

BAINBRIDGE DEVELOPMENT CORPORATION

AUDITED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION AND REPORTS
REQUIRED BY
GOVERNMENT AUDITING STANDARDS
AND THE UNIFORM GUIDANCE

YEAR ENDED JUNE 30, 2020

BAINBRIDGE DEVELOPMENT CORPORATION

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BAINBRIDGE DEVELOPMENT CORPORATION

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Independent Auditors' Report

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

Report of Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Bainbridge Development Corporation (a component unit of Cecil County, Maryland) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the organization's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Bainbridge Development Corporation as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditors' Report (continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 6 and 22 through 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bainbridge Development Corporation's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2020, on our consideration of the Bainbridge Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Bainbridge Development Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bainbridge Development Corporation's internal control over financial reporting and compliance.

Weylich, Cronin & Serra, LLC

September 21, 2020
Hunt Valley, MD

Bainbridge Development Corporation

Management Discussion and Analysis
June 30, 2020

The Board of Directors of Bainbridge Development Corporation presents this overview and analysis of the financial activities of the Corporation for the fiscal year ended June 30, 2020.

Financial Highlights

Government-wide

The Corporation's assets exceeded its liabilities by \$4,328,025 (net position).

Fund Level

As of the close of the fiscal year, the Corporation reported an ending fund balance of \$817,079.

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 Corporation'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 Corporation's finances, in a manner similar to a private-sector business.

The Statement of Net Position (page 7) presents information on all of the Corporation'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 Corporation is improving or not.

During this reporting period the Corporation's net position increased by \$145,165. This expected increase comes from the economic development activities.

The Statement of Activities (page 8) presents information showing how the Corporation'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 Corporation uses only one fund (the General Fund). Fund financial statements provide detail information and begin on page 9. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the Corporation uses to keep track of specific sources of funding and spending.

The Corporation'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 Corporation'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 Corporation'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.

Bainbridge Development Corporation

Management Discussion and Analysis
June 30, 2020

The governmental fund balance increased \$131,382 over the prior reporting period where the government wide fund balance increased \$145,165. The increase in the governmental fund balance is due to operating grants.

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 13 of this report.

Financial Analysis

Net Position and Fund Balance. A year-to-year comparison of net position and fund balance is as follows:

Bainbridge Development Corporation's Net Position and Governmental Fund Balance as of June 30, 2020 and 2019

	Government-wide Total			Governmental Funds Total		
	2020	2019	Change	2020	2019	Change
Current and Other Assets	\$925,772	\$716,913	\$208,859	\$925,772	\$716,913	\$208,859
Capital Assets	3,585,203	3,589,004	(3,801)	-0-	-0-	-0-
Total Assets	4,510,975	4,305,917	205,058	925,772	716,913	208,859
Current Liabilities	91,109	31,216	(59,893)	91,109	31,216	(59,893)
Long Term Liabilities	91,841	91,841	-0-	-0-	-0-	-0-
Total Liabilities	182,950	123,057	(59,893)	91,109	31,216	(59,893)
Deferred Inflows						
Unavailable grants						
Receivable	-0-	-0-	-0-	17,584	-0-	17,584
Net Position/Fund Balance:						
Invested in Capital Assets, net of Related Debt	3,585,203	3,589,004	(3,801)	-0-	-0-	-0-
Unassigned/Unrestricted	742,822	586,040	156,782	795,479	643,593	151,886
Restricted	-0-	7,816	(7,816)	-0-	7,816	(7,816)
Assigned/Committed	-0-	-0-	-0-	21,600	34,288	(12,688)
Total Net Position/ Fund Balance	<u>\$4,328,025</u>	<u>\$4,182,860</u>	<u>\$145,165</u>	<u>\$817,079</u>	<u>\$685,697</u>	<u>\$131,382</u>

The largest component of the Corporation's net position reflects its \$3,549,600 investment in land held for development.

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

The Corporation's net position increased \$145,165.

Bainbridge Development Corporation

Management Discussion and Analysis
June 30, 2020

Comparison to Prior Year. Revenues increased during this reporting period as the Corporation executed an 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 422 acres), and initiated the project scope in Fall 2019.

Bainbridge Development Corporation's Changes in Net Position and Fund Balance for the year ended June 30, 2020 and 2019

	Government-wide Activities			Governmental Change in Fund Balance		
	2020	2019	Change	2020	2019	Change
REVENUES						
Investment Earnings	\$5,336	\$5,033	\$303	\$5,336	\$5,033	\$303
Miscellaneous/Grants	978,455	-0-	978,455	960,871	-0-	960,871
Excl. Rights Fees	380,031	368,962	11,069	380,031	368,962	11,069
Total Revenues	<u>1,363,822</u>	<u>373,995</u>	<u>989,827</u>	<u>1,346,238</u>	<u>373,995</u>	<u>972,243</u>
EXPENSES						
Economic						
Development	1,218,657	311,942	906,715	1,214,856	307,704	907,152
Capital Outlay	-0-	-0-	-0-	-0-	-0-	-0-
Debt Service	-0-	-0-	-0-	-0-	-0-	-0-
Total Expenses	<u>1,218,657</u>	<u>311,942</u>	<u>906,715</u>	<u>1,214,856</u>	<u>307,704</u>	<u>907,152</u>
Increase In Net Position/Fund Balance	<u>\$145,165</u>	<u>\$62,053</u>	<u>\$83,112</u>	<u>\$131,382</u>	<u>\$66,291</u>	<u>\$65,091</u>

Bainbridge Development Corporation

Management Discussion and Analysis
June 30, 2020

Capital Assets

As of June 30, 2020, the Corporation owned a total of \$3,585,203, 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 Debt

As of June 30, 2020, the Corporation had long term debt of \$91,841. For the fiscal year ended June 30, 2020, the Corporation made no payments on the debt. More detailed information regarding the Corporation's long term debt can be found in Note 4 to the financial statements.

Budgets and Ongoing Developments

The Corporation adopted a formal budget for the reporting period on June 30, 2020. Please see a comparison of the budget to actual expenditures and revenues on page 22. The Corporation received a grant from the U.S. Navy during the year which caused certain expenses to exceed budgeted amounts as those costs were reimbursed by the U.S. Navy.

During this reporting period, the Corporation executed 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.

The Corporation continued discussions with the U.S. Navy and executed a second MOA to pursue additional funding for the remaining acreage of the site.

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 CORPORATIONStatement of Net Position
June 30, 2020

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS	
Cash	\$ 451,590
Grant funds receivable	<u>82,454</u>
TOTAL CURRENT ASSETS	\$ 534,044
OTHER ASSETS	
Certificates of deposit	<u>391,728</u>
TOTAL OTHER ASSETS	391,728
CAPITAL ASSETS	
Land, nondepreciable	3,549,600
Land improvements and office equipment	64,622
Less: accumulated depreciation	<u>(29,019)</u>
TOTAL CAPITAL ASSETS	<u>3,585,203</u>
TOTAL ASSETS	<u>4,510,975</u>
LIABILITIES:	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	<u>91,109</u>
TOTAL CURRENT LIABILITIES	91,109
NONCURRENT LIABILITIES	
Due in more than one year	<u>91,841</u>
TOTAL NONCURRENT LIABILITIES	<u>91,841</u>
TOTAL LIABILITIES	<u>182,950</u>
NET POSITION:	
Net investment in capital assets	3,585,203
Unrestricted	<u>742,822</u>
TOTAL NET POSITION	<u>\$ 4,328,025</u>

See accompanying notes to financial statements

BAINBRIDGE DEVELOPMENT CORPORATION

Statement of Activities
For the Year Ended June 30, 2020

		Program Revenues		
	Expenses	Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS				
GOVERNMENTAL ACTIVITIES:				
Economic Development	\$ 1,218,657	\$ 380,031	\$ 978,455	\$ 139,829
TOTAL PRIMARY GOVERNMENT	\$ 1,218,657	\$ 380,031	\$ 978,455	139,829
GENERAL REVENUES:				
Interest income				5,336
TOTAL GENERAL REVENUES				5,336
CHANGE IN NET POSITION				145,165
NET POSITION - BEGINNING OF YEAR				4,182,860
NET POSITION - END OF YEAR				\$ 4,328,025

See accompanying notes to financial statements

BAINBRIDGE DEVELOPMENT CORPORATION

Balance Sheet
Governmental Funds
June 30, 2020

	<u>General Fund</u>
<u>ASSETS</u>	
Cash	\$ 451,590
Certificates of deposit	391,728
Grant funds receivable	<u>82,454</u>
 TOTAL ASSETS	 <u>\$ 925,772</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>	
<u>LIABILITIES</u>	
Accounts payable and accrued expenses	<u>\$ 91,109</u>
 TOTAL LIABILITIES	 \$ 91,109
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Unavailable grants receivable	<u>17,584</u>
 TOTAL DEFERRED INFLOWS OF RESOURCES	 17,584
<u>FUND BALANCES</u>	
Committed	21,600
Unassigned	<u>795,479</u>
 TOTAL FUND BALANCES	 <u>817,079</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 <u>\$ 925,772</u>

See accompanying notes to financial statements

BAINBRIDGE DEVELOPMENT CORPORATION

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

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 817,079

Amounts reported for Governmental Activities in the Statement
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	\$ 3,614,222	
Less: accumulated depreciation	<u>(29,019)</u>	3,585,203

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

Long-term debt		(91,841)
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Revenue not meeting the criteria for recognition
in the governmental fund statements because
they are not received within sixty days of year
end are not current financial resources.

	<u>17,584</u>
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NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>4,328,025</u></u>
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See accompanying notes to financial statements

BAINBRIDGE DEVELOPMENT CORPORATION

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

	<u>General Fund</u>
REVENUES:	
Development fees	\$ 380,031
Grant revenue	960,871
Other interest income	<u>5,336</u>
TOTAL REVENUES	<u>\$ 1,346,238</u>
EXPENDITURES:	
Current operating	
Economic Development	<u>1,214,856</u>
TOTAL EXPENDITURES	<u>1,214,856</u>
EXCESS OF REVENUES OVER EXPENDITURES	131,382
FUND BALANCE - BEGINNING OF YEAR	<u>685,697</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 817,079</u></u>

See accompanying notes to financial statements

BAINBRIDGE DEVELOPMENT CORPORATION

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances - Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2020

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 131,382

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

Governmental funds report capital outlays as expenditures,
however, in the Statement of Activities, the cost of those
assets is allocated over their estimated useful lives and
reported as depreciation expense. This is the amount by which
depreciation expense exceeded capital outlays for the year:

Total depreciation for the year (3,801)

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 in the previous year, but not received until after
the 60 day period.

Grants revenue 17,584

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 145,165

Bainbridge Development Corporation

Notes to Financial Statements
June 30, 2020

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 Corporation 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.

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, proprietary funds or fiduciary funds held by the BDC.

Bainbridge Development Corporation

Notes to Financial Statements
June 30, 2020

1. Summary of Significant Accounting Policies (continued)

Governmental fund financial statements are reported using the "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included in the balance 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.

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.

Fund Types and Major Funds

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

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.

Bainbridge Development Corporation

Notes to Financial Statements
June 30, 2020

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 may consist 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.

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.

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.

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. Donated capital assets received on or before June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. The costs of normal maintenance and repairs which do not add to the asset value or materially extend useful lives are not capitalized. Land improvements are depreciated using accelerated methods over a fifteen year period, and 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.

Historical buildings and artifacts meet the definition of a capital asset, and normally should be reported in the financial statements. However, the requirement for capitalization is waived for collections that meet certain criteria. BDC owns the land on which the Bainbridge Tome School for Boys, listed on the National Register of Historic Places, sits, along with historical artifacts from the Tome School. The buildings and artifacts are not capitalized as they meet all of the waiver requirements which are: (1) the collections are held for reasons other than financial gain, (2) the collections are protected, preserved and cared for, and (3) should any items be sold, the proceeds are used only to acquire other items for the collections.

Bainbridge Development Corporation

Notes to Financial Statements
June 30, 2020

1. Summary of Significant Accounting Policies (continued)

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

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, 2020, BDC did not have any assets to be reported in this category.

Unrestricted

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

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, 2020, 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, 2020, 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, 2020, the Board of Directors of the BDC committed \$21,600 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, 2020, 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.

Bainbridge Development Corporation

Notes to Financial Statements
June 30, 2020

1. Summary of Significant Accounting Policies (continued)

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 revenue and expenses during the reported period. Actual results could differ from those estimates.

2. 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, 2019 through June 30, 2020. 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, 2020, the BDC was in compliance with the Annotated Code of Maryland.

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

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 680,764	\$ 693,402
Uninsured collateral held by pledging banks' Trust Department in BDC's name	162,554	162,554
Total deposits	\$ 843,318	\$ 855,956

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

Cash	\$ 451,590
Certificates of Deposit	391,728
	\$ 843,318

Bainbridge Development Corporation

Notes to Financial Statements

June 30, 2020

3. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Land, nondepreciable	\$ 3,549,600	\$ - 0 -	\$ - 0 -	\$ 3,549,600
Land improvements	51,088	- 0 -	- 0 -	51,088
Office equipment	13,534	- 0 -	- 0 -	13,534
Total	3,614,222	\$ - 0 -	\$ - 0 -	3,614,222
Less: Accumulated depreciation				
Land improvements and				
Office equipment	25,218	\$ 3,801	\$ - 0 -	29,019
Governmental activities capital				
assets, net	\$ 3,589,004			\$ 3,585,203

Depreciation expense of \$3,801 was charged to the economic development program for the year ended June 30, 2020.

4. Long Term Debt

The following is a summary of long term debt as of June 30, 2020:

Amount payable at beginning of year	\$ 91,841
Increase in principal balance	- 0 -
Decrease in principal balance	- 0 -
Amount payable at end of year	\$ 91,841

Restructure of account payable

In 2014, the BDC negotiated with a vendor to convert their existing arrearages for professional services to a long term repayment agreement. As part of this agreement, the BDC will endeavor to make quarterly payments of \$5,000 above the amount owed for services that quarter, beginning March 2014, after an initial payment of \$15,000 upon execution of the agreement. The agreement does not bear interest. The total amount of arrearages converted to a long term obligation in December 2013 totaled \$121,841. The vendor does not have an outside date by which all payments shall be made. Accordingly, this liability has not been included in the schedule of annual debt service requirements. Total payments to date are \$30,000. By mutual agreement, these quarterly payments have been suspended as of September 2014 until an undetermined date. The outstanding balance for this debt as of June 30, 2020 totaled \$91,841.

Bainbridge Development Corporation

Notes to Financial Statements
June 30, 2020

5. Development Agreement

In January 2004, BDC entered into a master development agreement with MTPM, LLC (the developer) for the development of the Bainbridge property. This agreement was updated in September 2013, and subsequently amended in October 2019 to reflect 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.

Certain terms of the agreement were retroactive to July 1, 2011. Terms of the September 2013 agreement call for annual development fee payments of \$300,000 per year beginning on July 1, 2011. In addition, beginning with the payment due on July 1, 2012, the payments will increase annually by three percent.

In addition to payment of agreed upon annual development fees, the September 2013 agreement and October 2019 amendment outline payments to be made to BDC as land is transferred from the BDC 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, 2020, the developer had available credits totaling \$4,528,847. 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, 2020 totaled \$380,031, which includes all payments for development fees.

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. If termination occurs after January 1, but prior to July 1 of any year, BDC will receive a pro-rated amount of development fees based on the month of termination, up to \$150,000.

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.

The BDC and US Navy signed an Environmental Services Cooperative Agreement (ESCA) on September 24, 2019 which provides up to \$4,239,712 of funding to perform the environmental cleanup of asbestos and any other hazardous substances, as detailed in the previous paragraph. It is anticipated that the contracted work will be completed by September 2021. In addition, the terms of the ESCA limit development of the site to commercial or industrial purposes.

Bainbridge Development Corporation

Notes to Financial Statements
June 30, 2020

7. Facilities

BDC has an agreement with Cecil College under which the College provides office space and certain services in exchange for the right to conduct specific College activities on the BDC's premises. The term of the agreement is five years through December 2015, with a five year renewal period subject to certain conditions. On February 4, 2016 the agreement was extended for another five years through December 2020.

Because of the uncertainty in valuing this arrangement, no amounts have been included in the financial statements regarding this agreement.

8. Risk Management

The BDC is exposed to various risks of loss related to torts; damage to and destruction of assets; errors and omissions; employee health and accident; and natural disasters. The BDC purchases commercial insurance for these risks of loss, including workers' compensation insurance. During the year ended June 30, 2020, there was no significant reduction in insurance coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

9. Commitments and Contingencies

BDC contracts environmental monitoring services with a third-party. During the year ended June 30, 2020, total contracted costs were \$22,100. 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 \$1,906,149. As of June 30, 2020, the contractor has performed services at a total cost of \$894,759. Additional contractor costs under the ESCA 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, 2020 were \$84,068.

Bainbridge Development Corporation

Notes to Financial Statements
June 30, 2020

9. Commitments and Contingencies (continued)

In prior years, a member of MTPM, LLC paid BDC the sum of \$150,000 to be used exclusively for the purpose of funding outside counsel in connection with the Navy claims. As part of this agreement, BDC matched the contribution with an additional \$100,000 towards these legal expenses. The outside counsel is engaged in connection with efforts to settle or, if necessary, litigate BDC's claims against the Navy relating to the contamination that has been identified in Note 6. During the current year, \$16,829 was spent out of the litigation account. The total restricted cash balance as June 30, 2020 was \$-0-. The agreement states that should any unrestricted monetary awards as a result of this claim be received, they will first be utilized to repay the respective contributor before such monetary award is otherwise divided. As of June 30, 2020, BDC has not received any monetary claims.

In 2017, the BDC signed a 60 month lease for office equipment. The terms of the lease call for monthly payments of \$180 through November 2022. The lease did not qualify for treatment as a capital lease. The future minimum lease payments are as follows for the years ending June 30:

2021	\$ 2,160
2022	2,160
2023	<u>720</u>
Total	<u>\$ 5,040</u>

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

10. Related Party Transaction

BDC entered into a contract with MEDCO for certain services (NOTE 9). The Executive Director of MEDCO is a board member of BDC.

11. Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition September 21, 2020 the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

BAINBRIDGE DEVELOPMENT CORPORATION

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Development fees	\$ 380,030	\$ 380,030	\$ 380,031	\$ 1
Grant revenue	- 0 -	- 0 -	960,871	960,871
Other interest income	2,000	2,000	5,336	3,336
TOTAL REVENUES	382,030	382,030	1,346,238	964,208
PRIOR YEAR SURPLUS	695,155	695,155	- 0 -	(695,155)
TOTAL REVENUE AND OTHER FINANCING SOURCES	1,077,185	1,077,185	1,346,238	269,053
EXPENDITURES:				
Economic Development:				
Office supplies & equipment	4,500	4,500	4,534	(34)
Operating expenses	18,972	18,972	20,677	(1,705)
Professional services	153,150	153,150	1,040,450	(887,300)
Property maintenance	98,798	98,798	52,521	46,277
Salaries & related expenses	79,926	79,926	81,549	(1,623)
Travel	7,500	7,500	9,314	(1,814)
Utilities	5,740	5,740	5,811	(71)
Contingency	10,000	10,000	- 0 -	10,000
TOTAL EXPENDITURES	378,586	378,586	1,214,856	(836,270)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	698,599	698,599	131,382	(567,217)
FUND BALANCE - BEGINNING	- 0 -	- 0 -	685,697	685,697
FUND BALANCE - ENDING	\$ 698,599	\$ 698,599	\$ 817,079	\$ 118,480

See accompanying notes to required supplementary information

Bainbridge Development Corporation

Notes to Required Supplemental Information
June 30, 2020

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 2019, Board of Directors adopted the original budget for Fiscal Year 2020. 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, 2020 as follows:

Office supplies & equipment	\$	34
Operating expenses		1,705
Professional services		887,300
Salaries & related expenses		1,623
Travel		1,814
Utilities		71

For budgetary purposes, BDC budgeted a "prior year surplus" of \$695,155 as revenue. This is not considered revenue for GAAP purposes.

Total budgeted revenues and other financing sources	\$	1,077,185
Less: prior year surplus		<u>(695,155)</u>
Total GAAP budgetary revenues	\$	<u>382,030</u>

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Bainbridge Development Corporation, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Bainbridge Development Corporation's basic financial statements, and have issued our report thereon dated September 21, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Bainbridge Development Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bainbridge Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bainbridge Development Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* (continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bainbridge Development Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Weylich, Cronin & Sosa, LLC

September 21, 2020
Hunt Valley, MD

Independent Auditors' Report on Compliance For Each Major Federal Program
and on Internal Control Over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited the Bainbridge Development Corporation's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Bainbridge Development Corporation's major federal programs for the year ended June 30, 2020. Bainbridge Development Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Bainbridge Development Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Bainbridge Development Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Bainbridge Development Corporation's compliance.



Independent Auditors' Report on Compliance For Each Major Program
and on Internal Control Over Compliance Required by the Uniform Guidance (continued)

Opinion on Each Major Federal Program

In our opinion, the Bainbridge Development Corporation, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of the Bainbridge Development Corporation, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Bainbridge Development Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Bainbridge Development Corporation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Weylich, Cronin & Serra, LLC

September 21, 2020
Hunt Valley, MD

BAINBRIDGE DEVELOPMENT CORPORATION

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipient	Federal Expenditures
<i>US Department of Defense</i>				
Department of the Navy Environmental Services Cooperative Agreement	12.U01	NA	- 0 -	\$ 978,455
Total expenditures of federal awards				<u>\$ 978,455</u>

Bainbridge Development Corporation

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2020

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the Bainbridge Development Corporation (BDC) under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule of Expenditures of Federal Awards presents only a selected portion of operations of the Bainbridge Development Corporation, it is not intended and does not present the financial position, changes in net position or cash flows of the BDC.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule of Expenditures of Federal Awards are reported on the accrual basis of accounting. Such expenditures are recognized following, the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate

The BDC has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Awards Passed-Through to Subrecipients

The BDC did not have any awards passed through to subrecipients during the year ended June 30, 2020.

Bainbridge Development Corporation

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2020

Summary of Auditors' Results

(i) The independent auditors' report expresses an unmodified opinion on whether the financial statements of the Bainbridge Development Corporation were prepared in accordance with accounting principles generally accepted in the United States of America.

(ii) No material weaknesses or significant deficiencies in internal control over financial reporting were disclosed during the audit of the financial statements of the Bainbridge Development Corporation.

(iii) No instances of noncompliance material to the financial statements of the Bainbridge Development Corporation, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

(iv) No significant deficiencies or material weaknesses were disclosed during the audit of internal control over major federal award programs.

(v) The independent auditors' report on compliance for the major federal award program for the expresses an unmodified opinion on the major federal award program.

(vi) There were no findings and questioned costs for federal awards which would include audit findings as defined in accordance with 2 CFR section 200.516(a) of the Uniform Guidance.

(vii) The following program was tested as major federal award programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
12.U01	<i>US Department of Defense</i> Department of the Navy Environmental Services Cooperative Agreement

(viii) The threshold used for distinguishing between Type A and Type B programs was \$750,000.

(ix) The Bainbridge Development Corporation did not qualify as a low-risk auditee.

Findings - Financial Statement Audit

No matters were reported.

Findings and Questioned Costs – Major Federal Award Programs

No matters were reported.

Bainbridge Development Corporation

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2020

Findings - Financial Statement Audit

None as previous years' audits were not subject to *Government Auditing Standards* or the Uniform Guidance.

Findings and Questioned Costs – Major Federal Award Programs

None as previous years' audits were not subject to *Government Auditing Standards* or the Uniform Guidance.