

CITY OF CRISFIELD, MARYLAND

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

CITY OF CRISFIELD, MARYLAND

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INDEPENDENT AUDITORS' REPORT



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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Council
City of Crisfield, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Crisfield, Maryland as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Crisfield, Maryland's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Auditor's Responsibility (continued)

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Crisfield, Maryland, as of June 30, 2015, 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.

Change in Accounting Principle

As discussed in the notes to the financial statements, in 2015 the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 25*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the City's proportionate share of the net pension liability, schedule of the City's contributions, and schedule of funding progress on pages 4 –11 and 49–58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2016, on our consideration of the City of Crisfield, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Crisfield, Maryland's internal control over financial reporting and compliance.

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
February 24, 2016

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

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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, 2015. Please read it in conjunction with the city's financial statements, which begin on page 12.

FINANCIAL HIGHLIGHTS

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets 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, 2015

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 Net Position, 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 Net Position.

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

Proprietary Funds

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

Summary of Significant Accounting Policies and Notes to the Financial Statements

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

CITY OF CRISFIELD, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

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 \$20 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, 2015 of governmental activities was a deficit of \$619,900. The unrestricted net position for business-type activities was a deficit of \$286,647.

CITY OF CRISFIELD, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

Government Wide Financial Analysis (Continued)

	Statements of Net Position					
	2015			2014		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Assets						
Current and other assets	\$ 670,925	\$ 381,342	\$ 1,052,267	\$ 491,713	\$ 380,063	\$ 871,776
Capital assets	5,151,338	19,407,161	24,558,499	5,269,203	18,662,685	23,931,888
Total assets	5,822,263	19,788,503	25,610,766	5,760,916	19,042,748	24,803,664
Deferred outflows of resources						
Deferred financing outflows - retirement	78,290	24,009	102,299			
Liabilities						
Current and other liabilities	807,954	301,468	1,109,422	632,400	202,781	835,181
Long-term liabilities outstanding	1,091,767	4,424,005	5,515,772	599,721	3,280,719	3,880,440
Total liabilities	1,899,721	4,725,473	6,625,194	1,232,121	3,483,500	4,715,621
Deferred inflows of resources						
Deferred financing inflows - retirement	61,560	18,879	80,439			
Net position						
Net invested in capital assets, Unrestricted (deficit)	4,559,172 (619,900)	15,354,807 (286,647)	19,913,979 (906,547)	4,602,672 (73,877)	15,621,624 (62,376)	20,224,296 (136,253)
Total net position	\$ 3,939,272	\$ 15,068,160	\$ 19,007,432	\$ 4,528,795	\$ 15,559,248	\$ 20,088,043

CITY OF CRISFIELD, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

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

	Changes in Net Position					
	2015			2014*		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues						
Program revenues						
Charges for services	\$ 197,542	\$ 1,524,669	\$ 1,722,211	\$ 186,820	\$ 1,514,379	\$ 1,701,199
Operating grants and contributions	300,323		300,323	361,797		361,797
Capital grants and contributions	403,853	46,493	450,346	1,694,085	110,817	1,804,902
General revenues						
Property taxes	1,466,102		1,466,102	1,348,482		1,348,482
Shared taxes	185,784		185,784	178,826		178,826
Payment in lieu of taxes	13,127		13,127	16,683		16,683
License and permits	38,407		38,407	41,585		41,585
Fines and forfeitures	1,765		1,765	1,330		1,330
Rents and concessions	35,883		35,883	38,493		38,493
Unrestricted investment earnings	4,983	233	5,216	3,285	185	3,470
Donations	7,095		7,095	167,215		167,215
Miscellaneous	5,627		5,627	114,352		114,352
Transfers		37,004	37,004		50,824	50,824
Total revenues	<u>2,660,491</u>	<u>1,608,399</u>	<u>4,268,890</u>	<u>4,152,953</u>	<u>1,676,205</u>	<u>5,829,158</u>
Expenses						
General government	587,993		587,993	506,764		506,764
Public safety	898,214		898,214	871,987		871,987
Streets and highways	242,319		242,319	338,039		338,039
Sanitation and waste removal	107,436		107,436	136,755		136,755
Conservation of health	172,448		172,448	181,874		181,874
Airport	53,116		53,116	45,018		45,018
Miscellaneous	572,111		572,111	734,635		734,635
Interest on long-term debt	28,505		28,505	30,324		30,324
Water		606,686	606,686		531,159	531,159
Sewer		1,245,240	1,245,240		1,198,898	1,198,898
Industrial Rental Property		36,133	36,133		41,747	41,747
Partnership Rental Housing		43,916	43,916		62,052	62,052
Transfers	37,004		37,004	50,824		50,824
Total expenses	<u>2,699,146</u>	<u>1,931,975</u>	<u>4,631,121</u>	<u>2,896,220</u>	<u>1,833,856</u>	<u>4,730,076</u>
Change in net position	(38,655)	(323,576)	(362,231)	1,256,733	(157,651)	1,099,082
Net position, beginning, as restated	<u>3,977,927</u>	<u>15,391,736</u>	<u>19,369,663</u>	<u>3,272,062</u>	<u>15,716,899</u>	<u>18,988,961</u>
Total net position	<u>\$ 3,939,272</u>	<u>\$ 15,068,160</u>	<u>\$ 19,007,432</u>	<u>\$ 4,528,795</u>	<u>\$ 15,559,248</u>	<u>\$ 20,088,043</u>

*2014 numbers have not been restated for GASB 68 prior period adjustments

CITY OF CRISFIELD, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

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 \$286,647. Other factors concerning these funds finances are addressed on pages 18, 19, and 20.

General Fund Budgetary Highlights

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

- Total revenues were over the final budget by \$521,891.
- Total expenditures were under the final budget by \$15,928.

CITY OF CRISFIELD, MARYLAND

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2015

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City’s investment in capital assets for its governmental (government-wide) and business-type activities as of June 30, 2015 was \$24,558,499 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, furniture and fixtures, and infrastructure.

The following table of the City’s capital assets is listed below. Additional information can be found on pages 31 – 34 of this report.

	Capital Assets (net of depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 1,708,237	\$ 1,662,586	\$ 524,760	\$ 353,436	\$ 2,232,997	\$ 2,016,022
Construction in progress	75,829	54,244	3,002,996	1,882,967	3,078,825	1,937,211
Building and improvements	1,608,921	1,661,887	10,473,116	10,806,719	12,082,037	12,468,606
Machinery and equipment	463,286	500,778	2,826,460	2,894,491	3,289,746	3,395,269
Furniture and fixtures	3,550	4,474			3,550	4,474
Infrastructure	1,291,515	1,385,234	2,579,829	2,725,072	3,871,344	4,110,306
Total net capital assets	\$ 5,151,338	\$ 5,269,203	\$ 19,407,161	\$ 18,662,685	\$ 24,558,499	\$ 23,931,888

Purchases this year included:

Governmental activities:

1. Purchase of three fixed mounted computers for police vehicles for \$15,150.
2. Purchase of 216 MD Ave property for \$40,000.
3. Purchase of two vehicles for \$25,924, one for the new city manager hired June 1, 2015.
4. Purchase of school zone flasher system for \$13,894.
5. Purchase of two dump trucks for \$10,000.
6. Purchase of various equipment for \$16,667.
7. Construction in progress for City Park walking trail for \$21,585.

Business-type activities:

1. Purchase of new dump truck for \$6,000.
2. Purchase of various equipment for \$33,334.
3. Purchase of Dixon Street property for \$171,324.
4. Replacement of sewer pump for \$25,613.
5. Construction in progress for Wind Energy Project for \$1,081,339.
6. Construction in progress for Industrial Park for \$38,960.

CITY OF CRISFIELD, MARYLAND
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2015

Debt Administration

	Outstanding Debt					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
General obligation bonds	\$ 474,300	\$ 505,200	\$ 3,348,343	\$ 2,389,349	\$ 3,822,643	\$ 2,894,549
Notes payable	117,866	161,331	1,099,845	1,029,867	1,217,711	1,191,198
Compensated absences	64,847	61,610	16,010	15,210	80,857	76,820
Total outstanding debt	<u>\$ 657,013</u>	<u>\$ 728,141</u>	<u>\$ 4,464,198</u>	<u>\$ 3,434,426</u>	<u>\$ 5,121,211</u>	<u>\$ 4,162,567</u>

During the year, sewer lift stations flooded which required private contractors to haul sewer that could not be processed without overflows. This cost was in excess of \$70,000 and was covered by a short loan obtained by the City from Hebron Savings Bank.

During the year, there was a delay in the wind turbine construction due to manufacturing issues. Through negotiations made by an attorney, the contractor has agreed to pay the state loan interest.

Additional information on the City’s debt can be found on pages 35 – 39 of this report.

Currently Known Facts, Decisions, or Conditions

Hurricane Sandy had a major impact on the City of Crisfield, Maryland. After the hurricane hit, the City’s workload increased dramatically due to the Federal Emergency Management Agency (FEMA) representatives being in house and processing claims, which required documentation of all labor, equipment, donated resources, and damages, including repair estimates. Insurance claim adjusters are continually working and requesting estimates and copies of invoices regarding the repairs that were made immediately following the storm. In order to be able to pay contractors for these repairs, the Mayor and Council approved the application of a \$100,000 loan from Hebron Savings Bank to cover the gap until insurance and FEMA began paying the City. The City borrowed \$85,000 as of June 30, 2013 and this amount was increased to \$100,000 as of June 30, 2014. As of June 30, 2015, this amount has remained at \$100,000. The City is still in contact with FEMA regarding final reimbursement from Hurricane Sandy funds that will go towards the storm loan.

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 in the City’s finances. 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, 2015

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 116,182	\$ 723	\$ 116,905
Security deposit certificates of deposit		2,977	2,977
Investments	28,915		28,915
Taxes receivable	215,851		215,851
Other receivable	108,625	306,560	415,185
Due from other governments	161,912		161,912
Due from other funds	10,952		10,952
Restricted cash		71,082	71,082
Inventory - fuel	4,569		4,569
Prepaid insurance	23,919		23,919
Capital assets, net	5,151,338	19,407,161	24,558,499
Total assets	<u>5,822,263</u>	<u>19,788,503</u>	<u>25,610,766</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred financing outflow - retirement	<u>78,290</u>	<u>24,009</u>	<u>102,299</u>
LIABILITIES			
Cash overdrafts	276,543	1,195	277,738
Short-term debt	100,000		100,000
Accounts payable and accrued expenses	241,688	55,376	297,064
Security deposits		2,238	2,238
Due to other funds		10,952	10,952
Accrued other post-employment benefits	62,060	19,033	81,093
Due within one year			
Compensated absences	26,843	6,627	33,470
Notes and bonds payable	100,820	206,047	306,867
Due in more than one year			
Net pension liability	562,417	172,481	734,898
Compensated absences	38,004	9,383	47,387
Notes and bonds payable	491,346	4,242,141	4,733,487
Total liabilities	<u>1,899,721</u>	<u>4,725,473</u>	<u>6,625,194</u>
DEFERRED INFLOW OF RESOURCES			
Deferred financing inflow-retirement	<u>61,560</u>	<u>18,879</u>	<u>80,439</u>
NET POSITION			
Net investment in capital assets	4,559,172	15,354,807	19,913,979
Unrestricted deficit	(619,900)	(286,647)	(906,547)
Total net position	<u>\$ 3,939,272</u>	<u>\$ 15,068,160</u>	<u>\$ 19,007,432</u>

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

CITY OF CRISFIELD, MARYLAND

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
FUNCTIONS/PROGRAMS						
GOVERNMENTAL ACTIVITIES						
General government	\$ 587,993	\$ 49,095	\$	\$ 4,430	\$ (534,468)	\$ (534,468)
Public safety	898,214		142,198		(756,016)	(756,016)
Streets and highways	242,319				(242,319)	(242,319)
Sanitation and waste removal	107,436	94,011			(13,425)	(13,425)
Conservation of health	172,448		158,125		(14,323)	(14,323)
Airport	53,116	39,904			(13,212)	(13,212)
Miscellaneous	572,111	14,532		399,423	(158,156)	(158,156)
Interest on long-term debt	28,505				(28,505)	(28,505)
Total governmental activities	<u>2,662,142</u>	<u>197,542</u>	<u>300,323</u>	<u>403,853</u>	<u>(1,760,424)</u>	<u>(1,760,424)</u>
BUSINESS-TYPE ACTIVITIES						
Water fund	606,686	488,409			(118,277)	(118,277)
Sewer fund	1,245,240	1,007,041		2,250	(235,949)	(235,949)
Industrial rental property	36,133			44,243	8,110	8,110
Partnership rental housing	43,916	29,219			(14,697)	(14,697)
Total business-type activities	<u>1,931,975</u>	<u>1,524,669</u>		<u>46,493</u>	<u>(360,813)</u>	<u>(360,813)</u>
Total	<u>\$ 4,594,117</u>	<u>\$ 1,722,211</u>	<u>\$ 300,323</u>	<u>\$ 450,346</u>	<u>(1,760,424)</u>	<u>(2,121,237)</u>
GENERAL REVENUES						
Taxes						
Real and personal				1,466,102		1,466,102
State shared				185,784		185,784
Payment in lieu of taxes				13,127		13,127
Licenses and permits				38,407		38,407
Fines and forfeitures				1,765		1,765
Rents and concessions				35,883		35,883
Interest				4,983	233	5,216
Donations				7,095		7,095
Miscellaneous				5,627		5,627
Transfers				(37,004)	37,004	
Total general revenues				<u>1,721,769</u>	<u>37,237</u>	<u>1,759,006</u>
Change in net position				(38,655)	(323,576)	(362,231)
NET POSITION AS RESTATED, BEGINNING OF YEAR				<u>3,977,927</u>	<u>15,391,736</u>	<u>19,369,663</u>
NET POSITION, END OF YEAR				<u>\$ 3,939,272</u>	<u>\$ 15,068,160</u>	<u>\$ 19,007,432</u>

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

CITY OF CRISFIELD, MARYLAND

**BALANCE SHEET
GOVERNMENTAL FUNDS**

JUNE 30, 2015

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 116,182
Investments	28,915
Taxes receivable	215,851
Other receivable	108,625
Due from other governments	156,241
Due from other funds	10,952
Inventory - fuel, at cost	4,569
Prepaid insurance	23,919
	<hr/>
Total assets	\$ 665,254
	<hr/> <hr/>
LIABILITIES	
Cash overdraft	276,543
Accounts payable	241,688
Compensated absences	26,843
Line of credit	100,000
	<hr/>
Total liabilities	645,074
	<hr/> <hr/>
DEFERRED INFLOW OF RESOURCES	
Unavailable revenues	198,241
	<hr/>
FUND BALANCES	
Nonspendable	28,488
Unassigned (deficit)	(206,549)
	<hr/>
Total fund balances (deficit)	(178,061)
	<hr/>
Total liabilities and fund balances	\$ 665,254
	<hr/> <hr/>

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

CITY OF CRISFIELD, MARYLAND

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

JUNE 30, 2015

Total fund balance (deficit), governmental funds \$ (178,061)

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds, but are reported in the governmental activities of the Statement of Net Position. 5,151,338

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. 78,290

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.

Notes payable	(592,166)
Compensated absences	(38,004)
Accrued OPEB	(62,060)
Deferred financing inflow - retirement	(61,560)
Net pension liability	(562,417)

Certain revenues that do not provide current financial resources are reported as deferred income in the funds financial statements, but are reported as revenue in the governmental activities of the Statement of Net Position. 203,912

Net position of governmental activities in the Statement of Net Position \$ 3,939,272

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 FUNDS**

YEAR ENDED JUNE 30, 2015

	<u>General Fund</u>
REVENUES	
Taxes - real and personal	\$ 1,460,970
Taxes - state shared	121,281
Licenses and permits	38,407
Intergovernmental	714,831
Charges for services	197,542
Fines and forfeitures	1,765
Revenues from use of money and property	40,866
Miscellaneous	3,372
Total revenues	<u>2,579,034</u>
EXPENDITURES	
Current	
General government	314,222
Public safety	913,364
Streets and highways	299,163
Sanitation and waste removal	107,436
Conservation of health	172,448
Airport	53,116
Economic development	78,695
Culture and recreation	21,288
Miscellaneous	536,701
Debt service	
Principal	101,306
Interest	28,505
Total expenditures	<u>2,626,244</u>
Revenues under expenditures	<u>(47,210)</u>
OTHER FINANCING SOURCES (USES)	
Transfer to other funds	(37,004)
Loan proceeds	26,941
Total other financing uses	<u>(10,063)</u>
Change in fund balance	(57,273)
FUND BALANCE, AS RESTATED, BEGINNING OF YEAR	<u>(120,788)</u>
FUND BALANCE, END OF YEAR	<u><u>\$ (178,061)</u></u>

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

CITY OF CRISFIELD, MARYLAND

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

YEAR ENDED JUNE 30, 2015

Change in fund balance, governmental funds \$ (57,273)

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 depreciation
expense \$281,143 is exceeded by capital outlay \$163,279 in the period. (117,864)

Changes in deferred outflows of resources presented in the governmental
activities of the Statement of Activities. 78,290

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. (26,941)

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. 101,306

Some expense in the statements of activities do not require the use of current
financial resources and these are not reported as expenditures in the
governmental funds:

Change in long-term compensated absences	(3,768)
Change in accrued OPEB	(13,405)
Change in net pension liability	(14,531)
Change in deferred financing inflow	(61,560)

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 unavailable revenue affecting income	<u>77,091</u>
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Change in net position of governmental activities	<u><u>\$ (38,655)</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF CRISFIELD, MARYLAND

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

JUNE 30, 2015

	Water and Sewer	Industrial Rental Property	Partnership Rental Housing	Total
ASSETS				
Cash and cash equivalents	\$ 652	\$	\$ 71	\$ 723
Security deposits certificates of deposits			2,977	2,977
Receivables	306,560			306,560
Restricted cash			71,082	71,082
Capital assets, net	17,380,056	1,894,416	132,689	19,407,161
Total assets	<u>17,687,268</u>	<u>1,894,416</u>	<u>206,819</u>	<u>19,788,503</u>
DEFERRED OUTFLOW OF RESOURCES				
Deferred financing outflow - retirement	24,009			24,009
LIABILITIES				
Cash overdrafts			1,195	1,195
Accounts payable and accrued expenses	55,376			55,376
Accrued other post employment benefits	19,033			19,033
Due to other funds			10,952	10,952
Security deposits			2,238	2,238
Due within one year				
Compensated absences	6,627			6,627
Notes and bonds payable	206,047			206,047
Due in more than one year				
Net pension liability	172,481			172,481
Compensated absences	9,383			9,383
Notes and bonds payable	3,713,618		528,523	4,242,141
Total liabilities	<u>4,182,565</u>		<u>542,908</u>	<u>4,725,473</u>
DEFERRED INFLOW OF RESOURCES				
Deferred financing inflow - retirement	18,879			18,879
NET POSITION				
Net investment in capital assets	13,460,391	1,894,416		15,354,807
Unrestricted (deficit)	49,442		(336,089)	(286,647)
Total net position	<u>\$ 13,509,833</u>	<u>\$ 1,894,416</u>	<u>\$ (336,089)</u>	<u>\$ 15,068,160</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, 2015

	<u>Water</u>	<u>Sewer</u>	<u>Industrial Rental Property</u>	<u>Partnership Rental Housing</u>	<u>Total</u>
OPERATING REVENUES					
Water service	\$ 476,085	\$	\$	\$	\$ 476,085
Sewer service		966,856			966,856
Front foot assessment		61,232			61,232
Rent				29,219	29,219
Late fees	12,324				12,324
Application fees		2,000			2,000
Flush tax		(23,047)			(23,047)
Total operating revenues	<u>488,409</u>	<u>1,007,041</u>		<u>29,219</u>	<u>1,524,669</u>
OPERATING EXPENSES					
Salaries and wages	176,868	176,018			352,886
Payroll taxes and fringe benefits	68,835	56,411			125,246
Contracted services	5,207	8,290		19,175	32,672
Utilities	59,619	153,229		525	213,373
Chemicals	14,175	85,140			99,315
Depreciation	161,909	396,102	36,133	17,680	611,824
Other operating expenses	111,321	322,117		6,536	439,974
Total operating expenses	<u>597,934</u>	<u>1,197,307</u>	<u>36,133</u>	<u>43,916</u>	<u>1,875,290</u>
Operating loss	<u>(109,525)</u>	<u>(190,266)</u>	<u>(36,133)</u>	<u>(14,697)</u>	<u>(350,621)</u>
NONOPERATING REVENUES (EXPENSES)					
Interest income				233	233
Interest expense	(8,752)	(47,933)			(56,685)
Transfer (to) from general fund	26,778	26,779	(16,553)		37,004
Grant income		2,250	44,243		46,493
Net nonoperating revenues (expenses)	<u>18,026</u>	<u>(18,904)</u>	<u>27,690</u>	<u>233</u>	<u>27,045</u>
Change in net position	<u>(91,499)</u>	<u>(209,170)</u>	<u>(8,443)</u>	<u>(14,464)</u>	<u>(323,576)</u>
NET POSITION AS RESTATED, BEGINNING OF YEAR	<u>1,272,866</u>	<u>12,537,636</u>	<u>1,902,859</u>	<u>(321,625)</u>	<u>15,391,736</u>
NET POSITION, END OF YEAR	<u>\$ 1,181,367</u>	<u>\$ 12,328,466</u>	<u>\$ 1,894,416</u>	<u>\$ (336,089)</u>	<u>\$ 15,068,160</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, 2015

	Water and Sewer	Industrial Rental Property	Partnership Rental Housing	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 1,482,350	\$	\$ 29,219	\$ 1,511,569
Other receipts			10,952	10,952
Cash paid to or on behalf of employees	(471,393)			(471,393)
Cash paid to suppliers	(726,492)		(40,405)	(766,897)
Net cash provided (used) by operating activities	<u>284,465</u>		<u>(234)</u>	<u>284,231</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer to (from) general fund	<u>53,557</u>	<u>(16,553)</u>		<u>37,004</u>
Net cash provided (used) in noncapital financing activities	<u>53,557</u>	<u>(16,553)</u>		<u>37,004</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of assets	(1,317,609)	(38,690)		(1,356,299)
Proceeds from grants	2,250	55,243		57,493
Debt proceeds	1,131,700			1,131,700
Principal paid on long-term obligations	(102,728)			(102,728)
Interest paid on long-term obligations	(56,685)			(56,685)
Net cash provided (used) in capital and related financing activities	<u>(343,072)</u>	<u>16,553</u>		<u>(326,519)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income			234	234
Net cash provided by investing activities			<u>234</u>	<u>234</u>
Net decrease in cash	(5,050)			(5,050)
CASH, BEGINNING OF YEAR	<u>5,702</u>		<u>71</u>	<u>5,773</u>
CASH, END OF YEAR	<u>\$ 652</u>	<u>\$</u>	<u>\$ 71</u>	<u>\$ 723</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating loss	\$ (299,791)	\$ (36,133)	\$ (14,697)	\$ (350,621)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities				
Depreciation	558,011	36,133	17,680	611,824
Deferred financing outflow - retirement	(24,009)			(24,009)
Deferred financing inflow - retirement	18,879			18,879
Effects of changes in operating assets and liabilities				
Accounts and other receivables	(13,100)			(13,100)
Accounts payable and accrued expenses	37,575		(14,169)	23,406
Due to other funds			10,952	10,952
Accrued other post-employment benefits	6,100			6,100
Compensated absences	800			800
Net cash provided (used) by operating activities	<u>\$ 284,465</u>	<u>\$</u>	<u>\$ (234)</u>	<u>\$ 284,231</u>

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

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

BASIS OF PRESENTATION AND 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.

New pronouncement

During 2015, the City of Crisfield, Maryland adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires the City to provide additional information in the financial statements related to cost sharing pension plans such as the Maryland State Retirement and Pension Plans.

Deferred inflows of resources

The City's governmental funds and activities report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to a future period. The City has two items that qualify for reporting in this category: unavailable revenues which are not recognized until the period that the amounts become available and deferred financing inflow related to the retirement plan.

Deferred outflow 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 one item that qualifies for reporting in this category: deferred financing outflow 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.

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

**BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Government-wide and fund financial 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.

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.

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.

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

**BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Measurement focus, basis of accounting (continued)

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 nonoperating 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 nonoperating 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 sewerage system. The Industrial Rental Property fund accounts for the rental of a manufacturing plant (Rubberset) and the newly acquired Carvel Hall plant. The Partnership Rental Housing fund accounts for the rental of ten townhouse units (Brown's Court).

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.

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Budgets and budgetary accounting

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

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

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

Cash, cash equivalents and investments

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

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

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

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

**BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

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 2015, 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.

Inventory

Inventory held by the City of Crisfield, Maryland consists of fuel, valued at cost.

Prepaid items

Payments made to vendors for services that will benefit periods beyond June 30, 2015, 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.

Restricted assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset.

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

**BASIS OF PRESENTATION AND 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. 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

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.

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

**BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Compensated absences

Employees of the city are entitled to paid vacation, depending on length of service and job classification. At June 30, 2015, there was \$80,857 of vacation benefits due to employees.

Unavailable revenue

Unavailable revenue consists of receivables that are not considered to be available to liquidate liabilities of the current period. Unavailable revenue at June 30, 2015 consisted of property and income taxes not received during the availability period and grant revenue received but not expended.

Government-wide and proprietary fund net position

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

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

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

Governmental fund balances

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

- *Nonspendable fund balance*—amounts that cannot be spent because they are either not in a spendable form (such as inventories 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.

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

**BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Governmental fund balances (continued)

- *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.

Advertising

The City spent \$5,340 on advertising during fiscal year 2015. Such disbursement is included in City Clerk Other Operating Expenses and is expensed in the year incurred.

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, 2015, the invested funds are as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Fully Insured</u>
Governmental Activities:			
Cash and cash equivalents	\$ 116,182	\$ 135,576	\$ 135,576
Investments	28,915	28,915	28,915
Total	<u>\$ 145,097</u>	<u>\$ 164,491</u>	<u>\$ 164,491</u>
Business-type Activities:			
Cash and cash equivalents	\$ 8,838	\$ 9,338	\$ 9,338
Investments	65,945	65,945	65,945
Total	<u>\$ 74,783</u>	<u>\$ 75,283</u>	<u>\$ 75,283</u>

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

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

DEPOSITS AND INVESTMENTS (Continued)

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, 2015 met the City's investment policy as of that date. Investment income was comprised entirely of interest amounting to \$5,216 for the year ended June 30, 2015.

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. The investments of the City were not exposed to custodial credit risk at June 30, 2015, as \$239,774 was covered by FDIC insurance.

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

RECEIVABLES

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

	Governmental Activities General Fund
Taxes	\$ 215,851
Other	108,625
Net receivables	\$ 324,476

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	\$ 306,560	\$	\$	\$ 306,560
Net receivables	\$ 306,560	\$	\$	\$ 306,560

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 inflow of resources, for the general fund at June 30, 2015 consisted solely of items deemed unavailable and was \$198,241.

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

DUE FROM OTHER GOVERNMENTS

The June 30, 2015 balance due from other governments is as follows:

	Governmental Activities	Business-type Activities	Total
State of Maryland:			
Police salaries	\$ 11,807	\$	\$ 11,807
Ambulance	39,375		39,375
Highway user	7,318		7,318
Airport	24,660		24,660
Wind energy	50,000		50,000
In lieu taxes	13,127		13,127
Other	15,625		15,625
Total State of Maryland	<u>\$ 161,912</u>	<u>\$</u>	<u>\$ 161,912</u>

CAPITAL ASSETS

Capital assets of the Governmental Activity are summarized as follows:

	Balance June 30, 2014	Additions & Transfers	Deletions & Transfers	Balance June 30, 2015
Capital assets not being depreciated				
Land	\$ 1,662,586	\$ 45,651	\$	\$ 1,708,237
Construction in progress	54,244	21,585		75,829
Total capital assets not being depreciated	<u>1,716,830</u>	<u>67,236</u>		<u>1,784,066</u>
Capital assets being depreciated				
Building and improvements	2,103,859	12,908	(8,400)	2,108,367
Machinery and equipment	1,256,591	69,241	(19,856)	1,305,976
Furniture and fixtures	81,994			81,994
Infrastructure	4,055,602	13,894		4,069,496
Total capital assets being depreciated	<u>7,498,046</u>	<u>96,043</u>	<u>(28,256)</u>	<u>7,565,833</u>
Less accumulated depreciation for				
Building and improvements	(441,972)	(65,874)	8,400	(499,446)
Machinery and equipment	(755,814)	(106,733)	19,856	(842,691)
Furniture and fixtures	(77,519)	(924)		(78,443)
Infrastructure	(2,670,368)	(107,612)		(2,777,980)
Total accumulated depreciation	<u>(3,945,673)</u>	<u>(281,143)</u>	<u>28,256</u>	<u>(4,198,560)</u>
Governmental activities, capital assets, net	<u>\$ 5,269,203</u>	<u>\$ (117,864)</u>	<u>\$</u>	<u>\$ 5,151,339</u>

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

CAPITAL ASSETS (Continued)

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

	Balance June 30, 2014	Additions & Transfers	Deletions & Transfers	Balance June 30, 2015
Capital assets not being depreciated				
Land	\$ 237,436	\$ 171,324	\$	\$ 408,760
Construction in progress	1,046,575	1,081,339		2,127,914
Total capital assets not being depreciated	<u>1,284,011</u>	<u>1,252,663</u>		<u>2,536,674</u>
Capital assets being depreciated				
Building and improvements	13,646,739			13,646,739
Machinery and equipment	5,705,682	48,279		5,753,961
Infrastructure	5,603,939	16,667		5,620,606
Total capital assets being depreciated	<u>24,956,360</u>	<u>64,946</u>		<u>25,021,306</u>
Less accumulated depreciation for				
Building and improvements	(3,929,854)	(279,791)		(4,209,645)
Machinery and equipment	(2,811,192)	(116,311)		(2,927,503)
Infrastructure	(2,878,867)	(161,909)		(3,040,776)
Total accumulated depreciation	<u>(9,619,913)</u>	<u>(558,011)</u>		<u>(10,177,924)</u>
Water and Sewer activities, capital assets, net	<u>\$ 16,620,458</u>	<u>\$ 759,598</u>	<u>\$</u>	<u>\$ 17,380,056</u>

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

CAPITAL ASSETS (Continued)

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

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u> <u>& Transfers</u>	<u>Deletions</u> <u>& Transfers</u>	<u>Balance</u> <u>June 30, 2015</u>
Capital assets not being depreciated				
Land	\$ 116,000	\$	\$	\$ 116,000
Construction in progress	<u>836,391</u>	<u>38,690</u>		<u>875,081</u>
Total capital assets not being depreciated	<u>952,391</u>	<u>38,690</u>		<u>991,081</u>
Capital assets being depreciated				
Building and improvements	<u>1,189,295</u>			<u>1,189,295</u>
Total capital assets being depreciated	<u>1,189,295</u>			<u>1,189,295</u>
Less accumulated depreciation for				
Building and improvements	<u>(249,827)</u>	<u>(36,133)</u>		<u>(285,960)</u>
Total accumulated depreciation	<u>(249,827)</u>	<u>(36,133)</u>		<u>(285,960)</u>
Industrial Rental Property activities, capital assets, net	<u>\$ 1,891,859</u>	<u>\$ 2,557</u>	<u>\$</u>	<u>\$ 1,894,416</u>

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

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u> <u>& Transfers</u>	<u>Deletions</u> <u>& Transfers</u>	<u>Balance</u> <u>June 30, 2015</u>
Capital assets being depreciated				
Building and improvements	\$ 530,384	\$	\$	\$ 530,384
Total capital assets being depreciated	<u>530,384</u>			<u>530,384</u>
Less accumulated depreciation for				
Building and improvements	<u>(380,015)</u>	<u>(17,680)</u>		<u>(397,695)</u>
Total accumulated depreciation	<u>(380,015)</u>	<u>(17,680)</u>		<u>(397,695)</u>
Partnership Rental Housing, capital assets, net	<u>\$ 150,369</u>	<u>\$ (17,680)</u>	<u>\$</u>	<u>\$ 132,689</u>

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

CAPITAL ASSETS (Continued)

Depreciation expense is recorded as follows:

Governmental activities:	
General government	\$ 114,465
Public safety	61,046
Streets and highways	105,041
Sanitation and waste removal	591
Total governmental activities	<u>\$ 281,143</u>
Business-type activities	
Water and sewer fund	\$ 558,011
Industrial rental property fund	36,133
Partnership rental housing fund	17,680
Total business-type activities	<u>\$ 611,824</u>

SHORT-TERM LIABILITIES

The following is a summary of the governmental activities short-term liabilities of the City for the year ended June 30, 2015.

Hebron Savings Bank line of credit. Interest is payable at a rate equivalent to the prime rate of interest. Payable on demand. Limit of \$100,000.	<u>\$ 100,000</u>
Total short-term liabilities	<u>\$ 100,000</u>

	Beginning Balance	Additions	Principal Repayments	Ending Balance
Governmental activities:				
Line of Credit	\$ 100,000	\$	\$	\$ 100,000
Governmental activities short-term liabilities	<u>\$ 100,000</u>	<u>\$</u>	<u>\$</u>	<u>\$ 100,000</u>

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

LONG-TERM LIABILITIES

Changes in long-term obligations for the year ended June 30, 2015 are as follows:

	Beginning Balance	Additions & Transfers	Principal Repayments & Transfers	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 505,200	\$	\$ 30,900	\$ 474,300	\$ 32,400
Notes payable	161,331	26,941	70,406	117,866	68,420
Compensated absences	61,610	3,237		64,847	26,843
Governmental activities long-term liabilities	<u>\$ 728,141</u>	<u>\$ 30,178</u>	<u>\$ 101,306</u>	<u>\$ 657,013</u>	<u>\$ 127,663</u>
Business-type activities:					
General obligation bonds	\$ 2,389,349	\$ 1,007,820	\$ 48,826	\$ 3,348,343	\$ 60,588
Notes payable	1,029,867	123,880	53,902	1,099,845	145,459
Compensated absences	15,210	800		16,010	6,627
Business-type activities long-term liabilities	<u>\$ 3,434,426</u>	<u>\$ 1,132,500</u>	<u>\$ 102,728</u>	<u>\$ 4,464,198</u>	<u>\$ 212,674</u>

Governmental Activities

General obligation bonds consist of the following:

\$695,000 - Community Development Infrastructure Bonds of 2007 Series A. 20 annual installments beginning May 1, 2008. Semi-annual interest payments of 3.85% to 4.225% are paid over the term of 20 years.

	<u>\$ 474,300</u>
Total governmental activities general obligation bonds	<u>\$ 474,300</u>

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

LONG-TERM LIABILITIES (Continued)

Notes payable consist of the following:

PNC Bank - Maryland Avenue - Annual principal payments of \$12,212 beginning September 7, 2008. Interest is payable annually at 4.6%.	\$ 11,733	
Hebron Savings Bank - Street Paving - Principal payments in quarterly installments of \$6,663 beginning January 18, 2011. Interest is payable quarterly at 2.47%.	13,255	
Hebron Savings Bank - TYMCO Street Sweeper - Principal payments in quarterly installments of \$7,326 beginning September 12, 2012. Interest is payable quarterly at 3.71%.	56,271	
Hebron Savings Bank - Ford Police Cars - Principal payments in quarterly installments of \$1,707 beginning March 12, 2014. Interest is payable quarterly at 3.45%.	9,978	
Hebron Savings Bank - Three Trucks - Principal payments in quarterly installments of \$1,075 beginning May 20, 2015. Interest is payable quarterly at 3.45%.	5,020	
Hebron Savings Bank - Equipment Vehicle Loan - Principal payments in quarterly installments of \$1,449 beginning August 6, 2015. Interest is payable quarterly at 2.28%.	9,109	
Manokin, Inc. - Equipment - Principal payments in consecutive equal annual installments of \$7,500 beginning April 13, 2016. Annual installments are interest free.	12,500	
Total governmental activities notes payable	<table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: right;">\$ 117,866</td> </tr> </table>	\$ 117,866
\$ 117,866		

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

LONG-TERM LIABILITIES (Continued)

Business-type activities

General obligation bonds consist of the following:

	<u>Water and Sewer</u>	<u>Industrial Rental Property</u>	<u>Partnership Rental Housing</u>	<u>Total</u>
\$582,573 - Water Quality Bonds - Series 2008A. 20 annual installments beginning February 1, 2008. Annual payments including principal and interest .40% are paid over the term of 20 years.	\$ 355,109	\$	\$	\$ 355,109
\$166,000 - Water Quality Bonds - Series 2000. 20 annual installments beginning February 1, 2001. Annual payments including principal and interest 2.60% are paid over the term of 20 years.	49,796			49,796
\$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%.	859,205			859,205
\$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.	260,529			260,529
\$1,823,704- 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. Payable on demand through 2015. Amount still being drawn down.	1,823,704			1,823,704
Total business-type activities general obligation bonds	<u>\$ 3,348,343</u>	<u>\$</u>	<u>\$</u>	<u>\$ 3,348,343</u>

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

LONG-TERM LIABILITIES (Continued)

Notes payable consist of the following:

	<u>Water and Sewer</u>	<u>Industrial Rental Property</u>	<u>Partnership Rental Housing</u>	<u>Total</u>
Hebron Savings Bank - Principal payable in monthly payments of \$5,456, including interest at .2.06% beginning October 2012.	\$ 448,068			\$ 448,068
Hebron Savings Bank - Principal payable in a single payment of all unpaid principal, including interest at 3.25% beginning October 30, 2015.	70,000			70,000
Hebron Savings Bank - Principal payable in quarterly installments of \$1,075, including interest at 3.45% beginning May 20, 2015.	10,040			10,040
Hebron Savings Bank - Principal payable in quarterly installments of \$1,449, including interest at 2.28% beginning August 6, 2015.	18,214			18,214
Manokin, Inc. - Principal payable in consecutive equal annual installments of \$12,500 beginning April 13, 2016. Payments are interest free.	25,000			25,000
Community Development Administration (CDA) - Deed of Trust - CDA and the City of Crisfield intend that all payments of principal and interest on the loan shall be deferred and remain outstanding in perpetuity.			528,523	528,523
Total business-type activities notes payable	<u>\$ 571,322</u>	<u>\$</u>	<u>\$ 528,523</u>	<u>\$ 1,099,845</u>

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

LONG-TERM LIABILITIES (Continued)

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
2016	\$ 32,400	\$ 19,611	\$ 68,420	\$ 2,890
2017	33,700	18,283	41,434	976
2018	34,000	16,901	3,188	178
2019	35,000	15,507	2,918	88
2020	36,500	14,072	1,906	27
2021-2025	207,000	46,620		
2026-2030	95,700	6,105		
	<u>\$ 474,300</u>	<u>\$ 137,099</u>	<u>\$ 117,866</u>	<u>\$ 4,159</u>

Year Ending June 30,	Business-Type Activities			
	General Obligation Bonds		Notes	
	Principal	Interest	Principal	Interest
2016	\$ 60,588	\$ 43,742	\$ 145,459	\$ 11,514
2017	61,182	42,698	76,812	7,886
2018	62,708	41,622	65,694	6,503
2019	63,819	40,515	66,389	5,090
2020	64,958	39,373	65,622	3,709
2021-2025	2,110,270	181,340	679,869	3,482
2026-2030	221,707	155,096		
2031-2035	189,564	126,391		
2036-2040	142,757	95,151		
2041-2045	176,359	61,549		
2046-2050	194,431	20,163		
	<u>\$ 3,348,343</u>	<u>\$ 847,640</u>	<u>\$ 1,099,845</u>	<u>\$ 38,184</u>

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

RETIREMENT AND PENSION PLANS

State retirement and pension systems of Maryland

Plan Description. Certain employees of the City are covered by the Pension System for Employees of the State of Maryland, The Employees’ Retirement System of the State of Maryland or The Law Enforcement Officers’ Pension System. These systems are part of the Maryland State Retirement and Pension System (the State System), and are cost-sharing multiple-employer public employee retirement systems. The State System provides pension, death and disability benefits to plan members and beneficiaries. The plan is administered by the State Retirement Agency (the Agency). Responsibility for the administration and operation of the State System is vested in a 12-member Board of Trustees. The State System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland. The Agency issues a publicly available financial report that includes basic financial statements and required supplementary information for the State System. The report may be obtained by writing to the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, Maryland 21202.

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 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 State System 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. The three year contribution information for the City is as follows:

	Annual Pension Cost	Percentage of APC Contributed
6/30/2013	\$ 79,094	100%
6/30/2014	\$ 96,501	100%
6/30/2015	\$ 91,939	100%

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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, 2015, the City reported a liability of \$734,898 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2015, the City's proportion was .0041%.

For the year ended June 30, 2015, the City recognized pension expense of \$101,268. At June 30, 2015, 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 Resources
Changes of assumptions	\$ 10,361	\$
Net difference between projected and actual earnings on pension plan investments		80,439
Contributions subsequent to measurement date	91,939	
	\$ 102,300	\$ 80,439

The City's contribution subsequent to the measurement date of \$91,939, reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be amortized over five years and recognized in pension expense at \$19,911 per year through June 30, 2019.

Actuarial assumptions. The actuarial assumption for the Pension Plan as a whole and based on the June 30, 2015 annual actuarial valuation report for Maryland Municipal Corporation are as follows:

Inflation	2.90% general, 3.4% wage
Salary increases	3.4% to 11.9%, including inflation
Investment rate of return	7.65%

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

RETIREMENT AND PENSION PLANS (Continued)

Mortality rates were based on the RP-2000 Combined Healthy Mortality table projected to the year 2025.

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).

Each actuarial valuation takes into account all prior differences between actual and assumed experience in each risk area and adjusts the contribution rates as needed. The actuary performed an experience study of MSRPS for the period 2006-2010 after completion of the June 30, 2010 valuations. Certain assumptions from the experience study including mortality rates, retirement rates, withdrawal rates, disability rates and rates of salary increase were adopted by the Board for first use in the actuarial valuation as of June 30, 2012. The Board adopted new economic assumptions for the June 30, 2013 valuation, in particular, an investment return assumption of 7.70% and an inflation assumption of 2.95%. The ultimate assumptions of a 7.55% investment return and 2.80% inflation assumption are being phased in over a four-year period. As a result, an investment return assumption of 7.65% and an inflation assumption of 2.90% were used for the June 30, 2014 valuation. The COLA, salary increase and payroll growth assumptions have also changed as a result of the change in the inflation assumption.

Discount rate. The discount rate used to measure the total pension liability was 7.65%. 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.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.65%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.65%) or 1-percentage point higher (8.65%) than the current rate:

1% Decrease (6.65%)	\$ 1,048,586
Current discount rate (7.65%)	\$ 734,898
1% Increase (8.65%)	\$ 458,763

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

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

OTHER POST EMPLOYMENT BENEFITS (OPEB)

As directed and approved by the Mayor and Council, the City currently provides additional post-employment benefits for health insurance for retired employees after completing 30 years of service.

The current benefit for those who elect is 100% of the cost of the supplemental health insurance premium and 100% of Medicare and Part D at age 65.

The benefit is funded on a pay-as-you-go plan. For the year ended June 30, 2015, the recognized direct cost was \$12,166.

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension*. The basic premise of the statement is that Other Postemployment Benefits (OPEB) are earned by employees and should be recognized by the employer as the employee provides services. GASB 45 requires employers to account for and report the annual cost of OPEB and the outstanding obligations and commitments related to them in the same manner as they currently do for pensions. In fiscal year 2009, the City adopted GASB 45 which resulted in the City reporting an actuarially-based liability for benefits in its government-wide financial statements.

The City contracted for an actuarial study that determined the Actuarially Required Contribution (ARC) as of July 1, 2013 and the City has rolled forward the Required Contribution for 2012, 2013, 2014 and 2015. Although the City hopes in the future to be able to fully fund the ARC, for the years ended June 30, 2013 through 2015 no amount has been budgeted for this expenditure.

Annual OPEB cost and net OPEB obligation

The City's OPEB cost is the ARC (annual required contribution), which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, adjustment for prior year, the estimated pay as you go cost and changes in the City's net OPEB obligation.

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Annual OPEB cost and net OPEB obligation (continued)

Annual required contribution	\$	19,594
Interest on net OPEB		2,466
Amortization of unfunded accrued liability		(1,804)
Annual OPEB cost		20,256
Estimated pay as you go costs		(4,185)
Increase in net OPEB obligation		16,071
Net OPEB obligation – beginning of year		65,022
Net OPEB obligation – end of year	\$	81,093

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2013	\$17,287	24.2%	\$47,503
6/30/2014	\$18,270	22.9%	\$61,588
6/30/2015	\$20,256	20.7%	\$81,093

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Funded status and funding progress

Based on an actuarial study performed as of July 1, 2013, the most recent actuarial date, the plan was 0% funded. The actuarial accrued liability (AAL) for benefits was \$188,544 and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$188,544.

Actuarial accrued liabilities	\$	188,544
Actuarial value of plan assets		
Unfunded AAL	<u>\$</u>	<u>188,544</u>
Funded ratio as of actuarial value dates		0%
Covered payroll	\$	969,276
UAAL as a percentage of covered payroll		19.46%

Actuarial assumptions of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funding status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information but included in the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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 \$73,843 to LGIT in fiscal year 2015 to participate in the primary liability and property pools. The maximum financial loss exposure to the City is two times the annual premium (\$147,686). The insurance trust agreement provides for alternatives, which could reduce the City's maximum financial exposure.

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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 2015, the County reimbursed the City \$158,125 to help pay for the salaries and others costs of the paid paramedics and EMTs.

CONTINGENCIES

Partnership Rental Housing

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

Crisfield Associates

The mayor and council unanimously voted to terminate the Public-Private Partnership agreement between the City and Crisfield Associates, LLC and the MOU on July 12, 2006. The City may be responsible to reimburse the Crisfield Associates, LLC for the monies spent on the SRP up to \$97,000.

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.

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

PRIOR PERIOD ADJUSTMENTS/RESTATEMENTS

During the year ended June 30, 2015, accounts receivable for the government-wide fund and general fund were updated and adjusted. The net position at the beginning of the year as also been restated for the effect of implementing GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. There was no affect to this current year's change in net position. The adjustments to net position are as follows:

	Governmental Activities	General Fund	Business -Type Activities		
			Water and Sewer	Industrial Rental Property	Partnership Rental Housing
Net position at June 30, 2014, as previously reported	\$ 4,528,795	\$ (112,136)	\$ 13,978,014	\$ 1,902,859	\$ (321,625)
Prior period adjustments					
Adjustment for accounts receivable	(8,652)	(8,652)			
Adjutment for net pension liability	(542,216)		(167,512)		
Total prior period adjustments	<u>(550,868)</u>	<u>(8,652)</u>	<u>(167,512)</u>		
Net position at June 30, 2014, as restated	<u>\$ 3,977,927</u>	<u>\$ (120,788)</u>	<u>\$ 13,810,502</u>	<u>\$ 1,902,859</u>	<u>\$ (321,625)</u>

NEW PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended June 30, 2015, that have effective dates that may impact future financial presentations. The full statements are available on the GASB's website. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements on the City.

GASB Statement No. 72, *Fair Value Measurement and Application*, will be effective for the City beginning with its year ended June 20, 2016. This statement defines the term fair value and provides guidance on determining fair value measurement, applying fair value to certain investments, and financial reporting requirements and disclosures.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, will be effective for the City beginning with its year ending June 30, 2107. This statement provides new accounting and financial reporting requirements for governments whose employees are provided with OPEB.

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NEW PRONOUNCEMENTS (Continued)

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective for the City beginning with its year ending June 20, 2018. This statement establishes standards for recognizing and measuring liabilities, deferred outflow of resources, deferred inflows of resources and expense/expenditures related to OPEB.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, will be effective for the City beginning with its year ending June 30, 2016. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of the authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

GASB Statement No. 77, *Tax Abatement Disclosures*, will be effective for the City beginning with its year ending June 30, 2017. This statement requires additional disclosure of tax abatement agreements including a description of the agreement, the amount of taxes abated during the year and other commitments made by the government as part of the agreement. That statement also requires disclosure of tax abatement agreements with an impact on the City that have been entered into by other governments.

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Taxes				
Real and personal				
Real property	\$ 1,334,095	\$ 1,334,095	\$ 1,291,253	\$ (42,842)
Personal property	4,000	4,000	4,459	459
RR and public utilities	36,000	36,000	42,105	6,105
Ordinary business	50,000	50,000	75,205	25,205
Interest on delinquent taxes	14,000	14,000	17,154	3,154
Penalty on delinquent taxes	11,000	11,000	17,667	6,667
Housing in lieu of taxes	7,000	7,000	13,127	6,127
Total real and personal taxes	<u>1,456,095</u>	<u>1,456,095</u>	<u>1,460,970</u>	<u>4,875</u>
State shared				
Income taxes - local	75,000	75,000	84,208	9,208
Highway - gas motor vehicle	37,975	37,975	37,073	(902)
Total state shared taxes	<u>112,975</u>	<u>112,975</u>	<u>121,281</u>	<u>8,306</u>
Total taxes	<u>1,569,070</u>	<u>1,569,070</u>	<u>1,582,251</u>	<u>13,181</u>
Licenses and permits				
Traders	700	700	4,244	3,544
Building	6,000	6,000	4,202	(1,798)
CATV - franchise fees	26,000	26,000	27,551	1,551
Parking	4,000	4,000	2,410	(1,590)
Total licenses and permits	<u>36,700</u>	<u>36,700</u>	<u>38,407</u>	<u>1,707</u>
Intergovernmental				
Ambulance	157,500	157,500	158,125	625
Community legacy grant				
City dock / DNR grant				
Wind energy grant			302,891	302,891
CDBG grant			43,240	43,240
D.O.T. grant				
USDA grant				
Police protection	96,000	96,000	147,593	51,593
Park grant			15,450	15,450
Other agencies	2,000	2,000	42,272	40,272
Browns Court in lieu of taxes	10,000	10,000		(10,000)

CITY OF CRISFIELD, MARYLAND

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

**YEAR ENDED JUNE 30, 2015
(Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Intergovernmental (Continued)				
County bank shares	\$ 5,304	\$ 5,304	\$ 5,260	\$ (44)
Total intergovernmental	270,804	270,804	714,831	444,027
Service charges				
Liquor dispensaries	6,000	6,000	14,532	8,532
Inspection fees	500	500	761	261
Garbage charge	95,206	95,206	94,011	(1,195)
Airport fuel sales and county reimbursement	18,000	18,000	39,904	21,904
Mowing	5,000	5,000	38,800	33,800
Insurance reimbursement			2,266	2,266
Zoning fees			725	725
Other	5,400	5,400	6,543	1,143
Total service charges	130,106	130,106	197,542	67,436
Fines and forfeitures				
Fines	1,000	1,000	1,765	765
Total fines and forfeitures	1,000	1,000	1,765	765
Revenue from use of money and property				
Interest	2,400	2,400	4,983	2,583
Rents and concessions	32,000	32,000	35,883	3,883
Total revenue from use of money and property	34,400	34,400	40,866	6,466
Miscellaneous income	5,000	5,000	3,372	(1,628)
Total revenues	2,047,080	2,047,080	2,579,034	531,954
Other financing sources (uses)				
Transfers to other funds			(37,004)	(37,004)
Loan proceeds			26,941	26,941
Total other financing sources			(10,063)	(10,063)
Total revenues and other financing resources	\$ 2,047,080	\$ 2,047,080	\$ 2,568,971	\$ 521,891

CITY OF CRISFIELD, MARYLAND

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

**YEAR ENDED JUNE 30, 2015
(Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
General government				
Mayor and council				
Salaries and wages	\$ 15,300	\$ 15,300	\$ 17,651	\$ (2,351)
Other operating expenses	4,501	4,501	15,830	(11,329)
Total mayor and council	<u>19,801</u>	<u>19,801</u>	<u>33,481</u>	<u>(13,680)</u>
City clerk				
Salaries and wages	93,075	93,075	94,161	(1,086)
Other operating expenses	31,999	31,999	55,740	(23,741)
Total city clerk	<u>125,074</u>	<u>125,074</u>	<u>149,901</u>	<u>(24,827)</u>
Accounting and auditing				
Other operating expenses	16,000	16,000	13,950	2,050
Total accounting and auditing	<u>16,000</u>	<u>16,000</u>	<u>13,950</u>	<u>2,050</u>
Legal counsel				
Professional fees	50,000	50,000	76,905	(26,905)
Settlements			4,744	(4,744)
Total legal counsel	<u>50,000</u>	<u>50,000</u>	<u>81,649</u>	<u>(31,649)</u>
Municipally owned buildings				
Other operating expenses	16,000	16,000	22,961	(6,961)
Total municipally owned buildings	<u>16,000</u>	<u>16,000</u>	<u>22,961</u>	<u>(6,961)</u>
Public officers association				
Other operating expenses	6,000	6,000	7,441	(1,441)
Total public officers association	<u>6,000</u>	<u>6,000</u>	<u>7,441</u>	<u>(1,441)</u>
Zoning board				
Salaries and wages			450	(450)
Total zoning board			<u>450</u>	<u>(450)</u>

CITY OF CRISFIELD, MARYLAND

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

**YEAR ENDED JUNE 30, 2015
(Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
General government (Continued)				
Voter registration				
Salaries and wages	\$ 5,000	\$ 5,000	\$ 4,389	\$ 611
Total voter registration	5,000	5,000	4,389	611
Total general government	237,875	237,875	314,222	(76,347)
Public safety				
Police department				
Salaries and wages	679,101	679,101	707,050	(27,949)
Other operating expenses	110,000	110,000	114,368	(4,368)
Capital outlay				
Total police department	789,101	789,101	821,418	(32,317)
Fire department				
Other operating expenses	53,000	53,000	54,814	(1,814)
Total fire department	53,000	53,000	54,814	(1,814)
Protective inspection				
Salaries and wages	45,200	45,200	34,694	10,506
Other operating expenses	3,000	3,000	2,438	562
Total protective inspection	48,200	48,200	37,132	11,068
Total public safety	890,301	890,301	913,364	(23,063)
Streets and highways				
Maintenance of streets and highways				
Salaries and wages	47,941	47,941	42,612	5,329
Other operating expenses	87,040	87,040	134,081	(47,041)
Total maintenance of streets and highways	134,981	134,981	176,693	(41,712)
Highway lighting				
Other operating expenses	115,000	115,000	114,841	159
Total highway lighting	115,000	115,000	114,841	159

CITY OF CRISFIELD, MARYLAND

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

**YEAR ENDED JUNE 30, 2015
(Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Streets and highways (Continued)				
Snow and ice removal				
Salaries and wages	\$	\$	\$ 1,479	\$ (1,479)
Other operating expenses	1,000	1,000	29	971
Total snow and ice removal	1,000	1,000	1,508	(508)
Storm Drainage				
Other operating expenses	1,500	1,500	6,121	(4,621)
Total storm drainage	1,500	1,500	6,121	(4,621)
Total streets and highways	252,481	252,481	299,163	(46,682)
Sanitation and waste removal				
Street sanitation				
Salaries and wages	35,941	35,941	33,518	2,423
Other operating expenses	3,500	3,500	5,458	(1,958)
Total street sanitation	39,441	39,441	38,976	465
Waste collection and disposal				
Salaries and wages	35,941	35,941	30,760	5,181
Other operating expenses	5,000	5,000	8,926	(3,926)
Landfill	32,000	32,000	28,774	3,226
Total waste collection and disposal	72,941	72,941	68,460	4,481
Total sanitation and waste removal	112,382	112,382	107,436	4,946
Conservation of health				
Mosquito control				
Other operating expenses	9,240	9,240	4,041	5,199
Total mosquito control	9,240	9,240	4,041	5,199

CITY OF CRISFIELD, MARYLAND

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

**YEAR ENDED JUNE 30, 2015
(Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Ambulance				
Salaries and wages	\$ 157,500	\$ 157,500	\$ 161,337	\$ (3,837)
Other operating expenses	24,000	24,000	7,070	16,930
Total ambulance	181,500	181,500	168,407	13,093
Total conservation of health	190,740	190,740	172,448	18,292
Airport				
Salaries and wages	16,954	16,954	25,669	(8,715)
Fuel			11,500	(11,500)
Other operating expenses	10,000	10,000	15,947	(5,947)
Total airport	26,954	26,954	53,116	(26,162)
Economic Development	2,500	2,500	78,695	(76,195)
Culture and Recreation	8,100	8,100	21,288	(13,188)
Miscellaneous				
Payroll related expenditures	120,000	120,000	76,601	43,399
Other operating expenses	1,800	1,800	2,062	(262)
Pension	100,000	100,000	74,971	25,029
Insurance	447,000	447,000	382,906	64,094
Industrial park	5,000	5,000	161	4,839
Total miscellaneous	673,800	673,800	536,701	137,099
Debt Service				
Principal	217,466	217,466	101,306	116,160
Interest	29,573	29,573	28,505	1,068
Total debt service	247,039	247,039	129,811	117,228
Total expenditures	\$ 2,642,172	\$ 2,642,172	\$ 2,626,244	\$ 15,928

CITY OF CRISFIELD, MARYLAND

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

YEAR ENDED JUNE 30, 2015

(Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Favorable (Unfavorable)
Summary				
Total revenues and other financing sources	\$ 2,047,080	\$ 2,047,080	\$ 2,568,971	\$ 521,891
Total expenditures	<u>2,642,172</u>	<u>2,642,172</u>	<u>2,626,244</u>	<u>15,928</u>
Deficiency of revenues and other financing sources over expenditures	<u>\$ (595,092)</u>	<u>\$ (595,092)</u>	<u>(57,273)</u>	<u>\$ 537,819</u>

CITY OF CRISFIELD, MARYLAND

REQUIRED SUPPLEMENTARY INFORMATION

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

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

	<u>2015</u>
City's proportion of the net pension liability	0.004141%
City's proportionate share of the net pension liability	\$ 734,898
City's covered-employee payroll	\$ 969,276
City's proportionate share of the net pension liability as a percentage of its covered payroll	75.82%
Plan fiduciary net position as a percentage of the total pension liability	71.87%

CITY OF CRISFIELD, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S CONTRIBUTIONS
MARYLAND STATE RETIREMENT AND PENSION SYSTEM
(UNAUDITED)

	2015
Contractually required contribution	\$ 96,501
Contributions in relation to the contractually required contribution	(96,501)
Contribution deficiency (excess)	\$
City's covered-employee payroll	\$ 969,276
Contributions as a percentage of covered-employee payroll	9.96%

CITY OF CRISFIELD, MARYLAND
SCHEDULE OF FUNDING PROGRESS
POST-EMPLOYMENT HEALTHCARE BENEFIT PLAN
(UNAUDITED)

YEAR ENDED JUNE 30, 2015

Actual Valuation Date	Actuarial Value of Assets	Actual Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2009	-	140,891	140,891	0.0%	1,179,027	11.9%
7/1/2010	-	140,891	140,891	0.0%	1,214,398	11.6%
7/1/2011	-	140,891	140,891	0.0%	1,250,829	11.3%
7/1/2012	-	140,891	140,891	0.0%	1,288,353	10.9%
7/1/2013	-	140,891	140,891	0.0%	1,327,003	10.6%
7/1/2014	-	140,891	140,891	0.0%	969,276	14.5%

GOVERNMENT AUDITING STANDARDS REPORT



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INDEPENDENT AUDITOR'S 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

The Honorable 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, and each major fund of the City of Crisfield, Maryland, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Crisfield, Maryland's basic financial statements and have issued our report thereon dated February 24, 2016.

Internal control over financial reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 15-01 that we consider to be a significant deficiency.

Compliance and other matters

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

City of Crisfield, Maryland's response to findings

The City of Crisfield, Maryland's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City of Crisfield, Maryland's response was not subject 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.

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
February 24, 2016

CITY OF CRISFIELD, MARYLAND
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2015

15-01 Criteria – Controls should be in place to detect, prevent, or correct misstatements in the City’s drafted financial statements.

Condition – Management relies on the auditor 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 preparation of approved adjusting entries to the trial balance.

Effect – There is a danger that intentional fraud or unintentional errors could be made and not detected.

Cause – Management does not have sufficient knowledge of required generally accepted accounting principles to prepare the financial statements and related disclosures.

Recommendation – None.

Views of responsible officials and planned corrective actions – Management acknowledges the condition and is willing to accept the risks associated with it.