and MTPM, LLC, a private development group, secures annual funding for BDC operations and development activities, and provides MTPM with an option on approximately 990 acres of the property. These annual payments are considered to be credits for the pre-purchase of land by the developer. BDC will retain the balance of property, which includes the historic Tome School located on a 50 acres portion overlooking the Susquehanna River.

Proposed plans for mixed use development were halted when pre-existing environmental issues were discovered. The United States Navy has tested a 400-acre portion of the site and has negotiated an Environmental Services Cooperative Agreement (ESCA) with BDC effective September 2019 to address the asbestos containing materials during site development. With the commitment and cooperation of the U.S. Navy and MDE, the first Phase of development received regulatory signoff and was transferred to private development in November 2021.

Per the BDC statute, the operating budget must be adopted by June 30 of the prior fiscal year. The BDC adopted the formal budget for fiscal year 2022 on June 21, 2021. Please see a comparison of the budget to actual expenditures and revenues on page 26.

During this reporting period, the BDC continued work within an agreement with the U.S. Navy to fund the environmental clean-up on an initial Phase 1 parcel. These activities caused certain expenses to exceed budgeted amounts but were reimbursed by the U.S. Navy. Under federal CERCLA law and terms within the QuitClaim Deed, the U.S. Navy is legally liable for any remediation costs that are required as a result of activities that occurred during their ownership of the land. Without necessary remediation, the site will not receive regulatory sign off and it could not be developed.

The BDC executed a site work agreement with MTPM LLC., to address preliminary site development activities including clearing and installation of sediment and control measures. These preliminary activities were funded in full by MTPM LLC.

Requests for Information

This financial report is designed to provide a general overview of Bainbridge Development Corporation's finances to the State of Maryland and other users of such data.

Requests for additional copies of this report, or questions concerning information in this report, should be addressed to Executive Director, Bainbridge Development Corporation, Post Office Box 2, Port Deposit, Maryland 21904-0002.

BAINBRIDGE DEVELOPMENT CORPORATION

Statement of Net Position

As of June 30, 2022

	<u>Governmental Activities</u>
ASSETS	
CURRENT ASSETS	
Cash	\$ 723,374
TOTAL CURRENT ASSETS	<u>723,374</u>
OTHER ASSETS	
Certificates of deposit	393,359
Land	<u>2,219,623</u>
TOTAL OTHER ASSETS	<u>2,612,982</u>
CAPITAL ASSETS	
Office equipment, vehicles and other	219,876
Less: accumulated depreciation	<u>(68,125)</u>
TOTAL CAPITAL ASSETS	<u>151,751</u>
TOTAL ASSETS	<u>3,488,107</u>
LIABILITIES	
NONCURRENT LIABILITIES	
Due in more than one year	<u>91,841</u>
TOTAL LIABILITIES	<u>91,841</u>
NET POSITION	
Net investment in capital assets	151,751
Restricted - Land	2,219,623
Unrestricted	<u>1,024,892</u>
TOTAL NET POSITION	<u>\$ 3,396,266</u>

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

BAINBRIDGE DEVELOPMENT CORPORATION

Statement of Activities

For the Year Ended June 30, 2022

	<u>Program Revenues</u>			Net (Expense) Revenue and Changes in Net Position
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants</u>	
FUNCTIONS/PROGRAMS				
GOVERNMENTAL ACTIVITIES:				
Economic Development	\$ 1,680,827	\$ 403,174	\$ 67,560	\$ (1,210,093)
TOTAL PRIMARY GOVERNMENT	<u>\$ 1,680,827</u>	<u>\$ 403,174</u>	<u>\$ 67,560</u>	<u>(1,210,093)</u>
GENERAL REVENUES:				
Interest income				<u>668</u>
CHANGE IN NET POSITION				(1,209,425)
NET POSITION - BEGINNING OF YEAR				4,605,691
NET POSITION - END OF YEAR				<u>\$ 3,396,266</u>

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

BAINBRIDGE DEVELOPMENT CORPORATION

**Balance Sheet - Governmental Fund
As of June 30, 2022**

	<u>General Fund</u>
ASSETS	
Cash	\$ 723,374
Certificates of deposit	<u>393,359</u>
TOTAL ASSETS	<u>\$ 1,116,733</u>
FUND BALANCES	
Committed	23,250
Unassigned	<u>1,093,483</u>
TOTAL FUND BALANCES	<u>1,116,733</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,116,733</u>

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

BAINBRIDGE DEVELOPMENT CORPORATION

**Reconciliation of the Governmental Balance Sheet
to the Statement of Net Position
As of June 30, 2022**

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 1,116,733

Amounts reported for Governmental Activities in the Statements
of Net Position are different because:

Capital assets used in Governmental Activities are not
financial resources and, therefore, are not reported
in the governmental funds.

Governmental capital assets	\$ 2,439,499	
Less: accumulated depreciation	<u>(68,125)</u>	
		2,371,374

Long-term liabilities are not payable from current financial
resources and, therefore, are not reported in the
governmental funds

Long-term liability		(91,841)
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NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$</u>	<u>3,396,266</u>
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The accompanying notes are an integral part of this financial statement.

BAINBRIDGE DEVELOPMENT CORPORATION

**Statement of Revenues, Expenses and Changes in Fund Balance - Governmental Fund
For the Year Ended June 30, 2022**

	<u>General Fund</u>
REVENUES:	
Development fees	\$ 403,174
Grant revenue	114,360
Other interest income	668
TOTAL REVENUES	<u>518,202</u>
EXPENDITURES:	
Current operating	
Economic development	<u>316,297</u>
TOTAL EXPENDITURES	<u>316,297</u>
CHANGE IN FUND BALANCE	201,905
FUND BALANCE - BEGINNING OF YEAR	<u>914,828</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,116,733</u>

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

BAINBRIDGE DEVELOPMENT CORPORATION

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds to the Statement of Activities For the Year Ended June 30, 2022

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUND \$ 201,905

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 of depreciation expense and loss on disposal for the year: (1,364,530)

Governmental funds recognize revenues if they are received within 60 days of year end. The Statement of Activities reports revenues when earned. This is the amount of income earned, but not received until after the 60 day period.
Grants revenue (46,800)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (1,209,425)

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

BAINBRIDGE DEVELOPMENT CORPORATION

**Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2022**

	<u>Other Custodial Fund</u>
ADDITIONS	
Developer funds	\$ 127,837
Total additions	<u>127,837</u>
DEDUCTIONS	
Professional fees - contractors	<u>127,955</u>
Total deductions	<u>127,955</u>
CHANGE IN NET POSITION	(118)
NET POSITION - BEGINNING	118
NET POSITION - ENDING	<u><u>\$ -</u></u>

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

BAINBRIDGE DEVELOPMENT CORPORATION

Notes to the Financial Statements

June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Bainbridge Development Corporation (BDC) was created in 1999 by an act of the Maryland General Assembly. The BDC is a body politic and corporate and is constituted as a public instrumentality of the State of Maryland. It is managed by a board of directors consisting of nine members appointed by the Commissioners of Cecil County and six nonvoting ex-officio members. BDC was created to acquire the property formerly operated by the U.S. Navy as Bainbridge Naval Training Center at Port Deposit, Maryland and to establish economic activity on the property.

BDC is a component unit of Cecil County, Maryland and its financial statements are included in Cecil County's comprehensive annual financial report. BDC is deemed to be a component unit of Cecil County because the County appoints a voting majority of its board of directors and because the County may realize economic benefit from BDC's operations.

Financial Reporting Entity - Basis of Presentation

BDC is a "special-purpose" government under the provisions of GASB Statement No. 34 and it is engaged in a single governmental program (economic development of the Bainbridge property).

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the BDC 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 BDC 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. Grants and similar items are recognized as revenue as soon as all eligible requirements imposed by the provider have been met. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided; 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. Other revenue sources not properly included with program revenues are reported as general revenues. Fiduciary funds, if any, are not included in these financial statements.

BAINBRIDGE DEVELOPMENT CORPORATION

Notes to the Financial Statements

June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Fund financial statements are provided for each major governmental fund. BDC has one governmental fund, the general fund. There are no non-major funds or proprietary funds held by the BDC.

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 sheet. The BDC’s deferred outflows of 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. BDC 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 or expected to be liquidated with expendable available financial resources. 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: Grant and development fees. 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 available period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available when cash is received.

Since the governmental fund 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 statement into the government-wide presentation.

The BDC’s fiduciary funds only include custodial funds, which are used to report fiduciary activities where the BDC controls assets that are held on behalf of another entity, and utilized to pay expenditures on their behalf. These assets are not held in a trust. The custodial funds are accounted for on the “economic resources” measurement focus and the accrual basis of accounting.

When both restricted and unrestricted resources are available for use, it is the BDC’s policy to use restricted resources first, then unrestricted resources as needed. Further, when the components of the 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.

BAINBRIDGE DEVELOPMENT CORPORATION

Notes to the Financial Statements June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Types and Major Funds

Financial statements of the BDC are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures. The BDC's funds are organized into two major categories: governmental and fiduciary. The BDC does not have any proprietary funds. An emphasis is placed on major funds within the governmental category.

A fund is considered major if it is the primary operating fund of the organization or meets the following criteria:

- a. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category and
- b. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures of the individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.

The BDC reports the following major governmental fund:

The General Fund

This is the primary operating fund of BDC. It accounts for all of the financial resources and the legally authorized activities of BDC except for those required to be accounted for in other specialized funds.

There are no non-major governmental funds.

Fiduciary Fund Types

These funds account for assets held by the organization as a trustee for individuals, private organizations and/or other governmental units. The BDC reports the following fiduciary fund:

Other Custodial Fund

Phase I Development - During the year ended June 30, 2021, BDC entered into an agreement with a developer to engage with a third-party contractor for site work as part of Phase I of the Bainbridge Project. Under this agreement, the developer is responsible for all costs under the agreement and a deposit for the cost of the site work was paid to BDC for payments of invoices from the contractor. Upon satisfactory completion of the project and payment of all amounts owed, any remaining funds are to be returned to the developer.

BAINBRIDGE DEVELOPMENT CORPORATION

Notes to the Financial Statements

June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Data

Formal budgetary accounting is employed as a management control for the general fund of BDC. The annual budget shall be laid out and presented in a form approved by the Board of Directors. The draft annual budget shall be submitted to the Executive Committee no later than June 1st each year. The Board of Directors is required to adopt an approved budget by June 30th of each year. The budget may only be amended with the approval of the Board of Directors. The budget uses the same basis of accounting as used to reflect actual revenues and expenditures, except that a prior year surplus is recorded as an additional source of available funds.

Cash

Cash consists of demand deposits, money market accounts and certificates of deposit with an initial maturity date of less than three months.

Certificates of Deposit

Certificates of Deposit with an initial maturity date of greater than three months are reported at cost plus accrued interest, which approximates fair value. The certificates of deposits are not considered a cash equivalent due to their maturity dates.

Grant Funds Receivable

Grant funds receivable are uncollateralized obligations for reimbursements under grants and contracts. Unpaid accounts do not incur late fees or accrue interest. Payments of accounts receivable are applied to the specific invoices identified on the grantor's remittance advice or, if unspecified, to the earliest unpaid invoices. No allowance for uncollectible accounts is provided because management does not deem it necessary based on historical collection experience. Funds not received within the availability period are recorded as a deferred inflow of resources in the fund financial statements. There were no grants funds not received within sixty days of year-end as of June 30, 2022.

Capital Assets and Accumulated Depreciation

Land, which was acquired from the U.S. Navy at no cost to BDC, is recorded at estimated fair value at the time of acquisition as determined by the Maryland Department of Assessments and Taxation. The BDC has determined that the land is essential to the purpose of the organization, and therefore is properly reported in these financial statements. The land is held for development to be transferred to a developer, rather than used for BDC operations, and as such, has been reported as an other asset. Capital assets with an initial, individual cost of more than \$500 and an estimated useful life of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements.

BAINBRIDGE DEVELOPMENT CORPORATION

**Notes to the Financial Statements
June 30, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets and Accumulated Depreciation (continued)

Donated capital assets received are recorded at their estimated fair value at the date of donation. The costs of normal maintenance and repairs which do not add to the asset value or materially extend useful lives are not capitalized. Office equipment is depreciated using accelerated methods over a five-year period. 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.

Estimated useful lives for depreciable assets are as follows:

Office & Other Equipment	5 years
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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.

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 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 reduces this category.

Restricted

This category represents the net position of BDC which have been restricted for a specific project or purpose by a third party. As of June 30, 2022, the BDC had \$2,219,623 restricted for land.

Unrestricted

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

BAINBRIDGE DEVELOPMENT CORPORATION

Notes to the Financial Statements

June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balances

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. As of June 30, 2022, BDC did not have any assets to be reported in this category.

Restricted

This category includes amounts constrained by an external party, constitutional provision or enabling legislation. As of June 30, 2022, BDC did not have any assets to be reported in this category.

Committed

This category includes amounts constrained for a specific purpose by the Board of Directors using its highest level of decision making authority, prior to year-end. As of June 30, 2022, the Board of Directors of the BDC committed \$23,250 for environmental monitoring services over the next year.

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, 2022, BDC did not have any assets to be reported in this category.

Unassigned

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

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reported period. Actual results could differ from those estimates.

BAINBRIDGE DEVELOPMENT CORPORATION

**Notes to the Financial Statements
June 30, 2022**

2. CASH, RESTRICTED CASH AND CERTIFICATES OF DEPOSIT

Deposits are carried at cost plus accrued interest. The carrying amount of deposits is separately displayed on the balance sheet as “Cash” and consist of demand deposits and money market funds.

Credit Risk

The BDC 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 BDC 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 BDC was in compliance with the provisions of the Annotated Code of Maryland, from July 1, 2021 through June 30, 2022. The BDC utilizes the provisions of the Code to mitigate credit risk. (See Custodial Credit Risk.)

Interest Rate and Credit Risk

The BDC manages interest rate and credit risk by investing primarily in short term holdings, including demand deposits, and certificates of deposit.

Custodial Credit Risk

The BDC 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. BDC’s deposits are covered by a combination of insurance from the Federal Deposit Insurance Corporation (FDIC) and securities held by the pledging financial institution’s trust department or agent in BDC’s name. CD’s held by BDC with an initial maturity date of greater than three months are also included in the following analysis of deposits by level of risk, as they are either fully insured by the FDIC or fully collateralized by federal obligations. As of June 30, 2022, the BDC was in compliance with the Annotated Code of Maryland.

Cash and Certificates of Deposit, by level of risk, are:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 626,932	\$ 626,932
Uninsured collateral held by pledging banks' Trust Department in BDC's name	489,801	535,591
Total Deposits	<u>\$ 1,116,733</u>	<u>\$ 1,162,523</u>

BAINBRIDGE DEVELOPMENT CORPORATION

Notes to the Financial Statements June 30, 2022

2. CASH, RESTRICTED CASH AND CERTIFICATES OF DEPOSIT (continued)

Custodial Credit Risk (continued)

Deposits recorded in the above schedule are reported in the statement of net position as follows:

Cash	\$	723,374
Certificates of Deposit		393,359
	\$	<u>1,116,733</u>

3. FIXED ASSETS

Fixed asset activity for the Bainbridge Development Corporation for the year ended June 30, 2022 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Land, nondepreciable	\$ 3,549,600	\$ -	\$ (1,329,977)	\$ 2,219,623
Office equipment, vehicles and other	219,876	-	-	219,876
Total	<u>3,769,476</u>	<u>\$ -</u>	<u>\$ (1,329,977)</u>	<u>2,439,499</u>
Less: Accumulated depreciation				
Office equipment, vehicles and other	33,572	34,553	-	68,125
Total	<u>33,572</u>	<u>\$ 34,553</u>	<u>\$ -</u>	<u>68,125</u>
Governmental activities capital assets, net	<u>\$ 3,735,904</u>			<u>\$ 2,371,374</u>

Depreciation expense of \$34,553 and the write-off of land of \$1,329,977 was charged to the economic development program for the year ended June 30, 2022.

4. LONG TERM LIABILITY

The BDC negotiated with a vendor to convert a payable for professional services to a long term payment agreement. The liability is unsecured, non-interest bearing and will require future payments when mutually agreeable. No payments were made during the year ended June 30, 2022 and by mutual agreement, these quarterly payments were suspended as of September 2014 until an undetermined date. The outstanding balance as of June 30, 2022 was \$91,841.

BAINBRIDGE DEVELOPMENT CORPORATION

Notes to the Financial Statements June 30, 2022

5. DEVELOPMENT AGREEMENT

BDC entered into a master development agreement with MTPM, LLC (the developer) for the development of the Bainbridge property. This agreement reflects various terms as outlined in the environmental remediation agreement between the BDC and the U.S. Navy (see Note 6), including the permitted use of the land and available credits toward the purchase price of land transferred to private parties for development.

Terms of the agreement call for an initial annual development fee payment of \$300,000 per year and will increase annually by three percent.

In addition to payment of agreed upon annual development fees, payments will be made to BDC as land is transferred to private parties for development. The fees will be based on each net useable acre for an approved permitted use at the rate of \$8,000 per acre. As of June 30, 2022, the developer had available credits totaling \$5,705,515. The BDC is not required to reimburse any unused credits at the completion of the development project.

Total fees paid by the developer during the year ended June 30, 2022, totaled \$403,174.

This agreement may be terminated under certain circumstances by the BDC with 90 days written notice to the developer. In addition, the developer may terminate this agreement at any time with six months written notice to the BDC.

6. ENVIRONMENTAL ISSUES

An environmental site assessment was completed on the former USNTC Bainbridge property by the US Environmental Protection Agency (EPA) in October 2010. This assessment identified certain contaminants on the property at levels above the MDE Residential and Commercial Soil Cleanup Standards. The US Department of the Navy (US Navy) is identified as the responsible party for assessment and cleanup through the Quitclaim Deed (the property transfer document between the US Navy and the BDC) and has been notified of the contamination. The Department of the Navy evaluated and did not dispute the validity of the US EPA site assessment data and has performed certain technical studies that also confirm the US EPA data. The US Navy has agreed to take responsibility for assessment and cleanup and as such, the BDC has not recorded a liability for this cleanup.

The BDC and US Navy signed an Environmental Services Cooperative Agreement (ESCA) on which provides up to \$4,871,393 of funding to perform the environmental cleanup of asbestos and any other hazardous substances, as detailed in the previous paragraph. The agreement expires on September 30, 2024. In addition, the terms of the ESCA limit development of the site to commercial or industrial purposes. As of June 30, 2022, total costs expended under the ESCA have totaled \$3,035,004.

BAINBRIDGE DEVELOPMENT CORPORATION

Notes to the Financial Statements

June 30, 2022

7. COMMITMENTS AND CONTINGENCIES

BDC contracts environmental monitoring services with a third-party. During the year ended June 30, 2022, total contracted costs were \$12,550. A similar contract amount has been awarded for the following fiscal year and has been reported as committed fund balance.

BDC signed an agreement with a contractor to provide environmental services in connection with their performance of the ESCA as described in Note 6. Total costs under this contract may not exceed \$2,924,306. As of June 30, 2022, the contractor has performed services at a total cost of \$1,654,158. Additional contractor costs under the ESCA for site excavation will be provided based on the actual amount of site work necessary to remediate the current contamination level. All costs under this contract are eligible for reimbursement under the grant agreement with the U.S. Navy.

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 BDC under the ESCA are subject to audit. To date, BDC has not been notified of any significant unallowable costs relating to the ESCA. In the opinion of management, adjustments for unallowable costs, if any, resulting from such audit will not have a material effect on the accompanying financial statements.

On August 20, 2018, BDC signed an inter-agency agreement with the Maryland Economic Development Corporation (MEDCO) to provide administrative, technical and business services to the BDC. The agreement had an effective date of July 16, 2018. MEDCO will provide such services as requested by the BDC at set hourly rates. The agreement will continue until terminated by either party with 30 days written notice. Total maximum annual cost per the agreement is \$120,000, unless both parties agree in writing to cost increases. Total expenses to MEDCO for the year ended June 30, 2022 were \$26,672.

8. RELATED PARTY TRANSACTION

BDC entered into a contract with MEDCO for certain services. The Executive Director of MEDCO is a board member of BDC.

REQUIRED SUPPLEMENTARY INFORMATION

BAINBRIDGE DEVELOPMENT CORPORATION

**Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2022**

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES:			
Development fees	\$ 403,174	\$ 403,174	\$ -
Grant revenue	46,584	-	(46,584)
Interest income and other	7,520	668	(6,852)
TOTAL REVENUES	<u>457,278</u>	<u>403,842</u>	<u>(53,436)</u>
EXPENDITURES:			
Economic Development			
Office supplies & equipment	7,100	7,497	(397)
Operating expenses	20,493	10,764	9,729
Professional services	119,750	75,422	44,328
Property maintenance	91,850	78,691	13,159
Salaries & related expenses	125,049	72,408	52,641
Travel	4,500	1,973	2,527
Utilities	6,070	2,582	3,488
Contingency	10,000	-	10,000
TOTAL EXPENDITURES	<u>384,812</u>	<u>249,337</u>	<u>135,475</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	72,466	154,505	(188,911)
FUND BALANCE - BEGINNING			
	<u>902,080</u>	<u>921,360</u>	<u>19,280</u>
FUND BALANCE - ENDING			
	<u>\$ 974,546</u>	<u>\$ 1,075,865</u>	<u>\$ 101,319</u>

BAINBRIDGE DEVELOPMENT CORPORATION

**Notes to the Required Supplemental Information
For the Year Ended June 30, 2022**

1. BUDGETARY INFORMATION

Budgetary procedures established for BDC are as follows. The Executive Director and Bookkeeper will work together to draft a budget on an annual basis estimating expenditures and income using past two years of data as well as estimating probable expenditures and income based on current and proposed activities. The annual budget shall be laid out and presented in a form approved by the Board of Directors. The draft annual budget shall be submitted to the Executive Committee no later than June 1st each year. The Board of Directors is required to adopt an approved budget by June 30th of each year. The budget may only be amended with the approval of the Board of Directors. In June 2021, Board of Directors adopted the original budget for Fiscal Year 2022. All annual appropriations lapse at fiscal year-end.

The level of budgetary control is at the level of general classification of expenditure. BDC exceeded its budgeted expenditures for the year ended June 30, 2022 as follows:

Office supplies & equipment	\$	397
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The BDC did not include revenues or expenditures which were considered pass through activity.