

**CITY OF CRISFIELD, MARYLAND**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

# CITY OF CRISFIELD, MARYLAND

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**CITY OF CRISFIELD, MARYLAND**

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**INDEPENDENT AUDITORS' REPORT**



## 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

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, 2018, 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.

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### Salisbury

1801 SWEETBAY DRIVE

P.O. Box 72

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### 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.

### Ocean City

12216 OCEAN GATEWAY

SUITE 800

OCEAN CITY, MD 21842

TEL: 410.213.7185

### Auditor's Responsibility

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

### MEMBERS OF:

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

MARYLAND ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

DELAWARE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

ALLNIAL GLOBAL

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, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As discussed in the Implementation of New Accounting Principle note to the financial statements, in 2018 the City adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the City's proportionate share of the net pension liability, schedule of the City's contributions, and schedule of funding progress on pages 4–12 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 January 8, 2019, on our consideration of the City of Crisfield, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Crisfield, Maryland's internal control over financial reporting and compliance.

**CERTIFIED PUBLIC ACCOUNTANTS**

Salisbury, Maryland  
January 8, 2019

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**



## CITY OF CRISFIELD, MARYLAND

### MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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, 2018. Please read it in conjunction with the City's financial statements, which begin on page 13.

#### **FINANCIAL HIGHLIGHTS**

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

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

#### **Fund Financial Statements**

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

#### **Governmental Funds**

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

## CITY OF CRISFIELD, MARYLAND

### MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

#### **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 13 - 18. 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 19 - 21 of this report.

#### **Summary of Significant Accounting Policies and Notes to the Financial Statements**

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Notes to the financial statements are part of the basic financial statements and can be found on pages 22 - 47 of this report.

**CITY OF CRISFIELD, MARYLAND**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2018**

**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 three categories – net investment in capital assets, restricted, and unrestricted net position. The largest portion of the City’s net position reflects its investment in capital assets (e.g., land, improvements, buildings, machinery, equipment, vehicles and sewer system), less accumulated depreciation and any unmatured debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Unrestricted net position at June 30, 2018 of governmental activities was a deficit of \$634,309. The unrestricted net position for business-type activities is at a balance of \$62,126.

**CITY OF CRISFIELD, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2018**

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

	Statements of Net Position					
	2018			2017		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>						
Current and other assets	\$ 696,433	\$ 489,248	\$ 1,185,681	\$ 597,428	\$ 408,939	\$ 1,006,367
Capital assets	5,368,601	18,926,453	24,295,054	5,481,949	19,381,903	24,863,852
Total assets	<u>6,065,034</u>	<u>19,415,701</u>	<u>25,480,735</u>	<u>6,079,377</u>	<u>19,790,842</u>	<u>25,870,219</u>
<b>Deferred outflows of resources</b>						
Deferred financing outflows - retirement	170,342	50,761	221,103	204,373	59,928	264,301
<b>Liabilities</b>						
Current and other liabilities	413,806	501,470	915,276	440,092	687,962	1,128,054
Long-term liabilities outstanding	1,358,019	5,068,294	6,426,313	1,432,654	5,242,858	6,675,512
Total liabilities	<u>1,771,825</u>	<u>5,569,764</u>	<u>7,341,589</u>	<u>1,872,746</u>	<u>5,930,820</u>	<u>7,803,566</u>
<b>Deferred inflows of resources</b>						
Deferred financing inflows - retirement	81,236	24,151	105,387	49,584	15,625	65,209
Deferred grants	27,304					
Total deferred inflows of resources	<u>108,540</u>	<u>24,151</u>	<u>105,387</u>	<u>49,584</u>	<u>15,625</u>	<u>65,209</u>
<b>Net position</b>						
Net investment in capital assets	4,989,320	13,810,421	18,799,741	5,071,688	14,275,061	19,346,749
Unrestricted (deficit)	(634,309)	62,126	(572,183)	(710,268)	(370,736)	(1,081,004)
<b>Total net position</b>	<u>\$ 4,355,011</u>	<u>\$ 13,872,547</u>	<u>\$ 18,227,558</u>	<u>\$ 4,361,420</u>	<u>\$ 13,904,325</u>	<u>\$ 18,265,745</u>

**CITY OF CRISFIELD, MARYLAND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2018**

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

	Changes in Net Position					
	2018			2017		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 163,387	\$ 1,690,911	\$ 1,854,298	\$ 296,640	\$ 1,634,555	\$ 1,931,195
Operating grants and contributions	746,201		746,201	332,441		332,441
Capital grants and contributions	68,269	306,833	375,102	223,020		223,020
General revenues						
Property taxes	1,496,001		1,496,001	1,515,666		1,515,666
Shared taxes	228,118		228,118	245,992		245,992
Payment in lieu of taxes	20,607		20,607			
License and permits	73,315		73,315	37,973		37,973
Fines and forfeitures	620		620	770		770
Rents and concessions	66,608		66,608	77,285		77,285
Unrestricted investment earnings	767	201	968	169	189	358
Donations				226,723		226,723
Miscellaneous	39,010		39,010	28,944		28,944
Gain on disposal of assets		2,858	2,858	300	1,452	1,752
Transfers	406,146		406,146	477,444		477,444
Total revenues	<u>3,309,049</u>	<u>2,000,803</u>	<u>5,309,852</u>	<u>3,463,367</u>	<u>1,636,196</u>	<u>5,099,563</u>
<b>Expenses</b>						
General government	500,805		500,805	636,935		636,935
Public safety	995,482		995,482	913,877		913,877
Streets and highways	494,540		494,540	248,953		248,953
Sanitation and waste removal	191,799		191,799	170,910		170,910
Conservation of health	192,941		192,941	175,641		175,641
Airport	60,651		60,651	60,571		60,571
Subgrantee payments	362,459		362,459			
Miscellaneous	506,868		506,868	830,804		830,804
Interest on long-term debt	9,913		9,913	21,068		21,068
Water		501,990	501,990		589,343	589,343
Sewer		1,053,891	1,053,891		1,001,908	1,001,908
Industrial rental property		36,133	36,133		36,133	36,133
Partnership rental housing		34,421	34,421		38,076	38,076
Transfers		406,146	406,146		477,444	477,444
Total expenses	<u>3,315,458</u>	<u>2,032,581</u>	<u>5,348,039</u>	<u>3,058,759</u>	<u>2,142,904</u>	<u>5,201,663</u>
<b>Change in net position</b>	<u>(6,409)</u>	<u>(31,778)</u>	<u>(38,187)</u>	<u>404,608</u>	<u>(506,708)</u>	<u>(102,100)</u>
<b>Net position, beginning of year, restated</b>	<u>4,361,420</u>	<u>13,904,325</u>	<u>18,265,745</u>	<u>3,956,812</u>	<u>14,411,033</u>	<u>18,367,845</u>
<b>Net position, end of year</b>	<u>\$ 4,355,011</u>	<u>\$ 13,872,547</u>	<u>\$ 18,227,558</u>	<u>\$ 4,361,420</u>	<u>\$ 13,904,325</u>	<u>\$ 18,265,745</u>

## CITY OF CRISFIELD, MARYLAND

### MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

#### **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 \$62,126. Other factors concerning these funds finances are addressed on pages 19, 20, and 21.

#### **General Fund Budgetary Highlights**

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

- Total revenues were over the final budget by \$1,255,464.
- Total expenditures were over the final budget by \$583,997.

**CITY OF CRISFIELD, MARYLAND**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**JUNE 30, 2018**

**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, 2018 was \$24,295,054 (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 32 – 34 of this report.

	Capital Assets (net of depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$1,823,737	\$ 1,823,737	\$ 524,760	\$ 524,760	\$ 2,348,497	\$ 2,348,497
Construction in progress	130,889	249,576	131,196	4,297,179	262,085	4,546,755
Building and improvements	1,781,609	1,843,085	10,369,238	9,805,911	12,150,847	11,648,996
Machinery and equipment	240,690	255,464	5,952,946	2,665,882	6,193,636	2,921,346
Furniture and fixtures	39,070	44,498			39,070	44,498
Infrastructure	1,352,606	1,265,589	1,948,313	2,088,171	3,300,919	3,353,760
<b>Net investment in capital assets</b>	<b>\$5,368,601</b>	<b>\$ 5,481,949</b>	<b>\$ 18,926,453</b>	<b>\$19,381,903</b>	<b>\$ 24,295,054</b>	<b>\$24,863,852</b>

Purchases this year included:

Governmental activities:

1. Completion of the Green Space/Waterfront Park project at a total of \$151,430.
2. Completion of the Walking Trail project at a total of \$130,889.
3. Collins Street infrastructure at a cost of \$43,075.
4. Purchase of two 2018 Ford Interceptors at \$32,368 each.
5. Purchase of a 2013 Ford F-150 costing \$18,167.
6. Installation of a vinyl beach fence costing \$11,624.
7. Equipment for two Ford Interceptors totaling \$8,071.
8. Police lights for two Ford Interceptors totaling \$7,487.
9. Purchase of a John Deere Ztrak Mower costing \$4,000
10. Purchase of an EZGO Golf Cart costing \$3,000.

Business-type activities:

1. Completion of the Wind Turbine project totaling \$3,406,008.
2. Industrial park building improvements totaling \$896,932.

**CITY OF CRISFIELD, MARYLAND**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2018**

**CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)**

**Capital Assets (continued)**

Business-type activities (continued):

3. Accumulated costs for the CCTV Sewer project of \$97,696 which are included in Construction in Progress.
4. Installation of a new well on Jacksonville Road costing \$60,207.
5. Accumulated costs for the WWTP Facility project of \$33,500 which are included in Construction in Progress.
6. Purchase of a 2017 GMC Sierra costing \$18,167.
7. Purchase of a 2015 GMC Sierra costing \$18,167.
8. Purchase of a 75 horsepower motor costing \$2,331.
9. Purchase of two pressure sealers costing \$1,701 each.

**Debt Administration**

	<b>Outstanding Debt</b>					
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$ 378,601	\$ 408,200	\$4,227,986	\$ 4,115,579	\$ 4,606,587	\$ 4,523,779
Notes payable	680	2,061	888,046	991,263	888,726	993,324
Compensated absences	63,257	76,506	24,718	18,888	87,975	95,394
<b>Total outstanding debt</b>	<b>\$ 442,538</b>	<b>\$ 486,767</b>	<b>\$5,140,750</b>	<b>\$ 5,125,730</b>	<b>\$ 5,583,288</b>	<b>\$ 5,612,497</b>

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

**Currently Known Facts, Decisions, or Conditions**

Highlights during the year ended June 30, 2018 for the City of Crisfield included an option for the potential purchase of the Carvel Hall property in the Industrial Rental Property fund was extended for one year. This is still an ongoing process with the potential buyer still working out potential uses of the property.

The Green Space grant, Walking Trail grant, and Community Legacy ’15 grant were all completed during the year ended June 30, 2018.



**CITY OF CRISFIELD, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2018**

**Currently Known Facts, Decisions, or Conditions (continued)**

During the year ended June 30, 2018, the City received an Art and Entertainment designation from the State of Maryland.

The Wind Turbine project was completed during the year and is showing positive results.

A new mayor and council was elected on June 20, 2018 resulting in Mayor Barry Dize, Councilwoman Gail Lankford, Councilman Jim Ford, and Councilman Nelson Sheppard being elected for a term of four years.

**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, 2018**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 162,423	\$ 67,956	\$ 230,379
Security deposit certificates of deposit		3,016	3,016
Investments	34,663		34,663
Taxes receivable	182,661		182,661
Grant receivable	67,965		67,965
Other receivable	134,988	330,356	465,344
Due from other governments	20,487		20,487
Due from other funds	48,783		48,783
Restricted cash		87,920	87,920
Inventory - fuel	5,680		5,680
Prepaid insurance	38,783		38,783
Capital assets, net	5,368,601	18,926,453	24,295,054
Total assets	<u>6,065,034</u>	<u>19,415,701</u>	<u>25,480,735</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred financing outflows - retirement	170,342	50,761	221,103
<b>LIABILITIES</b>			
Line of credit	79,068		79,068
Accounts payable and accrued expenses	269,367	92,308	361,675
Security deposits		2,238	2,238
Due to other funds		48,783	48,783
Due within one year			
Compensated absences	24,192	9,453	33,645
Notes and bonds payable	41,179	348,688	389,867
Due in more than one year			
Accounts payable	9,725		9,725
Compensated absences	39,065	15,265	54,330
Total other post-employment benefits liability	400,149	107,783	507,932
Net pension liability	570,978	177,902	748,880
Notes and bonds payable	338,102	4,767,344	5,105,446
Total liabilities	<u>1,771,825</u>	<u>5,569,764</u>	<u>7,341,589</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred financing inflows - retirement	81,236	24,151	105,387
Deferred grants	27,304		27,304
Total deferred inflows of resources	<u>108,540</u>	<u>24,151</u>	<u>132,691</u>
<b>NET POSITION</b>			
Net investment in capital assets	4,989,320	13,810,421	18,799,741
Unrestricted (deficit)	(634,309)	62,126	(572,183)
Total net position	<u>\$ 4,355,011</u>	<u>\$ 13,872,547</u>	<u>\$ 18,227,558</u>

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

**CITY OF CRISFIELD, MARYLAND**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2018**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>FUNCTIONS/PROGRAMS</b>							
<b>GOVERNMENTAL ACTIVITIES</b>							
General government	\$ 500,805	\$ 1,982	\$ 362,459	\$	\$ (136,364)	\$	\$ (136,364)
Public safety	995,482		187,142		(808,340)		(808,340)
Streets and highways	494,540			12,000	(482,540)		(482,540)
Sanitation and waste removal	191,799	108,169			(83,630)		(83,630)
Conservation of health	192,941		196,600		3,659		3,659
Airport	60,651	41,158			(19,493)		(19,493)
Subgrantee payments	362,459				(362,459)		(362,459)
Miscellaneous	506,868	12,078		56,269	(438,521)		(438,521)
Interest on long-term debt	9,913				(9,913)		(9,913)
Total governmental activities	<u>3,315,458</u>	<u>163,387</u>	<u>746,201</u>	<u>68,269</u>	<u>(2,337,601)</u>		<u>(2,337,601)</u>
<b>BUSINESS-TYPE ACTIVITIES</b>							
Water fund	501,990	553,209				51,219	51,219
Sewer fund	1,053,891	1,102,511		306,833		355,453	355,453
Industrial rental property	36,133					(36,133)	(36,133)
Partnership rental housing	34,421	35,191				770	770
Total business-type activities	<u>1,626,435</u>	<u>1,690,911</u>		<u>306,833</u>		<u>371,309</u>	<u>371,309</u>
Total	<u>\$ 4,941,893</u>	<u>\$ 1,854,298</u>	<u>\$ 746,201</u>	<u>\$ 375,102</u>	<u>(2,337,601)</u>	<u>371,309</u>	<u>(1,966,292)</u>
<b>GENERAL REVENUES</b>							
Taxes							
Real and personal					1,496,001		1,496,001
State shared					228,118		228,118
Payment in lieu of taxes					20,607		20,607
Licenses and permits					73,315		73,315
Fines and forfeitures					620		620
Rents and concessions					66,608		66,608
Interest					767	201	968
Miscellaneous					39,010		39,010
Gain on disposal of asset						2,858	2,858
Transfers					406,146	(406,146)	
Total general revenues					<u>2,331,192</u>	<u>(403,087)</u>	<u>1,928,105</u>
Change in net position					(6,409)	(31,778)	(38,187)
<b>NET POSITION, BEGINNING OF YEAR, RESTATED</b>					4,361,420	13,904,325	18,265,745
<b>NET POSITION, END OF YEAR</b>					<u>\$ 4,355,011</u>	<u>\$ 13,872,547</u>	<u>\$ 18,227,558</u>

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

**CITY OF CRISFIELD, MARYLAND**

**BALANCE SHEET  
GOVERNMENTAL FUND**

**JUNE 30, 2018**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 162,423
Investments	34,663
Taxes receivable	182,661
Grant receivable	67,965
Other receivable	134,988
Due from other governments	20,487
Due from other funds	48,783
Inventory - fuel, at cost	5,680
Prepaid insurance	38,783
	<hr/>
Total assets	<u>\$ 696,433</u>
<b>LIABILITIES</b>	
Accounts payable	269,367
Compensated absences	24,192
Line of credit	79,068
	<hr/>
Total liabilities	<u>372,627</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred taxes and grants	234,447
	<hr/>
<b>FUND BALANCES</b>	
Nonspendable	44,463
Unassigned	44,896
	<hr/>
Total fund balances	<u>89,359</u>
	<hr/>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 696,433</u>

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

**CITY OF CRISFIELD, MARYLAND**

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

**JUNE 30, 2018**

Total fund balance, governmental fund	\$	89,359
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.		5,368,601
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.		170,342
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.		
Accounts payable		(9,725)
Notes payable		(379,281)
Compensated absences		(39,065)
Other post-employment benefits obligation		(400,149)
Deferred financing inflows - retirement		(81,236)
Net pension liability		(570,978)
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		234,447
Deferred grant revenue		(27,304)
Net position of governmental activities in the Statement of Net Position	\$	<u>4,355,011</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, 2018**

	<u>General Fund</u>
<b>REVENUES</b>	
Taxes - real and personal	\$ 1,435,626
Taxes - state shared	228,118
Licenses and permits	73,315
Intergovernmental	819,420
Charges for services	163,387
Fines and forfeitures	620
Revenues from use of money and property	69,968
Miscellaneous	34,059
Total revenues	<u>2,824,513</u>
<b>EXPENDITURES</b>	
Current	
General government	388,983
Public safety	1,015,034
Streets and highways	406,436
Sanitation and waste removal	191,824
Conservation of health	192,941
Airport	60,651
Economic development	71,820
Culture and recreation	50,222
Subgrantee payments	362,459
Miscellaneous	534,933
Debt service	
Principal	32,535
Interest	9,913
Total expenditures	<u>3,317,751</u>
Revenues under expenditures	<u>(493,238)</u>
<b>OTHER FINANCING USES</b>	
Transfer to other funds	<u>406,146</u>
Net change in fund balance	(87,092)
<b>FUND BALANCE, BEGINNING OF YEAR, RESTATED</b>	<u>176,451</u>
<b>FUND BALANCE, END OF YEAR</b>	<u><u>\$ 89,359</u></u>

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

**CITY OF CRISFIELD, MARYLAND**

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

**YEAR ENDED JUNE 30, 2018**

Net change in fund balance, governmental fund	\$ (87,092)
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 \$306,251 exceeds capital outlay \$192,902 in the current period.	(113,349)
Changes in deferred outflows of resources presented in the governmental activities of the Statement of Activities.	(34,030)
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.	32,535
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.	(1,111)
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.	(443)
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	19,449
Change in long-term compensated absences	3,576
Change in other post-employment benefit obligation	(18,873)
Change in net pension liability	146,193
Change in deferred financing inflows - retirement	(31,652)
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 and grants	78,388
Change in net position, governmental activities	\$ (6,409)

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



**CITY OF CRISFIELD, MARYLAND**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2018**

	Water and Sewer	Industrial Rental Property	Partnership Rental Housing	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 50,285	\$	\$ 17,671	\$ 67,956
Security deposits certificates of deposits			3,016	3,016
Receivables	330,356			330,356
Restricted cash			87,920	87,920
Capital assets, net	17,038,936	1,807,866	79,651	18,926,453
Total assets	<u>17,419,577</u>	<u>1,807,866</u>	<u>188,258</u>	<u>19,415,701</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred financing outflows - retirement	50,761			50,761
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	92,308			92,308
Security deposits			2,238	2,238
Due to other funds			48,783	48,783
Due within one year				
Compensated absences	9,453			9,453
Notes and bonds payable	348,688			348,688
Due in more than one year				
Compensated absences	15,265			15,265
Total other post-employment benefit liability	107,783			107,783
Net pension liability	177,902			177,902
Notes and bonds payable	4,238,821		528,523	4,767,344
Total liabilities	<u>4,990,220</u>		<u>579,544</u>	<u>5,569,764</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred financing inflows - retirement	24,151			24,151
<b>NET POSITION</b>				
Net investment in capital assets	12,451,427	1,807,866	(448,872)	13,810,421
Unrestricted	4,540		57,586	62,126
Total net position	<u>\$ 12,455,967</u>	<u>\$ 1,807,866</u>	<u>\$ (391,286)</u>	<u>\$ 13,872,547</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, 2018**

	Water	Sewer	Industrial Rental Property	Partnership Rental Housing	Total
<b>OPERATING REVENUES</b>					
Water service	\$ 530,392	\$	\$	\$	\$ 530,392
Sewer service		1,029,117			1,029,117
Front foot assessment		46,751			46,751
Rent				35,190	35,190
Late fees	13,317				13,317
Application fees	9,500	13,500			23,000
Flush tax		13,143			13,143
Total operating revenues	<u>553,209</u>	<u>1,102,511</u>		<u>35,190</u>	<u>1,690,910</u>
<b>OPERATING EXPENSES</b>					
Salaries and wages	145,312	147,194			292,506
Payroll taxes and fringe benefits	50,142	35,377			85,519
Contracted services	17,415	2,951		1,237	21,603
Utilities	57,753	80,393		7,406	145,552
Chemicals	4,760	83,963			88,723
Depreciation	159,725	479,240	36,133	17,679	692,777
Bad debt expense	4,761	7,447			12,208
Other operating expenses	56,900	165,681		8,098	230,679
Total operating expenses	<u>496,768</u>	<u>1,002,246</u>	<u>36,133</u>	<u>34,420</u>	<u>1,569,567</u>
Operating income (loss)	<u>56,441</u>	<u>100,265</u>	<u>(36,133)</u>	<u>770</u>	<u>121,343</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Grant revenue		306,833			306,833
Interest income				203	203
Interest expense	(5,222)	(51,647)			(56,869)
Gain on disposal of assets	2,858				2,858
Transfer to general fund	(205,952)	(205,952)	5,758		(406,146)
Net nonoperating revenues	<u>(208,316)</u>	<u>49,234</u>	<u>5,758</u>	<u>203</u>	<u>(153,121)</u>
Change in net position	<u>(151,875)</u>	<u>149,499</u>	<u>(30,375)</u>	<u>973</u>	<u>(31,778)</u>
<b>NET POSITION, BEGINNING OF YEAR, RESTATED</b>	<u>536,504</u>	<u>11,921,839</u>	<u>1,838,241</u>	<u>(392,259)</u>	<u>13,904,325</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 384,629</u>	<u>\$ 12,071,338</u>	<u>\$ 1,807,866</u>	<u>\$ (391,286)</u>	<u>\$ 13,872,547</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, 2018**

	Water and Sewer	Industrial Rental Property	Partnership Rental Housing	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 1,628,069	\$	\$ 35,190	\$ 1,663,259
Cash paid to or on behalf of employees	(388,797)			(388,797)
Cash paid to suppliers	(811,597)		(25,725)	(837,322)
Net cash provided by operating activities	<u>427,675</u>		<u>9,465</u>	<u>437,140</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchase of assets	(233,470)	(5,758)		(239,228)
Proceeds from the sale of assets	4,761			4,761
Grant proceeds	122,696			122,696
Debt proceeds	370,240			370,240
Principal paid on long-term obligations	(176,915)			(176,915)
Interest paid on long-term obligations	(56,869)			(56,869)
Net cash provided (used) in capital and related financing activities	<u>30,443</u>	<u>(5,758)</u>		<u>24,685</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers from (to) general fund	<u>(411,904)</u>	<u>5,758</u>		<u>(406,146)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest income			235	235
Net increase in cash	46,214		9,700	55,914
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>4,071</u>		<u>7,971</u>	<u>12,042</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 50,285</u>	<u>\$</u>	<u>\$ 17,671</u>	<u>\$ 67,956</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 156,706	\$ (36,133)	\$ 770	\$ 121,343
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Bad debt expense	12,208			12,208
Depreciation	638,965	36,133	17,679	692,777
Deferred financing outflows - retirement	9,167			9,167
Deferred financing inflows - retirement	8,526			8,526
Effects of changes in operating assets and liabilities:				
Accounts and other receivables	(27,651)			(27,651)
Accounts payable and accrued expenses	(381,159)		(8,984)	(390,143)
Total other post-employment benefit liability	5,083			5,083
Compensated absences	5,830			5,830
Net cash provided by operating activities	<u>\$ 427,675</u>	<u>\$</u>	<u>\$ 9,465</u>	<u>\$ 437,140</u>

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

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

**JUNE 30, 2018**

**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, 2018**

**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, 2018**

**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, 2018**

**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 2018, 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, 2018**

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

Prepaid items

Payments made to vendors for services that will benefit periods beyond June 30, 2018, 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, 2018**

**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, 2018, there was \$87,975 of vacation benefits due to employees.

**CITY OF CRISFIELD, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**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, 2018**

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

Advertising

The City spent \$7,806 on advertising during fiscal year 2018. Such disbursement is included in general government expenses/expenditures and is expensed in the year incurred.

Change in accounting standard

In 2018, the City adopted GASB Statement No. 75. This replaces GASB Statement No. 45 for post-employment benefits other than pensions (OPEB) for employer accounting. This standard will be applied to post-employment medical benefits that are provided to the City's retirees.

Under GASB Statement No. 45, the net OPEB obligation was a liability on the City's financial statements. Under GASB No. 75, the entire unfunded actuarial accrued liability is now on the City's financial statements. There is no longer a net OPEB obligation. The annual expense is simply equal to the increase or decrease in the unfunded actuarial accrued liability.

**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, 2018, the invested funds are as follows:

	Carrying Amount	Bank Balance	Fully Insured
<b>Governmental Activities:</b>			
Cash and cash equivalents	\$ 162,423	\$ 302,709	\$ 302,709
Investments	34,663	34,703	34,703
Total	<u>\$ 197,086</u>	<u>\$ 337,412</u>	<u>\$ 337,412</u>
<b>Business-type Activities:</b>			
Cash and cash equivalents	\$ 92,512	\$ 183,694	\$ 183,694
Investments	66,380	66,381	66,381
Total	<u>\$ 158,892</u>	<u>\$ 250,075</u>	<u>\$ 250,075</u>

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

**JUNE 30, 2018**

**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, 2018 met the City's investment policy as of that date. Investment income was comprised entirely of interest amounting to \$968 for the year ended June 30, 2018.

*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, 2018, 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, 2018**

**RECEIVABLES**

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

	Governmental Activities General Fund
Taxes	\$ 182,661
Other	
Airport	26,868
Mowing	26,300
Penalties	23,620
Garbage	18,406
Interest	18,405
Police	10,000
Other	11,389
Net receivables	\$ 317,649

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	\$ 330,356	\$	\$	\$ 330,356
Net receivables	\$ 330,356	\$	\$	\$ 330,356

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, 2018 consisted of deferred taxes and grants and was \$234,447.

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

**JUNE 30, 2018**

**DUE FROM OTHER GOVERNMENTS**

The June 30, 2018 balance due from other governments is as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
State of Maryland:			
Police	5,120		5,120
Highway user	7,131		7,131
Park grant - walking trail	8,131		8,131
Other	105		105
Total State of Maryland	<u>\$ 20,487</u>	<u>\$</u>	<u>\$ 20,487</u>

**CAPITAL ASSETS**

Capital assets of the Governmental Activities are summarized as follows:

	<u>Balance June 30, 2017</u>	<u>Additions &amp; Transfers</u>	<u>Deletions &amp; Transfers</u>	<u>Balance June 30, 2018</u>
Capital assets not being depreciated				
Land	\$ 1,823,737	\$	\$	\$ 1,823,737
Construction in progress	249,576	21,742	(271,318)	
Total capital assets not being depreciated	<u>2,073,313</u>	<u>21,742</u>	<u>(271,318)</u>	<u>1,823,737</u>
Capital assets being depreciated				
Building and improvements	2,484,967	11,625		2,496,592
Machinery and equipment	1,233,941	105,461		1,339,402
Furniture and fixtures	125,365			125,365
Infrastructure	4,248,824	325,393		4,574,217
Total capital assets being depreciated	<u>8,093,097</u>	<u>442,479</u>		<u>8,535,576</u>
Less accumulated depreciation for				
Building and improvements	(641,882)	(73,101)		(714,983)
Machinery and equipment	(978,477)	(120,235)		(1,098,712)
Furniture and fixtures	(80,867)	(5,428)		(86,295)
Infrastructure	(2,983,235)	(107,487)		(3,090,722)
Total accumulated depreciation	<u>(4,684,461)</u>	<u>(306,251)</u>		<u>(4,990,712)</u>
Governmental activities, capital assets, net	<u>\$ 5,481,949</u>	<u>\$ 157,970</u>	<u>\$ (271,318)</u>	<u>\$ 5,368,601</u>

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

**JUNE 30, 2018**

**CAPITAL ASSETS (Continued)**

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

	Balance June 30, 2017	Additions & Transfers	Deletions & Transfers	Balance June 30, 2018
Capital assets not being depreciated				
Land	\$ 408,760	\$	\$	\$ 408,760
Construction in progress	3,406,007	131,196	(3,406,007)	131,196
Total capital assets not being depreciated	<u>3,814,767</u>	<u>131,196</u>	<u>(3,406,007)</u>	<u>539,956</u>
Capital assets being depreciated				
Building and improvements	13,646,739			13,646,739
Machinery and equipment	5,783,852	3,488,413	(15,700)	9,256,565
Infrastructure	5,345,381	19,867	(8,200)	5,357,048
Total capital assets being depreciated	<u>24,775,972</u>	<u>3,508,280</u>	<u>(23,900)</u>	<u>28,260,352</u>
Less accumulated depreciation for				
Building and improvements	(4,769,227)	(279,791)		(5,049,018)
Machinery and equipment	(3,117,970)	(199,449)	13,800	(3,303,619)
Infrastructure	(3,257,210)	(159,725)	8,200	(3,408,735)
Total accumulated depreciation	<u>(11,144,407)</u>	<u>(638,965)</u>	<u>22,000</u>	<u>(11,761,372)</u>
Water and Sewer activities, capital assets, net	<u>\$ 17,446,332</u>	<u>\$ 3,000,511</u>	<u>\$ (3,407,907)</u>	<u>\$ 17,038,936</u>

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

	Balance June 30, 2017	Additions & Transfers	Deletions & Transfers	Balance June 30, 2018
Capital assets not being depreciated				
Land	\$ 116,000	\$	\$	\$ 116,000
Construction in progress	891,172		(891,172)	
Total capital assets not being depreciated	<u>1,007,172</u>		<u>(891,172)</u>	<u>116,000</u>
Capital assets being depreciated				
Building and improvements	1,189,295	896,930		2,086,225
Total capital assets being depreciated	<u>1,189,295</u>	<u>896,930</u>		<u>2,086,225</u>
Less accumulated depreciation for				
Building and improvements	(358,226)	(36,133)		(394,359)
Total accumulated depreciation	<u>(358,226)</u>	<u>(36,133)</u>		<u>(394,359)</u>
Industrial Rental Property activities, capital assets, net	<u>\$ 1,838,241</u>	<u>\$ 860,797</u>	<u>\$ (891,172)</u>	<u>\$ 1,807,866</u>

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

**JUNE 30, 2018**

**CAPITAL ASSETS (Continued)**

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

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u> <u>&amp; Transfers</u>	<u>Deletions</u> <u>&amp; Transfers</u>	<u>Balance</u> <u>June 30, 2018</u>
Capital assets being depreciated				
Building and improvements	\$ 530,384	\$	\$	\$ 530,384
Total capital assets being depreciated	<u>530,384</u>	<u></u>	<u></u>	<u>530,384</u>
Less accumulated depreciation for				
Building and improvements	(433,054)	(17,679)		(450,733)
Total accumulated depreciation	<u>(433,054)</u>	<u>(17,679)</u>	<u></u>	<u>(450,733)</u>
Partnership Rental Housing, capital assets, net	<u>\$ 97,330</u>	<u>\$ (17,679)</u>	<u>\$</u>	<u>\$ 79,651</u>

Depreciation expense is recorded as follows:

Governmental activities:	
General government	\$ 133,463
Public safety	60,742
Streets and highways	110,871
Sanitation and waste removal	<u>1,175</u>
Total governmental activities	<u>\$ 306,251</u>
Business-type activities	
Water and sewer fund	\$ 638,965
Industrial rental property fund	36,133
Partnership rental housing fund	<u>17,679</u>
Total business-type activities	<u>\$ 692,777</u>



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

**JUNE 30, 2018**

**LINE OF CREDIT**

The following is a summary of the City's line of credit for the year ended June 30, 2018:

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. \$ 79,068

	Beginning Balance	Additions	Principal Repayments	Ending Balance
Governmental activities:				
Line of credit	\$ 29,898	\$ 54,500	\$ 5,330	\$ 79,068

**LONG-TERM LIABILITIES**

Changes in long-term obligations for the year ended June 30, 2018 are as follows:

	Beginning Balance	Additions & Transfers	Principal Repayments & Transfers	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 408,200	\$ 18,585	\$ 32,785	\$ 394,000	\$ 40,499
Less: Unamortized bond issuance costs		(12,115)	(1,111)	(11,004)	
Less: Unamortized bond premium		(4,840)	(445)	(4,395)	
Notes payable	2,061		1,381	680	680
Compensated absences	76,506		13,249	63,257	24,192
Governmental activities long-term liabilities	\$ 486,767	\$ 1,630	\$ 45,859	\$ 442,538	\$ 65,371
Business-type activities:					
General obligation bonds	\$ 4,115,579	\$ 370,241	\$ 73,697	\$ 4,412,123	\$ 258,915
Less: Unamortized debt forgiveness		(184,137)		(184,137)	
Notes payable	991,263		103,217	888,046	89,773
Compensated absences	18,888		(5,830)	24,718	9,453
Business-type activities long-term liabilities	\$ 5,125,730	\$ 186,104	\$ 171,084	\$ 5,140,750	\$ 358,141

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

**JUNE 30, 2018**

**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.	\$ 394,000
Less: Unamortized bond insurance costs	(11,004)
Less: Unamortized bond premium	(4,395)
	\$ 378,601

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 statements of operations.

Notes payable consist of the following:

Hebron Savings Bank - Three Trucks - Principal payments in quarterly installments of \$1,075 beginning May 20, 2015. Interest is payable quarterly at 3.45%.	\$ <u>680</u>
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**CITY OF CRISFIELD, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

**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.	\$ 267,920	\$	\$	\$ 267,920
\$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.	20,688			20,688
\$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%.	823,752			823,752
\$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.	353,565			353,565
\$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.	2,946,198			2,946,198
Less: accumulated loan forgiveness	(184,137)			(184,137)
Total business-type activities general obligation bonds	\$ 4,227,986	\$	\$	\$ 4,227,986

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

**JUNE 30, 2018**

**LONG-TERM LIABILITIES (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, 2018, 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.	\$ 271,531	\$	\$	\$ 271,531
Hebron Savings Bank - Principal payable in a single payment of all unpaid principal, including interest at 3.25% beginning October 30, 2015.	40,307			40,307
Hebron Savings Bank - Principal payable in quarterly installments of \$1,075, including interest at 3.45% beginning May 20, 2015.	1,356			1,356
Hebron Savings Bank - Principal payable in quarterly installments of \$16,340, including interest at 2.92% beginning June 24, 2017.	46,329			46,329
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	\$ 359,523	\$	\$ 528,523	\$ 888,046

**CITY OF CRISFIELD, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**LONG-TERM LIABILITIES (Continued)**

Debt service requirements

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

Year Ending June 30,	Governmental Activities			
	General Obligation Bonds		Notes	
	Principal	Interest	Principal	Interest
2019	\$ 40,499	\$ 8,843	\$ 680	\$ 18
2020	41,000	8,012		
2021	42,000	7,172		
2022	43,000	6,311		
2023	43,500	5,429		
2024-2028	184,001	12,207		
	<u>\$ 394,000</u>	<u>\$ 47,974</u>	<u>\$ 680</u>	<u>\$ 18</u>

Year Ending June 30,	Business-Type Activities			
	General Obligation Bonds		Notes	
	Principal	Interest	Principal	Interest
2019	\$ 258,915	\$ 40,748	\$ 89,773	\$ 7,562
2020	260,051	39,494	90,540	5,403
2021	250,471	38,324	92,822	3,227
2022	251,396	37,400	64,299	1,167
2023	252,348	36,447	550,612	93
2024-2028	1,246,729	137,723		
2029-2033	1,146,048	169,694		
2034-2038	131,183	106,846		
2039-2043	162,061	75,847		
2044-2048	200,207	37,701		
2049-2053	68,577	2,581		
	<u>\$ 4,227,986</u>	<u>\$ 722,805</u>	<u>\$ 888,046</u>	<u>\$ 17,452</u>

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

**JUNE 30, 2018**

**RETIREMENT AND PENSION PLANS**

General information about the pension plan

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

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

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

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

	Annual Pension Cost	Percentage of APC Contributed
6/30/2016	\$ 77,155	100%
6/30/2017	\$ 70,489	100%
6/30/2018	\$ 74,486	100%

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

**JUNE 30, 2018**

**RETIREMENT AND PENSION PLANS (Continued)**

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

At June 30, 2018, the City reported a liability of \$748,880 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017, the City's proportion was .003463%.

For the year ended June 30, 2018, the City recognized pension income of \$20,636. At June 30, 2018, 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	\$ 33,060	\$
Net difference between projected and actual earnings on pension plan investments	113,557	50,028
Difference between actual and expected experience		55,359
Contributions subsequent to measurement date	74,486	
	\$ 221,103	\$ 105,387

The City's contribution subsequent to the measurement date of \$74,486 reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

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:

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

**JUNE 30, 2018**

**RETIREMENT AND PENSION PLANS (Continued)**

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

Year Ended June 30	Deferred Outflows	Deferred Inflows
2019	\$ 51,765	\$ 41,498
2020	49,172	21,389
2021	28,000	20,894
2022	17,316	17,290
2023	364	4,316
Total	\$ 146,617	\$ 105,387

*Actuarial assumptions.* The actuarial assumption for the Pension Plan as a whole and based on the June 30, 2017 annual actuarial valuation report for Maryland Municipal Corporation are as follows:

Inflation	2.65% general, 3.15% wage
Salary increases	3.15% to 9.15%, including inflation
Investment rate of return	7.5%

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

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

*Discount rate.* The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contribution from the municipalities will be made at contractually required rates, actuarially determined.



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

**JUNE 30, 2018**

**RETIREMENT AND PENSION PLANS (Continued)**

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

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5%, 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 (6.5%) or 1-percentage point higher (8.5%) than the current rate:

1% Decrease (6.5%)	\$ 1,061,300
Current discount rate (7.5%)	\$ 748,880
1% Increase (8.5%)	\$ 489,645

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

**OTHER POST EMPLOYMENT BENEFITS (OPEB)**

Plan description

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

Benefits provided

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

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

Employees covered by benefit terms

As of June 30, 2018, plan membership includes the following:

Number of Actives	20
Number of Retirees	<u>1</u>
Total	<u><u>21</u></u>

Contributions

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

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

**JUNE 30, 2018**

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

Total OPEB liability

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

Valuation Date	June 30, 2018
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

Discount rate

The discount rate used to measure the total OPEB liability as of June 30, 2018 is 3.87%.

Actuarial assumptions

The total OPEB liability in the June 30, 2018 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	8% per year, declining 50 basis points per year to an ultimate annual rate increase of 5%

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

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, 2017	\$ 483,976	\$	\$ 483,976
Changes for the year:			
Service cost	10,161		10,161
Interest	18,637		18,637
Contributions - employer		4,842	(4,842)
Benefit payments	(4,842)	(4,842)	
Net changes	23,956		23,956
Balance as of June 30, 2018	\$ 507,932	\$	\$ 507,932

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

**JUNE 30, 2018**

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

Deferred outflows of resources and deferred inflows of resources

The City had no deferred outflows of resources or deferred inflows of resources to report as of June 30, 2018.

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 (2.87%)	\$ 628,399
Current discount rate (3.87%)	\$ 507,932
1% Increase (4.87%)	\$ 415,554

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 (7.0% to 4.0%)	\$ 408,962
Current trend rate (8.0% to 5.0%)	\$ 507,932
1% Increase (9.0% to 6.0%)	\$ 639,923

**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 \$83,663 to LGIT in fiscal year 2018 to participate in the primary liability and property pools. The maximum financial loss exposure to the City is two times the annual premium (\$167,326). The insurance trust agreement provides for alternatives, which could reduce the City's maximum financial exposure.

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

**JUNE 30, 2018**

**JOINT VENTURES**

Airport

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

Ambulance

The Lower Somerset County Ambulance and Rescue Squad (LSCARS) is a joint venture between the City and Somerset County. During fiscal year 2018, the County reimbursed the City \$196,600 to help pay for the salaries and others costs of the paid paramedics and EMTs.

**CONTINGENCIES**

Partnership Rental Housing

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

Grant compliance

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

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

**JUNE 30, 2018**

**PRIOR PERIOD ADJUSTMENT**

The net position in the government-wide financial statements and proprietary fund statements as of June 30, 2017 have been restated due to implementation of GASB statement 75 as described in the note on page 29. Net position in the government-wide financial statements has also been restated due to an amount drawn on a loan in November 2017 which was recorded as grant revenue and receivable in the prior year, although draw downs on the loan were not finalized until year ended June 30, 2018.

	Government-wide	
	Governmental Activities	Business-type Activities
Net position, as previously reported	\$ 5,000,433	\$ 13,976,721
Adjustment to:		
Net OPEB Liability	(268,773)	(72,396)
Grant receivable	(370,240)	
Net position, as restated	\$ 4,361,420	\$ 13,904,325

	Fund financial statements				
	General Fund	Enterprise Funds			
		Water Fund	Sewer Fund	Industrial Rental Property	Partnership Rental Property
Net position, June 30, 2017, as previously reported	\$ 546,691	\$ 572,702	\$ 11,958,037	\$ 1,838,241	\$ (392,259)
Adjustment to:					
Net OPEB Liability		(36,198)	(36,198)		
Grant receivable	(370,240)				
Net position, as restated	\$ 176,451	\$ 536,504	\$ 11,921,839	\$ 1,838,241	\$ (392,259)

**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, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Taxes				
Real and personal				
Real property	\$ 1,220,000	\$ 1,220,000	\$ 1,237,461	\$ 17,461
Personal property	3,000	3,000	3,115	115
RR and public utilities	45,000	45,000	45,847	847
Ordinary business	70,000	70,000	86,412	16,412
Interest on delinquent taxes	13,000	13,000	16,315	3,315
Penalty on delinquent taxes	11,000	11,000	18,206	7,206
Hotel tax	5,000	5,000	7,663	2,663
Housing in lieu of taxes	7,000	7,000	20,607	13,607
Total real and personal taxes	1,374,000	1,374,000	1,435,626	61,626
State shared				
Income taxes - local	75,000	75,000	106,828	31,828
Highway - gas motor vehicle	34,550	34,550	121,290	86,740
Total state shared taxes	109,550	109,550	228,118	118,568
Total taxes	1,483,550	1,483,550	1,663,744	180,194
Licenses and permits				
Traders	1,500	1,500	5,560	4,060
Building	3,050	3,050	10,942	7,892
CATV - franchise fees	27,000	27,000	54,883	27,883
Parking			905	905
Golf cart			1,025	1,025
Total licenses and permits	31,550	31,550	73,315	41,765
Intergovernmental				
Ambulance	180,000	180,000	196,600	16,600
Community legacy grant			23,512	23,512
DNR grant			12,000	12,000
FEMA - SCLTR grant			362,459	362,459
Wind energy grant			450	450
USDA grant			58,600	58,600
Police protection	108,000	108,000	131,082	23,082
Park grant			20,881	20,881
Other agencies	2,000	2,000	8,576	6,576
Browns Court in lieu of taxes	10,000	10,000		(10,000)

**CITY OF CRISFIELD, MARYLAND**

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

**YEAR ENDED JUNE 30, 2018  
(Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Intergovernmental (Continued)</b>				
County bank shares	\$ 5,300	\$ 5,300	\$ 5,260	\$ (40)
Total intergovernmental	305,300	305,300	819,420	514,120
<b>Service charges</b>				
Liquor dispensaries	10,000	10,000	12,078	2,078
Inspection fees	600	600	120	(480)
Garbage charge	100,000	100,000	108,169	8,169
Airport fuel sales and county reimbursement	12,000	12,000	41,158	29,158
Mowing	10,000	10,000		(10,000)
Zoning fees	150	150	150	
Other	1,500	1,500	1,712	212
Total service charges	134,250	134,250	163,387	29,137
<b>Fines and forfeitures</b>				
Fines	5,200	5,200	620	(4,580)
Total fines and forfeitures	5,200	5,200	620	(4,580)
<b>Revenue from use of money and property</b>				
Interest	150	150	767	617
Rents and concessions	34,500	34,500	66,608	32,108
Demolition			2,593	2,593
Total revenue from use of money and property	34,650	34,650	69,968	35,318
Miscellaneous income	3,000	3,000	34,059	31,059
Total revenues	1,997,500	1,997,500	2,824,513	827,013
<b>Other financing sources (uses)</b>				
Transfers to other funds	(22,305)	(22,305)	406,146	428,451
Total other financing sources	(22,305)	(22,305)	406,146	428,451
<b>Total revenues and other financing resources</b>	<b>\$ 1,975,195</b>	<b>\$ 1,975,195</b>	<b>\$ 3,230,659</b>	<b>\$ 1,255,464</b>



**CITY OF CRISFIELD, MARYLAND**

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

**YEAR ENDED JUNE 30, 2018  
(Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
General government				
Mayor and council				
Salaries and wages	\$ 15,300	\$ 15,300	\$ 18,561	\$ (3,261)
Other operating expenses	7,500	7,500	3,472	4,028
Total mayor and council	22,800	22,800	22,033	767
City clerk				
Salaries and wages	173,279	173,279	160,112	13,167
Other operating expenses	47,361	47,361	81,073	(33,712)
Total city clerk	220,640	220,640	241,185	(20,545)
Accounting and auditing				
Other operating expenses	16,000	16,000	19,750	(3,750)
Total accounting and auditing	16,000	16,000	19,750	(3,750)
Legal counsel				
Professional fees	50,000	50,000	67,565	(17,565)
Total legal counsel	50,000	50,000	67,565	(17,565)
Municipally owned buildings				
Other operating expenses	13,500	13,500	24,493	(10,993)
Total municipally owned buildings	13,500	13,500	24,493	(10,993)
Public officers association				
Other operating expenses	10,890	10,890	8,196	2,694
Total public officers association	10,890	10,890	8,196	2,694
Zoning board				
Salaries and wages	1,538	1,538	701	837
Other operating expenses	450	450	170	280
Total zoning board	1,988	1,988	871	1,117
Voter registration				
Salaries and wages	2,563	2,563	1,455	1,108
Other operating expenses	4,000	4,000	3,435	565
Total voter registration	6,563	6,563	4,890	1,673
Total general government	342,381	342,381	388,983	(46,602)

**CITY OF CRISFIELD, MARYLAND**

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

**YEAR ENDED JUNE 30, 2018  
(Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Public safety				
Police department				
Salaries and wages	\$ 677,470	\$ 677,470	\$ 721,046	\$ (43,576)
Other operating expenses	127,000	127,000	213,117	(86,117)
Total police department	804,470	804,470	934,163	(129,693)
Fire department				
Other operating expenses	50,000	50,000	58,406	(8,406)
Total fire department	50,000	50,000	58,406	(8,406)
Protective inspection				
Salaries and wages	19,508	19,508	20,155	(647)
Other operating expenses	2,700	2,700	2,310	390
Total protective inspection	22,208	22,208	22,465	(257)
Total public safety	876,678	876,678	1,015,034	(138,356)
Streets and highways				
Maintenance of streets and highways				
Salaries and wages	12,300	12,300	75,738	(63,438)
Other operating expenses	87,054	87,054	172,662	(85,608)
Total maintenance of streets and highways	99,354	99,354	248,400	(149,046)
Highway lighting				
Other operating expenses	120,000	120,000	135,761	(15,761)
Total highway lighting	120,000	120,000	135,761	(15,761)

**CITY OF CRISFIELD, MARYLAND**

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

**YEAR ENDED JUNE 30, 2018  
(Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Streets and highways (Continued)				
Snow and ice removal				
Salaries and wages	\$ 1,025	\$ 1,025	\$ 4,632	\$ (3,607)
Other operating expenses	500	500	12,587	(12,087)
Total snow and ice removal	1,525	1,525	17,219	(15,694)
Storm drainage				
Other operating expenses	1,500	1,500	5,056	(3,556)
Total storm drainage	1,500	1,500	5,056	(3,556)
Total streets and highways	222,379	222,379	406,436	(184,057)
Sanitation and waste removal				
Street sanitation				
Salaries and wages	57,554	57,554	60,858	(3,304)
Other operating expenses	4,500	4,500	13,300	(8,800)
Total street sanitation	62,054	62,054	74,158	(12,104)
Waste collection and disposal				
Salaries and wages			44	(44)
Other operating expenses	75,000	75,000	74,695	305
Landfill	36,000	36,000	42,927	(6,927)
Total waste collection and disposal	111,000	111,000	117,666	(6,666)
Total sanitation and waste removal	173,054	173,054	191,824	(18,770)
Conservation of health				
Mosquito control				
Other operating expenses	4,000	4,000	2,306	1,694
Total mosquito control	4,000	4,000	2,306	1,694

**CITY OF CRISFIELD, MARYLAND**

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

**YEAR ENDED JUNE 30, 2018  
(Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Ambulance				
Salaries and wages	\$ 184,500	\$ 184,500	\$ 185,924	\$ (1,424)
Other operating expenses	9,900	9,900	4,711	5,189
Total ambulance	194,400	194,400	190,635	3,765
Total conservation of health	198,400	198,400	192,941	5,459
Airport				
Salaries and wages	23,840	23,840	31,753	(7,913)
Fuel			11,533	(11,533)
Other operating expenses	8,100	8,100	17,365	(9,265)
Total airport	31,940	31,940	60,651	(28,711)
Economic development	4,334	4,334	71,820	(67,486)
Culture and recreation	6,750	6,750	50,222	(43,472)
Subgrantee payments - SCLTR			362,459	(362,459)
Miscellaneous				
Payroll related expenditures	127,500	127,500	114,714	12,786
Other operating expenses	2,950	2,950	12,080	(9,130)
Pension	90,000	90,000	48,961	41,039
Insurance	448,000	448,000	359,178	88,822
Industrial park	4,667	4,667		4,667
Total miscellaneous	673,117	673,117	534,933	138,184
Debt service				
Principal	186,298	186,298	32,535	153,763
Interest	18,423	18,423	9,913	8,510
Total debt service	204,721	204,721	42,448	162,273
Total expenditures	\$ 2,733,754	\$ 2,733,754	\$ 3,317,751	\$ (583,997)

**CITY OF CRISFIELD, MARYLAND**

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

**YEAR ENDED JUNE 30, 2018  
(Continued)**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
Summary				
Total revenues and other financing sources	<u>\$ 1,975,195</u>	<u>\$ 1,975,195</u>	<u>\$ 3,230,659</u>	<u>\$ 1,255,464</u>
Total expenditures	<u>2,733,754</u>	<u>2,733,754</u>	<u>3,317,751</u>	<u>(583,997)</u>
Deficiency of revenues and other financing sources over expenditures	<u>\$ (758,559)</u>	<u>\$ (758,559)</u>	<u>(87,092)</u>	<u>\$ 671,467</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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.003463%	0.003961%	0.004632%	0.004141%
City's proportionate share of the net pension liability	\$ 748,880	\$ 934,451	\$ 906,496	\$ 734,898
City's covered-employee payroll	\$ 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	62.13%	76.83%	72.03%	75.82%
Plan fiduciary net position as a percentage of the total pension liability	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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 74,486	\$ 70,489	\$ 77,155	\$ 96,501
Contributions in relation to the contractually required contribution	<u>(74,486)</u>	<u>(70,489)</u>	<u>(77,155)</u>	<u>(96,501)</u>
Contribution deficiency (excess)	<u><u>\$</u></u>	<u><u>\$</u></u>	<u><u>\$</u></u>	<u><u>\$</u></u>
City's covered-employee payroll	\$ 1,205,249	\$ 1,216,336	\$ 1,258,492	\$ 969,276
Contributions as a percentage of covered-employee payroll	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)**

	2018
<b>Total OPEB liability</b>	
Service cost	\$ 10,161
Interest cost	18,637
Benefit payments	(4,842)
Net change in total OPEB liability	23,956
Total OPEB liability, beginning of year	483,976
Total OPEB liability, end of year	\$ 507,932
 <b>Plan fiduciary net position</b>	
Contributions employer	\$ 4,842
Benefit payments	(4,842)
Net change in fiduciary net position	
Fiduciary net position, beginning of year	
Fiduciary net position, end of year	\$
 <b>City's total OPEB liability, end of year</b>	\$ 507,932
 Fiduciary net position as a % of total OPEB liability	0.0%
 Covered-employee payroll	\$ 779,731
 <b>Total June 30, 2018 OPEB liability by Active/Inactive</b>	
Active employees	\$ 474,741
Inactive participants	33,191
Total OPEB liability	\$ 507,932
 City's total OPEB liability as a % of the covered employee payroll	65.14%

**Notes to schedule**  
No benefit changes.

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***



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

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CERTIFIED PUBLIC ACCOUNTANTS

MARYLAND ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

DELAWARE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

ALLINIAL 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, 2018, and the related notes to the financial statements, which collectively comprise the City of Crisfield, Maryland's basic financial statements and have issued our report thereon dated January 8, 2019.

**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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be significant deficiencies. However, significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs, which we consider to be a material weakness. (18-01)

## **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 questioned costs. 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.

**CERTIFIED PUBLIC ACCOUNTANTS**

Salisbury, Maryland  
January 8, 2019

**CITY OF CRISFIELD, MARYLAND**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2018**

**A. FINDINGS — FINANCIAL STATEMENTS AUDIT**

**MATERIAL WEAKNESS**

18-01 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.

**B. FINDINGS AND QUESTIONED COSTS — MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None