

**CITY OF CRISFIELD, MARYLAND**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2022**

# CITY OF CRISFIELD, MARYLAND

## TABLE OF CONTENTS

	<u>Page(s)</u>
<b>INDEPENDENT AUDITORS' REPORT</b>	1 – 3
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	4 – 12
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide financial statements	
Statement of net position	13
Statement of activities	14
Fund financial statements	
Balance sheet – Governmental Fund	15
Reconciliation of the Governmental Fund balance sheet to the statement of net position	16
Statement of revenues, expenditures and changes in fund balance – Governmental Fund	17
Reconciliation of the statement of revenues, expenditures and changes in fund balance of the Governmental Fund to the statement of activities	18
Statement of net position – Proprietary Funds	19
Statement of revenues, expenses and changes in net position – Proprietary Funds	20
Statement of cash flows – Proprietary Funds	21
Notes to financial statements	22 – 49

**CITY OF CRISFIELD, MARYLAND**

**TABLE OF CONTENTS  
(Continued)**

	<u>Page(s)</u>
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Detailed schedule of revenues and expenditures, budget (non-GAAP and Budgetary basis) and actual – General Fund	50 – 56
Maryland State Retirement and Pension System	
Schedule of the City's proportionate share of the net pension liability	57
Schedule of the City's contributions	58
Schedule of changes in the City's total OPEB liability and related ratios	59
<b><i>GOVERNMENT AUDITING STANDARDS REPORT</i></b>	
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>	60 – 61
Schedule of findings and responses	62

**INDEPENDENT AUDITORS' REPORT**

ANDREW M. HAYNIE, CPA  
SUSAN P. KEEN, CPA  
MICHAEL C. KLEGER, CPA  
JAMES D. MAYBURY, CPA  
E. LEE McCABE, CPA  
JEFFREY A. MICHALIK, CPA  
ROBERT L. MOORE, CPA  
DANIEL M. O'CONNELL II, CPA  
ASHLEY M. STERN, CPA  
JOHN M. STERN, JR., CPA

PKScpa.com

**Salisbury**

1801 SWEETBAY DRIVE  
P.O. Box 72  
SALISBURY, MD 21803  
TEL: 410.546.5600  
FAX: 410.548.9576

**Ocean City**

12216 OCEAN GATEWAY  
SUITE 800  
OCEAN CITY, MD 21842  
TEL: 410.213.7185  
FAX: 410.213.7638

**Lewes**

1143 SAVANNAH ROAD  
SUITE 1  
P.O. Box 192  
LEWES, DE 19958  
TEL: 302.645.5757  
FAX: 302.645.1757

**MEMBERS OF:**

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

MARYLAND ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

DELAWARE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

ALLINIAL GLOBAL

## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Council  
City of Crisfield, Maryland

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, of the City, as of June 30, 2022, 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.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Crisfield, Maryland's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Crisfield, Maryland's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

### ***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 4 - 12 and 50 – 59, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 January 25, 2023 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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's internal control over financial reporting and compliance.

***PKS & Company, P.A.***  
**CERTIFIED PUBLIC ACCOUNTANTS**

Salisbury, Maryland  
January 25, 2023

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**



## CITY OF CRISFIELD, MARYLAND

### MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2022

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, 2022. Please read it in conjunction with the City's financial statements, which begin on page 13.

#### **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, 2022

#### **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 15 – 18. The budgetary comparison can be found on pages 50 – 56.

#### **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 19 – 21 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 22 – 49 of this report.

**CITY OF CRISFIELD, MARYLAND**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2022**

**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 \$15.7 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, 2022 for governmental activities was a deficit of \$724,429. The unrestricted net position for business-type activities was a deficit of \$452,532.

**CITY OF CRISFIELD, MARYLAND**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**JUNE 30, 2022**

**Government-Wide Financial Analysis (continued)**

Statement of Net Position

	2022			2021 (Restated)		
	Governmental Activites	Business-Type Activities	Total	Governmental Activites	Business-Type Activities	Total
<b>Assets</b>						
Current and other assets	\$ 2,001,352	\$ 555,512	\$ 2,556,864	\$ 824,401	\$ 658,058	\$ 1,482,459
Capital assets	5,086,170	15,939,051	21,025,221	5,376,754	17,415,088	22,791,842
Total assets	<u>7,087,522</u>	<u>16,494,563</u>	<u>23,582,085</u>	<u>6,201,155</u>	<u>18,073,146</u>	<u>24,274,301</u>
Deferred outflows of resources	<u>428,244</u>	<u>79,656</u>	<u>507,900</u>	<u>434,511</u>	<u>75,686</u>	<u>510,197</u>
<b>Liabilities</b>						
Current and other liabilities	299,019	933,409	1,232,428	480,347	607,029	1,087,376
Long-term liabilities outstanding	<u>1,396,696</u>	<u>3,857,672</u>	<u>5,254,368</u>	<u>1,905,300</u>	<u>4,222,618</u>	<u>6,127,918</u>
Total liabilities	<u>1,695,715</u>	<u>4,791,081</u>	<u>6,486,796</u>	<u>2,385,647</u>	<u>4,829,647</u>	<u>7,215,294</u>
Deferred inflows of resources	<u>1,825,194</u>	<u>92,007</u>	<u>1,917,201</u>	<u>105,971</u>	<u>19,469</u>	<u>125,440</u>
<b>Net position</b>						
Net investment in capital assets	4,719,286	11,994,636	16,713,922	5,042,244	13,146,039	18,188,283
Restricted		149,027	149,027		118,609	118,609
Unrestricted (deficit)	<u>(724,429)</u>	<u>(452,532)</u>	<u>(1,176,961)</u>	<u>(898,196)</u>	<u>35,068</u>	<u>(863,128)</u>
Total net position	<u>\$ 3,994,857</u>	<u>\$ 11,691,131</u>	<u>\$ 15,685,988</u>	<u>\$ 4,144,048</u>	<u>\$ 13,299,716</u>	<u>\$ 17,443,764</u>

**CITY OF CRISFIELD, MARYLAND**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**JUNE 30, 2022**

**Government-Wide Financial Analysis (continued)**

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

	Changes in Net Position					
	2022			2021 (Restated)		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 245,431	\$ 2,276,908	\$ 2,522,339	\$ 211,438	\$ 1,887,785	\$ 2,099,223
Operating grants and contributions	306,267		306,267	320,626		320,626
Capital grants and contributions	144,402	237,287	381,689	604,344	293,863	898,207
General revenues						
Property taxes	1,415,616		1,415,616	1,425,155		1,425,155
Shared taxes	299,058		299,058	285,944		285,944
Payment in lieu of taxes	21,418		21,418	22,356		22,356
License and permits	67,579		67,579	54,364		54,364
Fines and forfeitures	4,900		4,900	1,374		1,374
Rents and concessions	40,583		40,583	43,332		43,332
Unrestricted investment earnings	465	121	586	703	394	1,097
Miscellaneous	152,075		152,075	61,773		61,773
Loss on disposal of assets	(20,849)	(937,444)	(958,293)			
Transfers	663,476		663,476	293,887		293,887
Total revenues	<u>3,340,421</u>	<u>1,576,872</u>	<u>4,917,293</u>	<u>3,325,296</u>	<u>2,182,042</u>	<u>5,507,338</u>
<b>Expenses</b>						
General government	633,778		633,778	535,136		535,136
Public safety	1,240,448		1,240,448	1,114,013		1,114,013
Streets and highways	393,956		393,956	353,497		353,497
Sanitation and waste removal	173,455		173,455	212,016		212,016
Conservation of health	201,916		201,916	191,279		191,279
Airport	55,678		55,678	65,245		65,245
Miscellaneous	731,617		731,617	854,350		854,350
Bad debt expense	48,678		48,678	24,419		24,419
Interest on long-term debt	10,086		10,086	13,352		13,352
Water		742,896	742,896		486,573	486,573
Sewer		1,473,630	1,473,630		1,250,759	1,250,759
Industrial rental property		276,462	276,462		58,556	58,556
Partnership rental housing		28,993	28,993		55,284	55,284
Transfers		663,476	663,476		293,887	293,887
Total expenses	<u>3,489,612</u>	<u>3,185,457</u>	<u>6,675,069</u>	<u>3,363,307</u>	<u>2,145,059</u>	<u>5,508,366</u>
<b>Change in net position</b>	(149,191)	(1,608,585)	(1,757,776)	(38,011)	36,983	(1,028)
<b>Net position, beginning of year, restated</b>	<u>4,144,048</u>	<u>13,299,716</u>	<u>17,443,764</u>	<u>4,182,059</u>	<u>13,262,733</u>	<u>17,444,792</u>
<b>Net position, end of year</b>	<u>\$ 3,994,857</u>	<u>\$ 11,691,131</u>	<u>\$ 15,685,988</u>	<u>\$ 4,144,048</u>	<u>\$ 13,299,716</u>	<u>\$ 17,443,764</u>

## CITY OF CRISFIELD, MARYLAND

### MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2022

#### **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 \$452,532. Other factors concerning these funds finances are addressed on pages 19 - 21.

#### **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 \$474,106.
- Total expenditures were over the final budget by \$77,038.

**CITY OF CRISFIELD, MARYLAND**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**JUNE 30, 2022**

**CAPITAL ASSETS**

The City’s investment in capital assets for its governmental (government-wide) and business-type activities as of June 30, 2022 was \$21,025,221 (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 32 – 34 of this report.

	Capital Assets (net of depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 1,833,878	\$ 1,833,878	\$ 408,760	\$ 524,760	\$ 2,242,638	\$ 2,358,638
Construction in progress	131,141	175,609	579,345	249,420	710,486	425,029
Building and improvements	1,719,161	1,798,406	7,909,816	9,303,542	9,628,977	11,101,948
Machinery and equipment	136,627	193,982	5,625,446	5,806,424	5,762,073	6,000,406
Furniture and fixtures	77,153	92,066			77,153	92,066
Infrastructure	1,188,210	1,282,813	1,415,684	1,530,942	2,603,894	2,813,755
<b>Capital assets, net</b>	<b>\$ 5,086,170</b>	<b>\$ 5,376,754</b>	<b>\$ 15,939,051</b>	<b>\$ 17,415,088</b>	<b>\$ 21,025,221</b>	<b>\$ 22,791,842</b>

Major purchases this year included:

Governmental activities:

1. Armory rehab project totaling \$31,307.
2. Kayak launch totaling \$40,065.

Business-type activities:

1. Purchase of a water jetter trailer mount for \$62,990.
2. WWTP facility improvements totaling \$313,685.
3. Purchase and installation of two sewage pumps for \$58,664.
4. Isolation value project totaling \$12,830.

**CITY OF CRISFIELD, MARYLAND**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**JUNE 30, 2022**

**DEBT ADMINISTRATION**

	<b>Outstanding Debt</b>					
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
General obligation bonds	\$ 218,883	\$ 260,187	\$ 3,248,216	\$ 3,458,546	\$ 3,467,099	\$ 3,718,733
Notes payable	148,001	74,323	684,165	786,880	832,166	861,203
Capital lease payable	6,018	11,812	12,034	23,623	18,052	35,435
Compensated absences	98,616	89,815	20,966	18,668	119,582	108,483
<b>Total outstanding debt</b>	<b>\$ 471,518</b>	<b>\$ 436,137</b>	<b>\$ 3,965,381</b>	<b>\$ 4,287,717</b>	<b>\$ 4,436,899</b>	<b>\$ 4,723,854</b>

Additional information on the City’s debt can be found on pages 34 – 40 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 the City with improving its 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 and MDE for two sewer lift station replacements and sewer lining of part of the City’s 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. The construction lift stations are scheduled for summer of 2023 and the I & I portion of the project is ongoing and will be completed by January 2023.

Carvel Hall was sold on March 31, 2022 and the proceeds from the sale were returned to DHCD by check per the grant requirements.

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. The continued meter repair work will be completed in house with City staff.



**CITY OF CRISFIELD, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2022**

**CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS (Continued)**

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. There are attorneys and an engineer working with MDE regarding potential fines. All compliance issues have been repaired and approved by Randy Denny.

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. There is a contractor on site working on 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. Inground construction is complete and the invoice has been received. The City has requested the money from the State of Maryland.

The Town was awarded a grant of \$2,526,341 under the American Rescue Plan Act of 2021 Coronavirus Local Fiscal Recovery Funds (CLFRF). The Town received the second and final installment of \$1,263,238 in August 2022. \$12,830 of this funding has been spent on the Isolation Valve Project as of June 30, 2022.

**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, 2022**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,266,708	\$ 11,490	\$ 1,278,198
Security deposit certificate of deposit		3,097	3,097
Investments	10,564		10,564
Taxes receivable	159,790		159,790
Grants receivable	12,741		12,741
Other receivables	294,226	440,681	734,907
Due from other governments	156,980		156,980
Internal balances	48,783	(48,783)	
Restricted cash	22,618	149,027	171,645
Prepaid insurance	28,942		28,942
Capital assets, net	5,086,170	15,939,051	21,025,221
Total assets	<u>7,087,522</u>	<u>16,494,563</u>	<u>23,582,085</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred financing outflows - retirement	174,847	43,258	218,105
Deferred financing outflows - OPEB	253,397	36,398	289,795
Total deferred outflows of resources	<u>428,244</u>	<u>79,656</u>	<u>507,900</u>
<b>LIABILITIES</b>			
Line of credit		439,954	439,954
Accounts payable and accrued expenses	175,822	132,472	308,294
Security deposits		2,238	2,238
Due within one year			
Compensated absences	39,646	7,247	46,893
Capital lease payable	6,018	12,034	18,052
Notes and bonds payable	77,533	339,464	416,997
Due in more than one year			
Compensated absences, less current portion	58,970	13,719	72,689
Total OPEB liability	712,933	102,407	815,340
Net pension liability	335,442	148,629	484,071
Notes and bonds payable, less current portion	289,351	3,592,917	3,882,268
Total liabilities	<u>1,695,715</u>	<u>4,791,081</u>	<u>6,486,796</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred financing inflows - retirement	312,340	57,043	369,383
Deferred financing inflows - OPEB	243,414	34,964	278,378
Deferred grants	1,269,440		1,269,440
Total deferred inflows of resources	<u>1,825,194</u>	<u>92,007</u>	<u>1,917,201</u>
<b>NET POSITION</b>			
Net investment in capital assets	4,719,286	11,994,636	16,713,922
Restricted		149,027	149,027
Unrestricted (deficit)	(724,429)	(452,532)	(1,176,961)
Total net position	<u>\$ 3,994,857</u>	<u>\$ 11,691,131</u>	<u>\$ 15,685,988</u>

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

**CITY OF CRISFIELD, MARYLAND**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2022**

	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
<b>FUNCTIONS/PROGRAMS</b>							
<b>GOVERNMENTAL ACTIVITIES</b>							
General government	\$ 633,778	\$ 69,299	\$ 4,056	\$	\$ (560,423)	\$	\$ (560,423)
Public safety	1,240,448		105,611		(1,134,837)		(1,134,837)
Streets and highways	393,956				(393,956)		(393,956)
Sanitation and waste removal	173,455	115,092			(58,363)		(58,363)
Conservation of health	201,916		196,600		(5,316)		(5,316)
Airport	55,678	38,656			(17,022)		(17,022)
Miscellaneous	731,617	22,384		144,402	(564,831)		(564,831)
Bad debt expense	48,678				(48,678)		(48,678)
Interest on long-term debt	10,086				(10,086)		(10,086)
Total governmental activities	<u>3,489,612</u>	<u>245,431</u>	<u>306,267</u>	<u>144,402</u>	<u>(2,793,512)</u>		<u>(2,793,512)</u>
<b>BUSINESS-TYPE ACTIVITIES</b>							
Water fund	742,896	737,405				(5,491)	(5,491)
Sewer fund	1,473,630	1,495,755		237,287		259,412	259,412
Industrial rental property	276,462					(276,462)	(276,462)
Partnership rental housing	28,993	43,748				14,755	14,755
Total business-type activities	<u>2,521,981</u>	<u>2,276,908</u>		<u>237,287</u>		<u>(7,786)</u>	<u>(7,786)</u>
Total	<u>\$ 6,011,593</u>	<u>\$ 2,522,339</u>	<u>\$ 306,267</u>	<u>\$ 381,689</u>	<u>(2,793,512)</u>	<u>(7,786)</u>	<u>(2,801,298)</u>
<b>GENERAL REVENUES</b>							
Taxes							
Real and personal					1,415,616		1,415,616
State shared					299,058		299,058
Payment in lieu of taxes					21,418		21,418
Licenses and permits					67,579		67,579
Fines and forfeitures					4,900		4,900
Rents and concessions					40,583		40,583
Interest					465	121	586
Miscellaneous					152,075		152,075
Loss on disposal of assets					(20,849)	(937,444)	(958,293)
Transfers					663,476	(663,476)	
Total general revenues					<u>2,644,321</u>	<u>(1,600,799)</u>	<u>1,043,522</u>
Change in net position					(149,191)	(1,608,585)	(1,757,776)
<b>NET POSITION, BEGINNING OF YEAR, AS RESTATED</b>					<u>4,144,048</u>	<u>13,299,716</u>	<u>17,443,764</u>
<b>NET POSITION, END OF YEAR</b>					<u>\$ 3,994,857</u>	<u>\$ 11,691,131</u>	<u>\$ 15,685,988</u>

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

**CITY OF CRISFIELD, MARYLAND**

**BALANCE SHEET  
GOVERNMENTAL FUND**

**JUNE 30, 2022**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,266,708
Investments	10,564
Taxes receivable	159,790
Grants receivable	12,741
Other receivables	294,226
Restricted cash	22,618
Due from other governments	156,980
Due from other funds	48,783
Prepaid insurance	28,942
	<hr/>
Total assets	<u>\$ 2,001,352</u>
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	\$ 175,822
Compensated absences	39,646
	<hr/>
Total liabilities	<u>215,468</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred taxes	219,789
Deferred grants	1,269,440
	<hr/>
Total deferred inflows of resources	<u>1,489,229</u>
<b>FUND BALANCES</b>	
Nonspendable	77,725
Unassigned	218,930
	<hr/>
Total fund balances	<u>296,655</u>
	<hr/>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,001,352</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, 2022**

Total fund balance, governmental fund \$ 296,655

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. 5,086,170

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 174,847  
Deferred financing outflows - OPEB 253,397

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 (6,018)  
Notes payable (366,884)  
Compensated absences (58,970)  
Other post-employment benefits obligation (712,933)  
Net pension liability (335,442)  
Deferred financing inflows - retirement (312,340)  
Deferred financing inflows - OPEB (243,414)

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 219,789

Net position of governmental activities in the Statement of Net Position \$ 3,994,857

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, 2022**

	<u>General Fund</u>
<b>REVENUES</b>	
Taxes - real and personal	\$ 1,435,299
Taxes - state shared	299,058
Licenses and permits	67,579
Intergovernmental	450,670
Charges for services	245,430
Fines and forfeitures	4,900
Revenues from use of money and property	41,048
Miscellaneous	152,072
Total revenues	<u>2,696,056</u>
<b>EXPENDITURES</b>	
Current	
General government	497,939
Public safety	1,216,334
Streets and highways	287,397
Sanitation and waste removal	173,280
Conservation of health	201,916
Airport	55,678
Economic development	182,726
Culture and recreation	17,023
Miscellaneous	534,445
Bad debt expense	48,678
Debt service	
Principal	67,182
Interest	10,086
Total expenditures	<u>3,292,684</u>
Revenues under expenditures	<u>(596,628)</u>
<b>OTHER FINANCING SOURCES</b>	
Loan proceeds	92,066
Transfer from other funds	663,476
Total other financing sources	<u>755,542</u>
Net change in fund balance	158,914
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>137,741</u>
<b>FUND BALANCE, END OF YEAR</b>	<u><u>\$ 296,655</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 THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2022**

Net change in fund balance, governmental fund	\$ 158,914
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 (\$57,297) exceeds depreciation expense (\$271,532) in the current period.	(214,235)
Changes in deferred outflows of resources presented in the governmental activities of the Statement of Activities:	
Deferred financing outflows - retirement	48,637
Deferred financing outflows - OPEB	(54,904)
In the Statement of Activities, the gain or loss on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by the book value of the assets sold.	(76,349)
Proceeds from the issuance of long-term debt are reported in the governmental fund as a source of financing. On the other hand, loan proceeds are not revenues in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Position.	(92,066)
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.	67,182
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	(1,356)
Change in other post-employment benefit obligation	245,155
Change in net pension liability	271,490
Change in deferred financing inflows - retirement	(268,376)
Change in deferred financing inflows - OPEB	(233,322)
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	1,735
Change in net position, governmental activities	\$ (149,191)

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



**CITY OF CRISFIELD, MARYLAND**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS**

**JUNE 30, 2022**

	Water and Sewer	Industrial Rental Property	Partnership Rental Housing	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,648	\$	\$ 7,842	\$ 11,490
Security deposits certificate of deposits			3,097	3,097
Receivables	440,681			440,681
Restricted cash			149,027	149,027
Capital assets, net	15,510,116	420,001	8,934	15,939,051
Total assets	<u>15,954,445</u>	<u>420,001</u>	<u>168,900</u>	<u>16,543,346</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred financing outflows - retirement	43,258			43,258
Deferred financing outflows - OPEB	36,398			36,398
Total deferred outflows of resources	<u>79,656</u>			<u>79,656</u>
<b>LIABILITIES</b>				
Line of credit	439,954			439,954
Accounts payable and accrued expenses	132,472			132,472
Security deposits			2,238	2,238
Due to other funds			48,783	48,783
Due within one year				
Compensated absences	7,247			7,247
Capital lease payable	12,034			12,034
Notes and bonds payable	339,464			339,464
Due in more than one year				
Compensated absences, less current portion	13,719			13,719
Total OPEB liability	102,407			102,407
Net pension liability	148,629			148,629
Notes and bonds payable, less current portion	3,064,394		528,523	3,592,917
Total liabilities	<u>4,260,320</u>		<u>579,544</u>	<u>4,839,864</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred financing inflows - retirement	57,043			57,043
Deferred financing inflows - OPEB	34,964			34,964
Total deferred inflows of resources	<u>92,007</u>			<u>92,007</u>
<b>NET POSITION</b>				
Net investment in capital assets	12,094,224	420,001	(519,589)	11,994,636
Restricted			149,027	149,027
Unrestricted (deficit)	(412,450)		(40,082)	(452,532)
Total net position	<u>\$ 11,681,774</u>	<u>\$ 420,001</u>	<u>\$ (410,644)</u>	<u>\$ 11,691,131</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, 2022**

	Water	Sewer	Industrial Rental Property	Partnership Rental Housing	Total
<b>OPERATING REVENUES</b>					
Water service	\$ 698,199	\$	\$	\$	\$ 698,199
Sewer service		1,387,690			1,387,690
Front foot assessment		82,164			82,164
Rent				43,748	43,748
Late fees	14,706				14,706
Application fees	24,500	14,000			38,500
Flush tax		11,901			11,901
Total operating revenues	<u>737,405</u>	<u>1,495,755</u>		<u>43,748</u>	<u>2,276,908</u>
<b>OPERATING EXPENSES</b>					
Salaries and wages	103,114	102,757			205,871
Payroll taxes and fringe benefits	54,375	37,560			91,935
Contracted services	250,014	93,323			343,337
Utilities	63,967	110,444		2,504	176,915
Chemicals	21,722	104,343			126,065
Depreciation	168,510	537,166	49,751	17,679	773,106
Bad debt expense	6,775	6,350			13,125
Other operating expenses	65,428	422,269	226,711	8,810	723,218
Total operating expenses	<u>733,905</u>	<u>1,414,212</u>	<u>276,462</u>	<u>28,993</u>	<u>2,453,572</u>
Operating income (loss)	<u>3,500</u>	<u>81,543</u>	<u>(276,462)</u>	<u>14,755</u>	<u>(176,664)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Grant revenue		237,287			237,287
Interest income				121	121
Interest expense	(8,991)	(59,418)			(68,409)
Loss on disposal of assets			(937,444)		(937,444)
Transfer to general fund	(332,594)	(332,593)	1,711		(663,476)
Net nonoperating revenues (expenses)	<u>(341,585)</u>	<u>(154,724)</u>	<u>(935,733)</u>	<u>121</u>	<u>(1,431,921)</u>
Change in net position	<u>(338,085)</u>	<u>(73,181)</u>	<u>(1,212,195)</u>	<u>14,876</u>	<u>(1,608,585)</u>
<b>NET POSITION, BEGINNING OF YEAR, AS RESTATED</b>	<u>(241,945)</u>	<u>12,334,985</u>	<u>1,632,196</u>	<u>(425,520)</u>	<u>13,299,716</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ (580,030)</u>	<u>\$ 12,261,804</u>	<u>\$ 420,001</u>	<u>\$ (410,644)</u>	<u>\$ 11,691,131</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, 2022**

	Water and Sewer	Industrial Rental Property	Partnership Rental Housing	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 2,128,069	\$	\$ 43,748	\$ 2,171,817
Cash paid to or on behalf of employees	(286,515)			(286,515)
Cash paid to suppliers	(1,177,119)	(226,711)	(11,314)	(1,415,144)
Net cash provided (used) by operating activities	<u>664,435</u>	<u>(226,711)</u>	<u>32,434</u>	<u>470,158</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Grant proceeds	132,876			132,876
Debt proceeds	62,990			62,990
Purchase of assets	(459,513)			(459,513)
Proceeds from sale of property and equipment		225,000		225,000
Principal paid on long-term obligations	(203,487)			(203,487)
Interest paid on long-term obligations	(68,409)			(68,409)
Net cash provided (used) by capital and related financing activities	<u>(535,543)</u>	<u>225,000</u>		<u>(310,543)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers to general fund	(665,187)	1,711		(663,476)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Line of credit	388,954			388,954
Interest income			121	121
Net cash provided by investing activities	<u>388,954</u>		<u>121</u>	<u>389,075</u>
Net increase (decrease) in cash	(147,341)		32,555	(114,786)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>				
	150,989		127,411	278,400
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>				
	<u>\$ 3,648</u>	<u>\$</u>	<u>\$ 159,966</u>	<u>\$ 163,614</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 85,043	\$ (276,462)	\$ 14,755	\$ (176,664)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	705,676	49,751	17,679	773,106
Bad debt expense	13,125			13,125
Deferred financing outflows - retirement	(7,044)			(7,044)
Deferred financing outflows - OPEB	3,074			3,074
Deferred financing inflows - retirement	38,866			38,866
Deferred financing inflows - OPEB	33,672			33,672
Effects of changes in operating assets and liabilities:				
Accounts and other receivables	(105,091)			(105,091)
Accounts payable and accrued expenses	(84,926)			(84,926)
Total other post-employment benefit liability	(20,258)			(20,258)
Compensated absences	2,298			2,298
Net cash provided (used) by operating activities	<u>\$ 664,435</u>	<u>\$ (226,711)</u>	<u>\$ 32,434</u>	<u>\$ 470,158</u>

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

**CITY OF CRISFIELD, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022**

**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, 2022**

**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, 2022**

**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, cash equivalents and investments 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, 2022**

**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 2022, 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, 2022, 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, 2022**

**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, 2022**

**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, 2022, there was \$119,582 of vacation benefits due to employees.

**CITY OF CRISFIELD, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Government-wide and proprietary fund net positions

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, 2022**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Adoption of GASB Statement No. 87, Leases

Effective July 1, 2021, the Town adopted the new lease accounting guidance in GASB Statement No. 87, *Leases*. The new guidance requires recognition of certain lease assets and liabilities that were previously classified as operating leases.

**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, 2022, the invested funds are as follows:

	Carrying Amount	Bank Balance	Fully Insured
Governmental Activities:			
Cash and cash equivalents	\$ 1,289,326	\$ 1,568,338	\$ 1,568,338
Investments	10,564	14,814	14,814
Total	<u>\$ 1,299,890</u>	<u>\$ 1,583,152</u>	<u>\$ 1,583,152</u>
Business-type Activities:			
Cash and cash equivalents	\$ 107,609	\$ 174,032	\$ 174,032
Investments	56,005	56,006	56,006
Total	<u>\$ 163,614</u>	<u>\$ 230,038</u>	<u>\$ 230,038</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, 2022 met the City's investment policy as of that date. Investment income was comprised entirely of interest amounting to \$586 for the year ended June 30, 2022.

**CITY OF CRISFIELD, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022**

**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, 2022, 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	\$	159,790
Grants		12,741
Other		
Mowing		41,123
Penalties		40,586
Interest		30,919
Liquor dispensary		22,384
Payment in lieu of taxes		21,418
Police		19,976
Garbage		13,499
Other		104,321
	<u>\$</u>	<u>466,757</u>

**CITY OF CRISFIELD, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022**

**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	\$ 440,681	\$	\$	\$ 440,681

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, 2022 consisted of deferred taxes and grants of \$219,789 and \$1,269,440, respectively.

**DUE FROM OTHER GOVERNMENTS**

The balance of due from other governments at June 30, 2022 is as follows:

	Governmental Activities	Business-type Activities	Total
State of Maryland:			
Highway user	\$ 72,842	\$	\$ 72,842
Somerset County:			
Ambulance	49,150		49,150
Airport	26,178		26,178
Highway user	3,550		3,550
Bank lien	5,260		5,260
Total Somerset County	84,138		84,138
Total due from other governments	\$ 156,980	\$	\$ 156,980

**CITY OF CRISFIELD, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022**

**CAPITAL ASSETS**

Capital assets of the Governmental Activities are summarized as follows:

	Balance June 30, 2021	Additions & Transfers	Deletions & Transfers	Balance June 30, 2022
Capital assets not being depreciated				
Land	\$ 1,833,878	\$	\$	\$ 1,833,878
Construction in progress	175,609	51,097	(95,565)	131,141
Total capital assets not being depreciated	<u>2,009,487</u>	<u>51,097</u>	<u>(95,565)</u>	<u>1,965,019</u>
Capital assets being depreciated				
Building and improvements	2,728,226			2,728,226
Machinery and equipment	1,303,399	6,200	(1,672)	1,307,927
Furniture and fixtures	198,396			198,396
Infrastructure	4,710,689	40,065	(31,750)	4,719,004
Total capital assets being depreciated	<u>8,940,710</u>	<u>46,265</u>	<u>(33,422)</u>	<u>8,953,553</u>
Less accumulated depreciation for				
Building and improvements	(929,820)	(79,244)		(1,009,064)
Machinery and equipment	(1,109,417)	(63,555)	1,671	(1,171,301)
Furniture and fixtures	(106,330)	(14,913)		(121,243)
Infrastructure	(3,427,876)	(113,820)	10,902	(3,530,794)
Total accumulated depreciation	<u>(5,573,443)</u>	<u>(271,532)</u>	<u>12,573</u>	<u>(5,832,402)</u>
Governmental activities, capital assets, net	<u>\$ 5,376,754</u>	<u>\$ (174,170)</u>	<u>\$ (116,414)</u>	<u>\$ 5,086,170</u>

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

	Balance June 30, 2021	Additions & Transfers	Deletions & Transfers	Balance June 30, 2022
Capital assets not being depreciated				
Land	\$ 408,760	\$	\$	\$ 408,760
Construction in progress	249,420	329,924		579,344
Total capital asset not being depreciated	<u>658,180</u>	<u>329,924</u>		<u>988,104</u>
Capital assets being depreciated				
Building and improvements	13,649,239			13,649,239
Machinery and equipment	9,834,295	76,399		9,910,694
Infrastructure	5,416,787	53,190		5,469,977
Total capital assets being depreciated	<u>28,900,321</u>	<u>129,589</u>		<u>29,029,910</u>
Less accumulated depreciation for				
Building and improvements	(5,888,505)	(279,853)		(6,168,358)
Machinery and equipment	(4,027,873)	(257,375)		(4,285,248)
Infrastructure	(3,885,844)	(168,448)		(4,054,292)
Total accumulated depreciation	<u>(13,802,222)</u>	<u>(705,676)</u>		<u>(14,507,898)</u>
Water and Sewer activities, capital assets, net	<u>\$ 15,756,279</u>	<u>\$ (246,163)</u>	<u>\$</u>	<u>\$ 15,510,116</u>

**CITY OF CRISFIELD, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022**

**CAPITAL ASSETS (Continued)**

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

	<u>Balance June 30, 2021</u>	<u>Additions &amp; Transfers</u>	<u>Deletions &amp; Transfers</u>	<u>Balance June 30, 2022</u>
Capital assets not being depreciated				
Land	\$ 116,000	\$	\$ (116,000)	\$
Capital assets being depreciated				
Building and improvements	<u>2,086,225</u>		<u>(1,280,930)</u>	<u>805,295</u>
Less accumulated depreciation for				
Building and improvements	<u>(570,029)</u>	<u>(49,751)</u>	<u>234,486</u>	<u>(385,294)</u>
Industrial Rental Property activities, capital assets, net	<u>\$ 1,632,196</u>	<u>\$ (49,751)</u>	<u>\$ (1,162,444)</u>	<u>\$ 420,001</u>

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

	<u>Balance June 30, 2021</u>	<u>Additions &amp; Transfers</u>	<u>Deletions &amp; Transfers</u>	<u>Balance June 30, 2022</u>
Capital assets being depreciated				
Building and improvements	\$ 530,384	\$	\$	\$ 530,384
Less accumulated depreciation for				
Building and improvements	<u>(503,771)</u>	<u>(17,679)</u>		<u>(521,450)</u>
Partnership Rental Housing, capital assets, net	<u>\$ 26,613</u>	<u>\$ (17,679)</u>	<u>\$</u>	<u>\$ 8,934</u>

Depreciation expense is recorded as follows:

Governmental activities:	
General government	\$ 134,483
Public safety	30,314
Streets and highways	106,559
Sanitation and waste removal	176
Total governmental activities	<u>\$ 271,532</u>
Business-type activities:	
Water and sewer fund	\$ 705,676
Industrial rental property fund	49,751
Partnership rental housing fund	17,679
Total business-type activities	<u>\$ 773,106</u>

**CITY OF CRISFIELD, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022**

**LINE OF CREDIT**

The following is a summary of the City's lines of credit for the year ended June 30, 2022:

Governmental Activities:

The Hebron Savings Bank line of credit was converted to a promissory note in 2022.

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. \$ 439,954

Changes in the lines of credit for the year ended June 30, 2022 are as follows:

	Beginning Balance	Additions	Principal Repayments	Ending Balance
Governmental activities:				
Line of credit	\$ 92,066	\$	\$ 92,066	\$
Business-type activities:				
Line of credit	\$ 51,000	\$ 388,954	\$	\$ 439,954



**CITY OF CRISFIELD, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022**

**LONG-TERM LIABILITIES**

Changes in long-term obligations for the year ended June 30, 2022 are as follows:

	Beginning Balance	Additions & Transfers	Principal Repayments & Transfers	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 270,500	\$	\$ 43,000	\$ 227,500	\$ 41,500
Less: Unamortized bond issuance costs	(7,368)		(1,211)	(6,157)	
Less: Unamortized bond premium	(2,945)		(485)	(2,460)	
Notes payable	74,323	92,066	18,388	148,001	36,033
Capital lease payable	11,812		5,794	6,018	6,018
Compensated absences	89,815	8,801		98,616	39,646
<b>Governmental activities long-term liabilities</b>	<b>\$ 436,137</b>	<b>\$ 100,867</b>	<b>\$ 65,486</b>	<b>\$ 471,518</b>	<b>\$ 123,197</b>
<b>Business-type activities:</b>					
General obligation bonds	\$ 4,195,094	\$ 62,990	\$ 89,183	\$ 4,168,901	\$ 272,430
Less: Unamortized debt forgiveness	(736,548)	(184,137)		(920,685)	
Notes payable	786,880		102,715	684,165	67,034
Capital lease payable	23,623		11,589	12,034	12,034
Compensated absences	18,668	2,298		20,966	7,247
<b>Business-type activities long-term liabilities</b>	<b>\$ 4,287,717</b>	<b>\$ (118,849)</b>	<b>\$ 203,487</b>	<b>\$ 3,965,381</b>	<b>\$ 358,745</b>

**CITY OF CRISFIELD, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022**

**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.	\$ 227,500
Less: Unamortized bond issuance costs	(6,157)
Less: Unamortized bond premium	<u>(2,460)</u>
	<u>\$ 218,883</u>

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%.	<u>\$ 55,935</u>
Hebron Savings Bank - converted from a line of credit to a promissory note during the year ended June 30, 2022. Principal payments in annual installments of \$20,889 beginning July 1, 2022. Interest is payable annually at 4.35%	<u>\$ 92,066</u>

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 40. Capital lease payable consist of the following:

JCB Finance - Backhoe - Principal payments in annual installments of \$6,251 including interest at 3.80%, beginning September 26, 2018.	<u>\$ 6,018</u>
---	-----------------

**CITY OF CRISFIELD, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022**

**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.	\$ 150,033	\$	\$	\$ 150,033
\$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%.	769,285			769,285
\$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.	262,320			262,320
\$2,946,198 - 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	(920,685)			(920,685)
\$62,990 - KS Statebank. 3 annual payments including principal and interest of \$21,925 beginning September 1, 2021.	41,065			41,065
Total business-type activities general obligation bonds	\$ 3,248,216	\$	\$	\$ 3,248,216

**CITY OF CRISFIELD, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022**

**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.	\$ 22,093	\$	\$	\$ 22,093
Hebron Savings Bank - Principal payable in annual installments of \$8,252, including interest at 4.35% beginning July 3, 2019.	15,511			15,511
Hebron Savings Bank - Principal payable in annual installments of \$19,587, including interest at 4.35% beginning October 4, 2019.	36,808			36,808
Hebron Savings Bank - Principal payable in annual installments of \$22,343, including interest at 3.81% beginning July 2021.	81,229			81,229
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.			528,524	528,524
Total business-type activities notes payable	\$ 155,641	\$	\$ 528,524	\$ 684,165

**CITY OF CRISFIELD, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022**

**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>\$ 12,034</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
2023	41,500	9,398	36,033	6,460
2024	43,000	7,696	37,629	4,878
2025	45,000	5,933	35,147	3,237
2026	46,900	4,043	19,184	1,705
2027	42,483	2,062	20,008	880
	<u>\$ 218,883</u>	<u>\$ 29,132</u>	<u>\$ 148,001</u>	<u>\$ 17,160</u>

Year Ending June 30,	Business-type Activities			
	General Obligation Bonds		Notes	
	Principal	Interest	Principal	Interest
2023	272,430	38,408	67,034	5,445
2024	274,313	35,386	575,113	3,538
2025	254,343	33,432	20,733	1,610
2026	255,386	32,388	21,285	820
2027	1,171,598	145,803		
2028-2032	533,484	117,937		
2033-2037	148,922	88,986		
2038-2042	183,975	53,933		
2043-2047	153,765	12,552		
	<u>\$ 3,248,216</u>	<u>\$ 558,825</u>	<u>\$ 684,165</u>	<u>\$ 11,413</u>

**CITY OF CRISFIELD, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022**

**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
2023	\$ 6,018	\$ 232	\$ 12,034	\$ 465

**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](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.

*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.

**CITY OF CRISFIELD, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022**

**RETIREMENT AND PENSION PLANS (Continued)**

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

At June 30, 2022, the City reported a liability of \$484,071 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2021, the City's proportion was .003227%.

For the year ended June 30, 2022, the City recognized pension expense of \$1,064. At June 30, 2022, 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	\$ 93,696	\$ 10,375
Net difference between projected and actual earnings on pension plan investments	47,124	268,190
Difference between actual and expected experience		37,101
Changes of proportion		53,717
Contributions subsequent to measurement date	77,285	
	\$ 218,105	\$ 369,383

The City's contribution subsequent to the measurement date of \$77,285 reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ending June 30, 2023.

**CITY OF CRISFIELD, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022**

**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 and proportions, 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
2023	\$ 38,781	\$ 98,918
2024	38,055	91,399
2025	33,229	86,467
2026	20,255	82,520
2027	10,500	10,079
Total	\$ 140,820	\$ 369,383

*Actuarial assumptions.* The actuarial assumption for the Pension Plan as a whole and based on the June 30, 2021 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	6.80%

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, 2022**

**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, 2021, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	37%	4.7%
Private Equity	13%	6.5%
Rate Sensitive	19%	-0.4%
Credit Opportunity	9%	2.6%
Real Assets	14%	4.2%
Absolute Return	8%	2.0%
Total	100%	

For the years ended June 30, 2021 and 2020, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was 26.69% and 3.50%, 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 6.80%. 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, 2022**

**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 6.80%, 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 (5.80%) or 1 percentage point higher (7.80%) than the current rate:

1% Decrease (5.80%)	\$ 824,429
Current discount rate (6.80%)	\$ 484,071
1% Increase (7.80%)	\$ 201,734

*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, 2022, 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, 2022**

**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, 2022
Measurement Period	July 01, 2021 to June 30, 2022

Discount rate

The discount rate used to measure the total OPEB liability as of June 30, 2022 is 3.54%.

Actuarial assumptions

The total OPEB liability in the June 30, 2022 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	7.0% 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-2021.

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, 2021	\$ 1,080,753	\$	\$ 1,080,753
Changes for the year:			
Service cost	32,736		32,736
Interest	23,212		23,212
Assumption changes	(308,986)		(308,986)
Contributions - employer		12,375	(12,375)
Benefit payments	(12,375)	(12,375)	
Net changes	<u>(265,413)</u>		<u>(265,413)</u>
Balance as of June 30, 2022	<u>\$ 815,340</u>	<u>\$</u>	<u>\$ 815,340</u>

**CITY OF CRISFIELD, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022**

**OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)**

Deferred outflows of resources and deferred inflows of resources

The deferred outflows and inflows of resources for OPEB as of June 30, 2022 are as follows:

	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 19,969	\$
Changes of assumptions	269,826	(278,378)
Total	\$ 289,795	\$ (278,378)

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

	FY 2023	\$	15,986
	FY 2024		15,986
	FY 2025		15,986
	FY 2026		15,986
	FY 2027		2,161
	Thereafter		(54,688)
		\$	11,417

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 (2.54%)	\$ 1,029,270
Current discount rate (3.54%)	\$ 815,340
1% Increase (4.54%)	\$ 655,274

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 (6.0% to 3.5%)	\$ 643,411
Current trend rate (7.0% to 4.5%)	\$ 815,340
1% Increase (8.0% to 5.5%)	\$ 1,048,210

**CITY OF CRISFIELD, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022**

**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 2022 to participate in the primary liability and property pools. The maximum financial loss exposure to the City is two times the annual premium (\$189,058). 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 2022, 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 4<sup>th</sup> 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, 2022**

**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.

**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 and the second and final installment was received in August 2022. The City plans to use these funds for sewer upgrades.

In October 2022, the City purchased the Crisfield-Somerset County Airport hangar and lease from three individuals in the effort to enhance the operations of the airport at a cost of \$42,500.

**PRIOR PERIOD ADJUSTMENT**

The net position in the government-wide business-type financial statements and fund balance in the proprietary fund statements as of June 30, 2021 have been restated as follows due to understated grants receivable:

	Government-wide	
	Governmental Activities	Business-type Activities
Net position, beginning of year, as previously reported	\$ 4,144,048	\$ 13,219,990
Adjustment to:		
Grants receivable		\$ 79,726
Net position, beginning of year, as restated	\$ 4,144,048	\$ 13,299,716

**CITY OF CRISFIELD, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022**

**PRIOR PERIOD ADJUSTMENT (Continued)**

	Fund Financial Statements				
	General Fund	Proprietary Funds			Partnership Rental Property
		Water Fund	Sewer Fund	Industrial Rental Property	
Fund balance, beginning of year, as previously reported	\$ 137,741	\$ (321,671)	\$ 12,334,985	\$ 1,632,196	\$ 425,520
Adjustment to:					
Grants receivable		79,726			
Fund balance, beginning of year, as restated	\$ 137,741	\$ (241,945)	\$ 12,334,985	\$ 1,632,196	\$ 425,520

**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, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Taxes				
Real and personal				
Real property	\$ 1,250,000	\$ 1,250,000	\$ 1,229,686	\$ (20,314)
Personal property	7,000	7,000	70,526	63,526
RR and public utilities	50,000	50,000	61,007	11,007
Ordinary business	57,000	57,000		(57,000)
Interest on delinquent taxes	34,000	34,000	21,431	(12,569)
Penalty on delinquent taxes			25,026	25,026
Hotel tax	3,000	3,000	6,205	3,205
Housing in lieu of taxes	20,500	20,500	21,418	918
Total real and personal taxes	<u>1,421,500</u>	<u>1,421,500</u>	<u>1,435,299</u>	<u>13,799</u>
State shared				
Income taxes - local	90,000	90,000	119,137	29,137
Highway - gas motor vehicle	150,000	150,000	179,921	29,921
Total state shared taxes	<u>240,000</u>	<u>240,000</u>	<u>299,058</u>	<u>59,058</u>
Total taxes	<u>1,661,500</u>	<u>1,661,500</u>	<u>1,734,357</u>	<u>72,857</u>
Licenses and permits				
Traders	1,000	1,000	5,557	4,557
Building	5,050	5,050	18,117	13,067
CATV - franchise fees	34,000	34,000	41,200	7,200
Parking	500	500	1,105	605
Golf cart			1,600	1,600
Total licenses and permits	<u>40,550</u>	<u>40,550</u>	<u>67,579</u>	<u>27,029</u>
Intergovernmental				
Ambulance	196,600	196,600	196,600	
Community legacy grant			47,102	47,102
CDBG grant			42,893	42,893
USDA grant			10,218	10,218
Police protection	103,000	103,000	105,611	2,611
Other agencies			48,246	48,246
Total intergovernmental	<u>299,600</u>	<u>299,600</u>	<u>450,670</u>	<u>151,070</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, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES (Continued)</b>				
Service charges				
Liquor dispensaries	\$ 12,000	\$ 12,000	\$ 22,384	\$ 10,384
Inspection fees	30,000	30,000	17,865	(12,135)
Garbage charge	113,000	113,000	115,092	2,092
Airport fuel sales and county reimbursement	9,000	9,000	38,656	29,656
Mowing	13,000	13,000	17,813	4,813
Zoning fees	100	100	1,225	1,125
Other	5,300	5,300	32,395	27,095
Total service charges	<u>182,400</u>	<u>182,400</u>	<u>245,430</u>	<u>63,030</u>
Fines and forfeitures				
Fines	<u>1,900</u>	<u>1,900</u>	<u>4,900</u>	<u>3,000</u>
Revenue from use of money and property				
Interest	1,000	1,000	465	(535)
Rents and concessions	<u>35,000</u>	<u>35,000</u>	<u>40,583</u>	<u>5,583</u>
Total revenue from use of money and property	<u>36,000</u>	<u>36,000</u>	<u>41,048</u>	<u>5,048</u>
Miscellaneous income			<u>152,072</u>	<u>152,072</u>
Total revenues	<u>2,221,950</u>	<u>2,221,950</u>	<u>2,696,056</u>	<u>474,106</u>
<b>OTHER FINANCING SOURCES</b>				
Loan proceeds			92,066	92,066
Transfers from other funds			<u>663,476</u>	<u>663,476</u>
Total other financing sources			<u>755,542</u>	<u>755,542</u>
Total revenues and other financing sources	<u>\$ 2,221,950</u>	<u>\$ 2,221,950</u>	<u>\$ 3,451,598</u>	<u>\$ 1,229,648</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, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>EXPENDITURES</b>				
General government				
Mayor and council				
Salaries and wages	\$ 15,300	\$ 15,300	\$ 20,711	\$ (5,411)
Other operating expenses	14,500	14,500	26,564	(12,064)
Total mayor and council	<u>29,800</u>	<u>29,800</u>	<u>47,275</u>	<u>(17,475)</u>
City clerk				
Salaries and wages	157,319	157,319	166,213	(8,894)
Other operating expenses	48,650	48,650	165,347	(116,697)
Total city clerk	<u>205,969</u>	<u>205,969</u>	<u>331,560</u>	<u>(125,591)</u>
Accounting and auditing				
Other operating expenses	23,000	23,000	24,871	(1,871)
Legal counsel				
Professional fees	67,000	67,000	57,150	9,850
Municipally owned buildings				
Other operating expenses	49,000	49,000	21,207	27,793
Public officers association				
Other operating expenses	11,000	11,000	8,864	2,136
Zoning board				
Salaries and wages	1,500	1,500	965	535
Other operating expenses			655	(655)
Total zoning board	<u>1,500</u>	<u>1,500</u>	<u>1,620</u>	<u>(120)</u>
Voter registration				
Salaries and wages	1,500	1,500	1,205	295
Other operating expenses	6,000	6,000	4,187	1,813
Total voter registration	<u>7,500</u>	<u>7,500</u>	<u>5,392</u>	<u>2,108</u>
Total general government	<u>394,769</u>	<u>394,769</u>	<u>497,939</u>	<u>(103,170)</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, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
Public safety				
Police department				
Salaries and wages	\$ 787,562	\$ 787,562	\$ 871,366	\$ (83,804)
Other operating expenses	130,000	130,000	195,833	(65,833)
Total police department	<u>917,562</u>	<u>917,562</u>	<u>1,067,199</u>	<u>(149,637)</u>
Fire department				
Other operating expenses	<u>62,500</u>	<u>62,500</u>	<u>69,998</u>	<u>(7,498)</u>
Protective inspection				
Salaries and wages	79,571	79,571	68,257	11,314
Other operating expenses	<u>2,700</u>	<u>2,700</u>	<u>10,880</u>	<u>(8,180)</u>
Total protective inspection	<u>82,271</u>	<u>82,271</u>	<u>79,137</u>	<u>3,134</u>
Total public safety	<u>1,062,333</u>	<u>1,062,333</u>	<u>1,216,334</u>	<u>(154,001)</u>
Streets and highways				
Maintenance of streets and highways				
Salaries and wages	51,913	51,913	42,748	9,165
Other operating expenses	<u>148,000</u>	<u>148,000</u>	<u>112,969</u>	<u>35,031</u>
Total maintenance of streets and highways	<u>199,913</u>	<u>199,913</u>	<u>155,717</u>	<u>44,196</u>
Highway lighting				
Other operating expenses	<u>122,000</u>	<u>122,000</u>	<u>108,717</u>	<u>13,283</u>
Snow and ice removal				
Salaries and wages	1,000	1,000	1,232	(232)
Other operating expenses	<u>3,000</u>	<u>3,000</u>	<u>3,367</u>	<u>(367)</u>
Total snow and ice removal	<u>4,000</u>	<u>4,000</u>	<u>4,599</u>	<u>(599)</u>
Storm drainage				
Other operating expenses	<u>7,500</u>	<u>7,500</u>	<u>18,364</u>	<u>(10,864)</u>
Total streets and highways	<u>333,413</u>	<u>333,413</u>	<u>287,397</u>	<u>46,016</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, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
Sanitation and waste removal				
Street sanitation				
Salaries and wages	\$ 51,913	\$ 51,913	\$ 41,820	\$ 10,093
Other operating expenses	10,000	10,000	2,406	7,594
Total street sanitation	61,913	61,913	44,226	17,687
Waste collection and disposal				
Other operating expenses	76,000	76,000	107,520	(31,520)
Landfill	50,000	50,000	21,534	28,466
Total waste collection and disposal	126,000	126,000	129,054	(3,054)
Total sanitation and waste removal	187,913	187,913	173,280	14,633
Conservation of health				
Mosquito control				
Other operating expenses	4,000	4,000	2,828	1,172
Ambulance				
Salaries and wages	199,549	199,549	189,959	9,590
Other operating expenses	5,400	5,400	9,129	(3,729)
Total ambulance	204,949	204,949	199,088	5,861
Total conservation of health	208,949	208,949	201,916	7,033

**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, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
Airport				
Salaries and wages	18,657	18,657	29,008	(10,351)
Fuel	10,000	10,000		10,000
Other operating expenses	7,000	7,000	26,670	(19,670)
Total airport	<u>35,657</u>	<u>35,657</u>	<u>55,678</u>	<u>(20,021)</u>
Economic development	<u>22,647</u>	<u>22,647</u>	<u>182,726</u>	<u>(160,079)</u>
Culture and recreation	<u>6,000</u>	<u>6,000</u>	<u>17,023</u>	<u>(11,023)</u>
Miscellaneous				
Payroll related expenditures	118,000	118,000	105,534	12,466
Other operating expenses	41,200	41,200	20,507	20,693
Pension	95,000	95,000	61,623	33,377
Insurance	400,000	400,000	346,781	53,219
Total miscellaneous	<u>654,200</u>	<u>654,200</u>	<u>534,445</u>	<u>119,755</u>
Bad debt expense			<u>48,678</u>	<u>(48,678)</u>
Debt service				
Principal	294,835	294,835	67,182	227,653
Interest	14,930	14,930	10,086	4,844
Total debt service	<u>309,765</u>	<u>309,765</u>	<u>77,268</u>	<u>232,497</u>
Total expenditures	<u>\$ 3,215,646</u>	<u>\$ 3,215,646</u>	<u>\$ 3,292,684</u>	<u>\$ (77,038)</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, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	Final Budget
				Favorable
				<u>(Unfavorable)</u>
<b>SUMMARY</b>				
Total revenues and other financing sources	\$ 2,221,950	\$ 2,221,950	\$ 3,451,598	\$ 1,229,648
Total expenditures	3,215,646	3,215,646	3,292,684	(77,038)
Revenues and other financing sources over expenditures	<u>\$ (993,696)</u>	<u>\$ (993,696)</u>	<u>\$ 158,914</u>	<u>\$ 1,152,610</u>

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

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

	<u>2022</u>	<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	0.003227%	0.003517%	0.003868%	0.003735%	0.003463%	0.003961%	0.004632%	0.004141%
City's proportionate share of the net pension liability \$	484,071	\$ 794,874	\$ 797,745	\$ 783,735	\$ 748,880	\$ 934,451	\$ 906,496	\$ 734,898
City's covered-employee payroll	\$ 1,097,800	\$ 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	44.09%	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	81.84%	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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 77,285	\$ 71,100	\$ 75,405	\$ 79,424	\$ 74,486	\$ 70,489	\$ 77,155	\$ 96,501
Contributions in relation to the contractually required contribution	<u>(77,285)</u>	<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>	<u>\$</u>
City's covered-employee payroll	\$ 1,097,800	\$ 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	7.04%	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)**

	2022	2021	2020	2019	2018
<b>Total OPEB liability</b>					
Service cost	\$ 32,736	\$ 25,873	\$ 14,905	\$ 10,554	\$ 10,161
Interest cost	23,212	22,910	24,407	19,564	18,637
Difference between expected & actual experience		10,903		22,962	
Assumption changes	(308,986)	(13,091)	304,877	143,609	
Benefit payments	(12,375)	(4,907)	(4,900)	(4,845)	(4,842)
Net change in total OPEB liability	(265,413)	41,688	339,289	191,844	23,956
Total OPEB liability, beginning of year	1,080,753	1,039,065	699,776	507,932	483,976
Total OPEB liability, end of year	<u>\$ 815,340</u>	<u>\$ 1,080,753</u>	<u>\$ 1,039,065</u>	<u>\$ 699,776</u>	<u>\$ 507,932</u>
<b>Plan fiduciary net position</b>					
Contributions employer	\$ 12,375	\$ 4,907	\$ 4,900	\$ 4,845	\$ 4,842
Benefit payments	(12,375)	(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>	<u>\$</u>
<b>City's net OPEB liability, end of year</b>	<u>\$ 815,340</u>	<u>\$ 1,080,753</u>	<u>\$ 1,039,065</u>	<u>\$ 699,776</u>	<u>\$ 507,932</u>
<b>Fiduciary net position as a % of net OPEB liability</b>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>
<b>Covered-employee payroll</b>	\$ 1,010,238	\$ 1,091,000	\$ 836,136	\$ 849,512	\$ 779,731
<b>Total June 30 OPEB liability by Active/Inactive</b>					
Active employees	\$ 797,208	\$ 1,049,403	\$ 1,006,001	\$ 665,049	\$ 474,741
Inactive participants	18,132	31,350	33,064	34,727	33,191
Total OPEB liability	<u>\$ 815,340</u>	<u>\$ 1,080,753</u>	<u>\$ 1,039,065</u>	<u>\$ 699,776</u>	<u>\$ 507,932</u>
<b>City's net OPEB liability as a % of the covered employee payroll</b>	80.71%	99.06%	124.27%	82.37%	65.14%

**Notes to schedule**

The discount rate was changed from 2.16% percent to 3.54% for the measurement period ended June 30, 2022.

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***

ANDREW M. HAYNIE, CPA  
SUSAN P. KEEN, CPA  
MICHAEL C. KLEGER, CPA  
JAMES D. MAYBURY, CPA  
E. LEE McCABE, CPA  
JEFFREY A. MICHALIK, CPA  
ROBERT L. MOORE, CPA  
DANIEL M. O'CONNELL II, CPA  
ASHLEY M. STERN, CPA  
JOHN M. STERN, JR., CPA

[PKSca.com](http://PKSca.com)

**Salisbury**  
1801 SWEETBAY DRIVE  
P.O. Box 72  
SALISBURY, MD 21803  
TEL: 410.546.5600  
FAX: 410.548.9576

**Ocean City**  
12216 OCEAN GATEWAY  
SUITE 800  
OCEAN CITY, MD 21842  
TEL: 410.213.7185  
FAX: 410.213.7638

**Lewes**  
1143 SAVANNAH ROAD  
SUITE 1  
P.O. Box 192  
LEWES, DE 19958  
TEL: 302.645.5757  
FAX: 302.645.1757

MEMBERS OF:

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

MARYLAND ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

DELAWARE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

ALLINIAL GLOBAL

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 of the City of Crisfield, Maryland (the "City") as of and for the year ended June 30, 2022, 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 January 25, 2023.

**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) as a basis for designing 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 preceding paragraph 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 22-01 in the accompanying schedule of findings and responses, which we consider to be a material weakness.

## **Report on 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 financial statements. 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's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and 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  
January 25, 2023

**CITY OF CRISFIELD, MARYLAND**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**YEAR ENDED JUNE 30, 2022**

**A. FINDINGS — FINANCIAL STATEMENTS AUDIT**

**MATERIAL WEAKNESS**

22-01 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.