

CITY OF CRISFIELD, MARYLAND
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

CITY OF CRISFIELD, MARYLAND

TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITORS' REPORT	1 – 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 – 11
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements	
Statement of net position	12
Statement of activities	13
Fund financial statements	
Balance sheet – governmental fund	14
Reconciliation of the governmental fund balance sheet to the statement of net position	15
Statement of revenues, expenditures and changes in fund balance – governmental fund	16
Reconciliation of the statement of revenues, expenditures and changes in fund balance of governmental fund to the statement of activities	17
Statement of net position – proprietary funds	18
Statement of revenues, expenses and changes in net position – proprietary funds	19
Statement of cash flows – proprietary funds	20
Notes to financial statements	21 – 47

CITY OF CRISFIELD, MARYLAND

**TABLE OF CONTENTS
(Continued)**

	<u>Page(s)</u>
REQUIRED SUPPLEMENTARY INFORMATION	
Detailed schedule of revenues and expenditures, budget (non-GAAP and Budgetary basis) and actual – general fund	48 – 54
Maryland State Retirement and Pension System	
Schedule of the City's proportionate share of the net pension liability	55
Schedule of the City's contributions	56
Schedule of changes in the City's OPEB liability and related ratios	57
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 <i>Government Auditing Standards</i>	58 – 59
Schedule of findings and responses	60

INDEPENDENT AUDITORS' REPORT



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

PKScpa.com

Salisbury
1801 SWEETBAY DRIVE
P.O. BOX 72
SALISBURY, MD 21803
TEL: 410.546.5600

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

Lewes
1143 SAVANNAH ROAD
SUITE 1
LEWES, DE 19958
TEL: 302.645.5757

MEMBERS OF:

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MARYLAND ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

DELAWARE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

ALLNIAL GLOBAL

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Council
City of Crisfield, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Crisfield, Maryland as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Crisfield, Maryland's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Crisfield, Maryland, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the City's proportionate share of the net pension liability, schedule of the City's contributions, and schedule of funding progress on pages 3 – 11 and 48 – 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2020, on our consideration of the City of Crisfield, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Crisfield, Maryland's internal control over financial reporting and compliance.

PKS & Company, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
February 12, 2020

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

CITY OF CRISFIELD, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

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, 2019. Please read it in conjunction with the City's financial statements, which begin on page 12.

FINANCIAL HIGHLIGHTS

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

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

Fund Financial Statements

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

Governmental Funds

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

CITY OF CRISFIELD, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

Governmental Funds (continued)

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

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

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 14 - 17. The budgetary comparison can be found on pages 48 – 54.

Proprietary Funds

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

Summary of Significant Accounting Policies and Notes to the Financial Statements

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Notes to the financial statements are part of the basic financial statements and can be found on pages 21 – 47 of this report.

CITY OF CRISFIELD, MARYLAND
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2019

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 \$18 million at the close of the current fiscal year. The City’s net position is divided into two categories – net investment in capital assets 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, 2019 of governmental activities was a deficit of \$381,263. The unrestricted net position for business-type activities is at a balance of \$74,051.

CITY OF CRISFIELD, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

Government-Wide Financial Analysis (Continued)

	Statements of Net Position					
	2019			2018		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Assets						
Current and other assets	\$ 975,647	\$ 524,493	\$ 1,500,140	\$ 696,433	\$ 489,248	\$ 1,185,681
Capital assets	5,201,425	18,530,439	23,731,864	5,368,601	18,926,453	24,295,054
Total assets	<u>6,177,072</u>	<u>19,054,932</u>	<u>25,232,004</u>	<u>6,065,034</u>	<u>19,415,701</u>	<u>25,480,735</u>
Deferred outflows of resources						
Deferred financing outflows - retirement	137,215	41,838	179,053	170,342	50,761	221,103
Liabilities						
Current and other liabilities	245,408	514,483	759,891	413,806	501,470	915,276
Long-term liabilities outstanding	1,525,453	4,891,946	6,417,399	1,358,019	5,068,294	6,426,313
Total liabilities	<u>1,770,861</u>	<u>5,406,429</u>	<u>7,177,290</u>	<u>1,771,825</u>	<u>5,569,764</u>	<u>7,341,589</u>
Deferred inflows of resources						
Deferred financing inflows - retirement	71,065	21,411	92,476	81,236	24,151	105,387
Deferred grants	10,183		10,183	27,304		27,304
Total deferred inflows of resources	<u>81,248</u>	<u>21,411</u>	<u>102,659</u>	<u>108,540</u>	<u>24,151</u>	<u>132,691</u>
Net position						
Net investment in capital assets	4,843,441	13,594,879	18,438,320	4,989,320	13,810,421	18,799,741
Unrestricted (deficit)	(381,263)	74,051	(307,212)	(634,309)	62,126	(572,183)
Total net position	<u>\$ 4,462,178</u>	<u>\$ 13,668,930</u>	<u>\$ 18,131,108</u>	<u>\$ 4,355,011</u>	<u>\$ 13,872,547</u>	<u>\$ 18,227,558</u>

CITY OF CRISFIELD, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

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

	Changes in Net Position					
	2019			2018		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues						
Program revenues						
Charges for services	\$ 214,467	\$ 1,693,560	\$ 1,908,027	\$ 163,387	\$ 1,690,911	\$ 1,854,298
Operating grants and contributions	414,106		414,106	746,201		746,201
Capital grants and contributions	22,000	452,040	474,040	68,269	306,833	375,102
General revenues						
Property taxes	1,502,336		1,502,336	1,496,001		1,496,001
Shared taxes	229,339		229,339	228,118		228,118
Payment in lieu of taxes	36,655		36,655	20,607		20,607
License and permits	48,673		48,673	73,315		73,315
Fines and forfeitures	500		500	620		620
Rents and concessions	40,971		40,971	66,608		66,608
Unrestricted investment earnings	4,065	551	4,616	767	201	968
Miscellaneous	104,024		104,024	39,010		39,010
Gain on disposal of assets	4,485		4,485		2,858	2,858
Transfers	657,494		657,494	406,146		406,146
Total revenues	<u>3,279,115</u>	<u>2,146,151</u>	<u>5,425,266</u>	<u>3,309,049</u>	<u>2,000,803</u>	<u>5,309,852</u>
Expenses						
General government	554,801		554,801	500,805		500,805
Public safety	949,652		949,652	995,482		995,482
Streets and highways	377,236		377,236	494,540		494,540
Sanitation and waste removal	190,124		190,124	191,799		191,799
Conservation of health	204,496		204,496	192,941		192,941
Airport	52,797		52,797	60,651		60,651
Subgrantee payments	78,083		78,083	362,459		362,459
Miscellaneous	744,361		744,361	506,868		506,868
Bad debt expense	9,717		9,717			
Interest on long-term debt	10,681		10,681	9,913		9,913
Water		524,733	524,733		501,990	501,990
Sewer		1,079,529	1,079,529		1,053,891	1,053,891
Industrial rental property		58,557	58,557		36,133	36,133
Partnership rental housing		43,895	43,895		34,421	34,421
Transfers		657,494	657,494		406,146	406,146
Total expenses	<u>3,171,948</u>	<u>2,364,208</u>	<u>5,536,156</u>	<u>3,315,458</u>	<u>2,032,581</u>	<u>5,348,039</u>
Change in net position	107,167	(218,057)	(110,890)	(6,409)	(31,778)	(38,187)
Net position, beginning of year, restated	4,355,011	13,886,987	18,241,998	3,950,403	14,379,255	18,329,658
Net position, end of year	<u>\$ 4,462,178</u>	<u>\$ 13,668,930</u>	<u>\$ 18,131,108</u>	<u>\$ 3,943,994</u>	<u>\$ 14,347,477</u>	<u>\$ 18,291,471</u>

CITY OF CRISFIELD, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

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 \$74,051. Other factors concerning these funds finances are addressed on pages 18, 19, and 20.

General Fund Budgetary Highlights

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

- Total revenues were over the final budget by \$1,066,957.
- Total expenditures were under the final budget by \$16,820.

CITY OF CRISFIELD, MARYLAND

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2019

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City’s investment in capital assets for its governmental (government-wide) and business-type activities as of June 30, 2019 was \$23,731,864 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, furniture and fixtures, and infrastructure.

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

	Capital Assets (net of depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$1,823,737	\$ 1,823,737	\$ 524,760	\$ 524,760	\$ 2,348,497	\$ 2,348,497
Construction in progress	26,307		399,099	131,196	425,406	131,196
Building and improvements	1,757,208	1,781,609	10,013,210	10,369,238	11,770,418	12,150,847
Machinery and equipment	188,565	240,690	5,780,800	5,952,946	5,969,365	6,193,636
Furniture and fixtures	34,298	39,070			34,298	39,070
Infrastructure	1,371,310	1,483,495	1,812,570	1,948,313	3,183,880	3,431,808
Net investment in capital assets	\$5,201,425	\$ 5,368,601	\$ 18,530,439	\$18,926,453	\$ 23,731,864	\$24,295,054

Purchases this year included:

Governmental activities:

1. Replacement of Old Library floor and door at a total cost of \$11,016.
2. Improvements to Depot from storm damage at a cost of \$10,000.
3. Installation of beach bath houses at a cost of \$28,500.
4. Purchase of a Compact Backhoe at \$29,011.
5. Purchase of a Cub Cadet Z Force L60 Rider costing \$4,469.
6. Purchase of a new Bush hog costing \$2,150.
7. It Takes a Village project cost totaling \$20,500.
8. Crisfield Passive Park project cost totaling \$5,807.

CITY OF CRISFIELD, MARYLAND
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2019

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Capital Assets (continued)

Business-type activities:

1. CCTV Sewer project totaling \$267,903.
2. Purchase of a Compact Backhoe at \$58,022.
3. Purchase of a Jack Hammer and Air Compressor at a total cost of \$4,200.
4. Purchase of a Chicago Open Shaft Pump for \$26,133.
5. Purchase of a Periflow Amp 10 Complete Unit for \$6,573.
6. Purchase of an Incubator and DO Meter and probe for a total of \$5,601.

Debt Administration

	Outstanding Debt					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2019	2018	2019	2018	2019	2018
General obligation bonds	\$ 339,797	\$ 378,601	\$3,969,074	\$ 4,227,986	\$ 4,308,871	\$ 4,606,587
Notes payable	18,187	680	920,964	888,046	939,151	888,726
Capital lease payable	22,761		45,522		68,283	
Compensated absences	75,205	63,257	10,789	24,718	85,994	87,975
Total outstanding debt	<u>\$ 455,950</u>	<u>\$ 442,538</u>	<u>\$4,946,349</u>	<u>\$ 5,140,750</u>	<u>\$ 5,402,299</u>	<u>\$ 5,583,288</u>

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

Currently Known Facts, Decisions, or Conditions

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

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

CITY OF CRISFIELD, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

Currently Known Facts, Decisions, or Conditions (continued)

We have contracted TK construction to work with Davis, Bowen & Friedel to repair and replace water meters that are not reading due to various reasons. This is being done to prepare our 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 we have experienced and the cost of private contractors we have been utilizing to make repairs. To date we have incurred \$62,000 in contractor cost.

The Public Utilities department has been working closely with MDE regarding our compliance issues at the plant. We have dealt with sewer overflows which caused private contractors to have to vacuum our system and haul the sewer to the plant to relieve the pump stations. Our representative, Randy Denny, has been guiding the department through items that must be repaired and upgraded and this will result in an operating budget crisis for water/sewer.

The City has created a new meeting room at the Corbin Library 4 E Main St. for the Mayor and Council, planning commission, and public hearings. We have intentions of making office space in the old meeting chambers but the cost has been prohibitive thus far.

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. We have applied for a tide gate grant and have been awarded a drainage study grant from the County to assist in our ongoing problem.

Hebron Savings issued us a loan in the amount of \$77,000 for the purchase of a tractor and two roof replacements, 4 E Main Street and Crisfield Police Dept.

The next election will be in June 2020 where two council members Councilwoman Laverne Johnson and Councilwoman Barbara Ward seats will be on the ballot.

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, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 300,178	\$ 61,889	\$ 362,067
Security deposit certificates of deposit		3,041	3,041
Investments	14,678		14,678
Taxes receivable	275,598		275,598
Other receivable	257,672	357,526	615,198
Due from other governments	33,807		33,807
Due from other funds	48,783		48,783
Restricted cash		102,037	102,037
Inventory - fuel	20,703		20,703
Prepaid insurance	24,228		24,228
Capital assets, net	5,201,425	18,530,439	23,731,864
Total assets	<u>6,177,072</u>	<u>19,054,932</u>	<u>25,232,004</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred financing outflows - retirement	<u>137,215</u>	<u>41,838</u>	<u>179,053</u>
LIABILITIES			
Line of credit	19,599		19,599
Accounts payable and accrued expenses	145,591	75,269	220,860
Security deposits		2,238	2,238
Due to other funds		48,783	48,783
Due within one year			
Compensated absences	30,513	4,241	34,754
Capital lease payable	5,371	10,741	16,112
Notes and bonds payable	44,334	373,211	417,545
Due in more than one year			
Compensated absences	44,692	6,548	51,240
Total other post-employment benefits liability	551,284	148,492	699,776
Net pension liability	598,437	185,298	783,735
Capital lease payable	17,390	34,781	52,171
Notes and bonds payable	313,650	4,516,827	4,830,477
Total liabilities	<u>1,770,861</u>	<u>5,406,429</u>	<u>7,177,290</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred financing inflows - retirement	71,065	21,411	92,476
Deferred grants	10,183		10,183
Total deferred inflows of resources	<u>81,248</u>	<u>21,411</u>	<u>102,659</u>
NET POSITION			
Net investment in capital assets	4,843,441	13,594,879	18,438,320
Unrestricted (deficit)	(381,263)	74,051	(307,212)
Total net position	<u>\$ 4,462,178</u>	<u>\$ 13,668,930</u>	<u>\$ 18,131,108</u>

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

CITY OF CRISFIELD, MARYLAND
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS							
GOVERNMENTAL ACTIVITIES							
General government	\$ 554,801	\$ 54,934	\$ 78,083	\$ 20,500	\$ (401,284)		\$ (401,284)
Public safety	949,652		139,423		(810,229)		(810,229)
Streets and highways	377,236				(377,236)		(377,236)
Sanitation and waste removal	190,124	109,506			(80,618)		(80,618)
Conservation of health	204,496		196,600		(7,896)		(7,896)
Airport	52,797	39,369			(13,428)		(13,428)
Subgrantee payments	78,083				(78,083)		(78,083)
Miscellaneous	744,361	10,658		1,500	(732,203)		(732,203)
Bad debt expense	9,717				(9,717)		(9,717)
Interest on long-term debt	10,681				(10,681)		(10,681)
Total governmental activities	<u>3,171,948</u>	<u>214,467</u>	<u>414,106</u>	<u>22,000</u>	<u>(2,521,375)</u>		<u>(2,521,375)</u>
BUSINESS-TYPE ACTIVITIES							
Water fund	524,733	555,526				30,793	30,793
Sewer fund	1,079,529	1,101,562		452,040		474,073	474,073
Industrial rental property	58,557					(58,557)	(58,557)
Partnership rental housing	43,895	36,472				(7,423)	(7,423)
Total business-type activities	<u>1,706,714</u>	<u>1,693,560</u>		<u>452,040</u>		<u>438,886</u>	<u>438,886</u>
Total	<u>\$ 4,878,662</u>	<u>\$ 1,908,027</u>	<u>\$ 414,106</u>	<u>\$ 474,040</u>	<u>(2,521,375)</u>	<u>438,886</u>	<u>(2,082,489)</u>
GENERAL REVENUES							
Taxes							
Real and personal					1,502,336		1,502,336
State shared					229,339		229,339
Payment in lieu of taxes					36,655		36,655
Licenses and permits					48,673		48,673
Fines and forfeitures					500		500
Rents and concessions					40,971		40,971
Interest					4,065	551	4,616
Miscellaneous					104,024		104,024
Gain on disposal of asset					4,485		4,485
Transfers					657,494	(657,494)	
Total general revenues					<u>2,628,542</u>	<u>(656,943)</u>	<u>1,971,599</u>
Change in net position					107,167	(218,057)	(110,890)
NET POSITION, BEGINNING OF YEAR, RESTATED					4,355,011	13,886,987	18,241,998
NET POSITION, END OF YEAR					<u>\$ 4,462,178</u>	<u>\$ 13,668,930</u>	<u>\$ 18,131,108</u>

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

CITY OF CRISFIELD, MARYLAND

**BALANCE SHEET
GOVERNMENTAL FUND**

JUNE 30, 2019

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 300,178
Investments	14,678
Taxes receivable	275,598
Other receivable	257,672
Due from other governments	33,807
Due from other funds	48,783
Inventory - fuel, at cost	20,703
Prepaid insurance	24,228
	<hr/>
Total assets	\$ 975,647
	<hr/> <hr/>
LIABILITIES	
Accounts payable	145,591
Compensated absences	30,513
Line of credit	19,599
	<hr/>
Total liabilities	195,703
	<hr/> <hr/>
DEFERRED INFLOWS OF RESOURCES	
Deferred taxes and grants	372,587
	<hr/> <hr/>
FUND BALANCES	
Nonspendable	44,931
Unassigned	362,426
	<hr/>
Total fund balances	407,357
	<hr/> <hr/>
Total liabilities, deferred inflows of resources, and fund balances	\$ 975,647
	<hr/> <hr/>

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, 2019

Total fund balance, governmental fund	\$ 407,357
Amounts reported for governmental activities in the Statement of Net Position	
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.	5,201,425
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.	137,215
Some liabilities and deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the fund financial statements, but are included in the governmental activities in the Statement of Net Position.	
Capital lease payable	(22,761)
Notes payable	(357,984)
Compensated absences	(44,692)
Other post-employment benefits obligation	(551,284)
Deferred financing inflows - retirement	(71,065)
Net pension liability	(598,437)
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 property taxes	<u>362,404</u>
Net position of governmental activities in the Statement of Net Position	<u>\$ 4,462,178</u>

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, 2019

	<u>General Fund</u>
REVENUES	
Taxes - real and personal	\$ 1,383,731
Taxes - state shared	229,339
Licenses and permits	48,673
Intergovernmental	444,231
Charges for services	214,468
Fines and forfeitures	500
Revenues from use of money and property	45,037
Miscellaneous	100,384
Total revenues	<u>2,466,363</u>
EXPENDITURES	
Current	
General government	426,552
Public safety	909,533
Streets and highways	309,718
Sanitation and waste removal	188,949
Conservation of health	204,496
Airport	54,947
Economic development	34,737
Culture and recreation	58,882
Subgrantee payments	78,083
Miscellaneous	519,333
Bad debt expense	9,717
Debt service	
Principal	47,430
Interest	10,681
Total expenditures	<u>2,853,058</u>
Revenues under expenditures	<u>(386,695)</u>
OTHER FINANCING SOURCES	
Loan proceeds	47,199
Transfer from other funds	657,494
Total other financing sources	<u>704,693</u>
Net change in fund balance	317,998
FUND BALANCE, BEGINNING OF YEAR	<u>89,359</u>
FUND BALANCE, END OF YEAR	<u>\$ 407,357</u>

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

CITY OF CRISFIELD, MARYLAND

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

YEAR ENDED JUNE 30, 2019

Net change in fund balance, governmental fund	\$ 317,998
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense \$278,629 exceeds capital outlay \$111,453 in the current period.	(167,176)
Changes in deferred outflows of resources presented in the governmental activities of the Statement of Activities.	(33,127)
Proceeds from the issuance of long-term debt are reported in the governmental fund as a source of financing. On the other hand, loan proceeds are not revenues in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Position.	(47,199)
Governmental funds report repayment of debt principal and capital leases as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities.	47,430
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 expense in the Statements of Activities do not require the use of current financial resources and these are not reported as expenditures in the governmental fund:	
Change in long-term accounts payable	9,726
Change in long-term compensated absences	(5,627)
Change in other post-employment benefit obligation	(151,135)
Change in net pension liability	(27,459)
Change in deferred financing inflows - retirement	10,171
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	155,261
Change in net position, governmental activities	\$ 107,167

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

CITY OF CRISFIELD, MARYLAND

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

JUNE 30, 2019

	Water and Sewer	Industrial Rental Property	Partnership Rental Housing	Total
ASSETS				
Cash and cash equivalents	\$ 47,553	\$	\$ 14,336	\$ 61,889
Security deposits certificates of deposits			3,041	3,041
Receivables	357,526			357,526
Restricted cash			102,037	102,037
Capital assets, net	16,719,158	1,749,309	61,972	18,530,439
Total assets	<u>17,124,237</u>	<u>1,749,309</u>	<u>181,386</u>	<u>19,054,932</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred financing outflows - retirement	41,838			41,838
LIABILITIES				
Accounts payable and accrued expenses	75,269			75,269
Security deposits			2,238	2,238
Due to other funds			48,783	48,783
Due within one year				
Compensated absences	4,241			4,241
Capital lease payable	10,741			10,741
Notes and bonds payable	373,211			373,211
Due in more than one year				
Compensated absences	6,548			6,548
Total other post-employment benefit liability	148,492			148,492
Net pension liability	185,298			185,298
Capital lease payable	34,781			34,781
Notes and bonds payable	3,988,304		528,523	4,516,827
Total liabilities	<u>4,826,885</u>		<u>579,544</u>	<u>5,406,429</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred financing inflows - retirement	21,411			21,411
NET POSITION				
Net investment in capital assets	12,312,121	1,749,309	(466,551)	13,594,879
Unrestricted	5,658		68,393	74,051
Total net position	<u>\$ 12,317,779</u>	<u>\$ 1,749,309</u>	<u>\$ (398,158)</u>	<u>\$ 13,668,930</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, 2019

	Water	Sewer	Industrial Rental Property	Partnership Rental Housing	Total
OPERATING REVENUES					
Water service	\$ 521,346	\$	\$	\$	\$ 521,346
Sewer service		1,016,604			1,016,604
Front foot assessment		59,046			59,046
Rent				36,472	36,472
Late fees	11,431				11,431
Application fees	22,500	14,000			36,500
Flush tax		11,912			11,912
Other	250				250
Total operating revenues	<u>555,527</u>	<u>1,101,562</u>		<u>36,472</u>	<u>1,693,561</u>
OPERATING EXPENSES					
Salaries and wages	122,404	115,717			238,121
Payroll taxes and fringe benefits	69,049	53,125			122,174
Contracted services	38,003	8,929		11,276	58,208
Utilities	68,809	65,047		7,406	141,262
Chemicals	12,810	78,277			91,087
Depreciation	166,855	521,356	58,557	17,679	764,447
Bad debt recovery	(3,808)	(3,808)			(7,616)
Other operating expenses	45,625	192,987		7,534	246,146
Total operating expenses	<u>519,747</u>	<u>1,031,630</u>	<u>58,557</u>	<u>43,895</u>	<u>1,653,829</u>
Operating income (loss)	<u>35,780</u>	<u>69,932</u>	<u>(58,557)</u>	<u>(7,423)</u>	<u>39,732</u>
NONOPERATING REVENUES (EXPENSES)					
Grant revenue		452,040			452,040
Interest income				551	551
Interest expense	(4,987)	(47,899)			(52,886)
Transfer to general fund	(328,747)	(328,747)			(657,494)
Net nonoperating revenues (expenses)	<u>(333,734)</u>	<u>75,394</u>		<u>551</u>	<u>(257,789)</u>
Change in net position	<u>(297,954)</u>	<u>145,326</u>	<u>(58,557)</u>	<u>(6,872)</u>	<u>(218,057)</u>
NET POSITION, BEGINNING OF YEAR, RESTATED	<u>384,629</u>	<u>12,085,778</u>	<u>1,807,866</u>	<u>(391,286)</u>	<u>13,886,987</u>
NET POSITION, END OF YEAR	<u>\$ 86,675</u>	<u>\$ 12,231,104</u>	<u>\$ 1,749,309</u>	<u>\$ (398,158)</u>	<u>\$ 13,668,930</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, 2019

	Water and Sewer	Industrial Rental Property	Partnership Rental Housing	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 1,637,535	\$	\$ 36,472	\$ 1,674,007
Cash paid to or on behalf of employees	(319,936)			(319,936)
Cash paid to suppliers	(513,086)		(40,577)	(553,663)
Net cash provided (used) by operating activities	<u>804,513</u>		<u>(4,105)</u>	<u>800,408</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Grant proceeds	267,903			267,903
Debt proceeds	122,714			122,714
Capital lease proceeds	58,023			58,023
Purchase of assets	(368,433)			(368,433)
Principal paid on long-term obligations	(177,072)			(177,072)
Interest paid on long-term obligations	(52,886)			(52,886)
Net cash used by capital and related financing activities	<u>(149,751)</u>			<u>(149,751)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to general fund	<u>(657,494)</u>			<u>(657,494)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income			770	770
Net decrease in cash	(2,732)		(3,335)	(6,067)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>50,285</u>		<u>17,671</u>	<u>67,956</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 47,553</u>	<u>\$</u>	<u>\$ 14,336</u>	<u>\$ 61,889</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 105,712	\$ (58,557)	\$ (7,423)	\$ 39,732
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Bad debt expense	(7,616)			(7,616)
Depreciation	688,211	58,557	17,679	764,447
Deferred financing outflows - retirement	8,923			8,923
Deferred financing inflows - retirement	(2,740)			(2,740)
Effects of changes in operating assets and liabilities:				
Accounts and other receivables	(19,554)			(19,554)
Accounts payable and accrued expenses	4,797		(14,361)	(9,564)
Total other post-employment benefit liability	40,709			40,709
Compensated absences	(13,929)			(13,929)
Net cash provided (used) by operating activities	<u>\$ 804,513</u>	<u>\$</u>	<u>\$ (4,105)</u>	<u>\$ 800,408</u>

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

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2019

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.

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting (continued)

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

Use of estimates in preparing financial statements

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

Budgets and budgetary accounting

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

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

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

Cash, cash equivalents and investments

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

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash, cash equivalents and investments (continued)

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.

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 2019, the City of Crisfield, Maryland's real property tax rate was \$.87 per \$100 of assessed value and the business personal property tax rate was \$1.75 per \$100 of assessed value.

Interfund transactions

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

Inventory

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

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid items

Payments made to vendors for services that will benefit periods beyond June 30, 2019, are reported as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

Restricted assets

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

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 received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at the acquisition value. The City's infrastructure consists of streets, curbs, gutters, sidewalks, and drainage systems. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

Estimated useful lives are as follows:

Category	Years
Building and improvements	40 - 100
Furniture and fixtures	5 - 20
Machinery and equipment	5 - 20
Infrastructure	5 - 20

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 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 three items that qualify for reporting in this category: deferred property taxes which are not recognized until available (collected not later than 60 days after the end of the City's fiscal year), deferred grants which are not recognized until a future event occurs, and deferred financing inflows related to the retirement plan.

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 one item that qualifies for reporting in this category: deferred financing outflows 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, 2019, there was \$85,994 of vacation benefits due to employees.

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and proprietary fund net position

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

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

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

Governmental fund balances

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

- *Nonspendable fund balance*—amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.
- *Restricted fund balance*—amounts that can be spent only for specific purposes because of the City Charter, state or federal laws, or externally imposed conditions by grantors or creditors.
- *Committed fund balance*—amounts that can be spent only for specific purposes determined by a formal action of the City Council ordinance or resolution.
- *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, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

The City spent \$13,312 on advertising during fiscal year 2019. Such disbursement is included in general government expenses/expenditures and is expensed in the year incurred.

DEPOSITS AND INVESTMENTS

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

At June 30, 2019, the invested funds are as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Fully Insured</u>
Governmental Activities:			
Cash and cash equivalents	\$ 300,178	\$ 518,040	\$ 518,040
Investments	14,678	14,735	14,735
Total	<u><u>\$ 314,856</u></u>	<u><u>\$ 532,775</u></u>	<u><u>\$ 532,775</u></u>
Business-type Activities:			
Cash and cash equivalents	\$ 100,254	\$ 104,937	\$ 104,937
Investments	66,713	66,713	66,713
Total	<u><u>\$ 166,967</u></u>	<u><u>\$ 171,650</u></u>	<u><u>\$ 171,650</u></u>

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

DEPOSITS AND INVESTMENTS (Continued)

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

Investment Rate Risk

Fair value fluctuates with interest rates, and increasing interest rates could cause fair value to decline below original cost. To limit the City's exposure to fair value losses arising from increasing interest rates, the City's investment policy limits the term of investment maturities between thirty days to 24 months in order to remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated. City management believes the liquidity in the portfolio is adequate to meet cash flow requirements and to preclude the City from having to sell investments below original cost for that purpose. The investments at June 30, 2019 met the City's investment policy as of that date. Investment income was comprised entirely of interest amounting to \$4,616 for the year ended June 30, 2019.

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, 2019, none of the City's investments were exposed to custodial credit risk as they were covered by FDIC insurance.

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

RECEIVABLES

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

	Governmental Activities General Fund
Taxes	\$ 275,598
Other	
Mowing	49,200
Ambulance	49,150
Penalties	44,904
Interest	33,836
Airport	23,903
Police	21,745
Garbage	19,281
Other	15,653
Net receivables	\$ 533,270

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	\$ 357,526	\$	\$	\$ 357,526
Net receivables	\$ 357,526	\$	\$	\$ 357,526

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, 2019 consisted of deferred taxes and grants and was \$372,587.

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

DUE FROM OTHER GOVERNMENTS

The June 30, 2019 balance due from other governments is as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
State of Maryland:			
Police	\$ 26,146	\$	\$ 26,146
Highway user	7,485		7,485
Other	176		176
Total State of Maryland	<u>\$ 33,807</u>	<u>\$</u>	<u>\$ 33,807</u>

CAPITAL ASSETS

Capital assets of the Governmental Activities are summarized as follows:

	<u>Balance June 30, 2018</u>	<u>Additions & Transfers</u>	<u>Deletions & Transfers</u>	<u>Balance June 30, 2019</u>
Capital assets not being depreciated				
Land	\$ 1,823,737	\$	\$	\$ 1,823,737
Construction in progress		26,307		26,307
Total capital assets not being depreciated	<u>1,823,737</u>	<u>26,307</u>		<u>1,850,044</u>
Capital assets being depreciated				
Building and improvements	2,496,592	49,516		2,546,108
Machinery and equipment	1,339,402	35,630	(36,087)	1,338,945
Furniture and fixtures	125,365			125,365
Infrastructure	4,574,217			4,574,217
Total capital assets being depreciated	<u>8,535,576</u>	<u>85,146</u>	<u>(36,087)</u>	<u>8,584,635</u>
Less accumulated depreciation for				
Building and improvements	(714,983)	(73,916)		(788,899)
Machinery and equipment	(1,098,712)	(87,755)	36,087	(1,150,380)
Furniture and fixtures	(86,295)	(4,773)		(91,068)
Infrastructure	(3,090,722)	(112,185)		(3,202,907)
Total accumulated depreciation	<u>(4,990,712)</u>	<u>(278,629)</u>	<u>36,087</u>	<u>(5,233,254)</u>
Governmental activities, capital assets, net	<u>\$ 5,368,601</u>	<u>\$ (167,176)</u>	<u>\$</u>	<u>\$ 5,201,425</u>

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

CAPITAL ASSETS (Continued)

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

	Balance June 30, 2018	Additions & Transfers	Deletions & Transfers	Balance June 30, 2019
Capital assets not being depreciated				
Land	\$ 408,760	\$	\$	\$ 408,760
Construction in progress	131,196	267,903		399,099
Total capital assets not being depreciated	<u>539,956</u>	<u>267,903</u>		<u>807,859</u>
Capital assets being depreciated				
Building and improvements	13,646,739			13,646,739
Machinery and equipment	9,256,565	69,419	(4,828)	9,321,156
Infrastructure	5,357,048	31,111	(4,828)	5,383,331
Total capital assets being depreciated	<u>28,260,352</u>	<u>100,530</u>	<u>(9,656)</u>	<u>28,351,226</u>
Less accumulated depreciation for				
Building and improvements	(5,049,018)	(279,791)		(5,328,809)
Machinery and equipment	(3,303,619)	(241,566)	4,828	(3,540,357)
Infrastructure	(3,408,735)	(166,854)	4,828	(3,570,761)
Total accumulated depreciation	<u>(11,761,372)</u>	<u>(688,211)</u>	<u>9,656</u>	<u>(12,439,927)</u>
Water and Sewer activities, capital assets, net	<u>\$ 17,038,936</u>	<u>\$ (319,778)</u>	<u>\$</u>	<u>\$ 16,719,158</u>

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

	Balance June 30, 2018	Additions & Transfers	Deletions & Transfers	Balance June 30, 2019
Capital assets not being depreciated				
Land	\$ 116,000	\$	\$	\$ 116,000
Total capital assets not being depreciated	<u>116,000</u>			<u>116,000</u>
Capital assets being depreciated				
Building and improvements	2,086,225			2,086,225
Total capital assets being depreciated	<u>2,086,225</u>			<u>2,086,225</u>
Less accumulated depreciation for				
Building and improvements	(394,359)	(58,557)		(452,916)
Total accumulated depreciation	<u>(394,359)</u>	<u>(58,557)</u>		<u>(452,916)</u>
Industrial Rental Property activities, capital assets, net	<u>\$ 1,807,866</u>	<u>\$ (58,557)</u>	<u>\$</u>	<u>\$ 1,749,309</u>

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

CAPITAL ASSETS (Continued)

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

	Balance June 30, 2018	Additions & Transfers	Deletions & Transfers	Balance June 30, 2019
Capital assets being depreciated				
Building and improvements	\$ 530,384	\$	\$	\$ 530,384
Total capital assets being depreciated	530,384			530,384
Less accumulated depreciation for				
Building and improvements	(450,733)	(17,679)		(468,412)
Total accumulated depreciation	(450,733)	(17,679)		(468,412)
Partnership Rental Housing, capital assets, net	\$ 79,651	\$ (17,679)	\$	\$ 61,972

Depreciation expense is recorded as follows:

Governmental activities:	
General government	\$ 136,337
Public safety	40,119
Streets and highways	100,998
Sanitation and waste removal	1,175
Total governmental activities	\$ 278,629
Business-type activities	
Water and sewer fund	\$ 688,211
Industrial rental property fund	58,557
Partnership rental housing fund	17,679
Total business-type activities	\$ 764,447

LINE OF CREDIT

The following is a summary of the City's line of credit for the year ended June 30, 2019:

Hebron Savings Bank line of credit. Interest is payable at a rate equivalent to the prime rate of interest. Payable on demand. Limit of \$100,000.	\$ 19,599
--	-----------

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

LINE OF CREDIT (Continued)

	Beginning Balance	Additions	Principal Repayments	Ending Balance
Governmental activities:				
Line of credit	\$ 79,068	\$	\$ 59,469	\$ 19,599

LONG-TERM LIABILITIES

Changes in long-term obligations for the year ended June 30, 2019 are as follows:

	Beginning Balance	Additions & Transfers	Principal Repayments & Transfers	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 394,000	\$	\$ 40,500	\$ 353,500	\$ 41,000
Less: Unamortized bond issuance costs	(11,004)		(1,212)	(9,792)	
Less: Unamortized bond premium	(4,395)		(484)	(3,911)	
Notes payable	680	18,187	680	18,187	3,334
Capital lease payable		29,011	6,250	22,761	5,371
Compensated absences	63,257	11,948		75,205	30,513
Governmental activities long-term liabilities	<u>\$ 442,538</u>	<u>\$ 59,146</u>	<u>\$ 45,734</u>	<u>\$ 455,950</u>	<u>\$ 80,218</u>
Business-type activities:					
General obligation bonds	\$ 4,412,123	\$	\$ 74,776	\$ 4,337,347	\$ 260,052
Less: Unamortized debt forgiveness	(184,137)	(184,137)		(368,274)	
Notes payable	888,046	122,713	89,794	920,965	113,159
Capital lease payable		58,023	12,501	45,522	10,741
Compensated absences	24,718		13,929	10,789	4,241
Business-type activities long-term liabilities	<u>\$ 5,140,750</u>	<u>\$ (3,401)</u>	<u>\$ 191,000</u>	<u>\$ 4,946,349</u>	<u>\$ 388,193</u>

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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.	\$ 353,500
Less: Unamortized bond insurance costs	(9,793)
Less: Unamortized bond premium	(3,912)
	\$ 339,795

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 3, 2019. Interest is payable annually at 4.35%.	\$ 18,187
	\$ 18,187

Capital lease payable consist of the following:

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

JCB Finance - Backhoe - Principal payments in annual installments of \$6,251 including interest at 3.80%, beginning September 26, 2018.	\$ 22,761
	\$ 22,761

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 .40% are paid over the term of 20 years.	\$ 238,626	\$	\$	\$ 238,626
\$166,000 - Water Quality Bonds - Series 2000. 20 annual installments beginning February 1, 2001. Annual payments including principal and interest 2.60% are paid over the term of 20 years.	10,477			10,477
\$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%.	810,986			810,986
\$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.	331,060			331,060
\$3,169,355 - 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.	2,762,061			2,762,061
Less: accumulated loan forgiveness	(184,137)			(184,137)
Total business-type activities general obligation bonds	\$ 3,969,073	\$	\$	\$ 3,969,073

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

LONG-TERM LIABILITIES (Continued)

Business-type activities (continued)

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

Notes payable consist of the following:

	Water and Sewer	Industrial Rental Property	Partnership Rental Housing	Total
Hebron Savings Bank - Principal payable in monthly payments of \$5,456, including interest at 2.06% beginning October 2012.	\$ 211,068	\$	\$	\$ 211,068
Hebron Savings Bank - Principal payable in a single payment of all unpaid principal, including interest at 3.25% beginning October 30, 2015.	27,320			27,320
Hebron Savings Bank - Principal payments in annual installments of \$8,252, including interest at 4.35% beginning July 3, 2019.	36,373			36,373
Hebron Savings Bank - Principal payable in quarterly installments of \$16,340, including interest at 2.92% beginning June 24, 2017.	31,341			31,341
Hebron Savings Bank - Principal payments in annual installments of \$19,587, including interest at 4.35% beginning October 4, 2019.	86,340			86,340
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	\$ 392,442	\$	\$ 528,523	\$ 920,965

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

LONG-TERM LIABILITIES (Continued)

Business-type activities (continued)

Capital lease payable consist of the following:

JCB Finance - Backhoe - Principal payments in annual installments of \$12,501 including interest at 3.80%, beginning September 26, 2018. \$ 45,522

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
2020	\$ 41,000	\$ 8,012	\$ 3,334	\$ 791
2021	42,000	7,172	3,479	646
2022	43,000	6,311	3,631	495
2023	43,500	5,429	3,789	337
2024	44,500	4,538	3,954	172
2025-2029	139,500	7,669		
	<u>\$ 353,500</u>	<u>\$ 39,131</u>	<u>\$ 18,187</u>	<u>\$ 2,441</u>

Year Ending June 30,	Business-Type Activities			
	General Obligation Bonds		Notes	
	Principal	Interest	Principal	Interest
2020	\$ 260,052	\$ 39,612	\$ 113,159	\$ 10,770
2021	250,471	38,443	116,419	7,610
2022	251,396	37,518	88,929	4,523
2023	252,348	36,566	47,775	2,378
2024	253,330	34,444	554,683	1,167
2025-2029	1,221,632	161,129		
2030-2034	1,126,019	135,960		
2035-2039	136,848	101,060		
2040-2044	169,059	68,849		
2045-2049	208,853	29,056		
2050-2054	23,200	374		
	<u>\$ 4,153,208</u>	<u>\$ 683,011</u>	<u>\$ 920,965</u>	<u>\$ 26,448</u>

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Debt service requirements (continued)

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

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 5,371	\$ 880	\$ 10,741	\$ 1,760
2021	5,578	672	11,156	1,345
2022	5,794	457	11,588	914
2023	6,018	233	12,037	465
	<u>\$ 22,761</u>	<u>\$ 2,242</u>	<u>\$ 45,522</u>	<u>\$ 4,484</u>

RETIREMENT AND PENSION PLANS

General information about the pension plan

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

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

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

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

RETIREMENT AND PENSION PLANS (Continued)

Contributions. The State Personnel and Pensions Article requires active members to contribute to the MSRPS at the rate of 4%, 5% or 7% of their covered salary depending upon the retirement option selected. The City is required to contribute at an actuarially determined rate. Contributions to the plan from the City for the past three years were as follows:

	Annual Pension Cost	Percentage of APC Contributed
6/30/2017	\$ 70,489	100%
6/30/2018	\$ 74,486	100%
6/30/2019	\$ 79,424	100%

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

At June 30, 2019, the City reported a liability of \$783,735 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2018, the City's proportion was .003735%.

For the year ended June 30, 2019, the City recognized pension expense of \$149,455. At June 30, 2019, 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	\$ 25,087	\$
Net difference between projected and actual earnings on pension plan investments	74,542	43,496
Difference between actual and expected experience		48,980
Contributions subsequent to measurement date	79,424	
	<u>\$ 179,053</u>	<u>\$ 92,476</u>

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

RETIREMENT AND PENSION PLANS (Continued)

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

The City's contribution subsequent to the measurement date of \$79,424 reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

Deferred financial inflows and outflows are made up of changes in actuarial assumptions, differences in actual and expected experience, and net difference in the projected and actual investment earnings. The deferred outflows and inflows related to non-investment activity are being amortized over the remaining service life ranging from 5.54 to 5.87 years. The net difference in investment earnings are being amortized over a closed five-year period. The following table shows the amortization of these balances:

Year Ending June 30	Deferred Outflows	Deferred Inflows
2020	\$ 50,160	\$ 27,747
2021	28,988	27,252
2022	18,304	23,648
2023	1,452	10,675
2024	725	3,154
Total	<u>\$ 99,629</u>	<u>\$ 92,476</u>

Actuarial assumptions. The actuarial assumption for the Pension Plan as a whole and based on the June 30, 2018 annual actuarial valuation report for Maryland Municipal Corporation are as follows:

Inflation	2.60% general, 3.10% wage
Salary increases	3.10% to 9.10%, including inflation
Investment rate of return	7.45%

Mortality rates were based on the RP-2014 Combined Healthy Mortality table projected to the year 2025.

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

RETIREMENT AND PENSION PLANS (Continued)

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

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).

Discount rate. The discount rate used to measure the total pension liability was 7.45%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contribution from the municipalities will be made at contractually required rates, actuarially determined.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.45%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.45%) or 1-percentage point higher (8.45%) than the current rate:

1% Decrease (6.45%)	\$ 1,128,834
Current discount rate (7.45%)	\$ 783,735
1% Increase (8.45%)	\$ 497,311

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.

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

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

Employees covered by benefit terms

As of June 30, 2019, plan membership includes the following:

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

Contributions

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

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, 2019
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

Discount rate

The discount rate used to measure the total OPEB liability as of June 30, 2019 is 3.50%.

Actuarial assumptions

The total OPEB liability in the June 30, 2019 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% per year, declining 50 basis points per year to an ultimate annual rate increase of 4.5%

Mortality rates were based on the RP-2014 Total Dataset Headcount-weighted Table with scale MP-2018.

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

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, 2018	\$ 507,932	\$	\$ 507,932
Changes for the year:			
Service cost	10,554		10,554
Interest	19,564		19,564
Difference between expected & actual experience	22,962		22,962
Assumption changes	143,609		143,609
Contributions - employer		4,845	(4,845)
Benefit payments	(4,845)	(4,845)	
Net changes	<u>191,844</u>		<u>191,844</u>
Balance as of June 30, 2019	<u>\$ 699,776</u>	<u>\$</u>	<u>\$ 699,776</u>

Deferred outflows of resources and deferred inflows of resources

	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 20,199	\$
Changes of assumptions	126,328	
Total	<u>\$ 146,527</u>	<u>\$</u>

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

FY 2020	\$ 20,044
FY 2021	20,044
FY 2022	20,044
FY 2023	20,044
FY 2024	20,044
Thereafter	46,307
	<u>\$ 146,527</u>

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

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

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

1% Decrease (2.50%)	\$ 893,371
Current discount rate (3.50%)	\$ 699,776
1% Increase (4.50%)	\$ 557,459

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

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

1% Decrease (6.0% to 3.5%)	\$ 552,252
Current trend rate (7.0% to 4.5%)	\$ 699,776
1% Increase (8.0% to 5.5%)	\$ 901,883

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 \$83,261 to LGIT in fiscal year 2019 to participate in the primary liability and property pools. The maximum financial loss exposure to the City is two times the annual premium (\$166,522). 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.

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

JOINT VENTURES (Continued)

Ambulance

The Lower Somerset County Ambulance and Rescue Squad (LSCARS) is a joint venture between the City and Somerset County. During fiscal year 2019, the County reimbursed the City \$196,600 to help pay for the salaries and others costs of the paid paramedics and EMTs.

CONTINGENCIES

Partnership Rental Housing

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

Grant compliance

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

NEW GASB PRONOUNCEMENT

GASB issued Statement No. 87, Leases, in June 2017. It is effective for reporting periods beginning after December 15, 2020. The new guidance requires recognition of certain lease assets and liabilities that were previously classified as operating leases. It also recognizes inflows of resources or outflows of resources based on the payment provisions of the contract.

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

PRIOR PERIOD ADJUSTMENT

The net position in the government-wide financial statements and proprietary fund statements as of June 30, 2018 have been restated due to an overstatement of sewer accounts payable.

	Government-wide	
	Governmental Activities	Business-type Activities
Net position, as previously reported	\$ 4,355,011	\$ 13,872,547
Adjustment to:		
Accounts payable		14,440
Net position, as restated	\$ 4,355,011	\$ 13,886,987

	Fund financial statements				
	General Fund	Enterprise Funds			
		Water Fund	Sewer Fund	Industrial Rental Property	Partnership Rental Property
Fund balance/net position, June 30, 2018, as previously reported	\$ 89,359	\$ 384,629	\$ 12,071,338	\$ 1,807,866	\$ (391,286)
Adjustment to:					
Accounts payable			14,440		
Fund balance/net position, as restated	\$ 89,359	\$ 384,629	\$ 12,085,778	\$ 1,807,866	\$ (391,286)

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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Taxes				
Real and personal				
Real property	\$ 1,220,000	\$ 1,220,000	\$ 1,160,685	\$ (59,315)
Personal property	3,000	3,000	44,971	41,971
RR and public utilities	42,000	42,000	50,839	8,839
Ordinary business	70,000	70,000	53,716	(16,284)
Interest on delinquent taxes	13,000	13,000	14,509	1,509
Penalty on delinquent taxes	11,000	11,000	13,937	2,937
Hotel tax	5,000	5,000	8,419	3,419
Housing in lieu of taxes	17,000	17,000	36,655	19,655
Total real and personal taxes	<u>1,381,000</u>	<u>1,381,000</u>	<u>1,383,731</u>	<u>2,731</u>
State shared				
Income taxes - local	75,000	75,000	96,553	21,553
Highway - gas motor vehicle	31,000	31,000	132,786	101,786
Total state shared taxes	<u>106,000</u>	<u>106,000</u>	<u>229,339</u>	<u>123,339</u>
Total taxes	<u>1,487,000</u>	<u>1,487,000</u>	<u>1,613,070</u>	<u>126,070</u>
Licenses and permits				
Traders	1,000	1,000	5,816	4,816
Building	4,050	4,050	1,618	(2,432)
CATV - franchise fees	31,000	31,000	39,629	8,629
Parking			735	735
Golf cart			875	875
Total licenses and permits	<u>36,050</u>	<u>36,050</u>	<u>48,673</u>	<u>12,623</u>
Intergovernmental				
Ambulance	196,000	196,000	196,600	600
CDBG grant			20,500	20,500
FEMA - SCLTR grant			78,083	78,083
Police protection	108,000	108,000	142,288	34,288
Other agencies	2,000	2,000	1,500	(500)
County bank shares			5,260	5,260
Total intergovernmental	<u>306,000</u>	<u>306,000</u>	<u>444,231</u>	<u>138,231</u>

CITY OF CRISFIELD, MARYLAND

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

**YEAR ENDED JUNE 30, 2019
(Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Service charges				
Liquor dispensaries	\$ 10,000	\$ 10,000	\$ 10,658	\$ 658
Inspection fees	50,000	50,000	24,095	(25,905)
Garbage charge	100,000	100,000	109,506	9,506
Airport fuel sales and county reimbursement	12,000	12,000	39,369	27,369
Mowing	10,000	10,000	27,896	17,896
Zoning fees	150	150		(150)
Other	6,800	6,800	2,944	(3,856)
Total service charges	<u>188,950</u>	<u>188,950</u>	<u>214,468</u>	<u>25,518</u>
Fines and forfeitures				
Fines	1,600	1,600	500	(1,100)
Revenue from use of money and property				
Interest	300	300	4,065	3,765
Rents and concessions	34,000	34,000	40,972	6,972
Total revenue from use of money and property	<u>34,300</u>	<u>34,300</u>	<u>45,037</u>	<u>10,737</u>
Miscellaneous income	3,000	3,000	100,384	97,384
Total revenues	<u>2,056,900</u>	<u>2,056,900</u>	<u>2,466,363</u>	<u>409,463</u>
Other financing sources				
Transfers from other funds			657,494	657,494
Total other financing sources			<u>657,494</u>	<u>657,494</u>
Total revenues and other financing sources	<u>\$ 2,056,900</u>	<u>\$ 2,056,900</u>	<u>\$ 3,123,857</u>	<u>\$ 1,066,957</u>

CITY OF CRISFIELD, MARYLAND

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

**YEAR ENDED JUNE 30, 2019
(Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
General government				
Mayor and council				
Salaries and wages	\$ 15,683	\$ 15,683	\$ 15,648	\$ 35
Other operating expenses	7,500	7,500	9,167	(1,667)
Total mayor and council	<u>23,183</u>	<u>23,183</u>	<u>24,815</u>	<u>(1,632)</u>
City clerk				
Salaries and wages	177,468	177,468	180,897	(3,429)
Other operating expenses	47,903	47,903	82,180	(34,277)
Total city clerk	<u>225,371</u>	<u>225,371</u>	<u>263,077</u>	<u>(37,706)</u>
Accounting and auditing				
Other operating expenses	19,750	19,750	19,500	250
Legal counsel				
Professional fees	50,000	50,000	77,254	(27,254)
Municipally owned buildings				
Other operating expenses	18,000	18,000	30,677	(12,677)
Public officers association				
Other operating expenses	10,890	10,890	9,490	1,400
Zoning board				
Salaries and wages	1,538	1,538	1,343	195
Other operating expenses	450	450		450
Total zoning board	<u>1,988</u>	<u>1,988</u>	<u>1,343</u>	<u>645</u>
Voter registration				
Salaries and wages	2,563	2,563	51	2,512
Other operating expenses	2,000	2,000	345	1,655
Total voter registration	<u>4,563</u>	<u>4,563</u>	<u>396</u>	<u>4,167</u>
Total general government	<u>353,745</u>	<u>353,745</u>	<u>426,552</u>	<u>(72,807)</u>

CITY OF CRISFIELD, MARYLAND

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

YEAR ENDED JUNE 30, 2019

(Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Favorable (Unfavorable)
Public safety				
Police department				
Salaries and wages	\$ 700,844	\$ 700,844	\$ 662,040	\$ 38,804
Other operating expenses	119,500	119,500	161,742	(42,242)
Total police department	820,344	820,344	823,782	(3,438)
Fire department				
Other operating expenses	50,000	50,000	47,084	2,916
Protective inspection				
Salaries and wages	40,000	40,000	36,460	3,540
Other operating expenses	2,700	2,700	2,207	493
Total protective inspection	42,700	42,700	38,667	4,033
Total public safety	913,044	913,044	909,533	3,511
Streets and highways				
Maintenance of streets and highways				
Salaries and wages	68,811	68,811	62,546	6,265
Other operating expenses	39,500	39,500	99,891	(60,391)
Total maintenance of streets and highways	108,311	108,311	162,437	(54,126)
Highway lighting				
Other operating expenses	122,000	122,000	135,305	(13,305)
Snow and ice removal				
Salaries and wages	1,025	1,025		1,025
Other operating expenses	3,000	3,000	529	2,471
Total snow and ice removal	4,025	4,025	529	3,496
Storm drainage				
Other operating expenses	2,000	2,000	11,447	(9,447)
Total streets and highways	236,336	236,336	309,718	(73,382)

CITY OF CRISFIELD, MARYLAND

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

**YEAR ENDED JUNE 30, 2019
(Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Sanitation and waste removal				
Street sanitation				
Salaries and wages	\$ 56,203	\$ 56,203	\$ 70,129	\$ (13,926)
Other operating expenses	8,000	8,000	3,156	4,844
Total street sanitation	<u>64,203</u>	<u>64,203</u>	<u>73,285</u>	<u>(9,082)</u>
Waste collection and disposal				
Salaries and wages				
Other operating expenses	75,000	75,000	74,618	382
Landfill	38,000	38,000	41,046	(3,046)
Total waste collection and disposal	<u>113,000</u>	<u>113,000</u>	<u>115,664</u>	<u>(2,664)</u>
Total sanitation and waste removal	<u>177,203</u>	<u>177,203</u>	<u>188,949</u>	<u>(11,746)</u>
Conservation of health				
Mosquito control				
Other operating expenses	4,000	4,000	2,041	1,959
Ambulance				
Salaries and wages	200,900	200,900	197,092	3,808
Other operating expenses	9,900	9,900	5,363	4,537
Total ambulance	<u>210,800</u>	<u>210,800</u>	<u>202,455</u>	<u>8,345</u>
Total conservation of health	<u>214,800</u>	<u>214,800</u>	<u>204,496</u>	<u>10,304</u>

CITY OF CRISFIELD, MARYLAND

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

**YEAR ENDED JUNE 30, 2019
(Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Airport				
Salaries and wages	18,566	18,566	26,574	(8,008)
Fuel			11,597	(11,597)
Other operating expenses	8,100	8,100	16,776	(8,676)
Total airport	<u>26,666</u>	<u>26,666</u>	<u>54,947</u>	<u>(28,281)</u>
Economic development	9,000	9,000	34,737	(25,737)
Culture and recreation	16,750	16,750	58,882	(42,132)
Subgrantee payments - SCLTR			78,083	(78,083)
Miscellaneous				
Payroll related expenditures	127,500	127,500	102,889	24,611
Other operating expenses	2,950	2,950	2,348	602
Pension	85,000	85,000	83,222	1,778
Insurance	433,400	433,400	330,874	102,526
Total miscellaneous	<u>648,850</u>	<u>648,850</u>	<u>519,333</u>	<u>129,517</u>
Bad debt expense			9,717	(9,717)
Debt service				
Principal	263,796	263,796	47,430	216,366
Interest	9,688	9,688	10,681	(993)
Total debt service	<u>273,484</u>	<u>273,484</u>	<u>58,111</u>	<u>215,373</u>
Total expenditures	<u>\$ 2,869,878</u>	<u>\$ 2,869,878</u>	<u>\$ 2,853,058</u>	<u>\$ 16,820</u>

CITY OF CRISFIELD, MARYLAND

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

**YEAR ENDED JUNE 30, 2019
(Continued)**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	Final Budget
				Favorable
				<u>(Unfavorable)</u>
Summary				
Total revenues and other financing sources	<u>\$ 2,056,900</u>	<u>\$ 2,056,900</u>	<u>\$ 3,123,857</u>	<u>\$ 1,066,957</u>
Total expenditures	<u>2,869,878</u>	<u>2,869,878</u>	<u>2,853,058</u>	<u>(16,820)</u>
Revenues and other financing sources over expenditures	<u>\$ (812,978)</u>	<u>\$ (812,978)</u>	<u>\$ 270,799</u>	<u>\$ 1,083,777</u>

CITY OF CRISFIELD, MARYLAND

REQUIRED SUPPLEMENTARY INFORMATION

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.003735%	0.003463%	0.003961%	0.004632%	0.004141%
City's proportionate share of the net pension liability	\$ 783,735	\$ 748,880	\$ 934,451	\$ 906,496	\$ 734,898
City's covered-employee payroll	\$ 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	65.19%	62.13%	76.83%	72.03%	75.82%
Plan fiduciary net position as a percentage of the total pension liability	71.18%	69.38%	65.79%	68.78%	71.87%

CITY OF CRISFIELD, MARYLAND

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S CONTRIBUTIONS

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 79,424	\$ 74,486	\$ 70,489	\$ 77,155	\$ 96,501
Contributions in relation to the contractually required contribution	<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>
City's covered-employee payroll	\$ 1,202,194	\$ 1,205,249	\$ 1,216,336	\$ 1,258,492	\$ 969,276
Contributions as a percentage of covered-employee payroll	6.61%	6.18%	5.80%	6.13%	9.96%

CITY OF CRISFIELD, MARYLAND

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2019</u>	<u>2018</u>
Total OPEB liability		
Service cost	\$ 10,554	\$ 10,161
Interest cost	19,564	18,637
Difference between expected & actual experience	22,962	
Assumption changes	143,609	
Benefit payments	<u>(4,845)</u>	<u>(4,842)</u>
Net change in total OPEB liability	191,844	23,956
Total OPEB liability, beginning of year	<u>507,932</u>	483,976
Total OPEB liability, end of year	<u><u>\$ 699,776</u></u>	<u><u>\$ 507,932</u></u>
 Plan fiduciary net position		
Contributions employer	\$ 4,845	\$ 4,842
Benefit payments	<u>(4,845)</u>	<u>(4,842)</u>
Net change in fiduciary net position		
Fiduciary net position, beginning of year		
Fiduciary net position, end of year	<u><u>\$</u></u>	<u><u>\$</u></u>
 City's total OPEB liability, end of year	<u><u>\$ 699,776</u></u>	<u><u>\$ 507,932</u></u>
 Fiduciary net position as a % of total OPEB liability	<u><u>0.0%</u></u>	<u><u>0.0%</u></u>
 Covered-employee payroll	\$ 849,512	\$ 779,731
 Total June 30 OPEB liability by Active/Inactive		
Active employees	\$ 665,049	\$ 474,741
Inactive participants	<u>34,727</u>	<u>33,191</u>
Total OPEB liability	<u><u>\$ 699,776</u></u>	<u><u>\$ 507,932</u></u>
 City's total OPEB liability as a % of the covered employee payroll	82.37%	65.14%

Notes to schedule

The discount rate was changed from 3.87% percent to 3.50% for the measurement period ended June 30, 2019.

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



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

**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***

PKScpa.com

Mayor and Council
City of Crisfield, Maryland

Salisbury
1801 SWEETBAY DRIVE
P.O. BOX 72
SALISBURY, MD 21803
TEL: 410.546.5600

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

Lewes
1143 SAVANNAH ROAD
SUITE 1
LEWES, DE 19958
TEL: 302.645.5757

MEMBERS OF:

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MARYLAND ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

DELAWARE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

ALLNIAL GLOBAL

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Crisfield, Maryland (the "City") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Crisfield, Maryland's basic financial statements and have issued our report thereon dated February 12, 2020.

Internal Control over Financial Reporting

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

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

Internal Control over Financial Reporting (Continued)

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in item 19-01 in the accompanying schedule of findings and responses, which we consider to be a material weakness.

Compliance and Other Matters

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

City of Crisfield, Maryland's Response to Findings

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

Purpose of this Report

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

PKS & Company, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
February 12, 2020

CITY OF CRISFIELD, MARYLAND
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2019

A. FINDINGS — FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESS

19-01 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: 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: 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.