

CITY OF CRISFIELD, MARYLAND
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

CITY OF CRISFIELD, MARYLAND

TABLE OF CONTENTS

| | <u>Page(s)</u> |
|---|----------------|
| INDEPENDENT AUDITORS' REPORT | 1 – 2 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 3 – 11 |
| BASIC FINANCIAL STATEMENTS | |
| Government-wide financial statements | |
| Statement of net position | 12 |
| Statement of activities | 13 |
| Fund financial statements | |
| Balance sheet – Governmental Fund | 14 |
| Reconciliation of the Governmental Fund balance sheet to the statement of net position | 15 |
| Statement of revenues, expenditures and changes in fund balance – Governmental Fund | 16 |
| Reconciliation of the statement of revenues, expenditures and changes in fund balance of Governmental Fund to the statement of activities | 17 |
| Statement of net position – Proprietary Funds | 18 |
| Statement of revenues, expenses and changes in net position – Proprietary Funds | 19 |
| Statement of cash flows – Proprietary Funds | 20 |
| Notes to financial statements | 21 – 48 |

CITY OF CRISFIELD, MARYLAND

**TABLE OF CONTENTS
(Continued)**

| | <u>Page(s)</u> |
|---|----------------|
| REQUIRED SUPPLEMENTARY INFORMATION | |
| Detailed schedule of revenues and expenditures, budget (non-GAAP and Budgetary basis) and actual – General Fund | 49 – 55 |
| Maryland State Retirement and Pension System | |
| Schedule of the City's proportionate share of the net pension liability | 56 |
| Schedule of the City's contributions | 57 |
| Schedule of changes in the City's total OPEB liability and related ratios | 58 |
| <i>GOVERNMENT AUDITING STANDARDS REPORT</i> | |
| 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 <i>Government Auditing Standards</i> | 59 – 60 |
| Schedule of findings and responses | 61 |

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

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To the Honorable Mayor and Council
City of Crisfield, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Crisfield, Maryland as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Crisfield, Maryland'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, the business-type activities, and each major fund of the City of Crisfield, Maryland, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information on pages 3 – 11 and 49 – 58 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2022, on our consideration of the City of Crisfield, Maryland'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 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 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 City of Crisfield, Maryland's internal control over financial reporting and compliance.

PKS & Company, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
February 8, 2022

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

CITY OF CRISFIELD, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

This section of the City of Crisfield, Maryland's (the "City") annual report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2021. Please read it in conjunction with the City's financial statements, which begin on page 12.

FINANCIAL HIGHLIGHTS

The *Statement of Activities* presents information showing how the City'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*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, streets and highways, sanitation and waste removal, conservation of health, conservation of natural resources, and airport. The business-type activities of the City include Water, Sewer, Industrial Rental Property, and Partnership Rental Housing operations.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

CITY OF CRISFIELD, MARYLAND
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2021

FINANCIAL HIGHLIGHTS (Continued)

Governmental Funds (continued)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By so doing, readers may better understand the long-term impact of the government’s near term financing decisions. Both, the Governmental Fund Balance Sheet and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance, provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains one individual governmental fund, the General Fund. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 14 – 17. The budgetary comparison can be found on pages 49 – 55.

Proprietary Funds

The City maintains one proprietary-type fund: an enterprise fund. *Enterprise* funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its Water, Sewer, Industrial Rental Property, and Partnership Rental Housing activities. The basic proprietary fund financial statements can be found on pages 18 – 20 of this report.

Summary of Significant Accounting Policies and Notes to the Financial Statements

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Notes to the financial statements are part of the basic financial statements and can be found on pages 21 – 48 of this report.

CITY OF CRISFIELD, MARYLAND
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2021

FINANCIAL HIGHLIGHTS (Continued)

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s overall financial condition and position. In the case of the City, assets exceeded liabilities by \$17.4 million at the close of the current fiscal year. The City’s net position is divided into three categories – net investment in capital assets, restricted, and unrestricted net position. The largest portion of the City’s net position reflects its investment in capital assets (e.g., land, improvements, buildings, machinery, equipment, vehicles and sewer system), less accumulated depreciation and any unmatured debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Unrestricted net position at June 30, 2021 for governmental activities was a deficit of \$898,196. The unrestricted net position for business-type activities was a deficit of \$44,658.

CITY OF CRISFIELD, MARYLAND
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2021

FINANCIAL HIGHLIGHTS (Continued)

Government-Wide Financial Analysis (continued)

Statements of Net Position

| | 2021 | | | 2020 (Restated) | | |
|---|----------------------------|-----------------------------|----------------------|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total | Governmental Activities | Business-Type Activities | Total |
| Assets | | | | | | |
| Current and other assets | \$ 824,401 | \$ 578,332 | \$ 1,402,733 | \$ 960,917 | \$ 462,043 | \$ 1,422,960 |
| Capital assets | 5,376,754 | 17,415,088 | 22,791,842 | 5,090,551 | 17,881,039 | 22,971,590 |
| Total assets | 6,201,155 | 17,993,420 | 24,194,575 | 6,051,468 | 18,343,082 | 24,394,550 |
| Deferred outflows of resources | 434,511 | 75,686 | 510,197 | 436,442 | 96,682 | 533,124 |
| Liabilities | | | | | | |
| Current and other liabilities | 480,347 | 607,029 | 1,087,376 | 359,138 | 617,555 | 976,693 |
| Long-term liabilities outstanding | 1,905,300 | 4,222,618 | 6,127,918 | 1,877,086 | 4,537,644 | 6,414,730 |
| Total liabilities | 2,385,647 | 4,829,647 | 7,215,294 | 2,236,224 | 5,155,199 | 7,391,423 |
| Deferred inflows of resources | 105,971 | 19,469 | 125,440 | 72,627 | 21,832 | 94,459 |
| Net position | | | | | | |
| Net investment in capital assets | 5,042,244 | 13,146,039 | 18,188,283 | 4,698,205 | 13,328,034 | 18,026,239 |
| Restricted | | 118,609 | 118,609 | | 104,650 | 104,650 |
| Unrestricted (deficit) | (898,196) | (44,658) | (942,854) | (516,146) | (169,951) | (686,097) |
| Total net position | \$ 4,144,048 | \$ 13,219,990 | \$ 17,364,038 | \$ 4,182,059 | \$ 13,262,733 | \$ 17,444,792 |

CITY OF CRISFIELD, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

Government-Wide Financial Analysis (continued)

The following table indicates the changes in net position for governmental and business-type activities:

| | Changes in Net Position | | | | | |
|--|----------------------------|-----------------------------|----------------------|----------------------------|-----------------------------|----------------------|
| | 2021 | | | 2020 (Restated) | | |
| | Governmental Activities | Business-Type Activities | Total | Governmental Activities | Business-Type Activities | Total |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 211,438 | \$ 1,887,785 | \$ 2,099,223 | \$ 199,121 | \$ 1,861,343 | \$ 2,060,464 |
| Operating grants and contributions | 320,626 | | 320,626 | 318,664 | | 318,664 |
| Capital grants and contributions | 604,344 | 214,137 | 818,481 | 124,797 | 223,538 | 348,335 |
| General revenues | | | | | | |
| Property taxes | 1,425,155 | | 1,425,155 | 1,460,078 | | 1,460,078 |
| Shared taxes | 285,944 | | 285,944 | 254,801 | | 254,801 |
| Payment in lieu of taxes | 22,356 | | 22,356 | 24,014 | | 24,014 |
| License and permits | 54,364 | | 54,364 | 51,476 | | 51,476 |
| Fines and forfeitures | 1,374 | | 1,374 | 1,638 | | 1,638 |
| Rents and concessions | 43,332 | | 43,332 | 43,168 | | 43,168 |
| Unrestricted investment earnings | 703 | 394 | 1,097 | 2,456 | 558 | 3,014 |
| Miscellaneous | 61,773 | | 61,773 | 40,935 | | 40,935 |
| Loss on disposal of assets | | | | (15,693) | | (15,693) |
| Transfers | 293,887 | | 293,887 | 561,435 | | 561,435 |
| Total revenues | <u>3,325,296</u> | <u>2,102,316</u> | <u>5,427,612</u> | <u>3,066,890</u> | <u>2,085,439</u> | <u>5,152,329</u> |
| Expenses | | | | | | |
| General government | 535,136 | | 535,136 | 593,506 | | 593,506 |
| Public safety | 1,114,013 | | 1,114,013 | 953,307 | | 953,307 |
| Streets and highways | 353,497 | | 353,497 | 581,052 | | 581,052 |
| Sanitation and waste removal | 212,016 | | 212,016 | 200,572 | | 200,572 |
| Conservation of health | 191,279 | | 191,279 | 208,893 | | 208,893 |
| Airport | 65,245 | | 65,245 | 52,152 | | 52,152 |
| Miscellaneous | 854,350 | | 854,350 | 842,444 | | 842,444 |
| Bad debt expense | 24,419 | | 24,419 | 19,960 | | 19,960 |
| Interest on long-term debt | 13,352 | | 13,352 | 10,557 | | 10,557 |
| Water | | 486,573 | 486,573 | | 629,403 | 629,403 |
| Sewer | | 1,250,759 | 1,250,759 | | 1,230,743 | 1,230,743 |
| Industrial rental property | | 58,556 | 58,556 | | 58,557 | 58,557 |
| Partnership rental housing | | 55,284 | 55,284 | | 42,591 | 42,591 |
| Transfers | | 293,887 | 293,887 | | 561,435 | 561,435 |
| Total expenses | <u>3,363,307</u> | <u>2,145,059</u> | <u>5,508,366</u> | <u>3,462,443</u> | <u>2,522,729</u> | <u>5,985,172</u> |
| Change in net position | (38,011) | (42,743) | (80,754) | (395,553) | (437,290) | (832,843) |
| Net position, beginning of year, restated | <u>4,182,059</u> | <u>13,262,733</u> | <u>17,444,792</u> | <u>4,577,612</u> | <u>13,700,023</u> | <u>18,277,635</u> |
| Net position, end of year | <u>\$ 4,144,048</u> | <u>\$ 13,219,990</u> | <u>\$ 17,364,038</u> | <u>\$ 4,182,059</u> | <u>\$ 13,262,733</u> | <u>\$ 17,444,792</u> |

CITY OF CRISFIELD, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

FINANCIAL HIGHLIGHTS (Continued)

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's *governmental funds* statements tell how government services like public safety, public works, recreation and culture, and administration were financed in the *short-term* as well as what remains for future spending.

Governmental funds – Most of the City's basic services are included in governmental funds which focus on (1) how *cash and other financial assets* can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, we provide additional information on the subsequent pages that explains the relationship (or differences) between them.

Proprietary Funds

The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Water Fund, Sewer Fund, Industrial Rental Property Fund, and Partnership Rental Housing Fund was a deficit of \$44,658. Other factors concerning these funds finances are addressed on pages 18 - 20.

General Fund Budgetary Highlights

A budget and actual comparison schedule is provided in the required supplementary information for the General Fund. The budget and actual comparison schedules show the original adopted budgets, the final revised budget, actual results and variance between the final budget and actual results. Major variances between the final budget and actual results are as follows:

- Total revenues not including other financing sources were over the final budget by \$802,710.
- Total expenditures were over the final budget by \$504,841.

CITY OF CRISFIELD, MARYLAND

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2021

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City’s investment in capital assets for its governmental (government-wide) and business-type activities as of June 30, 2021 was \$22,791,842 (net of accumulated depreciation). Investment in capital assets includes land, buildings, improvements, machinery and equipment, furniture and fixtures, and infrastructure.

The following is a table of the City’s capital assets. Additional information can be found on pages 31 – 33 of this report.

| | Capital Assets (net of depreciation) | | | | | |
|----------------------------|--------------------------------------|---------------------|--------------------------|----------------------|----------------------|----------------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Land | \$ 1,833,878 | \$ 1,809,945 | \$ 524,760 | \$ 524,760 | \$ 2,358,638 | \$ 2,334,705 |
| Construction in progress | 175,609 | 21,775 | 249,420 | 468,882 | 425,029 | 490,657 |
| Building and improvements | 1,798,406 | 1,754,314 | 9,303,542 | 9,659,632 | 11,101,948 | 11,413,946 |
| Machinery and equipment | 193,982 | 202,057 | 5,806,424 | 5,578,997 | 6,000,406 | 5,781,054 |
| Furniture and fixtures | 92,066 | 31,863 | | | 92,066 | 31,863 |
| Infrastructure | 1,282,813 | 1,270,597 | 1,530,942 | 1,648,768 | 2,813,755 | 2,919,365 |
| Capital assets, net | \$ 5,376,754 | \$ 5,090,551 | \$ 17,415,088 | \$ 17,881,039 | \$ 22,791,842 | \$ 22,971,590 |

Major purchases this year included:

Governmental activities:

1. City Hall building renovations totaling \$29,058.
2. Purchase of building as part of the town rehabilitation plan for \$35,148.
3. Purchase of various fences for the Airport, Waste Water Treatment Plant, and Police buildings totaling \$56,527.
4. Purchase of a 2020 Ford Explorer for \$38,374.
5. Norris Harbor Culvert Project totaling \$123,590.
6. Armory Rehab project totaling \$99,835.
7. It Takes a Village Project totaling \$35,000.
8. Kayak launch totaling \$20,275.
9. Purchase of additional land for the Airport for \$23,933.
10. Purchase of an electric sign for \$21,374.

CITY OF CRISFIELD, MARYLAND
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2021

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Capital Assets (continued)

Business-type activities:

1. Purchase of two wells totaling \$47,559.
2. WWTP facility improvements totaling \$155,920.
3. Purchase and installation of four sewage pumps \$88,660.

Debt Administration

| | Outstanding Debt | | | | | |
|-------------------------------|--------------------------------|--------------------------|---------------------------------|----------------------------|----------------------------|----------------------------|
| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total</u> | |
| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
| General obligation bonds | \$ 260,187 | \$ 300,493 | \$ 3,458,546 | \$ 3,709,018 | \$ 3,718,733 | \$ 4,009,511 |
| Notes payable | 74,323 | 91,853 | 786,880 | 809,205 | 861,203 | 901,058 |
| Capital lease payable | 11,812 | 17,390 | 23,623 | 34,780 | 35,435 | 52,170 |
| Compensated absences | 89,815 | 74,932 | 18,668 | 16,127 | 108,483 | 91,059 |
| Total outstanding debt | <u>\$ 436,137</u> | <u>\$ 484,668</u> | <u>\$ 4,287,717</u> | <u>\$ 4,569,130</u> | <u>\$ 4,723,854</u> | <u>\$ 5,053,798</u> |

Additional information on the City’s debt can be found on pages 34 – 39 of this report.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

Secretary Holt met with the City of Crisfield and has promised the City his financial support through DHCD in assisting us with improving our infrastructure including water/sewer repairs, drainage work and renovations to the Armory. This will occur over a period of 4-5 years. Multiple grants will be utilized over that period of time.

The City was awarded a combination grant/loan/loan forgiveness in the amount of \$4 million from USDA & MDE for two sewer lift station replacements and sewer lining of part of our system. The City has secured an interim loan with Hebron Savings Bank in the amount of \$1.9 million to utilize the sources of funding and their requirements. The lift station replacements are waiting on Delmarva Power and Lighting to proceed. As of November 2021, all sewer segments had been lined and all manholes had been rehabilitated. However, there have been change order requests related to the sewer segments, therefore, Davis, Bowen, & Friedel is awaiting submissions.

Carvel Hall is still in negotiations with no settlement date scheduled.

CITY OF CRISFIELD, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS (Continued)

The City is continuing to repair and replace water meters that are not reading due to various reasons. This is being done to prepare the billing system for the future of billing for a certain number of gallons for the base rate, and then a per thousand-gallon charge. This is of the utmost importance considering the leaks that the City has experienced and the cost of private contractors that have been utilized to make repairs. As of July 1, 2021, the City converted to a p/gallon rate and has adopted a leak policy. The continued meter repair work will be completed in house with City staff.

The Public Utilities department has been working closely with MDE regarding the City's compliance issues at the plant. The City has dealt with sewer overflows which caused private contractors to have to vacuum the system and haul the sewer to the plant to relieve the pump stations. The City representative, Randy Denny, has been guiding the Department through items that must be repaired and upgraded and this will result in an operating budget crisis for water/sewer. The City has contracted with Singh Operations and Davis, Bowen, & Friedel to work under their license and management of operations.

The City has been working endlessly in ditch cleaning and have found tide gates that were damaged or collapsed resulting in the need for replacement and road work. The City has applied for a tide gate grant with FEMA/MEMA and has been awarded a drainage study grant from the County to assist in the ongoing problem. Phase 1 of the tide gate grant will be to submit engineering and design products to FEMA for their review and approval. Once the products are approved by FEMA, project funding will be released by MEMA for completion/construction of the proposed project. The drainage study was completed in November 2021 and a final copy was submitted to MDE, MEMA/FEMA, Somerset County and the City Engineer for compliance and review.

The Crisfield Armory Rehabilitation project is still in process. The architectural team is finishing up the bid and advertisement requirements for the repair/replacement of the roof, windows, and gutters, cleaning of exterior walls, repointing of exterior mortar joints, and new weather stripping.

Maryland Broadband Cooperative will extend its open-access network to bring world class fiber optic services to the City of Crisfield. After completion of the construction and hook up of needed electronic devices, the City of Crisfield, in partnership with the Maryland Cooperative will be able to offer Gigabit services throughout the area. No date has been determined yet for the work to begin.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Crisfield's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to Joyce Morgan, City of Crisfield, P.O. Box 270, Crisfield, Maryland 21817.

BASIC FINANCIAL STATEMENTS

CITY OF CRISFIELD, MARYLAND

STATEMENT OF NET POSITION

JUNE 30, 2021

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|----------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 200,763 | \$ 156,694 | \$ 357,457 |
| Security deposit certificate of deposit | | 3,097 | 3,097 |
| Investments | 14,703 | | 14,703 |
| Taxes receivable | 167,936 | | 167,936 |
| Grants receivable | 9,562 | | 9,562 |
| Other receivables | 192,366 | 348,715 | 541,081 |
| Due from other governments | 174,309 | | 174,309 |
| Internal balances | 48,783 | (48,783) | |
| Restricted cash | | 118,609 | 118,609 |
| Prepaid insurance | 15,979 | | 15,979 |
| Capital assets, net | <u>5,376,754</u> | <u>17,415,088</u> | <u>22,791,842</u> |
| Total assets | <u>6,201,155</u> | <u>17,993,420</u> | <u>24,194,575</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred financing outflows - retirement | 126,210 | 36,214 | 162,424 |
| Deferred financing outflows - OPEB | 308,301 | 39,472 | 347,773 |
| Total deferred outflows of resources | <u>434,511</u> | <u>75,686</u> | <u>510,197</u> |
| LIABILITIES | | | |
| Line of credit | 92,066 | 51,000 | 143,066 |
| Accounts payable and accrued expenses | 292,428 | 178,081 | 470,509 |
| Security deposits | | 2,238 | 2,238 |
| Due within one year | | | |
| Compensated absences | 32,201 | 5,144 | 37,345 |
| Capital lease payable | 5,794 | 11,588 | 17,382 |
| Notes and bonds payable | 57,858 | 358,978 | 416,836 |
| Due in more than one year | | | |
| Compensated absences, less current portion | 57,614 | 13,524 | 71,138 |
| Total OPEB liability | 958,088 | 122,665 | 1,080,753 |
| Net pension liability | 606,928 | 187,946 | 794,874 |
| Capital lease payable, less current portion | 6,018 | 12,035 | 18,053 |
| Notes and bonds payable, less current portion | 276,652 | 3,886,448 | 4,163,100 |
| Total liabilities | <u>2,385,647</u> | <u>4,829,647</u> | <u>7,215,294</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred financing inflows - retirement | 43,964 | 18,177 | 62,141 |
| Deferred financing inflows - OPEB | 10,092 | 1,292 | 11,384 |
| Deferred grants | 51,915 | | 51,915 |
| Total deferred inflows of resources | <u>105,971</u> | <u>19,469</u> | <u>125,440</u> |
| NET POSITION | | | |
| Net investment in capital assets | 5,042,244 | 13,146,039 | 18,188,283 |
| Restricted | | 118,609 | 118,609 |
| Unrestricted (deficit) | (898,196) | (44,658) | (942,854) |
| Total net position | <u>\$ 4,144,048</u> | <u>\$ 13,219,990</u> | <u>\$ 17,364,038</u> |

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

CITY OF CRISFIELD, MARYLAND
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

| | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|---------------------|-------------------------|--|--|--|-----------------------------|----------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| FUNCTIONS/PROGRAMS | | | | | | | |
| GOVERNMENTAL ACTIVITIES | | | | | | | |
| General government | \$ 535,136 | \$ 36,785 | \$ 11,391 | \$ 250,823 | \$ (236,137) | | \$ (236,137) |
| Public safety | 1,114,013 | | 112,635 | 50,000 | (951,378) | | (951,378) |
| Streets and highways | 353,497 | | | | (353,497) | | (353,497) |
| Sanitation and waste removal | 212,016 | 113,556 | | | (98,460) | | (98,460) |
| Conservation of health | 191,279 | | 196,600 | | 5,321 | | 5,321 |
| Airport | 65,245 | 35,819 | | | (29,426) | | (29,426) |
| Miscellaneous | 854,350 | 25,278 | | 303,522 | (525,550) | | (525,550) |
| Bad debt expense | 24,419 | | | | (24,419) | | (24,419) |
| Interest on long-term debt | 13,352 | | | | (13,352) | | (13,352) |
| Total governmental activities | <u>3,363,307</u> | <u>211,438</u> | <u>320,626</u> | <u>604,345</u> | <u>(2,226,898)</u> | | <u>(2,226,898)</u> |
| BUSINESS-TYPE ACTIVITIES | | | | | | | |
| Water fund | 486,573 | 569,380 | | | | 82,807 | 82,807 |
| Sewer fund | 1,250,759 | 1,286,452 | | 214,137 | | 249,830 | 249,830 |
| Industrial rental property | 58,556 | | | | | (58,556) | (58,556) |
| Partnership rental housing | 55,284 | 31,953 | | | | (23,331) | (23,331) |
| Total business-type activities | <u>1,851,172</u> | <u>1,887,785</u> | | <u>214,137</u> | | <u>250,750</u> | <u>250,750</u> |
| Total | <u>\$ 5,214,479</u> | <u>\$ 2,099,223</u> | <u>\$ 320,626</u> | <u>\$ 818,482</u> | <u>(2,226,898)</u> | <u>250,750</u> | <u>(1,976,148)</u> |
| GENERAL REVENUES | | | | | | | |
| Taxes | | | | | | | |
| Real and personal | | | | | 1,425,155 | | 1,425,155 |
| State shared | | | | | 285,944 | | 285,944 |
| Payment in lieu of taxes | | | | | 22,356 | | 22,356 |
| Licenses and permits | | | | | 54,364 | | 54,364 |
| Fines and forfeitures | | | | | 1,374 | | 1,374 |
| Rents and concessions | | | | | 43,332 | | 43,332 |
| Interest | | | | | 703 | 394 | 1,097 |
| Miscellaneous | | | | | 61,772 | | 61,772 |
| Transfers | | | | | 293,887 | (293,887) | |
| Total general revenues | | | | | <u>2,188,887</u> | <u>(293,493)</u> | <u>1,895,394</u> |
| Change in net position | | | | | (38,011) | (42,743) | (80,754) |
| NET POSITION, BEGINNING OF YEAR, AS RESTATED | | | | | <u>4,182,059</u> | <u>13,262,733</u> | <u>17,444,792</u> |
| NET POSITION, END OF YEAR | | | | | <u>\$ 4,144,048</u> | <u>\$ 13,219,990</u> | <u>\$ 17,364,038</u> |

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

CITY OF CRISFIELD, MARYLAND

**BALANCE SHEET
GOVERNMENTAL FUND**

JUNE 30, 2021

| | <u>General Fund</u> |
|---|-------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 200,763 |
| Investments | 14,703 |
| Taxes receivable | 167,936 |
| Grants receivable | 9,562 |
| Other receivables | 192,366 |
| Due from other governments | 174,309 |
| Due from other funds | 48,783 |
| Prepaid insurance | 15,979 |
| Total assets | <u>\$ 824,401</u> |
| LIABILITIES | |
| Line of credit | \$ 92,066 |
| Accounts payable and accrued expenses | 292,428 |
| Compensated absences | 32,201 |
| Total liabilities | <u>416,695</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred taxes | 218,054 |
| Deferred grants | 51,915 |
| Total deferred inflows of resources | <u>269,969</u> |
| FUND BALANCES | |
| Nonspendable | 64,762 |
| Unassigned | 72,975 |
| Total fund balances | <u>137,737</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 824,401</u> |

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

CITY OF CRISFIELD, MARYLAND

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

JUNE 30, 2021

Total fund balance, governmental fund \$ 137,737

Amounts reported for governmental activities in the Statement of Net Position
are different because:

Capital assets used in governmental activities are not current financial resources
and, therefore, are not reported in the fund financial statements, but are reported in
the governmental activities of the Statement of Net Position. 5,376,754

Certain expenditures that reduce current financial resources are reported as
expenditures in the fund financial statements, but are reported as deferred outflows
of resources in the governmental activities of the Statement of Net Position.

Deferred financing outflows - retirement 126,210
Deferred financing outflows - OPEB 308,301

Some liabilities and deferred inflows of resources are not due and payable in the
current period and, therefore, are not reported in the fund financial statements, but
are included in the governmental activities in the Statement of Net Position.

Capital lease payable (11,812)
Notes payable (334,510)
Compensated absences (57,614)
Other post-employment benefits obligation (958,088)
Net pension liability (606,928)
Deferred financing inflows - retirement (43,964)
Deferred financing inflows - OPEB (10,092)

Certain revenues that do not provide current financial resources are reported as
deferred inflows in the funds financial statements, but are reported as revenue in
the governmental activities of the Statement of Net Position.

Deferred taxes 218,054

Net position of governmental activities in the Statement of Net Position \$ 4,144,048

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

CITY OF CRISFIELD, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2021

| | <u>General Fund</u> |
|---|--------------------------|
| REVENUES | |
| Taxes - real and personal | \$ 1,453,911 |
| Taxes - state shared | 285,944 |
| Licenses and permits | 54,364 |
| Intergovernmental | 924,970 |
| Charges for services | 211,438 |
| Fines and forfeitures | 1,374 |
| Revenues from use of money and property | 44,036 |
| Miscellaneous | 61,772 |
| Total revenues | <u>3,037,809</u> |
| EXPENDITURES | |
| Current | |
| General government | 419,382 |
| Public safety | 1,129,362 |
| Streets and highways | 369,652 |
| Sanitation and waste removal | 211,841 |
| Conservation of health | 191,279 |
| Airport | 89,179 |
| Economic development | 370,896 |
| Culture and recreation | 21,916 |
| Miscellaneous | 726,066 |
| Bad debt expense | 24,419 |
| Debt service | |
| Principal | 65,109 |
| Interest | 13,352 |
| Total expenditures | <u>3,632,453</u> |
| Revenues under expenditures | <u>(594,644)</u> |
| OTHER FINANCING SOURCES | |
| Transfer from other funds | <u>293,887</u> |
| Net change in fund balance | <u>(300,757)</u> |
| FUND BALANCE, BEGINNING OF YEAR, AS RESTATED | <u>438,494</u> |
| FUND BALANCE, END OF YEAR | <u><u>\$ 137,737</u></u> |

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

CITY OF CRISFIELD, MARYLAND

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2021

| | |
|--|--------------|
| Net change in fund balance, governmental fund | \$ (300,757) |
| Amounts reported for governmental activities in the Statement of Activities are different because: | |
| Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$548,884) exceeds depreciation expense (\$262,681) in the current period. | 286,203 |
| Changes in deferred outflows of resources presented in the governmental activities of the Statement of Activities: | |
| Deferred financing outflows - retirement | 18,756 |
| Deferred financing outflows - OPEB | (23,687) |
| Governmental funds report repayment of debt principal and capital leases as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. | 65,109 |
| Bond issuance costs are expended in the governmental funds when paid and are capitalized and amortized over the life of the corresponding bonds for purposes of the Statement of Activities. The following amortization was incurred during the year. | (1,212) |
| Bond premiums and discounts are expended in the governmental funds when the bonds are issued, and are capitalized and amortized over the life of the bond in the Statement of Activities. The following amortization was incurred during the year. | (484) |
| Some expenses in the Statements of Activities do not require the use of current financial resources and these are not reported as expenditures in the governmental fund: | |
| Change in long-term compensated absences | (12,216) |
| Change in other post-employment benefit obligation | (84,442) |
| Change in net pension liability | 2,548 |
| Change in deferred financing inflows - retirement | 28,663 |
| Change in deferred financing inflows - OPEB | (10,092) |
| Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned: | |
| Change in deferred taxes | (6,400) |
| Change in net position, governmental activities | \$ (38,011) |

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

CITY OF CRISFIELD, MARYLAND

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

JUNE 30, 2021

| | Water and Sewer | Industrial Rental Property | Partnership Rental Housing | Total |
|---|-----------------------|----------------------------------|----------------------------------|----------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 150,989 | \$ | \$ 5,705 | \$ 156,694 |
| Security deposits certificate of deposits | | | 3,097 | 3,097 |
| Receivables | 348,715 | | | 348,715 |
| Restricted cash | | | 118,609 | 118,609 |
| Capital assets, net | 15,756,279 | 1,632,196 | 26,613 | 17,415,088 |
| Total assets | <u>16,255,983</u> | <u>1,632,196</u> | <u>154,024</u> | <u>18,042,203</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred financing outflows - retirement | 36,214 | | | 36,214 |
| Deferred financing outflows - OPEB | 39,472 | | | 39,472 |
| Total deferred outflows of resources | <u>75,686</u> | | | <u>75,686</u> |
| LIABILITIES | | | | |
| Line of credit | 51,000 | | | 51,000 |
| Accounts payable and accrued expenses | 178,081 | | | 178,081 |
| Security deposits | | | 2,238 | 2,238 |
| Due to other funds | | | 48,783 | 48,783 |
| Due within one year | | | | |
| Compensated absences | 5,144 | | | 5,144 |
| Capital lease payable | 11,588 | | | 11,588 |
| Notes and bonds payable | 358,978 | | | 358,978 |
| Due in more than one year | | | | |
| Compensated absences, less current portion | 13,524 | | | 13,524 |
| Total OPEB liability | 122,665 | | | 122,665 |
| Net pension liability | 187,946 | | | 187,946 |
| Capital lease payable, less current portion | 12,035 | | | 12,035 |
| Notes and bonds payable, less current portion | 3,357,925 | | 528,523 | 3,886,448 |
| Total liabilities | <u>4,298,886</u> | | <u>579,544</u> | <u>4,878,430</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred financing inflows - retirement | 18,177 | | | 18,177 |
| Deferred financing inflows - OPEB | 1,292 | | | 1,292 |
| Total deferred inflows of resources | <u>19,469</u> | | | <u>19,469</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 12,015,753 | 1,632,196 | (501,910) | 13,146,039 |
| Restricted | | | 118,609 | 118,609 |
| Unrestricted (deficit) | (2,439) | | (42,219) | (44,658) |
| Total net position | <u>\$ 12,013,314</u> | <u>\$ 1,632,196</u> | <u>\$ (425,520)</u> | <u>\$ 13,219,990</u> |

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

CITY OF CRISFIELD, MARYLAND

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS**

YEAR ENDED JUNE 30, 2021

| | Water | Sewer | Industrial Rental Property | Partnership Rental Housing | Total |
|---|---------------------|----------------------|----------------------------------|----------------------------------|----------------------|
| OPERATING REVENUES | | | | | |
| Water service | \$ 529,729 | \$ | \$ | \$ | \$ 529,729 |
| Sewer service | | 1,201,044 | | | 1,201,044 |
| Front foot assessment | | 60,051 | | | 60,051 |
| Rent | | | | 31,953 | 31,953 |
| Late fees | 8,151 | | | | 8,151 |
| Application fees | 31,500 | 14,000 | | | 45,500 |
| Flush tax | | 11,357 | | | 11,357 |
| Total operating revenues | <u>569,380</u> | <u>1,286,452</u> | | <u>31,953</u> | <u>1,887,785</u> |
| OPERATING EXPENSES | | | | | |
| Salaries and wages | 87,071 | 86,888 | | | 173,959 |
| Payroll taxes and fringe benefits | 27,374 | 12,135 | | | 39,509 |
| Contracted services | 86,870 | 147,295 | | 17,856 | 252,021 |
| Utilities | 59,554 | 89,298 | | 9,686 | 158,538 |
| Chemicals | 12,642 | 77,394 | | | 90,036 |
| Depreciation | 165,446 | 523,555 | 58,556 | 17,680 | 765,237 |
| Bad debt expense | 5,158 | 4,418 | | | 9,576 |
| Other operating expenses | 39,158 | 268,686 | | 10,061 | 317,905 |
| Total operating expenses | <u>483,273</u> | <u>1,209,669</u> | <u>58,556</u> | <u>55,283</u> | <u>1,806,781</u> |
| Operating income (loss) | <u>86,107</u> | <u>76,783</u> | <u>(58,556)</u> | <u>(23,330)</u> | <u>81,004</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | | |
| Grant revenue | | 214,137 | | | 214,137 |
| Interest income | | | | 394 | 394 |
| Interest expense | (2,434) | (41,957) | | | (44,391) |
| Transfer to general fund | (146,943) | (146,944) | | | (293,887) |
| Net nonoperating revenues (expenses) | <u>(149,377)</u> | <u>25,236</u> | | <u>394</u> | <u>(123,747)</u> |
| Change in net position | <u>(63,270)</u> | <u>102,019</u> | <u>(58,556)</u> | <u>(22,936)</u> | <u>(42,743)</u> |
| NET POSITION, BEGINNING OF YEAR | <u>(258,401)</u> | <u>12,232,966</u> | <u>1,690,752</u> | <u>(402,584)</u> | <u>13,262,733</u> |
| NET POSITION, END OF YEAR | <u>\$ (321,671)</u> | <u>\$ 12,334,985</u> | <u>\$ 1,632,196</u> | <u>\$ (425,520)</u> | <u>\$ 13,219,990</u> |

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

CITY OF CRISFIELD, MARYLAND

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

YEAR ENDED JUNE 30, 2021

| | Water and Sewer | Industrial Rental Property | Partnership Rental Housing | Total |
|--|-----------------------|----------------------------------|----------------------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash received from customers | \$ 1,853,844 | \$ | \$ 31,953 | \$ 1,885,797 |
| Cash paid to or on behalf of employees | (235,373) | | | (235,373) |
| Cash paid to suppliers | (781,954) | | (37,603) | (819,557) |
| Net cash provided (used) by operating activities | <u>836,517</u> | | <u>(5,650)</u> | <u>830,867</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Grant proceeds | 30,000 | | | 30,000 |
| Debt proceeds | 100,000 | | | 100,000 |
| Purchase of assets | (299,288) | | | (299,288) |
| Principal paid on long-term obligations | (199,818) | | | (199,818) |
| Interest paid on long-term obligations | (44,391) | | | (44,391) |
| Net cash used by capital and related financing activities | <u>(413,497)</u> | | | <u>(413,497)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Transfers to general fund | <u>(293,887)</u> | | | <u>(293,887)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest income | | | 394 | 394 |
| Net increase (decrease) in cash | 129,133 | | (5,256) | 123,877 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 21,856 | | 132,667 | 154,523 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 150,989</u> | <u>\$</u> | <u>\$ 127,411</u> | <u>\$ 278,400</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | | | |
| Operating income (loss) | \$ 162,890 | \$ (58,556) | \$ (23,330) | \$ 81,004 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities | | | | |
| Depreciation | 689,001 | 58,556 | 17,680 | 765,237 |
| Bad debt expense | 9,576 | | | 9,576 |
| Deferred financing outflows - retirement | (2,392) | | | (2,392) |
| Deferred financing outflows - OPEB | 23,388 | | | 23,388 |
| Deferred financing inflows - retirement | (3,655) | | | (3,655) |
| Deferred financing inflows - OPEB | 1,292 | | | 1,292 |
| Effects of changes in operating assets and liabilities: | | | | |
| Accounts and other receivables | (1,988) | | | (1,988) |
| Accounts payable and accrued expenses | (1,382) | | | (1,382) |
| Total other post-employment benefit liability | (42,754) | | | (42,754) |
| Compensated absences | 2,541 | | | 2,541 |
| Net cash provided (used) by operating activities | <u>\$ 836,517</u> | <u>\$</u> | <u>\$ (5,650)</u> | <u>\$ 830,867</u> |

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

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Crisfield, Maryland (the “City”) was incorporated in 1872, under the provisions of the laws of the State of Maryland. The City is a municipal corporation governed by an elected Mayor and five-member council and is located in Somerset County, Maryland.

The accounting policies of the City of Crisfield, Maryland conform to generally accepted accounting principles applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing government accounting and financial reporting standards.

Reporting entity

The basic criteria for including component units in the City’s financial statements are the exercise of oversight responsibility over such units by the City’s elected officials. In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. Based upon criteria set forth by the Governmental Accounting Standards Board, the City of Crisfield has no component units.

Basis of presentation

Government-wide statements: The Statement of Net Position and the Statement of Changes in Net Position report information on all of the non-fiduciary activities of the City. Eliminations have been made to remove the effect of interfund activity from these statements. Governmental activities are those which are supported by taxes and intergovernmental revenues, whereas business-type activities are those supported through customer service charges.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City’s governmental activities. Direct expenses are those specifically associated with a program or function. Program revenues include charges for services and grants and contributions restricted to the capital or operational requirements of specific programs or functions. Revenues that are not classified as program revenues, such as taxes, are reported as general revenues.

Fund financial statements: Separate financial statements are shown for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. The City has elected to treat all proprietary funds as major funds.

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting

The accounting and financial reporting is determined by its measurement focus. Government-wide and proprietary fund financial 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 the related cash flow. Property taxes are recognized in the year of levy and grants are recognized when all eligibility requirements are met.

Governmental fund statements are presented using the flow of economic resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction that can be determined and available means collected within 60 days of the year end. Expenditures are recorded when the related liability is incurred as in the accrual basis of accounting. However, principal and interest on long-term debt and expenditures for compensated absences are recorded when the payments are due.

Those revenues susceptible to accrual are property taxes, taxes collected by the state and county on behalf of the City, franchise taxes, revenues from other agencies, interest revenue and charges for services. Fines and forfeitures, licenses, permits, penalties and interest (on property taxes) and other revenues become measurable and available when cash is received by the City and are recognized as revenue at that time.

The City has one major governmental fund, the General Fund. It is used to account for all activities of the government not accounted for in another fund. The General Fund accounts for the normal recurring activities of the City such as public safety, public works, recreation and parks, general government, etc. These activities are financed primarily by property taxes, other taxes, service charges and grants from other governmental units.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and delivering goods in connection with the fund's principal ongoing operations such as charges to customers for sales and services and expenses such as salaries, product costs, administrative expenses, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City has four major proprietary funds. The Water Fund accounts for the operation, maintenance, and development of the City's water supply system. The Sewer Fund accounts for the operation, maintenance, and development of the City's sewage system. The Industrial Rental Property fund accounts for the rental of a manufacturing plant (Rubberset) and the Carvel Hall plant. The Partnership Rental Housing fund accounts for the rental of ten townhouse units (Brown's Court).

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of estimates in preparing financial statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Budgets and budgetary accounting

Formal budgetary accounting is employed as a management control for the City's General Fund. The annual budget for the General Fund is prepared in accordance with the budgetary basis of accounting.

The City follows these procedures in establishing budgetary data reflected in the financial statements:

- (1) Prior to May 1 of each year the Clerk/Treasurer submits to the Mayor and Commissioners a proposed budget for the fiscal year commencing the following July 1. The budget includes requested expenditures and the means of financing them. The total anticipated revenue must equal or exceed total proposed expenditures.
- (2) No later than July 1, the budget is legally enacted by a favorable vote of at least a majority of a quorum of the Commissioners.
- (3) All annual appropriations lapse at fiscal year-end.

Cash, cash equivalents and investments

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months at the time of purchase. Cash deposits of the City are made in accordance with the Annotated Code of Maryland (the Code), which requires depositories to give security in the form of collateral as provided for in the Code, for the safekeeping and forthcoming, when required, of these deposits.

Excess funds are also permitted to be invested either in bonds or other obligations for the payment of principal and interest of which the full faith and credit of the United States of America are pledged, obligations of federal government agencies issued pursuant to acts of Congress, or in the local government investment pool created by the State of Maryland.

For the purpose of the Statement of Cash Flows, the City considers all highly-liquid investments (including restricted assets) with an original maturity date of three months or less at the time of purchase to be cash equivalents.

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted cash

Restricted cash in the enterprise fund consists of cash reserves, certificates of deposit, and escrow deposits related to compliance with the Partnership Rental Housing regulatory agreement.

Property tax receivables

Taxes on real and personal property are levied on a fiscal year basis as of July 1. Corporate personal property taxes are levied upon receipt of assessments from the State of Maryland.

Taxes are due upon receipt of tax bill. All unpaid taxes at October 1 of the levy year bear simple interest at 0.66 (2/3%) per month. At January 1 of the levy year, in addition to the 0.66 (2/3%) interest per month, a penalty of 1% per month is charged. Interest and penalties for corporate personal property tax follows the policy for real estate and individual personal property taxes. Real estate taxes unpaid after two years from the levy date are collected through tax sale.

Property tax revenue is recognized in the year it is levied and becomes available, including amounts expected to be collected soon enough after the end of the year to be available to pay liabilities of the current period.

Real and personal property taxes are levied at rates enacted by the Commissioners in the annual budget ordinance on the assessed value as determined by the Maryland State Department of Assessments and Taxation. The rates of levy cannot exceed the constant yield rate furnished by the Maryland State Department of Assessment and Taxation without public notice and only after public hearings. For fiscal year 2021, the City of Crisfield, Maryland's real property tax rate was \$.87 per \$100 of assessed value and the business personal property tax rate was \$1.75 per \$100 of assessed value.

Interfund transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues.

Prepaid items

Payments made to vendors for services that will benefit periods beyond June 30, 2021, are reported as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets

General capital assets are assets associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column of the government-wide financial statement of net assets but are not reported in the fund financial statements. Capital assets used by enterprise funds are reported in both the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. The City maintains a capitalization threshold of \$1,500. Donated capital assets are recorded at the acquisition value. The City's infrastructure consists of streets, curbs, gutters, sidewalks, and drainage systems. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets are depreciated except for land, land improvements, and construction in progress. Building improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacements. Depreciation has been provided over the estimated useful lives using the straight-line method.

Estimated useful lives are as follows:

| <u>Category</u> | <u>Years</u> |
|---------------------------|--------------|
| Building and improvements | 40 - 100 |
| Furniture and fixtures | 5 - 20 |
| Machinery and equipment | 5 - 20 |
| Infrastructure | 5 - 20 |

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued liabilities and long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, all payables, accrued liabilities, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. In the governmental fund financial statements, the face amount of newly issued debt is reported as other financing sources and the amount of principal repayment is reported as an expenditure.

Deferred outflows of resources

The City may report decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary statements of net position or the governmental funds balance sheet. The City has two items that qualify for reporting in this category: deferred financing outflows related to the retirement plan and deferred financing outflows related to the OPEB plan.

Deferred inflows of resources

The City may report a separate section for deferred inflows of resources. This separate financial element reflects an increase in net assets that applies to a future period. The City has four items that qualify for reporting in this category: deferred property taxes which are not recognized until available (collected not later than 60 days after the end of the City's fiscal year), deferred grant revenue, deferred financing inflows related to the OPEB plan and deferred financing inflows related to the retirement plan.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Maryland State Retirement and Pension System (MSRPS), and additions to/deductions from MSRPS's fiduciary net position have been determined on the same basis as they are reported by MSRPS.

Compensated absences

Employees of the city are entitled to paid vacation, depending on length of service and job classification. At June 30, 2021, there was \$108,483 of vacation benefits due to employees.

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and proprietary fund net position

Government-wide and proprietary fund net positions are divided into three major categories:

- *Net investment in capital assets* – consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- *Restricted* – consists of net position that is restricted by the City’s creditors, state enabling legislation, grantors, or other contributors.
- *Unrestricted* – all other net position is reported in this category.

When an expense is incurred that can be paid using either restricted or unrestricted net position, the City’s policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

Governmental fund balances

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

- *Nonspendable fund balance*—amounts that cannot be spent because they are either not in a spendable form (such as due from other funds and prepaid amounts) or are legally or contractually required to be maintained intact.
- *Restricted fund balance*—amounts that can be spent only for specific purposes because of the City Charter, state or federal laws, or externally imposed conditions by grantors or creditors.
- *Committed fund balance*—amounts that can be spent only for specific purposes determined by a formal action of the City Council ordinance or resolution.
- *Assigned fund balance*—amounts that are designated by the Mayor and Council for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval by the City Council.
- *Unassigned fund balance*—all amounts not included in other spendable classifications.

In governmental funds, the City’s policy is to first apply the expenditure toward restricted fund balance and then to other, less restrictive classifications (committed and then assigned fund balances) before using unassigned fund balances.

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

DEPOSITS AND INVESTMENTS

Cash, cash equivalents, and investments are insured by FDIC coverage and collateralized by federally guaranteed securities held in the pledging bank's trust department in the City's name.

At June 30, 2021, the invested funds are as follows:

| | <u>Carrying Amount</u> | <u>Bank Balance</u> | <u>Fully Insured</u> |
|---------------------------|----------------------------|-------------------------|--------------------------|
| Governmental Activities: | | | |
| Cash and cash equivalents | \$ 200,763 | \$ 506,042 | \$ 506,042 |
| Investments | <u>14,703</u> | <u>14,800</u> | <u>14,800</u> |
| Total | <u>\$ 215,466</u> | <u>\$ 520,842</u> | <u>\$ 520,842</u> |
| Business-type Activities: | | | |
| Cash and cash equivalents | \$ 222,482 | \$ 227,638 | \$ 227,638 |
| Investments | <u>55,918</u> | <u>55,918</u> | <u>55,918</u> |
| Total | <u>\$ 278,400</u> | <u>\$ 283,556</u> | <u>\$ 283,556</u> |

Investments include a variety of certificates of deposits greater than three months with varying rates and terms.

Investment Rate Risk

Fair value fluctuates with interest rates, and increasing interest rates could cause fair value to decline below original cost. To limit the City's exposure to fair value losses arising from increasing interest rates, the City's investment policy limits the term of investment maturities between thirty days to 24 months in order to remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated. City management believes the liquidity in the portfolio is adequate to meet cash flow requirements and to preclude the City from having to sell investments below original cost for that purpose. The investments at June 30, 2021 met the City's investment policy as of that date. Investment income was comprised entirely of interest amounting to \$1,097 for the year ended June 30, 2021.

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

DEPOSITS AND INVESTMENTS (Continued)

Credit Risk

The investment policy permits investments in the following types of investments as authorized by the State of Maryland; direct U. S. obligations, U. S. agency obligations, repurchase agreements, bankers' acceptances, municipal securities, commercial paper, money market mutual funds and the MLGIP. The MLGIP was established in 1982 under Article 95, Section 22G of the Annotated Code of Maryland and is under the administration of the State Treasurer. It is rated AAA by Standard & Poor's, their highest rating for money market mutual funds. The MLGIP seeks to maintain a constant value of \$1.00 per unit. Unit value is computed using the amortized cost method. In addition, the net asset value of the pool, marked to market, is calculated and maintained on a weekly basis to ensure a \$1.00 per unit constant value.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover all or a portion of the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2021, none of the City's investments were exposed to custodial credit risk as they were covered by FDIC insurance.

RECEIVABLES

Receivables, as of year-end, for the governmental fund in the aggregate are as follows:

| | | |
|--------------------------|-----------|----------------|
| Taxes | \$ | 167,936 |
| Grants | | 9,562 |
| Other | | |
| Mowing | | 47,139 |
| Penalties | | 33,510 |
| Interest | | 24,750 |
| Liquor dispensary | | 25,278 |
| Payment in lieu of taxes | | 22,356 |
| Police | | 11,580 |
| Garbage | | 11,227 |
| Other | | 16,526 |
| | <u>\$</u> | <u>369,864</u> |

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

RECEIVABLES (Continued)

Receivables, as of year-end, for the proprietary funds in the aggregate are as follows:

| | Water and Sewer | Industrial Rental Property | Partnership Rental Housing | Total |
|---------------------|-----------------------|----------------------------------|----------------------------------|------------|
| Accounts receivable | \$ 348,715 | \$ | \$ | \$ 348,715 |

Governmental funds report deferred revenue in relation to receivables for revenues that are not considered to be available to liquidate liabilities of the current period, such as property taxes not collected within 60 days after fiscal year-end. Unavailable revenue, shown as deferred inflows of resources, for the general fund at June 30, 2021 consisted of deferred taxes and grants of \$218,054 and \$51,915, respectively.

DUE FROM OTHER GOVERNMENTS

The balance of due from other governments at June 30, 2021 is as follows:

| | Governmental Activities | Business-type Activities | Total |
|----------------------------------|----------------------------|-----------------------------|-------------------|
| State of Maryland: | | | |
| Police | \$ 14,592 | \$ | \$ 14,592 |
| Highway user | 73,038 | | 73,038 |
| Total State of Maryland | <u>\$ 87,630</u> | <u>\$</u> | <u>\$ 87,630</u> |
| Somerset County: | | | |
| Ambulance | \$ 49,150 | \$ | \$ 49,150 |
| Airport | 28,719 | | 28,719 |
| Highway user | 3,550 | | 3,550 |
| Bank lien | 5,260 | | 5,260 |
| Total Somerset County | <u>\$ 86,679</u> | <u>\$</u> | <u>\$ 86,679</u> |
| Total due from other governments | <u>\$ 174,309</u> | <u>\$</u> | <u>\$ 174,309</u> |

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

CAPITAL ASSETS

Capital assets of the Governmental Activities are summarized as follows:

| | Balance June 30, 2020 | Additions & Transfers | Deletions & Transfers | Balance June 30, 2021 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 1,809,945 | \$ 23,933 | \$ | \$ 1,833,878 |
| Construction in progress | 21,775 | 155,109 | (1,275) | 175,609 |
| Total capital assets not being depreciated | <u>1,831,720</u> | <u>179,042</u> | <u>(1,275)</u> | <u>2,009,487</u> |
| Capital assets being depreciated | | | | |
| Building and improvements | 2,607,493 | 120,733 | | 2,728,226 |
| Machinery and equipment | 1,357,406 | 54,825 | (108,833) | 1,303,399 |
| Furniture and fixtures | 127,703 | 70,693 | | 198,396 |
| Infrastructure | 4,585,824 | 124,865 | | 4,710,689 |
| Total capital assets being depreciated | <u>8,678,426</u> | <u>371,116</u> | <u>(108,833)</u> | <u>8,940,710</u> |
| Less accumulated depreciation for | | | | |
| Building and improvements | (853,179) | (76,641) | | (929,820) |
| Machinery and equipment | (1,155,349) | (62,900) | 108,833 | (1,109,417) |
| Furniture and fixtures | (95,840) | (10,490) | | (106,330) |
| Infrastructure | (3,315,227) | (112,649) | | (3,427,876) |
| Total accumulated depreciation | <u>(5,419,595)</u> | <u>(262,681)</u> | <u>108,833</u> | <u>(5,573,443)</u> |
| Governmental activities, capital assets, net | <u>\$ 5,090,551</u> | <u>\$ 287,478</u> | <u>\$ (1,275)</u> | <u>\$ 5,376,754</u> |

Capital assets of the Water and Sewer Fund are summarized as follows:

| | Balance June 30, 2020 | Additions & Transfers | Deletions & Transfers | Balance June 30, 2021 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 408,760 | \$ | \$ | \$ 408,760 |
| Construction in progress | 468,882 | 155,920 | (375,382) | 249,420 |
| Total capital asset not being depreciated | <u>877,642</u> | <u>155,920</u> | <u>(375,382)</u> | <u>658,180</u> |
| Capital assets being depreciated | | | | |
| Building and improvements | 13,649,239 | | | 13,649,239 |
| Machinery and equipment | 9,363,105 | 471,190 | | 9,834,295 |
| Infrastructure | 5,369,228 | 47,559 | | 5,416,787 |
| Total capital assets being depreciated | <u>28,381,572</u> | <u>518,749</u> | | <u>28,900,321</u> |
| Less accumulated depreciation for | | | | |
| Building and improvements | (5,608,652) | (279,853) | | (5,888,505) |
| Machinery and equipment | (3,784,108) | (243,765) | | (4,027,873) |
| Infrastructure | (3,720,460) | (165,383) | | (3,885,843) |
| Total accumulated depreciation | <u>(13,113,220)</u> | <u>(689,001)</u> | | <u>(13,802,221)</u> |
| Water and Sewer activities, capital assets, net | <u>\$ 16,145,994</u> | <u>\$ (14,333)</u> | <u>\$ (375,382)</u> | <u>\$ 15,756,279</u> |

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

CAPITAL ASSETS (Continued)

Capital assets of the Industrial Rental Property Fund are summarized as follows:

| | <u>Balance June 30, 2020</u> | <u>Additions & Transfers</u> | <u>Deletions & Transfers</u> | <u>Balance June 30, 2021</u> |
|---|----------------------------------|--------------------------------------|--------------------------------------|----------------------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 116,000 | \$ | \$ | \$ 116,000 |
| Total capital assets not being depreciated | <u>116,000</u> | <u></u> | <u></u> | <u>116,000</u> |
| Capital assets being depreciated | | | | |
| Building and improvements | 2,086,225 | <u></u> | <u></u> | 2,086,225 |
| Total capital assets being depreciated | <u>2,086,225</u> | <u></u> | <u></u> | <u>2,086,225</u> |
| Less accumulated depreciation for | | | | |
| Building and improvements | (511,473) | (58,556) | <u></u> | (570,029) |
| Total accumulated depreciation | <u>(511,473)</u> | <u>(58,556)</u> | <u></u> | <u>(570,029)</u> |
| Industrial Rental Property activities, capital assets, net | <u>\$ 1,690,752</u> | <u>\$ (58,556)</u> | <u>\$</u> | <u>\$ 1,632,196</u> |

Capital assets of the Partnership Rental Housing Fund are summarized as follows:

| | <u>Balance June 30, 2020</u> | <u>Additions & Transfers</u> | <u>Deletions & Transfers</u> | <u>Balance June 30, 2021</u> |
|--|----------------------------------|--------------------------------------|--------------------------------------|----------------------------------|
| Capital assets being depreciated | | | | |
| Building and improvements | \$ 530,384 | \$ | \$ | \$ 530,384 |
| Total capital assets being depreciated | <u>530,384</u> | <u></u> | <u></u> | <u>530,384</u> |
| Less accumulated depreciation for | | | | |
| Building and improvements | (486,091) | (17,680) | <u></u> | (503,771) |
| Total accumulated depreciation | <u>(486,091)</u> | <u>(17,680)</u> | <u></u> | <u>(503,771)</u> |
| Partnership Rental Housing, capital assets, net | <u>\$ 44,293</u> | <u>\$ (17,680)</u> | <u>\$</u> | <u>\$ 26,613</u> |

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

CAPITAL ASSETS (Continued)

Depreciation expense is recorded as follows:

| | |
|---------------------------------|-------------------|
| Governmental activities: | |
| General government | \$ 127,038 |
| Public safety | 29,477 |
| Streets and highways | 105,991 |
| Sanitation and waste removal | 175 |
| Total governmental activities | <u>\$ 262,681</u> |
| Business-type activities: | |
| Water and sewer fund | \$ 689,001 |
| Industrial rental property fund | 58,556 |
| Partnership rental housing fund | 17,680 |
| Total business-type activities | <u>\$ 765,237</u> |

LINE OF CREDIT

The following is a summary of the City's lines of credit for the year ended June 30, 2021:

Governmental Activities:

| | |
|--|------------------|
| Hebron Savings Bank line of credit. Interest is payable at a rate equivalent to the prime rate of interest. Payable on demand. Limit of \$200,000. | <u>\$ 92,066</u> |
|--|------------------|

Business-type Activities:

| | |
|---|------------------|
| Hebron Savings Bank line of credit for the Sewer fund. Interest accrues at a tax-exempt rate of 4.71%. Payable on demand. Limit of \$1,293,000. | <u>\$ 51,000</u> |
|---|------------------|

Changes in the lines of credit for the year ended June 30, 2021 are as follows:

| | Beginning Balance | Additions | Principal Repayments | Ending Balance |
|---------------------------|----------------------|------------------|-------------------------|-------------------|
| Governmental activities: | | | | |
| Line of credit | <u>\$ 14,598</u> | <u>\$ 80,468</u> | <u>\$ 3,000</u> | <u>\$ 92,066</u> |
| Business-type activities: | | | | |
| Line of credit | <u>\$ 51,000</u> | <u>\$</u> | <u>\$</u> | <u>\$ 51,000</u> |

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

LONG-TERM LIABILITIES

Changes in long-term obligations for the year ended June 30, 2021 are as follows:

| | Beginning Balance | Additions & Transfers | Principal Repayments & Transfers | Ending Balance | Due Within One Year |
|---|----------------------|--------------------------|--|---------------------|------------------------|
| Governmental activities: | | | | | |
| General obligation bonds | \$ 312,501 | \$ | \$ 42,001 | \$ 270,500 | \$ 39,500 |
| Less: Unamortized bond issuance costs | (8,580) | | (1,212) | (7,368) | |
| Less: Unamortized bond premium | (3,428) | | (483) | (2,945) | |
| Notes payable | 91,853 | | 17,530 | 74,323 | 18,358 |
| Capital lease payable | 17,390 | | 5,578 | 11,812 | 5,794 |
| Compensated absences | 74,932 | 14,883 | | 89,815 | 32,201 |
| Governmental activities long-term liabilities | <u>\$ 484,668</u> | <u>\$ 14,883</u> | <u>\$ 63,414</u> | <u>\$ 436,137</u> | <u>\$ 95,853</u> |
| Business-type activities: | | | | | |
| General obligation bonds | \$ 4,261,430 | \$ | \$ 66,336 | \$ 4,195,094 | \$ 251,396 |
| Less: Unamortized debt forgiveness | (552,412) | (184,136) | | (736,548) | |
| Notes payable | 809,205 | 100,000 | 122,325 | 786,880 | 107,582 |
| Capital lease payable | 34,780 | | 11,157 | 23,623 | 11,588 |
| Compensated absences | 16,127 | 2,541 | | 18,668 | 5,144 |
| Business-type activities long-term liabilities | <u>\$ 4,569,130</u> | <u>\$ (81,595)</u> | <u>\$ 199,818</u> | <u>\$ 4,287,717</u> | <u>\$ 375,710</u> |

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

LONG-TERM LIABILITIES (Continued)

Governmental activities

General obligation bonds consist of the following:

| | |
|---|------------|
| \$426,785 - Community Development Infrastructure Bonds of 2017 Series A. 10 annual installments beginning April 1, 2018. Semi-annual interest payments of 2.23% are paid over the term of 10 years. | \$ 270,500 |
| Less: Unamortized bond insurance costs | (7,368) |
| Less: Unamortized bond premium | (2,945) |
| | \$ 260,187 |

During the year ended June 30, 2018, the City refinanced their Community Development Infrastructure Bond of 2007 Series A. In doing this, the City incurred \$12,115 of issuance costs and a new \$4,840 bond premium. In accordance with the requirements of FASB ASC 835-30, the City presents debt issuance costs and debt premiums and/or discounts as a reduction of the carrying amount of the debt rather than as an asset. Amortization of the debt issuance costs and debt premiums and/or discounts are reported as interest expense in the consolidated statement of revenues, expenditures, and changes in fund balance.

Notes payable consist of the following:

| | |
|---|-----------|
| Hebron Savings Bank - three trucks, a tractor, two roofs. Principal payments in annual installments of \$4,126 beginning July 3, 2019. Interest is payable annually at 4.35%. | \$ 74,323 |
| | \$ 74,323 |

Capital lease payable consist of the following:

The City entered into a lease agreement with JCB Finance on September 26, 2018 for a Compact Backhoe. The purchase price of the equipment was \$86,734 payable in 5 annual payments of \$18,752 at 3.80% interest. The final payment is due September 26, 2022 with the option to purchase the equipment for \$1.00. This equipment is split between the general, water and sewer funds as noted below and on page 38.

| | |
|---|-----------|
| JCB Finance - Backhoe - Principal payments in annual installments of \$6,251 including interest at 3.80%, beginning September 26, 2018. | \$ 11,812 |
| | \$ 11,812 |

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

LONG-TERM LIABILITIES (Continued)

Business-type activities

General obligation bonds consist of the following:

| | Water and Sewer | Industrial Rental Property | Partnership Rental Housing | Total |
|---|-----------------------|----------------------------------|----------------------------------|--------------|
| \$582,573 - Water Quality Bonds - Series 2008A. 20 annual installments beginning February 1, 2008. Annual payments including principal and interest of .40% are paid over the term of 20 years. | \$ 179,681 | \$ | \$ | \$ 179,681 |
| \$913,200 - USDA Public Improvement Bonds - 2009 Series A. 160 quarterly installments beginning March 10, 2010. Quarterly payments of \$11,895 including principal and interest of 4.25%. | 783,776 | | | 783,776 |
| \$452,765 - Water Quality Bond, Series 2013A. 20 annual installments beginning August 1, 2015. Annual payments including principal and interest of .90% are paid over the term of 20 years. | 285,439 | | | 285,439 |
| \$2,946,196 - Water Quality Bond, Series 2013B debt to be forgiven when the Wind Energy project is complete and the terms and conditions of the loan are met. | 2,946,198 | | | 2,946,198 |
| Less: accumulated loan forgiveness | (736,548) | | | (736,548) |
| Total business-type activities general obligation bonds | \$ 3,458,546 | \$ | \$ | \$ 3,458,546 |

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

LONG-TERM LIABILITIES (Continued)

Business-type activities (continued)

During the year ended June 30, 2013, a Series 2013B Bond was approved for the City to help offset the cost of the Wind Turbine project. The original Bond was for \$3,169,355 which has a forgiveness clause pursuant to the Clean Water Act, the conditions of which must be met by fulfilling the obligations under the Series 2013A Bond agreement, noted above. As of June 30, 2019, the final amount drawn on the forgivable portion of the bond was \$2,946,198, which will be forgiven over the life of the payable portion of the Series 2013A Bond. If the conditions are met and timely payments are made, the entire bond is forgiven at the rate of \$184,137 per year until the year ending June 30, 2033. If the conditions are not met, the bond must be repaid in full with a 0% interest rate per annum.

Notes payable consist of the following:

| | Water and Sewer | Industrial Rental Property | Partnership Rental Housing | Total |
|---|-----------------------|----------------------------------|----------------------------------|------------|
| Hebron Savings Bank - Principal payable in monthly payments of \$5,456, including interest at 2.06% beginning October 2012. | \$ 81,128 | \$ | \$ | \$ 81,128 |
| Hebron Savings Bank - Principal payable in annual installments of \$8,252, including interest at 4.35% beginning July 3, 2019. | 22,780 | | | 22,780 |
| Hebron Savings Bank - Principal payable in quarterly installments of \$16,340, including interest at 2.92% beginning June 24, 2017. | 10 | | | 10 |
| Hebron Savings Bank - Principal payable in annual installments of \$19,587, including interest at 4.35% beginning October 4, 2019. | 54,439 | | | 54,439 |
| Hebron Savings Bank - Principal payable in annual installments of \$22,343, including interest at 3.81% beginning July 2021. | 100,000 | | | 100,000 |
| Community Development Administration (CDA) - Deed of Trust - CDA and the City of Crisfield intend that all payments of principal and interest on the loan shall be deferred and remain outstanding in perpetuity. | | | 528,523 | 528,523 |
| Total business-type activities notes payable | \$ 258,357 | \$ | \$ 528,523 | \$ 786,880 |

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

LONG-TERM LIABILITIES (Continued)

Business-type activities (continued)

Capital lease payable consists of the following:

| | |
|--|-------------------------|
| JCB Finance - Backhoe - Principal payments in annual installments of \$12,501 including interest at 3.80%, beginning September 26, 2018. | <u><u>\$ 23,623</u></u> |
|--|-------------------------|

Debt service requirements

Total annual debt service requirements to maturity for general obligation bonds and notes payable are as follows:

| Year Ending June 30, | Governmental Activities | | | |
|----------------------|--------------------------|------------------|------------------|-----------------|
| | General Obligation Bonds | | Notes | |
| | Principal | Interest | Principal | Interest |
| 2022 | 39,500 | 11,017 | 18,358 | 3,246 |
| 2023 | 41,500 | 9,398 | 19,160 | 2,444 |
| 2024 | 43,000 | 7,696 | 20,015 | 1,607 |
| 2025 | 45,000 | 5,933 | 16,798 | 733 |
| 2026 | 46,900 | 4,043 | | |
| 2027-2031 | 44,287 | 2,062 | | |
| | <u>\$ 260,187</u> | <u>\$ 40,150</u> | <u>\$ 74,323</u> | <u>\$ 8,029</u> |

| Year Ending June 30, | Business-Type Activities | | | |
|----------------------|--------------------------|-------------------|-------------------|------------------|
| | General Obligation Bonds | | Notes | |
| | Principal | Interest | Principal | Interest |
| 2022 | 251,396 | 37,518 | 107,582 | 8,223 |
| 2023 | 252,348 | 36,566 | 61,659 | 5,445 |
| 2024 | 253,330 | 34,444 | 575,383 | 3,538 |
| 2025 | 254,343 | 33,432 | 20,733 | 1,610 |
| 2026 | 255,386 | 32,388 | 21,523 | 820 |
| 2027-2031 | 1,171,597 | 145,803 | | |
| 2032-2036 | 533,483 | 117,937 | | |
| 2037-2041 | 148,922 | 88,986 | | |
| 2042-2046 | 183,975 | 53,933 | | |
| 2047-2051 | 153,765 | 12,552 | | |
| | <u>\$ 3,458,546</u> | <u>\$ 593,560</u> | <u>\$ 786,880</u> | <u>\$ 19,635</u> |

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

LONG-TERM LIABILITIES (Continued)

Debt service requirements (continued)

The future minimum lease payments under the capital lease are as follows:

| Year Ending June 30, | Governmental Activities | | Business-type Activities | |
|----------------------|-------------------------|---------------|--------------------------|-----------------|
| | Principal | Interest | Principal | Interest |
| 2022 | 5,794 | 457 | 11,588 | 914 |
| 2023 | 6,018 | 232 | 12,035 | 465 |
| | <u>\$ 11,812</u> | <u>\$ 689</u> | <u>\$ 23,623</u> | <u>\$ 1,379</u> |

RETIREMENT AND PENSION PLANS

General information about the pension plan

Plan description. Certain employees of the City are covered by the Pension System for Employees of the State of Maryland or the Employees' Retirement System of the State of Maryland. These systems are part of the Maryland State Retirement and Pension System (MSRPS) and are cost-sharing multiple-employer public employee retirement systems. The plan is administered by the State Retirement Agency (the Agency). Responsibility for the administration and operation of the MSRPS is vested in a 15-member Board of Trustees. The MSRPS was established by the State Personnel and Pensions Article of the Annotated Code of Maryland. The Agency issued a publicly available financial report that includes basic financial statements and required supplementary information for the MSRPS. This report can be found at http://sra.maryland.gov/Agency/Downloads/CAFR/CAFR_FullReport.pdf.

Benefits provided. The MSRPS provides retirement, disability and death benefits. Retirement allowances for members of the City are based on the highest five consecutive years average Annual Final Compensation (AFC) and the actual years of accumulated credited services. Employees of the City may retire with reduced benefits after attaining age 60 with at least 15 years of eligible service.

Permanent disability benefits are available after five years of service and approximate 25% of AFC. Death benefits are equal to employee salary at the time of death plus all member contributions and interest.

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

RETIREMENT AND PENSION PLANS (Continued)

General information about the pension plan (continued)

Contributions. The State Personnel and Pensions Article requires active members to contribute to the MSRPS at the rate of 4%, 5% or 7% of their covered salary depending upon the retirement option selected. The City is required to contribute at an actuarially determined rate.

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

At June 30, 2021, the City reported a liability of \$794,874 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental units, actuarially determined. At June 30, 2020, the City's proportion was .0035169%.

For the year ended June 30, 2021, the City recognized pension expense of \$88,616. At June 30, 2021, the City reported deferred outflows of resources or deferred inflows of resources related to pensions from the following sources.

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Changes of assumptions | \$ 4,006 | \$ 17,074 |
| Net difference between projected and actual earnings on pension plan investments | 87,318 | 13,247 |
| Difference between actual and expected experience | | 31,820 |
| Contributions subsequent to measurement date | 71,100 | |
| | \$ 162,424 | \$ 62,141 |

The City's contribution subsequent to the measurement date of \$71,100 reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

RETIREMENT AND PENSION PLANS (Continued)

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions (continued)

Deferred financial inflows and outflows are made up of changes in actuarial assumptions, differences in actual and expected experience, and net difference in the projected and actual investment earnings. The deferred outflows and inflows related to non-investment activity are being amortized over the remaining service life ranging from 5.50 to 5.87 years. The net difference in investment earnings are being amortized over a closed five-year period. The following table shows the amortization of these balances:

| Year Ending June 30 | Deferred Outflows | Deferred Inflows |
|------------------------|----------------------|---------------------|
| 2022 | \$ 37,039 | \$ 30,283 |
| 2023 | 20,187 | 17,310 |
| 2024 | 19,461 | 9,791 |
| 2025 | 14,637 | 4,614 |
| 2026 | _____ | _____ |
| Total | <u>\$ 91,324</u> | <u>\$ 62,141</u> |

Actuarial assumptions. The actuarial assumption for the Pension Plan as a whole and based on the June 30, 2020 annual actuarial valuation report for Maryland Municipal Corporation are as follows:

| | |
|---------------------------|--|
| Inflation | 2.60% general; 3.10% wage |
| Salary increases | 3.10% to 11.6%, including wage inflation |
| Investment rate of return | 7.40% |

Mortality rates were based on the public sector 2010 mortality tables calibrated to MSRPS experience with generational projections using MP-2018 mortality improvement scale.

Actuarial valuations are based upon assumptions regarding future activity in specific risk areas including the rates of investment return and payroll growth, eligibility for the various classes of benefits, and longevity among retired lives. The Board adopts these assumptions after considering the advice of the actuary and other professionals. The assumptions and the methods comply with the requirements of Statements No. 25 and 67 of the Governmental Accounting Standards Board (GASB).

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

RETIREMENT AND PENSION PLANS (Continued)

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions (continued)

Investments. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board of Trustees after considering input from MSRPS's investment consultants and actuaries. For each major class that is included in the MSRPS's target asset allocation as of June 30, 2020, these best estimates are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|--------------------|----------------------|--|
| Public Equity | 37% | 5.2% |
| Private Equity | 13% | 6.5% |
| Rate Sensitive | 19% | -0.3% |
| Credit Opportunity | 9% | 2.8% |
| Real Assets | 14% | 4.3% |
| Absolute Return | 8% | 1.8% |
| Total | 100% | |

For the years ended June 30, 2020 and 2019, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was 3.50% and 6.44%, respectively. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate. The discount rate used to measure the total pension liability was 7.40%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contribution from the municipalities will be made at contractually required rates, actuarially determined.

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

RETIREMENT AND PENSION PLANS (Continued)

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions (continued)

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.40%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.40%) or 1 percentage point higher (8.40%) than the current rate:

| | |
|-------------------------------|--------------|
| 1% Decrease (6.40%) | \$ 1,131,622 |
| Current discount rate (7.40%) | \$ 794,874 |
| 1% Increase (8.40%) | \$ 514,382 |

Pension plan fiduciary net position. Detailed information about the plan's fiduciary net position is available in the System's separately issued financial report.

OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan description

The City of Crisfield sponsors a single-employer post-retirement medical plan. The plan provides medical benefits to eligible retirees.

Benefits provided

Death Benefits. The City provides no post-retirement death benefits.

Health Benefits. Any employee retiring after completing 30 years of service with the City currently has the option to maintain health insurance after they retire, until age 65. The City will pay 100% of individual coverage before age 65 and 0% of dependent coverage. At Medicare age, the participant will be moved to Medicare Supplement and Part D coverage. The City pays 100% of Medicare premiums including Part D coverage.

Employees covered by benefit terms

As of June 30, 2021, plan membership includes the following:

| | |
|--------------------|-----------|
| Number of Actives | 26 |
| Number of Retirees | <u>1</u> |
| Total | <u>27</u> |

Contributions

The benefit is funded on a pay as you go basis.

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Total OPEB liability

Generally accepted accounting principles require that the reported results must pertain to liability information within certain defined timeframes. For this report, the following timeframes are used:

| | |
|--------------------|-------------------------------|
| Valuation Date | June 30, 2021 |
| Measurement Date | June 30, 2021 |
| Measurement Period | July 1, 2020 to June 30, 2021 |

Discount rate

The discount rate used to measure the total OPEB liability as of June 30, 2021 is 2.16%.

Actuarial assumptions

The total OPEB liability in the June 30, 2021 actual valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-----------------------|---|
| Actuarial cost method | Entry Age Normal |
| Salary increases | 3% |
| Retirement age | 50% at age 62 with 30+ years of service and 100% at age 65 |
| Utilization | 100% |
| Healthcare cost trend | 6.0% per year, declining 50 basis points per year to an ultimate annual rate increase of 4.5% |

Mortality rates were based on the Pub-2010 General Headcount-Weighted with scale MP-2020.

Changes in the net OPEB liability

The changes in the net OPEB liability for the OPEB plan are as follows:

| | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability |
|--|-------------------------|--------------------------------|-----------------------|
| Balance as of July 1, 2020 | \$ 1,039,065 | \$ | \$ 1,039,065 |
| Changes for the year: | | | |
| Service cost | 25,873 | | 25,873 |
| Interest | 22,910 | | 22,910 |
| Difference between expected & actual experience | 10,903 | | 10,903 |
| Assumption changes | (13,091) | | (13,091) |
| Contributions - employer | | 4,907 | (4,907) |
| Benefit payments | (4,907) | (4,907) | |
| Net changes | 41,688 | | 41,688 |
| Balance as of June 30, 2021 | \$ 1,080,753 | \$ | \$ 1,080,753 |

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Deferred outflows of resources and deferred inflows of resources

| | Deferred Outflows | Deferred Inflows |
|--|----------------------|---------------------|
| Differences between expected and actual experience | \$ 24,154 | \$ |
| Changes of assumptions | 323,619 | (11,384) |
| Total | \$ 347,773 | \$ (11,384) |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| | | |
|------------|----|---------|
| FY 2022 | \$ | 56,271 |
| FY 2023 | | 56,271 |
| FY 2024 | | 56,271 |
| FY 2025 | | 56,271 |
| FY 2026 | | 56,271 |
| Thereafter | | 55,034 |
| | \$ | 336,389 |

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the City, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

| | |
|-------------------------------|--------------|
| 1% Decrease (1.16%) | \$ 1,395,429 |
| Current discount rate (2.16%) | \$ 1,080,753 |
| 1% Increase (3.16%) | \$ 849,443 |

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate

The following presents the net OPEB liability of the City, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare trend rate:

| | |
|-----------------------------------|--------------|
| 1% Decrease (5.0% to 3.5%) | \$ 839,994 |
| Current trend rate (6.0% to 4.5%) | \$ 1,080,753 |
| 1% Increase (7.0% to 5.5%) | \$ 1,412,097 |

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

RISK MANAGEMENT AND INSURANCE RELATED ACTIVITIES

The City is exposed to various risks of loss related to torts, theft, or damage to property, errors and omissions, personal injuries, environmental impairments, and natural disasters. To manage these risks, effective July 1, 2004, the City became a participant in the Local Government Insurance Trust (LGIT). LGIT is a joint association of Maryland local governments for the purpose of enabling local governments to pool together to provide insurance protection. The City paid an annual premium of \$85,162 to LGIT in fiscal year 2021 to participate in the primary liability and property pools. The maximum financial loss exposure to the City is two times the annual premium (\$170,324). The insurance trust agreement provides for alternatives, which could reduce the City's maximum financial exposure.

JOINT VENTURES

Airport

The City has one half-interest in the Crisfield Airport. This is reflected in the statement of net assets. All other associated assets, liabilities, revenues, and expenses are reported by Somerset County. The City bills the county for one-half of the cost, net of any revenues from rent and fuel sales.

Ambulance

The Lower Somerset County Ambulance and Rescue Squad (LSCARS) is a joint venture between the City and Somerset County. During fiscal year 2021, the County reimbursed the City \$196,600 to help pay for the salaries and others costs of the paid paramedics and EMTs.

CONTINGENCIES

Partnership Rental Housing

The City of Crisfield entered into an agreement with the Community Development Administration (CDA) to construct ten, two bed-room modular rental units and related improvements on 4th Street, Crisfield, Maryland. The CDA loaned the City \$528,523 for the project, evidenced by a Deed of Trust Note. All payments of interest and principal on the loan are deferred as long as the Project is owned and operated by the City as a project occupied by lower income households. CDA intends that payments of the loan be deferred and remain outstanding in perpetuity. However, the entire principal balance of the loan, together with interest, shall become due and payable on the occurrence of any of the following, (a) such times as the project is no longer occupied by lower income households in accordance with the act, (b) the re-financing sale, transfer, or conveyance of the project, and (c) any encumbrances of the project without the prior written consent of CDA. The loan is recorded with the Notes and Bonds Payable of the Business-Type Activities.

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

CONTINGENCIES (Continued)

Grant compliance

The City participates in a number of federal and state assisted programs, which involve police, highways, infrastructure, etc. These programs are subject to program compliance audits by the grantors or their representatives. The amount, if any, of expenditures for these programs which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amount, if any, to be immaterial.

NEW GASB PRONOUNCEMENT

GASB Statement No. 87, *Leases*, will be effective for the Town beginning with the year ending June 30, 2023. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement will also change the way leases are disclosed.

COVID-19 IMPACT

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) outbreak a public health emergency. There have been mandates from federal, state, and local authorities requiring forced closures of schools, businesses, and other facilities. All City services continue to be provided with City employees following CDC and state guidelines. Although most state and local governments have begun to ease restrictions, it is possible that a resurgence in COVID-19 cases could prompt a return to tighter restrictions. Therefore, significant uncertainty remains regarding the financial impact on the City's financial condition and future results of operations.

In June 2020, the City was awarded \$223,490 from the Coronavirus Relief Funding as created in the CARES Act allocated through the Somerset County – CRF Plan. The City received \$215,823 of these funds during the year ended June 30, 2021. The remaining amount was forfeited due to time restrictions.

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

SUBSEQUENT EVENT

In July 2021, the City was awarded \$2,526,205 from the Coronavirus State and Local Fiscal Recovery program authorized by the American Rescue Plan Act of 2021 (ARPA). Eligible uses of these funds include lost revenue replacement, COVID-19 expenditures or negative economic impact programs, premium pay for essential workers, and investments in certain infrastructure. The first installment was received in July 2021 in the amount of \$1,263,103. The City plans to use these funds for sewer upgrades.

PRIOR PERIOD ADJUSTMENT

The net position in the government-wide financial statements and fund balance in the general fund statements as of June 30, 2020 have been restated as follows due to overstated inventory:

| | Government-wide | | | | |
|--|----------------------------|-----------------------------|---------------|----------------------------------|-----------------------------------|
| | Governmental Activities | Business-type Activities | | | |
| | | | | | |
| Net position, beginning of year, as previously reported | \$ 4,192,525 | \$ 13,262,733 | | | |
| Adjustment to: | | | | | |
| Inventory - fuel at cost | (10,466) | | | | |
| Net position, beginning of year, as restated | \$ 4,182,059 | \$ 13,262,733 | | | |
| | Fund financial statements | | | | |
| | General Fund | Enterprise Funds | | | Partnership Rental Property |
| | | Water Fund | Sewer Fund | Industrial Rental Property | Partnership Rental Property |
| Fund balance, beginning of year, as previously reported | \$ 448,960 | \$ (258,401) | \$ 12,232,966 | \$ 1,690,752 | \$ (402,584) |
| Adjustment to: | | | | | |
| Inventory - fuel at cost | (10,466) | | | | |
| Fund balance, beginning of year, as restated | \$ 438,494 | \$ (258,401) | \$ 12,232,966 | \$ 1,690,752 | \$ (402,584) |

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CRISFIELD, MARYLAND

**DETAILED SCHEDULE OF REVENUES AND EXPENDITURES,
BUDGET (NON-GAAP AND BUDGETARY BASIS) AND ACTUAL – GENERAL FUND**

YEAR ENDED JUNE 30, 2021

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Favorable (Unfavorable) |
|-------------------------------|------------------|------------------|-------------------|---|
| | Original | Final | | |
| Taxes | | | | |
| Real and personal | | | | |
| Real property | \$ 1,250,000 | \$ 1,250,000 | \$ 1,268,571 | \$ 18,571 |
| Personal property | 7,001 | 7,001 | 60,087 | 53,086 |
| RR and public utilities | 42,000 | 42,000 | 56,876 | 14,876 |
| Ordinary business | 70,000 | 70,000 | | (70,000) |
| Interest on delinquent taxes | 40,000 | 40,000 | 19,193 | (20,807) |
| Penalty on delinquent taxes | | | 21,677 | 21,677 |
| Hotel tax | 5,000 | 5,000 | 5,151 | 151 |
| Housing in lieu of taxes | 17,000 | 17,000 | 22,356 | 5,356 |
| Total real and personal taxes | <u>1,431,001</u> | <u>1,431,001</u> | <u>1,453,911</u> | <u>22,910</u> |
| State shared | | | | |
| Income taxes - local | 90,000 | 90,000 | 118,531 | 28,531 |
| Highway - gas motor vehicle | 160,000 | 160,000 | 167,413 | 7,413 |
| Total state shared taxes | <u>250,000</u> | <u>250,000</u> | <u>285,944</u> | <u>35,944</u> |
| Total taxes | <u>1,681,001</u> | <u>1,681,001</u> | <u>1,739,855</u> | <u>58,854</u> |
| Licenses and permits | | | | |
| Traders | 1,000 | 1,000 | 5,313 | 4,313 |
| Building | 4,050 | 4,050 | 7,980 | 3,930 |
| CATV - franchise fees | 30,000 | 30,000 | 38,491 | 8,491 |
| Parking | 500 | 500 | 730 | 230 |
| Golf cart | | | 1,850 | 1,850 |
| Total licenses and permits | <u>35,550</u> | <u>35,550</u> | <u>54,364</u> | <u>18,814</u> |
| Intergovernmental | | | | |
| Ambulance | 196,600 | 196,600 | 196,600 | |
| Community legacy grant | | | 23,429 | 23,429 |
| CARES Act - Somerset County | | | 215,823 | 215,823 |
| CDBG grant | | | 35,000 | 35,000 |
| USDA grant | | | 77,421 | 77,421 |
| Police protection | 107,998 | 107,998 | 112,635 | 4,637 |
| Other agencies | 1,000 | 1,000 | 264,062 | 263,062 |
| Total intergovernmental | <u>305,598</u> | <u>305,598</u> | <u>924,970</u> | <u>619,372</u> |

CITY OF CRISFIELD, MARYLAND

**DETAILED SCHEDULE OF REVENUES AND EXPENDITURES,
BUDGET (NON-GAAP AND BUDGETARY BASIS) AND ACTUAL – GENERAL FUND
(Continued)**

YEAR ENDED JUNE 30, 2021

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Favorable (Unfavorable) |
|---|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| Service charges | | | | |
| Liquor dispensaries | \$ 11,000 | \$ 11,000 | \$ 25,278 | \$ 14,278 |
| Inspection fees | 30,000 | 30,000 | 33,250 | 3,250 |
| Garbage charge | 100,000 | 100,000 | 113,556 | 13,556 |
| Airport fuel sales and county reimbursement | 12,000 | 12,000 | 35,819 | 23,819 |
| Mowing | 15,000 | 15,000 | 4,477 | (10,523) |
| Zoning fees | 150 | 150 | | (150) |
| Other | 6,800 | 6,800 | (942) | (7,742) |
| Total service charges | <u>174,950</u> | <u>174,950</u> | <u>211,438</u> | <u>36,488</u> |
| Fines and forfeitures | | | | |
| Fines | <u>1,000</u> | <u>1,000</u> | <u>1,374</u> | <u>374</u> |
| Revenue from use of money and property | | | | |
| Interest | 2,000 | 2,000 | 704 | (1,296) |
| Rents and concessions | <u>34,000</u> | <u>34,000</u> | <u>43,332</u> | <u>9,332</u> |
| Total revenue from use of money and property | <u>36,000</u> | <u>36,000</u> | <u>44,036</u> | <u>8,036</u> |
| Miscellaneous income | <u>1,000</u> | <u>1,000</u> | <u>61,772</u> | <u>60,772</u> |
| Total revenues | <u>2,235,099</u> | <u>2,235,099</u> | <u>3,037,809</u> | <u>802,710</u> |
| Other financing sources | | | | |
| Transfers from other funds | | | <u>293,887</u> | <u>293,887</u> |
| Total revenues and other financing sources | <u>\$ 2,235,099</u> | <u>\$ 2,235,099</u> | <u>\$ 3,331,696</u> | <u>\$ 1,096,597</u> |

CITY OF CRISFIELD, MARYLAND

**DETAILED SCHEDULE OF REVENUES AND EXPENDITURES,
BUDGET (NON-GAAP AND BUDGETARY BASIS) AND ACTUAL – GENERAL FUND
(Continued)**

YEAR ENDED JUNE 30, 2021

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Favorable (Unfavorable) |
|-----------------------------|------------------|-----------|-------------------|---|
| | Original | Final | | |
| General government | | | | |
| Mayor and council | | | | |
| Salaries and wages | \$ 15,300 | \$ 15,300 | \$ 19,129 | \$ (3,829) |
| Other operating expenses | 14,500 | 14,500 | 26,529 | (12,029) |
| Total mayor and council | 29,800 | 29,800 | 45,658 | (15,858) |
| City clerk | | | | |
| Salaries and wages | 159,355 | 159,355 | 149,146 | 10,209 |
| Other operating expenses | 48,650 | 48,650 | 93,869 | (45,219) |
| Total city clerk | 208,005 | 208,005 | 243,015 | (35,010) |
| Accounting and auditing | | | | |
| Other operating expenses | 19,750 | 19,750 | 19,744 | 6 |
| Legal counsel | | | | |
| Professional fees | 67,055 | 67,055 | 52,505 | 14,550 |
| Municipally owned buildings | | | | |
| Other operating expenses | 43,700 | 43,700 | 52,462 | (8,762) |
| Public officers association | | | | |
| Other operating expenses | 11,000 | 11,000 | 4,887 | 6,113 |
| Zoning board | | | | |
| Salaries and wages | 1,500 | 1,500 | 312 | 1,188 |
| Other operating expenses | | | 383 | (383) |
| Total zoning board | 1,500 | 1,500 | 695 | 805 |
| Voter registration | | | | |
| Salaries and wages | 1,500 | 1,500 | 52 | 1,448 |
| Other operating expenses | | | 364 | (364) |
| Total voter registration | 1,500 | 1,500 | 416 | 1,084 |
| Total general government | 382,310 | 382,310 | 419,382 | (37,072) |

CITY OF CRISFIELD, MARYLAND

**DETAILED SCHEDULE OF REVENUES AND EXPENDITURES,
BUDGET (NON-GAAP AND BUDGETARY BASIS) AND ACTUAL – GENERAL FUND
(Continued)**

YEAR ENDED JUNE 30, 2021

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Favorable (Unfavorable) |
|---|------------------|------------------|-------------------|---|
| | Original | Final | | |
| Public safety | | | | |
| Police department | | | | |
| Salaries and wages | \$ 735,404 | \$ 735,404 | \$ 759,544 | \$ (24,140) |
| Other operating expenses | 127,600 | 127,600 | 229,073 | (101,473) |
| Total police department | <u>863,004</u> | <u>863,004</u> | <u>988,617</u> | <u>(125,613)</u> |
| Fire department | | | | |
| Other operating expenses | 65,900 | 65,900 | 63,294 | 2,606 |
| Protective inspection | | | | |
| Salaries and wages | 69,020 | 69,020 | 74,453 | (5,433) |
| Other operating expenses | 2,700 | 2,700 | 2,998 | (298) |
| Total protective inspection | <u>71,720</u> | <u>71,720</u> | <u>77,451</u> | <u>(5,731)</u> |
| Total public safety | <u>1,000,624</u> | <u>1,000,624</u> | <u>1,129,362</u> | <u>(128,738)</u> |
| Streets and highways | | | | |
| Maintenance of streets and highways | | | | |
| Salaries and wages | 59,192 | 59,192 | 70,134 | (10,942) |
| Other operating expenses | 138,000 | 138,000 | 187,802 | (49,802) |
| Total maintenance of streets and highways | <u>197,192</u> | <u>197,192</u> | <u>257,936</u> | <u>(60,744)</u> |
| Highway lighting | | | | |
| Other operating expenses | 122,000 | 122,000 | 99,644 | 22,356 |
| Snow and ice removal | | | | |
| Salaries and wages | 1,000 | 1,000 | 793 | 207 |
| Other operating expenses | 3,000 | 3,000 | 1,129 | 1,871 |
| Total snow and ice removal | <u>4,000</u> | <u>4,000</u> | <u>1,922</u> | <u>2,078</u> |
| Storm drainage | | | | |
| Other operating expenses | 4,000 | 4,000 | 10,150 | (6,150) |
| Total streets and highways | <u>327,192</u> | <u>327,192</u> | <u>369,652</u> | <u>(42,460)</u> |

CITY OF CRISFIELD, MARYLAND

**DETAILED SCHEDULE OF REVENUES AND EXPENDITURES,
BUDGET (NON-GAAP AND BUDGETARY BASIS) AND ACTUAL – GENERAL FUND
(Continued)**

YEAR ENDED JUNE 30, 2021

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Favorable (Unfavorable) |
|-------------------------------------|------------------|----------------|-------------------|---|
| | Original | Final | | |
| Sanitation and waste removal | | | | |
| Street sanitation | | | | |
| Salaries and wages | \$ 59,192 | \$ 59,192 | \$ 66,421 | \$ (7,229) |
| Other operating expenses | 10,000 | 10,000 | 6,310 | 3,690 |
| Total street sanitation | <u>69,192</u> | <u>69,192</u> | <u>72,731</u> | <u>(3,539)</u> |
| Waste collection and disposal | | | | |
| Other operating expenses | 75,000 | 75,000 | 74,859 | 141 |
| Landfill | 40,000 | 40,000 | 64,251 | (24,251) |
| Total waste collection and disposal | <u>115,000</u> | <u>115,000</u> | <u>139,110</u> | <u>(24,110)</u> |
| Total sanitation and waste removal | <u>184,192</u> | <u>184,192</u> | <u>211,841</u> | <u>(27,649)</u> |
| Conservation of health | | | | |
| Mosquito control | | | | |
| Other operating expenses | 4,000 | 4,000 | 2,669 | 1,331 |
| Ambulance | | | | |
| Salaries and wages | 199,549 | 199,549 | 181,573 | 17,976 |
| Other operating expenses | 9,900 | 9,900 | 7,037 | 2,863 |
| Total ambulance | <u>209,449</u> | <u>209,449</u> | <u>188,610</u> | <u>20,839</u> |
| Total conservation of health | <u>213,449</u> | <u>213,449</u> | <u>191,279</u> | <u>22,170</u> |

CITY OF CRISFIELD, MARYLAND

**DETAILED SCHEDULE OF REVENUES AND EXPENDITURES,
BUDGET (NON-GAAP AND BUDGETARY BASIS) AND ACTUAL – GENERAL FUND
(Continued)**

YEAR ENDED JUNE 30, 2021

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Favorable (Unfavorable) |
|------------------------------|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| Airport | | | | |
| Salaries and wages | 23,118 | 23,118 | 37,492 | (14,374) |
| Fuel | 10,000 | 10,000 | 10,046 | (46) |
| Other operating expenses | 7,000 | 7,000 | 41,641 | (34,641) |
| Total airport | <u>40,118</u> | <u>40,118</u> | <u>89,179</u> | <u>(49,061)</u> |
| Economic development | <u>15,500</u> | <u>15,500</u> | <u>370,896</u> | <u>(355,396)</u> |
| Culture and recreation | <u>7,339</u> | <u>7,339</u> | <u>21,916</u> | <u>(14,577)</u> |
| Miscellaneous | | | | |
| Payroll related expenditures | 128,054 | 128,054 | 101,691 | 26,363 |
| Other operating expenses | 34,950 | 34,950 | 217,280 | (182,330) |
| Pension | 85,000 | 85,000 | 60,854 | 24,146 |
| Insurance | 425,000 | 425,000 | 346,241 | 78,759 |
| Total miscellaneous | <u>673,004</u> | <u>673,004</u> | <u>726,066</u> | <u>(53,062)</u> |
| Bad debt expense | | | <u>24,419</u> | <u>(24,419)</u> |
| Debt service | | | | |
| Principal | 267,270 | 267,270 | 65,109 | 202,161 |
| Interest | <u>16,614</u> | <u>16,614</u> | <u>13,352</u> | <u>3,262</u> |
| Total debt service | <u>283,884</u> | <u>283,884</u> | <u>78,461</u> | <u>205,423</u> |
| Total expenditures | <u>\$ 3,127,612</u> | <u>\$ 3,127,612</u> | <u>\$ 3,632,453</u> | <u>\$ (504,841)</u> |

CITY OF CRISFIELD, MARYLAND

**DETAILED SCHEDULE OF REVENUES AND EXPENDITURES,
BUDGET (NON-GAAP AND BUDGETARY BASIS) AND ACTUAL – GENERAL FUND
(Continued)**

YEAR ENDED JUNE 30, 2021

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Favorable (Unfavorable) |
|--|------------------|--------------|-------------------|---|
| | Original | Final | | |
| Summary | | | | |
| Total revenues and other financing sources | \$ 2,235,099 | \$ 2,235,099 | \$ 3,331,696 | \$ 1,096,597 |
| Total expenditures | 3,127,612 | 3,127,612 | 3,632,453 | (504,841) |
| Revenues and other financing sources under expenditures | \$ (892,513) | \$ (892,513) | \$ (300,757) | \$ 591,756 |

CITY OF CRISFIELD, MARYLAND

**MARYLAND STATE RETIREMENT AND PENSION SYSTEM
(UNAUDITED)**

**SCHEDULE OF THE CITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY**

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|--------------|--------------|--------------|--------------|--------------|--------------|-------------|
| City's proportion of the net pension liability | 0.003517% | 0.003868% | 0.003735% | 0.003463% | 0.003961% | 0.004632% | 0.004141% |
| City's proportionate share of the net pension liability | \$ 794,874 | \$ 797,745 | \$ 783,735 | \$ 748,880 | \$ 934,451 | \$ 906,496 | \$ 734,898 |
| City's covered-employee payroll | \$ 1,127,884 | \$ 1,058,940 | \$ 1,202,194 | \$ 1,205,249 | \$ 1,216,336 | \$ 1,258,492 | \$ 969,276 |
| City's proportionate share of the net pension liability as a percentage of its covered payroll | 70.47% | 75.33% | 65.19% | 62.13% | 76.83% | 72.03% | 75.82% |
| Plan fiduciary net position as a percentage of the total pension liability | 70.72% | 72.34% | 71.18% | 69.38% | 65.79% | 68.78% | 71.87% |

CITY OF CRISFIELD, MARYLAND
MARYLAND STATE RETIREMENT AND PENSION SYSTEM
(UNAUDITED)

SCHEDULE OF THE CITY'S CONTRIBUTIONS

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Contractually required contribution | \$ 71,100 | \$ 75,405 | \$ 79,424 | \$ 74,486 | \$ 70,489 | \$ 77,155 | \$ 96,501 |
| Contributions in relation to the contractually required contribution | <u>(71,100)</u> | <u>(75,405)</u> | <u>(79,424)</u> | <u>(74,486)</u> | <u>(70,489)</u> | <u>(77,155)</u> | <u>(96,501)</u> |
| Contribution deficiency (excess) | <u>\$</u> | <u>\$</u> | <u>\$</u> | <u>\$</u> | <u>\$</u> | <u>\$</u> | <u>\$</u> |
| City's covered-employee payroll | \$ 1,127,884 | \$ 1,058,940 | \$ 1,202,194 | \$ 1,205,249 | \$ 1,216,336 | \$ 1,258,492 | \$ 969,276 |
| Contributions as a percentage of covered-employee payroll | 6.30% | 7.12% | 6.61% | 6.18% | 5.80% | 6.13% | 9.96% |

CITY OF CRISFIELD, MARYLAND

**SCHEDULE OF CHANGES IN THE CITY'S TOTAL
OPEB LIABILITY AND RELATED RATIOS
(UNAUDITED)**

| | 2021 | 2020 | 2019 | 2018 |
|---|---------------------|---------------------|-------------------|-------------------|
| Total OPEB liability | | | | |
| Service cost | \$ 25,873 | \$ 14,905 | \$ 10,554 | \$ 10,161 |
| Interest cost | 22,910 | 24,407 | 19,564 | 18,637 |
| Difference between expected & actual experience | 10,903 | | 22,962 | |
| Assumption changes | (13,091) | 304,877 | 143,609 | |
| Benefit payments | (4,907) | (4,900) | (4,845) | (4,842) |
| Net change in total OPEB liability | 41,688 | 339,289 | 191,844 | 23,956 |
| Total OPEB liability, beginning of year | 1,039,065 | 699,776 | 507,932 | 483,976 |
| Total OPEB liability, end of year | <u>\$ 1,080,753</u> | <u>\$ 1,039,065</u> | <u>\$ 699,776</u> | <u>\$ 507,932</u> |
| Plan fiduciary net position | | | | |
| Contributions employer | \$ 4,907 | \$ 4,900 | \$ 4,845 | \$ 4,842 |
| Benefit payments | (4,907) | (4,900) | (4,845) | (4,842) |
| Net change in fiduciary net position | | | | |
| Fiduciary net position, beginning of year | | | | |
| Fiduciary net position, end of year | <u>\$</u> | <u>\$</u> | <u>\$</u> | <u>\$</u> |
| City's net OPEB liability, end of year | <u>\$ 1,080,753</u> | <u>\$ 1,039,065</u> | <u>\$ 699,776</u> | <u>\$ 507,932</u> |
| Fiduciary net position as a % of net OPEB liability | <u>0.0%</u> | <u>0.0%</u> | <u>0.0%</u> | <u>0.0%</u> |
| Covered-employee payroll | \$ 1,091,000 | \$ 836,136 | \$ 849,512 | \$ 779,731 |
| Total June 30 OPEB liability by Active/Inactive | | | | |
| Active employees | \$ 1,049,403 | \$ 1,006,001 | \$ 665,049 | \$ 474,741 |
| Inactive participants | 31,350 | 33,064 | 34,727 | 33,191 |
| Total OPEB liability | <u>\$ 1,080,753</u> | <u>\$ 1,039,065</u> | <u>\$ 699,776</u> | <u>\$ 507,932</u> |
| City's net OPEB liability as a % of the covered employee payroll | 99.06% | 124.27% | 82.37% | 65.14% |

Notes to schedule

The discount rate was changed from 2.21% percent to 2.16% for the measurement period ended June 30, 2021.

Historical information is required only for measurement periods for which GASB 75 is applicable.

Future years' information will be displayed up to 10 years as information becomes available.

GOVERNMENT AUDITING STANDARDS REPORT



**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***

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MARYLAND ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

DELAWARE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

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To the Mayor and Council
City of Crisfield, Maryland

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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Crisfield, Maryland (the "City") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Crisfield, Maryland's basic financial statements and have issued our report thereon dated February 8, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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.

Internal Control over Financial Reporting (Continued)

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in item 21-01 in the accompanying schedule of findings and responses, which we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 these 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*.

City of Crisfield, Maryland's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

PKS & Company, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
February 8, 2022

CITY OF CRISFIELD, MARYLAND
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2021

A. FINDINGS — FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESS

21-01 Significant Number of Journal Entries Needed to Prepare the Financial Statements

Criteria: Controls should be in place to detect, prevent, or correct misstatements in the City's drafted financial statements.

Condition and context: Management relies on the auditor to identify and correct errors and to prepare the financial statements in accordance with generally accepted accounting principles (GAAP). The financial statements are reviewed and approved by management prior to their issuance. In addition, management relies on the auditor to perform certain tasks such as the calculation of accrued liabilities, update of depreciation schedules, and the posting of approved adjusting entries to the trial balance.

Effect or potential effect: The City could produce inaccurate accounting records and financial reports to City and County officials, the public, state and federal agencies, and other interested parties. There is also a danger that intentional fraud or unintentional errors could be made and not detected.

Cause of Condition: Management does not have sufficient knowledge of required generally accepted accounting principles to prepare the financial statements and to determine whether the disclosures are complete.

Recommendation: None.

Response: Management has evaluated the cost vs. benefit of establishing internal controls over the preparation of the financial statements and has determined that it is in the best interest of the City to outsource this task to its independent auditors.