

CITY OF CRISFIELD, MARYLAND
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

CITY OF CRISFIELD, MARYLAND

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CITY OF CRISFIELD, MARYLAND

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INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Council
City of Crisfield, Maryland

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Crisfield, Maryland (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information on pages 4 - 12 and 52 - 61, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2024 on our consideration of the City of Crisfield, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

PKS & Company, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
January 24, 2024

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

CITY OF CRISFIELD, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

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, 2023. Please read it in conjunction with the City's financial statements, which begin on page 13.

FINANCIAL HIGHLIGHTS

The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes).

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

Fund Financial Statements

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

Governmental Funds

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

CITY OF CRISFIELD, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

Governmental Funds (continued)

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

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

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 15 – 18. The budgetary comparison can be found on pages 52 – 58.

Proprietary Funds

The City maintains one proprietary-type fund: an enterprise fund. *Enterprise* funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its Water, Sewer, Industrial Rental Property, and Partnership Rental Housing activities. The basic proprietary fund financial statements can be found on pages 19 – 21 of this report.

Summary of Significant Accounting Policies and Notes to the Financial Statements

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Notes to the financial statements are part of the basic financial statements and can be found on pages 22 – 51 of this report.

CITY OF CRISFIELD, MARYLAND
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2023

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 \$16.2 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, 2023 for governmental activities was \$332,529. The unrestricted net position for business-type activities was a deficit of \$1,130,369.

The net position for the governmental activities as of June 30, 2022 has been restated due to unrecorded deferred inflows of resources related to the implementation of GASB Statement No. 87, *Leases*.

CITY OF CRISFIELD, MARYLAND
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2023

Government-Wide Financial Analysis (continued)

	Statement of Net Position					
	2023			2022 (Restated)		
	Governmental Activites	Business-Type Activities	Total	Governmental Activites	Business-Type Activities	Total
Assets						
Current and						
other assets	\$ 2,218,560	\$ 2,009,190	\$ 4,227,750	\$ 2,001,352	\$ 555,512	\$ 2,556,864
Capital assets	5,487,787	15,453,573	20,941,360	5,086,170	15,939,051	21,025,221
Total assets	<u>7,706,347</u>	<u>17,462,763</u>	<u>25,169,110</u>	<u>7,087,522</u>	<u>16,494,563</u>	<u>23,582,085</u>
Deferred outflows of resources	<u>508,173</u>	<u>110,515</u>	<u>618,688</u>	<u>428,244</u>	<u>79,656</u>	<u>507,900</u>
Liabilities						
Current and						
other liabilities	431,771	953,595	1,385,366	299,019	933,409	1,232,428
Long-term liabilities						
outstanding	<u>1,259,032</u>	<u>3,559,353</u>	<u>4,818,385</u>	<u>1,396,696</u>	<u>3,857,672</u>	<u>5,254,368</u>
Total liabilities	<u>1,690,803</u>	<u>4,512,948</u>	<u>6,203,751</u>	<u>1,695,715</u>	<u>4,791,081</u>	<u>6,486,796</u>
Deferred inflows of resources	<u>1,000,674</u>	<u>2,396,361</u>	<u>3,397,035</u>	<u>1,806,962</u>	<u>92,007</u>	<u>1,898,969</u>
Net position						
Net investment in capital assets	5,164,986	11,625,273	16,790,259	4,719,286	11,994,636	16,713,922
Restricted	25,528	169,065	194,593		149,027	149,027
Unrestricted (deficit)	<u>332,529</u>	<u>(1,130,369)</u>	<u>(797,840)</u>	<u>(706,197)</u>	<u>(452,532)</u>	<u>(1,158,729)</u>
Total net position	<u>\$ 5,523,043</u>	<u>\$ 10,663,969</u>	<u>\$ 16,187,012</u>	<u>\$ 4,013,089</u>	<u>\$ 11,691,131</u>	<u>\$ 15,704,220</u>

CITY OF CRISFIELD, MARYLAND

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2023

Government-Wide Financial Analysis (continued)

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

	Changes in Net Position					
	2023			2022 (Restated)		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues						
Program revenues						
Charges for services	\$ 204,086	\$ 2,207,526	\$ 2,411,612	\$ 245,431	\$ 2,276,908	\$ 2,522,339
Operating grants and contributions	525,019		525,019	306,267		306,267
Capital grants and contributions	659,903	397,733	1,057,636	144,402	237,287	381,689
General revenues						
Property taxes	1,455,782		1,455,782	1,415,616		1,415,616
Shared taxes	324,336		324,336	299,058		299,058
Payment in lieu of taxes	35,202		35,202	21,418		21,418
License and permits	61,280		61,280	67,579		67,579
Fines and forfeitures	2,325		2,325	4,900		4,900
Rents and concessions	66,963		66,963	58,815		58,815
Unrestricted investment earnings	2,702	295	2,997	465	121	586
Miscellaneous	74,007		74,007	152,075		152,075
Loss on disposal of assets				(20,849)	(937,444)	(958,293)
Transfers	1,383,096	(1,383,096)		663,476	(663,476)	
Total revenues	4,794,701	1,222,458	6,017,159	3,358,653	913,396	4,272,049
Expenses						
General government	590,900		590,900	633,778		633,778
Public safety	1,182,532		1,182,532	1,240,448		1,240,448
Streets and highways	326,513		326,513	393,956		393,956
Sanitation and waste removal	194,583		194,583	173,455		173,455
Conservation of health	380,338		380,338	201,916		201,916
Airport	35,112		35,112	55,678		55,678
Economic development	102,183		102,183	181,360		181,360
Culture and recreation	12,830		12,830	22,793		22,793
Miscellaneous	424,590		424,590	527,464		527,464
Bad debt expense	28,921		28,921	48,678		48,678
Interest on long-term debt	6,245		6,245	10,086		10,086
Water		805,700	805,700		742,896	742,896
Sewer		1,388,252	1,388,252		1,473,630	1,473,630
Industrial rental property		23,333	23,333		276,462	276,462
Partnership rental housing		32,335	32,335		28,993	28,993
Total expenses	3,284,747	2,249,620	5,534,367	3,489,612	2,521,981	6,011,593
Change in net position	1,509,954	(1,027,162)	482,792	(130,959)	(1,608,585)	(1,739,544)
Net position, beginning of year, restated	4,013,089	11,691,131	15,704,220	4,144,048	13,299,716	17,443,764
Net position, end of year	\$ 5,523,043	\$ 10,663,969	\$ 16,187,012	\$ 4,013,089	\$ 11,691,131	\$ 15,704,220

CITY OF CRISFIELD, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

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 \$1,130,369. Other factors concerning these funds finances are addressed on pages 19 - 21.

General Fund Budgetary Highlights

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

- Total revenues not including other financing sources were over the final budget by \$1,243,332.
- Total expenditures were over the final budget by \$728,879.

CITY OF CRISFIELD, MARYLAND
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2023

CAPITAL ASSETS

The City’s investment in capital assets for its governmental (government-wide) and business-type activities as of June 30, 2023 was \$20,941,360 (net of accumulated depreciation). Investment in capital assets includes land, buildings, improvements, machinery and equipment, furniture and fixtures, and infrastructure.

The following is a table of the City’s capital assets. Additional information can be found on pages 33 – 35 of this report.

	Capital Assets (net of depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 1,846,812	\$ 1,833,878	\$ 408,760	\$ 408,760	\$ 2,255,572	\$ 2,242,638
Construction in progress	704,814	131,141	832,833	579,345	1,537,647	710,486
Building and improvements	1,669,331	1,719,161	7,597,697	7,909,816	9,267,028	9,628,977
Machinery and equipment	79,403	136,627	5,367,270	5,625,446	5,446,673	5,762,073
Furniture and fixtures	62,577	77,153			62,577	77,153
Infrastructure	1,108,253	1,188,210	1,247,013	1,415,684	2,355,266	2,603,894
Right-of-use assets	10,662				10,662	
Subscriptions	5,935				5,935	
Capital assets, net	\$ 5,487,787	\$ 5,086,170	\$ 15,453,573	\$ 15,939,051	\$ 20,941,360	\$ 21,025,221

Major purchases this year included:

Governmental activities:

1. 339 West Main Street land and building totaling \$40,767.
2. Broadway Steet land totaling \$2,335.
3. Amory rehab project totaling \$553,392.
4. Pier replacement project totaling \$20,284.

Business-type activities:

1. WWTP facility improvements project totaling \$47,011.
2. Isolation valve project totaling \$6,574.
3. 1936 Sewer line project totaling \$199,904.

CITY OF CRISFIELD, MARYLAND
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2023

DEBT ADMINISTRATION

	Outstanding Debt					
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
General obligation bonds	\$ 177,077	\$ 218,883	\$ 3,210,950	\$ 3,248,216	\$ 3,388,027	\$ 3,467,099
Notes payable	128,858	148,001	617,350	684,165	746,208	832,166
Capital lease payable		6,018		12,034		18,052
Operating leases payable	10,823	13,970			10,823	13,970
Subscriptions payable	6,043				6,043	
Compensated absences	53,577	98,616	6,521	20,966	60,098	119,582
Total outstanding debt	\$ 376,378	\$ 485,488	\$ 3,834,821	\$ 3,965,381	\$ 4,211,199	\$ 4,450,869

Additional information on the City’s debt can be found on pages 37 – 42 of this report.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

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

The City was awarded a combination grant/loan/loan forgiveness in the amount of \$4 million from USDA and MDE for two sewer lift station replacements and sewer lining of part of the City’s system. The City has secured an interim loan with Hebron Savings Bank in the amount of \$1.9 million to utilize the sources of funding and their requirements.

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

The City has submitted requests for congressionally directed spending, or an earmark, of \$2.2 million to make essential improvements to the City Dock. The total for this project is \$2.5 million. The City has received \$250,000 from DNR for the southeast pier of the City Dock. The design has been submitted for review and once the permits are received, Davis, Bowen and Friedel will be ready to advertise for construction bids within a week.

CITY OF CRISFIELD, MARYLAND
MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2023

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS (Continued)

The City has been working endlessly in ditch cleaning and have found tide gates that were damaged or collapsed resulting in the need for replacement and road work. The engineering firm Bayland has been selected to design tide gates and two stormwater pumping stations as well as conduct the bidding for the construction phase of the project. Design and construction of this project is funded by \$1,379,474 in FEMA funds combined with \$68,973 match from the City and \$92,274 remaining in MDE funds. The design and permitting will be completed by January 2025. Construction is estimated to take six months once the design, review, and permitting are complete, with the project completed in mid-2025.

The City has been negotiating with MDE for sanitary sewer overflows that have occurred in the past. The Mayor and Council have agreed to a \$31,000 administrative penalty as part of the settlement agreement. This administrative penalty is to be paid in ten (10) successive monthly installments of \$3,100. These payments are to begin within 60 days after the completion of the required construction upgrades, or July 1, 2024, whichever is sooner.

The Crisfield Armory Rehabilitation project is still in process. There is a contractor on site working on the repair/replacement of the roof, windows, and gutters, cleaning of exterior walls, repointing of exterior mortar joints, and new weather stripping.

Maryland Broadband Cooperative will extend its open-access network to bring world class fiber optic services to the City of Crisfield. After completion of the construction and hook up of needed electronic devices, the City of Crisfield, in partnership with the Maryland Cooperative will be able to offer Gigabit services throughout the area.

The City joined the Law Enforcement Officer’s Pension System (LEOPS) subsequent to year end for police retirement only.

The City was awarded a grant of \$2,526,341 under the American Rescue Plan Act of 2021 Coronavirus Local Fiscal Recovery Funds (CLFRF). The City received the second and final installment of \$1,263,238 in August 2022. \$224,148 of this funding has been spent on the Isolation Valve project, 1936 Sewer Replacement project and water meter installations as of June 30, 2023.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

CITY OF CRISFIELD, MARYLAND

STATEMENT OF NET POSITION

JUNE 30, 2023

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,094,221	\$ 1,461,561	\$ 2,555,782
Security deposit certificate of deposit		3,113	3,113
Investments	10,570		10,570
Taxes receivable	111,374		111,374
Grants receivable	34,218		34,218
Leases receivable	22,639		22,639
Other receivables	163,093	424,234	587,327
Prepaid insurance	46,239		46,239
Due from other governments	161,927		161,927
Internal balances	48,783	(48,783)	
Total current assets	<u>1,693,064</u>	<u>1,840,125</u>	<u>3,533,189</u>
Noncurrent assets			
Restricted cash and cash equivalents	25,528	169,065	194,593
Leases receivable, noncurrent portion	499,968		499,968
Capital assets, net	5,487,787	15,453,573	20,941,360
Total noncurrent assets	<u>6,013,283</u>	<u>15,622,638</u>	<u>21,635,921</u>
Total assets	<u>7,706,347</u>	<u>17,462,763</u>	<u>25,169,110</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred financing outflows - retirement	315,278	71,593	386,871
Deferred financing outflows - OPEB	192,895	38,922	231,817
Total deferred outflows of resources	<u>508,173</u>	<u>110,515</u>	<u>618,688</u>
LIABILITIES			
Current liabilities			
Line of credit		255,262	255,262
Accounts payable and accrued expenses	292,074	133,395	425,469
Security deposits		2,238	2,238
Compensated absences	53,577	6,521	60,098
Current portion of notes, bonds, leases and subscriptions payable	86,120	556,179	642,299
Total current liabilities	<u>431,771</u>	<u>953,595</u>	<u>1,385,366</u>
Noncurrent liabilities			
Total OPEB liability	525,920	106,119	632,039
Net pension liability	496,431	181,113	677,544
Notes, bonds, leases and subscriptions payable, less current portion	236,681	3,272,121	3,508,802
Total noncurrent liabilities	<u>1,259,032</u>	<u>3,559,353</u>	<u>4,818,385</u>
Total liabilities	<u>1,690,803</u>	<u>4,512,948</u>	<u>6,203,751</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred financing inflows - retirement	251,402	44,747	296,149
Deferred financing inflows - OPEB	244,924	49,421	294,345
Deferred leases	485,317		485,317
Deferred grants	19,031	2,302,193	2,321,224
Total deferred inflows of resources	<u>1,000,674</u>	<u>2,396,361</u>	<u>3,397,035</u>
NET POSITION			
Net investment in capital assets	5,164,986	11,625,273	16,790,259
Restricted	25,528	169,065	194,593
Unrestricted (deficit)	332,529	(1,130,369)	(797,840)
Total net position	<u>\$ 5,523,043</u>	<u>\$ 10,663,969</u>	<u>\$ 16,187,012</u>

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

CITY OF CRISFIELD, MARYLAND
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS							
GOVERNMENTAL ACTIVITIES							
General government	\$ 590,900	\$ 47,026	\$ 3,336	\$ 797	\$ (539,741)		\$ (539,741)
Public safety	1,182,532		113,413		(1,069,119)		(1,069,119)
Streets and highways	326,513			26,829	(299,684)		(299,684)
Sanitation and waste removal	194,583	138,323			(56,260)		(56,260)
Conservation of health	380,338		408,270		27,932		27,932
Airport	35,112	18,737			(16,375)		(16,375)
Economic development	102,183			615,697	513,514		513,514
Culture and recreation	12,830				(12,830)		(12,830)
Miscellaneous	424,590			16,580	(408,010)		(408,010)
Bad debt expense	28,921				(28,921)		(28,921)
Interest on long-term debt	6,245				(6,245)		(6,245)
Total governmental activities	<u>3,284,747</u>	<u>204,086</u>	<u>525,019</u>	<u>659,903</u>	<u>(1,895,739)</u>		<u>(1,895,739)</u>
BUSINESS-TYPE ACTIVITIES							
Water fund	805,700	707,378		2,278		(96,044)	(96,044)
Sewer fund	1,388,252	1,451,235		395,455		458,438	458,438
Industrial rental property	23,333					(23,333)	(23,333)
Partnership rental housing	32,335	48,913				16,578	16,578
Total business-type activities	<u>2,249,620</u>	<u>2,207,526</u>		<u>397,733</u>		<u>355,639</u>	<u>355,639</u>
Total	<u>\$ 5,534,367</u>	<u>\$ 2,411,612</u>	<u>\$ 525,019</u>	<u>\$ 1,057,636</u>	<u>(1,895,739)</u>	<u>355,639</u>	<u>(1,540,100)</u>
GENERAL REVENUES							
Taxes							
Real and personal					1,455,782		1,455,782
State shared					324,336		324,336
Payment in lieu of taxes					35,202		35,202
Licenses and permits					61,280		61,280
Fines and forfeitures					2,325		2,325
Rents and concessions					66,963		66,963
Interest					2,702	295	2,997
Miscellaneous					74,007		74,007
Transfers					1,383,096	(1,383,096)	
Total general revenues					<u>3,405,693</u>	<u>(1,382,801)</u>	<u>2,022,892</u>
Change in net position					1,509,954	(1,027,162)	482,792
NET POSITION, BEGINNING OF YEAR, RESTATED					4,013,089	11,691,131	15,704,220
NET POSITION, END OF YEAR					<u>\$ 5,523,043</u>	<u>\$ 10,663,969</u>	<u>\$ 16,187,012</u>

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

CITY OF CRISFIELD, MARYLAND

**BALANCE SHEET
GOVERNMENTAL FUND**

JUNE 30, 2023

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 1,094,221
Investments	10,570
Taxes receivable	111,374
Grants receivable	34,218
Leases receivable	522,607
Other receivables	163,093
Prepaid insurance	46,239
Restricted cash	25,528
Due from other governments	161,927
Due from other funds	48,783
Total assets	<u>\$ 2,218,560</u>
LIABILITIES	
Accounts payable and accrued expenses	\$ 292,074
Compensated absences	53,577
Total liabilities	<u>345,651</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred taxes	152,456
Deferred grants	19,031
Deferred leases	485,317
Total deferred inflows of resources	<u>656,804</u>
FUND BALANCES	
Nonspendable	95,022
Restricted	25,528
Unassigned	1,095,555
Total fund balances	<u>1,216,105</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,218,560</u>

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

CITY OF CRISFIELD, MARYLAND

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

JUNE 30, 2023

Total fund balance, governmental fund \$ 1,216,105

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

Capital assets used in governmental activities are not current financial resources
and, therefore, are not reported in the fund financial statements, but are reported in
the governmental activities of the Statement of Net Position. 5,487,787

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

Deferred financing outflows - retirement 315,278
Deferred financing outflows - OPEB 192,895

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 and leases payable (322,801)
Other post-employment benefits obligation (525,920)
Net pension liability (496,431)
Deferred financing inflows - retirement (251,402)
Deferred financing inflows - OPEB (244,924)

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

Deferred taxes 152,456

Net position of governmental activities in the Statement of Net Position \$ 5,523,043

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

CITY OF CRISFIELD, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2023

	<u>General Fund</u>
REVENUES	
Taxes - real and personal	\$ 1,558,317
Taxes - state shared	324,336
Licenses and permits	61,280
Intergovernmental	1,184,922
Charges for services	204,086
Fines and forfeitures	2,325
Revenues from use of money and property	69,664
Miscellaneous	74,007
Total revenues	<u>3,478,937</u>
EXPENDITURES	
Current	
General government	513,423
Public safety	1,152,016
Streets and highways	255,630
Sanitation and waste removal	194,408
Conservation of health	380,338
Airport	35,112
Economic development	698,677
Culture and recreation	33,113
Miscellaneous	588,275
Bad debt expense	28,921
Debt service	
Principal	74,657
Interest	6,245
Total expenditures	<u>3,960,815</u>
Revenues under expenditures	<u>(481,878)</u>
OTHER FINANCING SOURCES (USES)	
Transfer from other funds	<u>1,383,096</u>
Net change in fund balance	901,218
FUND BALANCE, BEGINNING OF YEAR, RESTATED	<u>314,887</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u><u>\$ 1,216,105</u></u>

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

CITY OF CRISFIELD, MARYLAND

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

YEAR ENDED JUNE 30, 2023

Net change in fund balance, governmental fund	\$ 901,218
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$616,778) exceeds depreciation expense (\$238,020) in the current period.	378,758
Changes in deferred outflows of resources presented in the governmental activities of the Statement of Activities:	
Deferred financing outflows - retirement	140,431
Deferred financing outflows - OPEB	(60,502)
Governmental funds report repayment of debt principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities.	74,657
Bond issuance costs are expended in the governmental funds when paid and are capitalized and amortized over the life of the corresponding bonds for purposes of the Statement of Activities. The following amortization was incurred during the year.	(1,212)
Bond premiums and discounts are expended in the governmental funds when the bonds are issued, and are capitalized and amortized over the life of the bond in the Statement of Activities. The following amortization was incurred during the year.	(484)
Some expenses in the Statements of Activities do not require the use of current financial resources and these are not reported as expenditures in the governmental fund:	
Change in long-term compensated absences	58,969
Change in other post-employment benefit obligation	187,013
Change in net pension liability	(160,989)
Change in deferred financing inflows - retirement	60,938
Change in deferred financing inflows - OPEB	(1,510)
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned:	
Change in deferred taxes	(67,333)
Change in net position, governmental activities	\$ 1,509,954

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

CITY OF CRISFIELD, MARYLAND

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

JUNE 30, 2023

	Water and Sewer	Industrial Rental Property	Partnership Rental Housing	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,447,966	\$	\$ 13,595	\$ 1,461,561
Security deposits certificate of deposits			3,113	3,113
Receivables	424,234			424,234
Total current assets	<u>1,872,200</u>		<u>16,708</u>	<u>1,888,908</u>
Noncurrent assets				
Restricted cash and cash equivalents			169,065	169,065
Capital assets, net	15,056,905	396,668		15,453,573
Total noncurrent assets	<u>15,056,905</u>	<u>396,668</u>	<u>169,065</u>	<u>15,622,638</u>
Total assets	<u>16,929,105</u>	<u>396,668</u>	<u>185,773</u>	<u>17,511,546</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred financing outflows - retirement	71,593			71,593
Deferred financing outflows - OPEB	38,922			38,922
Total deferred outflows of resources	<u>110,515</u>			<u>110,515</u>
LIABILITIES				
Current liabilities				
Line of credit	255,262			255,262
Accounts payable and accrued expenses	133,395			133,395
Security deposits			2,238	2,238
Due to other funds			48,783	48,783
Compensated absences	6,521			6,521
Notes and bonds payable	556,179			556,179
Total current liabilities	<u>951,357</u>		<u>51,021</u>	<u>1,002,378</u>
Noncurrent liabilities				
Total OPEB liability	106,119			106,119
Net pension liability	181,113			181,113
Notes and bonds payable, less current portion	2,743,598		528,523	3,272,121
Total noncurrent liabilities	<u>3,030,830</u>		<u>528,523</u>	<u>3,559,353</u>
Total liabilities	<u>3,982,187</u>		<u>579,544</u>	<u>4,561,731</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred financing inflows - retirement	44,747			44,747
Deferred financing inflows - OPEB	49,421			49,421
Deferred grants	2,302,193			2,302,193
Total deferred inflows of resources	<u>2,396,361</u>			<u>2,396,361</u>
NET POSITION (DEFICIT)				
Net investment in capital assets	11,757,128	396,668	(528,523)	11,625,273
Restricted			169,065	169,065
Unrestricted (deficit)	(1,096,056)		(34,313)	(1,130,369)
Total net position (deficit)	<u>\$ 10,661,072</u>	<u>\$ 396,668</u>	<u>\$ (393,771)</u>	<u>\$ 10,663,969</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, 2023

	Water	Sewer	Industrial Rental Property	Partnership Rental Housing	Total
OPERATING REVENUES					
Water service	\$ 673,355	\$	\$	\$	\$ 673,355
Sewer service		1,377,034			1,377,034
Front foot assessment		53,898			53,898
Rent				48,913	48,913
Late fees	13,752				13,752
Application fees	20,271	10,771			31,042
Flush tax		9,532			9,532
Total operating revenues	<u>707,378</u>	<u>1,451,235</u>		<u>48,913</u>	<u>2,207,526</u>
OPERATING EXPENSES					
Salaries and wages	148,560	148,444			297,004
Payroll taxes and fringe benefits	55,465	42,509			97,974
Contracted services	232,825	66,753			299,578
Utilities	62,351	65,878		9,203	137,432
Chemicals	24,852	119,991			144,843
Depreciation	168,734	537,967	23,333	8,934	738,968
Other operating expenses	108,008	349,785		14,198	471,991
Total operating expenses	<u>800,795</u>	<u>1,331,327</u>	<u>23,333</u>	<u>32,335</u>	<u>2,187,790</u>
Operating income (loss)	<u>(93,417)</u>	<u>119,908</u>	<u>(23,333)</u>	<u>16,578</u>	<u>19,736</u>
NONOPERATING REVENUES (EXPENSES)					
Grant revenue	2,278	395,455			397,733
Interest income				295	295
Interest expense	(4,905)	(56,925)			(61,830)
Transfer to general fund	(691,548)	(691,548)			(1,383,096)
Net nonoperating revenue (expenses)	<u>(694,175)</u>	<u>(353,018)</u>		<u>295</u>	<u>(1,046,898)</u>
Change in net position	<u>(787,592)</u>	<u>(233,110)</u>	<u>(23,333)</u>	<u>16,873</u>	<u>(1,027,162)</u>
NET POSITION (DEFICIT), BEGINNING OF YEAR	<u>(580,030)</u>	<u>12,261,804</u>	<u>420,001</u>	<u>(410,644)</u>	<u>11,691,131</u>
NET POSITION (DEFICIT), END OF YEAR	<u>\$ (1,367,622)</u>	<u>\$ 12,028,694</u>	<u>\$ 396,668</u>	<u>\$ (393,771)</u>	<u>\$ 10,663,969</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, 2023

	Water and Sewer	Industrial Rental Property	Partnership Rental Housing	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 2,175,060	\$	\$ 48,913	\$ 2,223,973
Cash paid to or on behalf of employees	(401,925)			(401,925)
Cash paid to suppliers	(1,029,520)		(23,401)	(1,052,921)
Net cash provided by operating activities	<u>743,615</u>		<u>25,512</u>	<u>769,127</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Grant proceeds	2,699,926			2,699,926
Debt proceeds	285,585			285,585
Purchase of assets	(253,490)			(253,490)
Principal paid on long-term obligations	(586,392)			(586,392)
Interest paid on long-term obligations	(61,830)			(61,830)
Net cash used by capital and related financing activities	<u>2,083,799</u>			<u>2,083,799</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from general fund	<u>(1,383,096)</u>			<u>(1,383,096)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income			295	295
Net increase in cash	1,444,318		25,807	1,470,125
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,648		159,966	163,614
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,447,966</u>	<u>\$</u>	<u>\$ 185,773</u>	<u>\$ 1,633,739</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 26,491	\$ (23,333)	\$ 16,578	\$ 19,736
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	706,701	23,333	8,934	738,968
Deferred financing outflows - retirement	(28,335)			(28,335)
Deferred financing outflows - OPEB	(2,524)			(2,524)
Deferred financing inflows - retirement	(12,296)			(12,296)
Deferred financing inflows - OPEB	14,457			14,457
Effects of changes in operating assets and liabilities:				
Accounts and other receivables	16,447			16,447
Accounts payable and accrued expenses	33,407			33,407
Total other post-employment benefit liability	3,712			3,712
Compensated absences	(14,445)			(14,445)
Net cash provided by operating activities	<u>\$ 743,615</u>	<u>\$</u>	<u>\$ 25,512</u>	<u>\$ 769,127</u>

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

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting entity

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

Basis of presentation

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

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

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

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting

The accounting and financial reporting is determined by its measurement focus. Government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Property taxes are recognized in the year of levy and grants are recognized when all eligibility requirements are met.

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

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

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

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

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

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of estimates in preparing financial statements

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

Budgets and budgetary accounting

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

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

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

Cash, cash equivalents and investments

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

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

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

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted cash

Restricted cash in the general fund consists of police evidence obtained where the expenditures of these funds are limited to certain guidelines.

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

Property tax receivables

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

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

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

Real and personal property taxes are levied at rates enacted by the Commissioners in the annual budget ordinance on the assessed value as determined by the Maryland State Department of Assessments and Taxation. The rates of levy cannot exceed the constant yield rate furnished by the Maryland State Department of Assessment and Taxation without public notice and only after public hearings. For fiscal year 2023, the City of Crisfield, Maryland's real property tax rate was \$.87 per \$100 of assessed value and the business personal property tax rate was \$1.75 per \$100 of assessed value.

Interfund transactions

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

Prepaid items

Payments made to vendors for services that will benefit periods beyond June 30, 2023, are reported as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets

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

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

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

Estimated useful lives are as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	40 to 100 years
Infrastructure	5 to 20 years
Furniture and fixtures	5 to 20 years
Machinery and equipment	5 to 20 years
Leased equipment (Right-of-use)	Life of lease
Subscription assets	Life of agreement

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued liabilities and long-term obligations

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

Deferred outflows of resources

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

Deferred inflows of resources

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

Pensions

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

Compensated absences

Employees of the city are entitled to paid vacation, depending on length of service and job classification. At June 30, 2023, there was \$60,098 of vacation benefits due to employees.

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and proprietary fund net positions

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

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

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

Governmental fund balances

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

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

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

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of GASB Statement No. 87, Leases

Effective July 1, 2022, the City adopted the new lease accounting guidance in GASB Statement No. 87, *Leases*. The new guidance requires recognition of certain lease assets and liabilities that were previously classified as operating leases. As a result of the adoption of the new guidance, the City recognized as of July 1, 2022 the following:

- a. Leases receivable of \$543,217 which represents the present value of the remaining lease payments discounted using the City's incremental borrowing rate,
- b. Deferred inflows of resources of \$524,985 which represents the original leases receivable,
- c. Operating leases payable of \$13,970 which represents the present value of the remaining lease payments discounted using the City's incremental borrowing rate, and
- d. Leased equipment of \$13,970 which represents the original lease payable net of accumulated amortization of \$2,571.

Adoption of GASB Statement No. 96, Subscription-Based Information Technology Arrangements

Effective July 1, 2022, the City adopted the new guidance in GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The new guidance requires a subscription asset and corresponding liability to be recognized for any subscription-based information technology arrangement a government has with software vendors with a remaining term longer than 12 months. Right-of-use subscription assets are recorded at the present value of the total subscription payments. They are amortized using the straight-line method over the life of the subscription arrangement.

As a result of the adoption of the guidance, the City recognized as of June 30, 2023 (a) subscription liability of \$6,043 which represents the present value of the remaining subscription payments discounted using the City's incremental borrowing rates of 4%, and (b) right-of-use subscription asset of \$14,784 with corresponding accumulated amortization of \$8,849.

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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, 2023, the invested funds are as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Fully Insured</u>
Governmental Activities:			
Cash and cash equivalents	\$ 1,119,749	\$ 1,557,673	\$ 1,557,673
Investments	10,570	14,825	14,825
Total	<u>\$ 1,130,319</u>	<u>\$ 1,572,498</u>	<u>\$ 1,572,498</u>
Business-type Activities:			
Cash and cash equivalents	\$ 1,577,511	\$ 1,580,345	\$ 1,580,345
Investments	56,228	56,228	56,228
Total	<u>\$ 1,633,739</u>	<u>\$ 1,636,573</u>	<u>\$ 1,636,573</u>

Investments include a variety of certificates of deposits with maturity dates greater than three months from the date of the financial statements with varying rates and terms.

Investment Rate Risk

Fair value fluctuates with interest rates, and increasing interest rates could cause fair value to decline below original cost. To limit the City's exposure to fair value losses arising from increasing interest rates, the City's investment policy limits the term of investment maturities between thirty days to 24 months in order to remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated. City management believes the liquidity in the portfolio is adequate to meet cash flow requirements and to preclude the City from having to sell investments below original cost for that purpose. The investments at June 30, 2023 met the City's investment policy as of that date. Investment income was comprised entirely of interest amounting to \$2,997 for the year ended June 30, 2023.

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

DEPOSITS AND INVESTMENTS (Continued)

Credit Risk

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

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover all or a portion of the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2023, none of the City's investments were exposed to custodial credit risk as they were covered by FDIC insurance.

RECEIVABLES

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

Leases	\$	522,607
Taxes, net		111,374
Grants		34,218
Other		
Penalties		21,604
Mowing		18,739
Payment in lieu of taxes		35,202
Interest		17,759
Other		69,789
		\$ 831,292
		\$ 831,292

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

RECEIVABLES (Continued)

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

	Water and Sewer	Industrial Rental Property	Partnership Rental Housing	Total
Accounts receivable	\$ 424,234	\$	\$	\$ 424,234

Governmental funds report deferred revenue in relation to receivables for revenues that are not considered to be available to liquidate liabilities of the current period, such as property taxes not collected within 60 days after fiscal year-end. Unavailable revenue, shown as deferred inflows of resources, for the general fund at June 30, 2023 consisted of deferred taxes and grants of \$152,456 and \$19,031, respectively.

LEASES RECEIVABLE

The City entered into lease agreements with Somers Cove Motel for property bordering the motel and AT&T for access to electrical, telephone, and other utility services on the City's water tower expiring in 2028 and 2037, respectively. The leases receivable and deferred inflows of resources are recorded at the present value of the lease payments. The deferred inflows of resources are being amortized over the life of the lease. Amortization is included in rental income in the general fund.

As of June 30, 2023, the balance of the leases receivable was \$522,607.

CITY OF CRISFIELD, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

CAPITAL ASSETS

Capital assets of the Governmental Activities are summarized as follows:

	Balance June 30, 2022	Increases	Decreases	Balance June 30, 2023
<i>Capital assets not being depreciated</i>				
Land	\$ 1,833,878	\$ 12,934	\$	\$ 1,846,812
Construction in progress	131,141	573,673		704,814
Total capital assets not being depreciated	<u>1,965,019</u>	<u>586,607</u>		<u>2,551,626</u>
<i>Capital assets being depreciated</i>				
Buildings and improvements	2,728,226	30,168		2,758,394
Machinery and equipment	1,307,927			1,307,927
Furniture and fixtures	198,396			198,396
Infrastructure	4,719,004			4,719,004
Right-of-use assets	16,540			16,540
Subscription assets	14,784			14,784
Total capital assets being depreciated	<u>8,984,877</u>	<u>30,168</u>		<u>9,015,045</u>
<i>Less: accumulated depreciation</i>				
Buildings and improvements	(1,009,064)	(79,999)		(1,089,063)
Machinery and equipment	(1,171,301)	(57,223)		(1,228,524)
Furniture and fixtures	(121,243)	(14,576)		(135,819)
Infrastructure	(3,530,794)	(79,957)		(3,610,751)
Right-of-use assets	(2,570)	(3,308)		(5,878)
Subscription assets	(5,892)	(2,957)		(8,849)
Total accumulated depreciation	<u>(5,840,864)</u>	<u>(238,020)</u>		<u>(6,078,884)</u>
Net capital assets being depreciated	<u>3,144,013</u>	<u>(207,852)</u>		<u>2,936,161</u>
Governmental Activities, capital assets, net	<u>\$ 5,109,032</u>	<u>\$ 378,755</u>	<u>\$</u>	<u>\$ 5,487,787</u>

CITY OF CRISFIELD, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

CAPITAL ASSETS (Continued)

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

	Balance June 30, 2022	Increases	Decreases	Balance June 30, 2023
<i>Capital assets not being depreciated</i>				
Land	\$ 408,760	\$	\$	\$ 408,760
Construction in progress	579,344	253,490		832,834
Total capital assets not being depreciated	988,104	253,490		1,241,594
<i>Capital assets being depreciated</i>				
Buildings and improvements	13,649,239			13,649,239
Machinery and equipment	9,910,694			9,910,694
Infrastructure	5,469,977			5,469,977
Total capital assets being depreciated	29,029,910			29,029,910
<i>Less: accumulated depreciation</i>				
Buildings and improvements	(6,168,358)	(279,853)		(6,448,211)
Machinery and equipment	(4,285,248)	(258,176)		(4,543,424)
Infrastructure	(4,054,292)	(168,672)		(4,222,964)
Total accumulated depreciation	(14,507,898)	(706,701)		(15,214,599)
Net capital assets being depreciated	14,522,012	(706,701)		13,815,311
Water and Sewer Fund, capital assets, net	\$ 15,510,116	\$ (453,211)	\$	\$ 15,056,905

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

CAPITAL ASSETS (Continued)

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

	<u>Balance</u> <u>June 30, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2023</u>
Capital assets being depreciated				
Building and improvements	\$ 805,295	\$	\$	\$ 805,295
Less accumulated depreciation for				
Building and improvements	<u>(385,294)</u>	<u>(23,333)</u>		<u>(408,627)</u>
Industrial Rental Property activities, capital assets, net	<u>\$ 420,001</u>	<u>\$ (23,333)</u>	<u>\$</u>	<u>\$ 396,668</u>

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

	<u>Balance</u> <u>June 30, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2023</u>
Capital assets being depreciated				
Building and improvements	\$ 530,384	\$	\$	\$ 530,384
Less accumulated depreciation for				
Building and improvements	<u>(521,450)</u>	<u>(8,934)</u>		<u>(530,384)</u>
Partnership Rental Housing, capital assets, net	<u>\$ 8,934</u>	<u>\$ (8,934)</u>	<u>\$</u>	<u>\$</u>

Depreciation expense is recorded as follows:

Governmental activities:	
General government	\$ 136,446
Public safety	30,516
Streets and highways	70,882
Sanitation and waste removal	176
Total governmental activities	<u>\$ 238,020</u>
Business-type activities:	
Water and sewer fund	\$ 706,701
Industrial rental property fund	23,333
Partnership rental housing fund	8,934
Total business-type activities	<u>\$ 738,968</u>

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

DUE FROM OTHER GOVERNMENTS

The balance of due from other governments at June 30, 2023 is as follows:

	Governmental Activities	Business-type Activities	Total
State of Maryland:			
Highway user	\$ 39,473	\$	\$ 39,473
Somerset County:			
Ambulance	97,508		97,508
Airport	16,136		16,136
Bank lien	5,260		5,260
Highway user	3,550		3,550
Total Somerset County	<u>122,454</u>		<u>122,454</u>
Total due from other governments	<u>\$ 161,927</u>	<u>\$</u>	<u>\$ 161,927</u>

LINE OF CREDIT

The following is a summary of the City's lines of credit for the year ended June 30, 2023:

Governmental Activities:

The City has a line of credit with Hebron Savings Bank for \$100,000. Interest will accrue on unpaid principal balance at 8.25% with a maturity date of March 31, 2024. There were no draws on the line of credit for the year ended June 30, 2023.

Business-type Activities:

Hebron Savings Bank line of credit for the Sewer fund. Interest accrues at a tax-exempt rate of 4.71%. Payable on demand. Limit of \$1,293,000. \$ 255,262

Changes in the line of credit for the year ended June 30, 2023 are as follows:

	Beginning Balance	Additions	Principal Repayments	Ending Balance
Business-type activities:				
Line of credit	\$ 439,954	\$ 50,421	\$ 235,113	\$ 255,262

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

LONG-TERM LIABILITIES

Changes in long-term obligations for the year ended June 30, 2023 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 227,500	\$	\$ 43,500	\$ 184,000	\$ 43,000
Less: Unamortized bond issuance costs	(6,157)		(1,211)	(4,946)	
Less: Unamortized bond premium	(2,460)		(483)	(1,977)	
Notes payable	148,001		19,143	128,858	36,883
Finance lease payable	6,018		6,018		
Operating leases payable	13,970		3,147	10,823	3,275
Subscriptions payable		8,891	2,848	6,043	2,962
Compensated absences	98,616		45,039	53,577	53,577
Governmental activities long-term liabilities	<u>\$ 485,488</u>	<u>\$ 8,891</u>	<u>\$ 118,001</u>	<u>\$ 376,378</u>	<u>\$ 139,697</u>
Business-type activities:					
General obligation bonds	\$ 4,168,901	\$ 235,164	\$ 88,293	\$ 4,315,772	\$ 509,476
Less: Unamortized debt forgiveness	(920,685)	(184,137)		(1,104,822)	
Notes payable	684,165		66,815	617,350	46,703
Finance lease payable	12,034		12,034		
Compensated absences	20,966		14,445	6,521	6,521
Business-type activities long-term liabilities	<u>\$ 3,965,381</u>	<u>\$ 51,027</u>	<u>\$ 181,587</u>	<u>\$ 3,834,821</u>	<u>\$ 562,700</u>

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

LONG-TERM LIABILITIES (Continued)

Governmental activities

General obligation bonds consist of the following:

\$426,785 - Community Development Infrastructure Bonds of 2017 Series A. 10 annual installments beginning April 1, 2018. Semi-annual interest payments of 2.23% are paid over the term of 10 years.	\$ 184,000
Less: Unamortized bond insurance costs	(4,946)
Less: Unamortized bond premium	(1,977)
	\$ 177,077

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

Notes payable consist of the following:

Hebron Savings Bank - three trucks. Principal payments in annual installments of \$4,126 beginning July 2019. Interest is payable annually at 4.35%.	\$ 3,965
Hebron Savings Bank - tractor, two roofs. Principal payments in annual installments of \$17,491 beginning September 2020. Interest is payable annually at 4.375%.	32,824
Hebron Savings Bank - converted from a line of credit to a promissory note. Principal payments in annual installments of \$20,889 beginning July 2023. Interest is payable annually at 4.35%.	92,066
Total governmental activities notes payable	\$ 128,855

Operating leases payable

The City is leasing various copiers and printers under operating leases with a balance of \$10,823 expiring in 2026. The asset and liability are recorded at the present value of the future lease payments of \$16,540. The assets are amortized over the life of the lease. Amortization of the assets under operating leases is included in depreciation expense.

Subscriptions payable

The City has a subscription liability for a software arrangement with terms over 12 months. The subscription has a remaining term of 2 years. As of June 30, 2023, the subscription liability was \$6,043, which represents the present value of remaining subscription payments of \$6,408, discounted using the City's incremental borrowing rate of 4%.

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

LONG-TERM LIABILITIES (Continued)

Business-type activities

General obligation bonds consist of the following:

	Water and Sewer	Industrial Rental Property	Partnership Rental Housing	Total
\$582,573 - Water Quality Bonds - Series 2008A. 20 annual installments beginning February 1, 2008. Annual payments including principal and interest of .40% are paid over the term of 20 years.	\$ 120,265	\$	\$	\$ 120,265
\$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%.	754,169			754,169
\$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.	238,993			238,993
\$2,946,198 - Water Quality Bond, Series 2013B debt to be forgiven when the Wind Energy project is complete and the terms and conditions of the loan are met.	2,946,198			2,946,198
Less: accumulated loan forgiveness	(1,104,822)			(1,104,822)
\$62,990 - KS Statebank. 3 annual payments including principal and interest of \$21,925 beginning September 1, 2021.	20,983			20,983
\$235,164 - Water Quality State Revolving Fund Loan. 30 annual installments beginning February 1, 2024. Annual payments including principal and interest of .80% are paid over the term of 30 years.	235,164			235,164
Total business-type activities general obligation bonds	<u>\$ 3,210,950</u>	<u>\$</u>	<u>\$</u>	<u>\$ 3,210,950</u>

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

LONG-TERM LIABILITIES (Continued)

Business-type activities (continued)

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

Notes payable consist of the following:

	Water and Sewer	Industrial Rental Property	Partnership Rental Housing	Total
Hebron Savings Bank - Principal payable in annual installments of \$8,252, including interest at 4.35% beginning July 3, 2019.	\$ 7,931	\$	\$	\$ 7,931
Hebron Savings Bank - Principal payable in annual installments of \$19,587, including interest at 4.35% beginning October 4, 2019.	18,800			18,800
Hebron Savings Bank - Principal payable in annual installments of \$22,343, including interest at 3.81% beginning July 2021.	62,096			62,096
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	\$ 88,827	\$	\$ 528,523	\$ 617,350

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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
2024	\$ 43,000	\$ 7,696	\$ 36,883	\$ 5,623
2025	45,000	5,933	34,399	4,004
2026	46,900	4,043	18,384	2,504
2027	42,177	2,063	19,184	1,705
2028			20,008	880
	\$ 177,077	\$ 19,735	\$ 128,858	\$ 14,716

Year Ending June 30,	Business-type Activities			
	General Obligation Bonds		Notes	
	Principal	Interest	Principal	Interest
2024	\$ 509,476	\$ 35,386	\$ 46,703	\$ 3,538
2025	254,343	33,432	549,256	1,610
2026	255,386	32,388	21,391	820
2027	256,464	31,311		
2028	227,207	30,199		
2029-2033	1,146,050	134,847		
2034-2038	131,183	106,725		
2039-2043	162,061	75,847		
2044-2048	200,201	37,701		
2048-2053	68,579	2,582		
	\$ 3,210,950	\$ 520,418	\$ 617,350	\$ 5,968

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

LONG-TERM LIABILITIES (Continued)

Debt service requirements (continued)

The future minimum payments under operating leases and subscription payables are as follows:

Year Ending June 30,	Governmental Activities			
	Operating Leases		Subscriptions	
	Principal	Interest	Principal	Interest
2024	\$ 3,275	\$ 373	\$ 2,962	\$ 242
2025	3,408	240	3,081	123
2026	2,598	115		
2027	1,542	31		
	\$ 10,823	\$ 759	\$ 6,043	\$ 365

RETIREMENT AND PENSION PLANS

General information about the pension plan

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

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

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

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

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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, 2023, the City reported a liability of \$677,544 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2022, the City's proportion was .003386%.

For the year ended June 30, 2023, the City recognized pension expense of \$100,928. At June 30, 2023, the City reported deferred outflows of resources or deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 71,989	\$ 6,507
Net difference between projected and actual earnings on pension plan investments	205,974	199,661
Difference between actual and expected experience		47,737
Changes of proportion	19,588	42,244
Contributions subsequent to measurement date	89,320	
	\$ 386,871	\$ 296,149

The City's contribution subsequent to the measurement date of \$89,320 reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ending June 30, 2023.

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

RETIREMENT AND PENSION PLANS (Continued)

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

Deferred financial inflows and outflows are made up of changes in actuarial assumptions and proportions, differences in actual and expected experience, and net difference in the projected and actual investment earnings. The deferred outflows and inflows related to non-investment activity are being amortized over the remaining service life ranging from 5.49 to 5.78 years. The net difference in investment earnings are being amortized over a closed five-year period. The following table shows the amortization of these balances:

Year Ending June 30	Deferred Outflows	Deferred Inflows
2024	\$ 76,790	\$ 96,075
2025	71,964	91,143
2026	58,990	87,196
2027	49,234	14,756
2028	40,573	6,979
Total	\$ 297,551	\$ 296,149

Actuarial assumptions. The actuarial assumption for the Pension Plan as a whole and based on the June 30, 2022 annual actuarial valuation report for Maryland Municipal Corporation are as follows:

Inflation	2.25% general; 2.75% wage
Salary increases	2.75% to 11.25%, including wage inflation
Investment rate of return	6.80%

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

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

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

RETIREMENT AND PENSION PLANS (Continued)

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

Investments. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board of Trustees after considering input from MSRPS’s investment consultants and actuaries. For each major class that is included in the MSRPS’s target asset allocation as of June 30, 2022, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	34%	6.0%
Private Equity	16%	8.4%
Rate Sensitive	21%	1.2%
Credit Opportunity	8%	4.9%
Real Assets	15%	5.2%
Absolute Return	6%	3.5%
Total	100%	

For the years ended June 30, 2022 and 2021, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was (2.97)% and 26.69%, respectively. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate. The discount rate used to measure the total pension liability was 6.80%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contribution from the municipalities will be made at contractually required rates, actuarially determined.

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

RETIREMENT AND PENSION PLANS (Continued)

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

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate.

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.80%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.80%) or 1 percentage point higher (7.80%) than the current rate:

1% Decrease (5.80%)	\$ 1,039,576
Current discount rate (6.80%)	\$ 677,544
1% Increase (7.80%)	\$ 377,151

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

OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan description

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

Benefits provided

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

Health Benefits. Any employee retiring after completing 30 years of service with the City currently has the option to maintain health insurance after they retire, until age 65. The City will pay 100% of individual coverage before age 65 and 0% of dependent coverage. At Medicare age, the participant will be moved to Medicare Supplement and Part D coverage. The City pays 100% of Medicare premiums including Part D coverage. In addition, the City pays 50% of the Pre-65 deductible through an HRA card. For 2023 the deductible is \$500 for single coverage and \$1,000 for two-person coverage.

Employees covered by benefit terms

As of June 30, 2023, plan membership includes the following:

Number of Actives	22
Number of Retirees	<u>1</u>
Total	<u>23</u>

Contributions

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

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Total OPEB liability

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

Valuation Date	June 30, 2023
Measurement Date	June 30, 2023
Measurement Period	July 01, 2022 to June 30, 2023

Discount rate

The discount rate used to measure the total OPEB liability as of June 30, 2023 is 4.13%.

Actuarial assumptions

The total OPEB liability in the June 30, 2023 actual valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry Age Normal
Salary increases	3%
Retirement age	50% at age 62 with 30+ years of service and 100% at age 65
Utilization	100%
Healthcare cost trend	7.5% per year, declining 50 basis points per year to an ultimate annual rate increase of 4.5%

Mortality rates were based on the Pub-2010 General Headcount-Weighted with scale MP-2021.

Changes in the net OPEB liability

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

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance as of July 1, 2022	\$ 815,340	\$	\$ 815,340
Changes for the year:			
Service cost	19,381		19,381
Interest	28,767		28,767
Difference between expected and actual	(51,435)		(51,435)
Assumption changes	(17,277)		(17,277)
Contributions - employer		5,477	(5,477)
Benefit payments	(5,477)	(5,477)	
Plan Change	(157,260)		(157,260)
Net changes	(183,301)		(183,301)
Balance as of June 30, 2023	\$ 632,039	\$	\$ 632,039

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Deferred outflows of resources and deferred inflows of resources

The deferred outflows and inflows of resources for OPEB as of June 30, 2023 are as follows:

	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 15,784	\$ (43,386)
Changes of assumptions	216,033	(250,959)
Total	\$ 231,817	\$ (294,345)

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

	FY 2024	\$	5,233
	FY 2025		5,233
	FY 2026		5,233
	FY 2027		(8,592)
	FY 2028		(38,450)
	Thereafter		(31,185)
		\$	(62,528)

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

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

1% Decrease (3.13%)	\$ 772,857
Current discount rate (4.13%)	\$ 632,039
1% Increase (5.13%)	\$ 523,887

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

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

1% Decrease (6.5% to 3.5%)	\$ 521,651
Current trend rate (7.0% to 4.5%)	\$ 632,039
1% Increase (8.5% to 5.5%)	\$ 775,683

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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 \$106,250 to LGIT in fiscal year 2023 to participate in the primary liability and property pools. The maximum financial loss exposure to the City is two times the annual premium (\$212,500). The insurance trust agreement provides for alternatives, which could reduce the City's maximum financial exposure.

JOINT VENTURES

Airport

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

Ambulance

The Lower Somerset County Ambulance and Rescue Squad (LSCARS) is a joint venture between the City and Somerset County. During fiscal year 2023, the County reimbursed the City \$408,270 to help pay for the salaries and others costs of the paid paramedics and EMTs.

CONTINGENCIES

Partnership Rental Housing

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

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

CONTINGENCIES (Continued)

Grant compliance

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

NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 101, *Compensated Absences*, will be effective for the City beginning with the year ending June 30, 2025. This statement updates the recognition and measurement guidance for compensated absences.

PRIOR PERIOD ADJUSTMENT

The net position in the government-wide financial statements for the governmental activities and the fund balance in the fund financial statements for the general fund as of June 30, 2022 have been restated due to unrecorded deferred inflows of resources related to the implementation of GASB Statement No. 87, *Leases*. The adjustment was as follows:

	Government-wide Financial Statements	
	Governmental Activities	Business-type Activities
Net position, beginning of year, as previously reported	\$ 3,994,857	\$ 11,691,131
Adjustment to:		
Deferred financing inflows - leases	18,232	
Net position, beginning of year, as restated	\$ 4,013,089	\$ 11,691,131

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

PRIOR PERIOD ADJUSTMENT (Continued)

	Fund financial statements				
	General Fund	Enterprise Funds			Partnership Rental Property
		Water Fund	Sewer Fund	Industrial Rental Property	
Fund balance/net position, June 30, 2022, as previously reported	\$ 296,655	\$ (580,030)	\$ 12,261,804	\$ 420,001	\$ (410,644)
Adjustment to:					
Deferred financing inflows - leases	18,232				
Fund balance/net position, June 30, 2022, as restated	<u>\$ 314,887</u>	<u>\$ (580,030)</u>	<u>\$ 12,261,804</u>	<u>\$ 420,001</u>	<u>\$ (410,644)</u>

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, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Favorable (Unfavorable)
REVENUES				
Taxes				
Real and personal				
Real property	\$ 1,250,000	\$ 1,250,000	\$ 1,325,146	\$ 75,146
Personal property	7,000	7,000	107,395	100,395
RR and public utilities	50,000	50,000	65,985	15,985
Ordinary business	57,000	57,000		(57,000)
Interest on delinquent taxes	30,000	30,000	10,763	(19,237)
Penalty on delinquent taxes			5,379	5,379
Hotel tax	4,000	4,000	8,447	4,447
Housing in lieu of taxes	20,500	20,500	35,202	14,702
Total real and personal taxes	<u>1,418,500</u>	<u>1,418,500</u>	<u>1,558,317</u>	<u>139,817</u>
State shared				
Income taxes - local	95,000	95,000	145,327	50,327
Highway - gas motor vehicle	170,415	170,415	179,009	8,594
Total state shared taxes	<u>265,415</u>	<u>265,415</u>	<u>324,336</u>	<u>58,921</u>
Total taxes	<u>1,683,915</u>	<u>1,683,915</u>	<u>1,882,653</u>	<u>198,738</u>
Licenses and permits				
Traders	1,000	1,000	2,973	1,973
Building	7,540	7,540	15,755	8,215
CATV - franchise fees	32,000	32,000	38,572	6,572
Parking			1,455	1,455
Golf cart			2,525	2,525
Total licenses and permits	<u>40,540</u>	<u>40,540</u>	<u>61,280</u>	<u>20,740</u>
Intergovernmental				
Ambulance	196,600	196,600	408,270	211,670
Community legacy grant			35,010	35,010
CARES Act - Somerset County			797	797
CDBG grant			1,500	1,500
USDA grant			700	700
Police protection	98,000	98,000	113,413	15,413
Armory grant			547,524	547,524
Other agencies			77,708	77,708
Total intergovernmental	<u>294,600</u>	<u>294,600</u>	<u>1,184,922</u>	<u>890,322</u>

CITY OF CRISFIELD, MARYLAND

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

YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES (Continued)				
Service charges				
Inspection fees	\$ 10,000	\$ 10,000	\$ 23,230	\$ 13,230
Garbage charge	136,000	136,000	138,323	2,323
Airport fuel sales and county reimbursement	6,000	6,000	18,737	12,737
Mowing	15,000	15,000	15,750	750
Zoning fees	750	750	2,850	2,100
Other	5,300	5,300	5,196	(104)
Total service charges	<u>173,050</u>	<u>173,050</u>	<u>204,086</u>	<u>31,036</u>
Fines and forfeitures				
Fines	3,000	3,000	2,325	(675)
Revenue from use of money and property				
Interest	500	500	2,702	2,202
Rents and concessions	40,000	40,000	66,962	26,962
Total revenue from use of money and property	<u>40,500</u>	<u>40,500</u>	<u>69,664</u>	<u>29,164</u>
Miscellaneous income			74,007	74,007
Total revenues	<u>2,235,605</u>	<u>2,235,605</u>	<u>3,478,937</u>	<u>1,243,332</u>
OTHER FINANCING SOURCES (USES)				
Transfer from other funds			1,383,096	1,383,096
Total revenues and other financing sources (uses)	<u>\$ 2,235,605</u>	<u>\$ 2,235,605</u>	<u>\$ 4,862,033</u>	<u>\$ 2,626,428</u>

CITY OF CRISFIELD, MARYLAND

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

YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
EXPENDITURES				
General government				
Mayor and council				
Salaries and wages	\$ 20,854	\$ 20,854	\$ 21,668	\$ (814)
Other operating expenses	14,500	14,500	16,582	(2,082)
Total mayor and council	35,354	35,354	38,250	(2,896)
City clerk				
Salaries and wages	167,098	167,098	176,480	(9,382)
Other operating expenses	53,650	53,650	120,481	(66,831)
Total city clerk	220,748	220,748	296,961	(76,213)
Accounting and auditing				
Other operating expenses	25,000	25,000	28,772	(3,772)
Legal counsel				
Professional fees	65,000	65,000	104,092	(39,092)
Municipally owned buildings				
Other operating expenses	49,000	49,000	27,875	21,125
Public officers association				
Other operating expenses	11,000	11,000	13,031	(2,031)
Zoning board				
Salaries and wages	1,650	1,650	2,057	(407)
Other operating expenses	1,000	1,000	2,310	(1,310)
Total zoning board	2,650	2,650	4,367	(1,717)
Voter registration				
Salaries and wages	2,000	2,000	75	1,925
Total general government	410,752	410,752	513,423	(102,671)

CITY OF CRISFIELD, MARYLAND

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

YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
EXPENDITURES (Continued)				
Public safety				
Police department				
Salaries and wages	\$ 862,010	\$ 862,010	\$ 841,207	\$ 20,803
Other operating expenses	136,000	136,000	173,704	(37,704)
Total police department	998,010	998,010	1,014,911	(16,901)
Fire department				
Other operating expenses	62,500	62,500	60,104	2,396
Protective inspection				
Salaries and wages	53,795	53,795	60,788	(6,993)
Other operating expenses	7,000	7,000	16,213	(9,213)
Total protective inspection	60,795	60,795	77,001	(16,206)
Total public safety	1,121,305	1,121,305	1,152,016	(30,711)
Streets and highways				
Maintenance of streets and highways				
Salaries and wages	56,735	56,735	44,980	11,755
Other operating expenses	153,000	153,000	72,827	80,173
Total maintenance of streets and highways	209,735	209,735	117,807	91,928
Highway lighting				
Other operating expenses	122,000	122,000	131,675	(9,675)
Snow and ice removal				
Salaries and wages	1,000	1,000		1,000
Other operating expenses	3,000	3,000	362	2,638
Total snow and ice removal	4,000	4,000	362	3,638
Storm drainage				
Other operating expenses	10,000	10,000	5,786	4,214
Total streets and highways	345,735	345,735	255,630	90,105

CITY OF CRISFIELD, MARYLAND

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

YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
EXPENDITURES (Continued)				
Sanitation and waste removal				
Street sanitation				
Salaries and wages	\$ 56,735	\$ 56,735	\$ 44,673	\$ 12,062
Other operating expenses	10,000	10,000	8,475	1,525
Total street sanitation	66,735	66,735	53,148	13,587
Waste collection and disposal				
Other operating expenses	136,000	136,000	141,094	(5,094)
Landfill	1,500	1,500	166	1,334
Total waste collection and disposal	137,500	137,500	141,260	(3,760)
Total sanitation and waste removal	204,235	204,235	194,408	9,827
Conservation of health				
Mosquito control				
Other operating expenses	4,000	4,000	2,337	1,663
Ambulance				
Salaries and wages	199,000	199,000	362,616	(163,616)
Other operating expenses	8,000	8,000	15,385	(7,385)
Total ambulance	207,000	207,000	378,001	(171,001)
Total conservation of health	211,000	211,000	380,338	(169,338)

CITY OF CRISFIELD, MARYLAND

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

YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
EXPENDITURES (Continued)				
Airport				
Salaries and wages	\$ 5,075	\$ 5,075	\$ 5,320	\$ (245)
Fuel	10,000	10,000	6,958	3,042
Other operating expenses	7,000	7,000	22,834	(15,834)
Total airport	<u>22,075</u>	<u>22,075</u>	<u>35,112</u>	<u>(13,037)</u>
Economic development	<u>67,500</u>	<u>67,500</u>	<u>698,677</u>	<u>(631,177)</u>
Culture and recreation	<u>5,000</u>	<u>5,000</u>	<u>33,113</u>	<u>(28,113)</u>
Miscellaneous				
Payroll related expenditures	112,000	112,000	100,941	11,059
Other operating expenses	10,000	10,000	25,968	(15,968)
Pension	95,000	95,000	71,318	23,682
Insurance	400,000	400,000	390,048	9,952
Total miscellaneous	<u>617,000</u>	<u>617,000</u>	<u>588,275</u>	<u>28,725</u>
Bad debt expense			<u>28,921</u>	<u>(28,921)</u>
Debt service				
Principal	219,029	219,029	74,657	144,372
Interest	8,305	8,305	6,245	2,060
Total debt service	<u>227,334</u>	<u>227,334</u>	<u>80,902</u>	<u>146,432</u>
Total expenditures	<u>\$ 3,231,936</u>	<u>\$ 3,231,936</u>	<u>\$ 3,960,815</u>	<u>\$ (728,879)</u>

CITY OF CRISFIELD, MARYLAND

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

YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
SUMMARY				
Total revenues and other financing sources (uses)	\$ 2,235,605	\$ 2,235,605	\$ 4,862,033	\$ 2,626,428
Total expenditures	3,231,936	3,231,936	3,960,815	(728,879)
Revenues and other financing sources (uses) over expenditures	\$ (996,331)	\$ (996,331)	\$ 901,218	\$ 1,897,549

CITY OF CRISFIELD, MARYLAND

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

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.003386%	0.003227%	0.003517%	0.003868%	0.003735%	0.003463%	0.003961%	0.004632%	0.004141%
City's proportionate share of the net pension liability \$	677,544	\$ 484,071	\$ 794,874	\$ 797,745	\$ 783,735	\$ 748,880	\$ 934,451	\$ 906,496	\$ 734,898
City's covered-employee payroll	\$ 1,207,026	\$ 1,097,800	\$ 1,127,884	\$ 1,058,940	\$ 1,202,194	\$ 1,205,249	\$ 1,216,336	\$ 1,258,492	\$ 969,276
City's proportionate share of the net pension liability as a percentage of its covered payroll	56.13%	44.09%	70.47%	75.33%	65.19%	62.13%	76.83%	72.03%	75.82%
Plan fiduciary net position as a percentage of the total pension liability	76.27%	81.84%	70.72%	72.34%	71.18%	69.38%	65.79%	68.78%	71.87%

CITY OF CRISFIELD, MARYLAND

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

SCHEDULE OF THE CITY'S CONTRIBUTIONS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 89,320	\$ 77,285	\$ 71,100	\$ 75,405	\$ 79,424	\$ 74,486	\$ 70,489	\$ 77,155	\$ 96,501
Contributions in relation to the contractually required contribution	<u>(89,320)</u>	<u>(77,285)</u>	<u>(71,100)</u>	<u>(75,405)</u>	<u>(79,424)</u>	<u>(74,486)</u>	<u>(70,489)</u>	<u>(77,155)</u>	<u>(96,501)</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
City's covered-employee payroll	\$ 1,207,026	\$ 1,097,800	\$ 1,127,884	\$ 1,058,940	\$ 1,202,194	\$ 1,205,249	\$ 1,216,336	\$ 1,258,492	\$ 969,276
Contributions as a percentage of covered-employee payroll	7.40%	7.04%	6.30%	7.12%	6.61%	6.18%	5.80%	6.13%	9.96%

CITY OF CRISFIELD, MARYLAND

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

	2023	2022	2021	2020	2019	2018
Total OPEB liability						
Service cost	\$ 19,381	\$ 32,736	\$ 25,873	\$ 14,905	\$ 10,554	\$ 10,161
Interest cost	28,767	23,212	22,910	24,407	19,564	18,637
Difference between expected & actual experience	(51,435)		10,903		22,962	
Assumption changes	(174,537)	(308,986)	(13,091)	304,877	143,609	
Benefit payments	(5,477)	(12,375)	(4,907)	(4,900)	(4,845)	(4,842)
Net change in total OPEB liability	(183,301)	(265,413)	41,688	339,289	191,844	23,956
Total OPEB liability, beginning of year	815,340	1,080,753	1,039,065	699,776	507,932	483,976
Total OPEB liability, end of year	<u>\$ 632,039</u>	<u>\$ 815,340</u>	<u>\$ 1,080,753</u>	<u>\$ 1,039,065</u>	<u>\$ 699,776</u>	<u>\$ 507,932</u>
Plan fiduciary net position						
Contributions employer	\$ 5,477	\$ 12,375	\$ 4,907	\$ 4,900	\$ 4,845	\$ 4,842
Benefit payments	(5,477)	(12,375)	(4,907)	(4,900)	(4,845)	(4,842)
Net change in fiduciary net position						
Fiduciary net position, beginning of year						
Fiduciary net position, end of year	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
City's net OPEB liability, end of year	<u>\$ 632,039</u>	<u>\$ 815,340</u>	<u>\$ 1,080,753</u>	<u>\$ 1,039,065</u>	<u>\$ 699,776</u>	<u>\$ 507,932</u>
Fiduciary net position as a % of net OPEB liability	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>
Covered-employee payroll	\$ 1,053,329	\$ 1,010,238	\$ 1,091,000	\$ 836,136	\$ 849,512	\$ 779,731
Total June 30 OPEB liability by Active/Inactive						
Active employees	\$ 608,681	\$ 797,208	\$ 1,049,403	\$ 1,006,001	\$ 665,049	\$ 474,741
Inactive participants	23,358	18,132	31,350	33,064	34,727	33,191
Total OPEB liability	<u>\$ 632,039</u>	<u>\$ 815,340</u>	<u>\$ 1,080,753</u>	<u>\$ 1,039,065</u>	<u>\$ 699,776</u>	<u>\$ 507,932</u>
City's net OPEB liability as a % of the covered employee payroll	60.00%	80.71%	99.06%	124.27%	82.37%	65.14%

Notes to schedule

The discount rate was changed from 3.54% percent to 4.13% for the measurement period ended June 30, 2023.

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

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

GOVERNMENT AUDITING STANDARDS REPORT



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

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MARYLAND ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

DELAWARE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

ALLINIAL GLOBAL

To the Mayor and Council
City of Crisfield, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund of the City of Crisfield, Maryland (the "City") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Crisfield, Maryland's basic financial statements, and have issued our report thereon dated January 24, 2024.

Report on Internal Control Over Financial Reporting

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

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

Report on Internal Control over Financial Reporting (Continued)

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

We did identify a deficiency in internal control, described in item 23-01 in the accompanying schedule of findings and responses, which we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

PKS & Company, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
January 24, 2024

CITY OF CRISFIELD, MARYLAND
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2023

A. FINDINGS — FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESS

23-01 Significant Number of Journal Entries Needed to Prepare the Financial Statements

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

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

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

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

Recommendation: None.

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