

CITY OF CRISFIELD, MARYLAND
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

CITY OF CRISFIELD, MARYLAND

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CITY OF CRISFIELD, MARYLAND

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INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

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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, 2020, and the related notes to the financial statements, which collectively comprise the City of Crisfield, Maryland's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Crisfield, Maryland, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the City's proportionate share of the net pension liability, schedule of the City's contributions, and schedule of funding progress on pages 3 – 11 and 49 – 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2021, on our consideration of the City of Crisfield, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Crisfield, Maryland's internal control over financial reporting and compliance.

PKS & Company, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
January 27, 2021

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

CITY OF CRISFIELD, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

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, 2020. Please read it in conjunction with the City's financial statements, which begin on page 12.

FINANCIAL HIGHLIGHTS

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

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

Fund Financial Statements

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

Governmental Funds

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

CITY OF CRISFIELD, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

Governmental Funds (continued)

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

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

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

Proprietary Funds

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

Summary of Significant Accounting Policies and Notes to the Financial Statements

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

CITY OF CRISFIELD, MARYLAND
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2020

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 \$17.5 million at the close of the current fiscal year. The City’s net position is divided into two categories – net investment in capital assets and unrestricted net position. The largest portion of the City’s net position reflects its investment in capital assets (e.g., land, improvements, buildings, machinery, equipment, vehicles and sewer system), less accumulated depreciation and any unmatured debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Unrestricted net position at June 30, 2020 of governmental activities was a deficit of \$505,680. The unrestricted net position for business-type activities was a deficit of \$169,951.

CITY OF CRISFIELD, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

Government-Wide Financial Analysis (Continued)

	Statements of Net Position					
	2020			2019 (Restated)		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Assets						
Current and other assets	\$ 971,383	\$ 462,043	\$ 1,433,426	\$ 975,647	\$ 524,493	\$ 1,500,140
Capital assets	5,090,551	17,881,039	22,971,590	5,201,425	18,530,439	23,731,864
Total assets	<u>6,061,934</u>	<u>18,343,082</u>	<u>24,405,016</u>	<u>6,177,072</u>	<u>19,054,932</u>	<u>25,232,004</u>
Deferred outflows of resources						
Deferred financing outflows - retirement	107,454	33,822	141,276	137,215	41,838	179,053
Deferred financing outflows - OPEB	331,988	62,860	394,848	115,434	31,093	146,527
Total deferred outflows of resources	<u>439,442</u>	<u>96,682</u>	<u>536,124</u>	<u>252,649</u>	<u>72,931</u>	<u>325,580</u>
Liabilities						
Current and other liabilities	359,138	617,555	976,693	245,408	514,483	759,891
Long-term liabilities outstanding	1,877,086	4,537,644	6,414,730	1,525,453	4,891,946	6,417,399
Total liabilities	<u>2,236,224</u>	<u>5,155,199</u>	<u>7,391,423</u>	<u>1,770,861</u>	<u>5,406,429</u>	<u>7,177,290</u>
Deferred inflows of resources						
Deferred financing inflows - retirement	72,627	21,832	94,459	71,065	21,411	92,476
Deferred grants				10,183		10,183
Total deferred inflows of resources	<u>72,627</u>	<u>21,832</u>	<u>94,459</u>	<u>81,248</u>	<u>21,411</u>	<u>102,659</u>
Net position						
Net investment in capital assets	4,698,205	13,328,034	18,026,239	4,843,441	13,594,879	18,438,320
Restricted		104,650	104,650		87,920	87,920
Unrestricted (deficit)	(505,680)	(169,951)	(675,631)	(265,829)	17,224	(248,605)
Total net position	<u>\$ 4,192,525</u>	<u>\$ 13,262,733</u>	<u>\$ 17,455,258</u>	<u>\$ 4,577,612</u>	<u>\$ 13,700,023</u>	<u>\$ 18,277,635</u>

CITY OF CRISFIELD, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

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

	Changes in Net Position					
	2020			2019 (Restated)		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues						
Program revenues						
Charges for services	\$ 199,121	\$ 1,861,343	\$ 2,060,464	\$ 214,467	\$ 1,693,560	\$ 1,908,027
Operating grants and contributions	318,664		318,664	414,106		414,106
Capital grants and contributions	124,797	223,538	348,335	22,000	452,040	474,040
General revenues						
Property taxes	1,460,078		1,460,078	1,502,336		1,502,336
Shared taxes	254,801		254,801	229,339		229,339
Payment in lieu of taxes	24,014		24,014	36,655		36,655
License and permits	51,476		51,476	48,673		48,673
Fines and forfeitures	1,638		1,638	500		500
Rents and concessions	43,168		43,168	40,971		40,971
Unrestricted investment earnings	2,456	558	3,014	4,065	551	4,616
Miscellaneous	40,935		40,935	104,024		104,024
Gain (Loss) on disposal of assets	(15,693)		(15,693)	4,485		4,485
Transfers	561,435		561,435	657,494		657,494
Total revenues	<u>3,066,890</u>	<u>2,085,439</u>	<u>5,152,329</u>	<u>3,279,115</u>	<u>2,146,151</u>	<u>5,425,266</u>
Expenses						
General government	583,040		583,040	554,801		554,801
Public safety	953,307		953,307	949,652		949,652
Streets and highways	581,052		581,052	377,236		377,236
Sanitation and waste removal	200,572		200,572	190,124		190,124
Conservation of health	208,893		208,893	204,496		204,496
Airport	52,152		52,152	52,797		52,797
Subgrantee payments				78,083		78,083
Miscellaneous	842,444		842,444	628,927		628,927
Bad debt expense	19,960		19,960	9,717		9,717
Interest on long-term debt	10,557		10,557	10,681		10,681
Water		629,403	629,403		509,187	509,187
Sewer		1,230,743	1,230,743		1,063,982	1,063,982
Industrial rental property		58,557	58,557		58,557	58,557
Partnership rental housing		42,591	42,591		43,895	43,895
Transfers		561,435	561,435		657,494	657,494
Total expenses	<u>3,451,977</u>	<u>2,522,729</u>	<u>5,974,706</u>	<u>3,056,514</u>	<u>2,333,115</u>	<u>5,389,629</u>
Change in net position	(385,087)	(437,290)	(822,377)	222,601	(186,964)	35,637
Net position, beginning of year	4,577,612	13,700,023	18,277,635	4,355,011	13,886,987	18,241,998
Net position, end of year	\$ 4,192,525	\$ 13,262,733	\$ 17,455,258	\$ 4,577,612	\$ 13,700,023	\$ 18,277,635

CITY OF CRISFIELD, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's *governmental funds* statements tell how government services like public safety, public works, recreation and culture, and administration were financed in the *short-term* as well as what remains for future spending.

Governmental funds – Most of the City's basic services are included in governmental funds which focus on (1) how *cash and other financial assets* can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, we provide additional information on the subsequent pages that explains the relationship (or differences) between them.

Proprietary Funds

The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Water Fund, Sewer Fund, Industrial Rental Property Fund, and Partnership Rental Housing Fund was a deficit of \$65,301. Other factors concerning these funds finances are addressed on pages 18, 19, and 20.

General Fund Budgetary Highlights

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

- Total revenues not including other financing sources were over the final budget by \$438,718.
- Total expenditures were over the final budget by \$187,204.

CITY OF CRISFIELD, MARYLAND

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2020

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, 2020 was \$22,971,590 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, furniture and fixtures, and infrastructure.

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

	Capital Assets (net of depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 1,809,945	\$ 1,823,737	\$ 524,760	\$ 524,760	\$ 2,334,705	\$ 2,348,497
Construction in progress	21,775	26,307	468,882	399,099	490,657	425,406
Building and improvements	1,754,314	1,757,208	9,659,632	10,013,210	11,413,946	11,770,418
Machinery and equipment	202,057	188,565	5,578,997	5,780,800	5,781,054	5,969,365
Furniture and fixtures	31,863	34,298			31,863	34,298
Infrastructure	1,270,597	1,371,310	1,648,768	1,812,570	2,919,365	3,183,880
Capital assets, net	\$ 5,090,551	\$ 5,201,425	\$ 17,881,039	\$ 18,530,439	\$ 22,971,590	\$ 23,731,864

Major purchases this year included:

Governmental activities:

1. City Hall and Airport Office building renovations totaling \$40,444.
2. Roof repair at the Corbin Library for \$24,750.
3. Purchase of a Kubota Tractor for \$40,000.
4. Purchase of a 2020 Ford Explorer and upfit totaling \$44,190.
5. Repairs to the roof and side door of the Police Department totaling \$14,136.

Business-type activities:

1. CCTV Sewer project totaling \$9,784.
2. Purchase of a York Heat Pump for \$6,360.
3. WWTP Facilities Improvements totaling \$60,000.
4. UV Project for \$33,738.

CITY OF CRISFIELD, MARYLAND
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2020

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Debt Administration

	Outstanding Debt					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
General obligation bonds	\$ 300,493	\$ 339,797	\$ 3,709,018	\$ 3,969,074	\$ 4,009,511	\$ 4,308,871
Notes payable	91,853	18,187	809,205	920,964	901,058	939,151
Capital lease payable	17,390	22,761	34,780	45,522	52,170	68,283
Compensated absences	74,932	75,205	16,127	10,789	91,059	85,994
Total outstanding debt	<u>\$ 484,668</u>	<u>\$ 455,950</u>	<u>\$ 4,569,130</u>	<u>\$ 4,946,349</u>	<u>\$ 5,053,798</u>	<u>\$ 5,402,299</u>

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

Currently Known Facts, Decisions, or Conditions

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

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

The City has contracted TK construction to work with Davis, Bowen & Friedel to repair and replace water meters that are not reading due to various reasons. This is being done to prepare the billing system for the future of billing for a certain number of gallons for the base rate, and then a per thousand-gallon charge. This is of the utmost importance considering the leaks that the City has experienced and the cost of private contractors that have been utilized to make repairs. To date, the City has incurred \$62,000 in contractor cost.

CITY OF CRISFIELD, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

Currently Known Facts, Decisions, or Conditions (continued)

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

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

The City has been working endlessly in ditch cleaning and have found tide gates that were damaged or collapsed resulting in the need for replacement and road work. The City has applied for a tide gate grant and has been awarded a drainage study grant from the County to assist in the ongoing problem.

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

The next election will be in June 2021 where two council members seats will be on the ballot.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF CRISFIELD, MARYLAND

STATEMENT OF NET POSITION

JUNE 30, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 384,309	\$ 46,802	\$ 431,111
Security deposit certificates of deposit		3,071	3,071
Investments	14,690		14,690
Taxes receivable	178,556		178,556
Grant receivable	56,581		56,581
Other receivable	213,346	356,303	569,649
Due from other governments	53,357		53,357
Internal balances	48,783	(48,783)	
Restricted cash		104,650	104,650
Inventory - fuel, at cost	10,466		10,466
Prepaid insurance	11,295		11,295
Capital assets, net	5,090,551	17,881,039	22,971,590
Total assets	<u>6,061,934</u>	<u>18,343,082</u>	<u>24,405,016</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred financing outflows - retirement	107,454	33,822	141,276
Deferred financing outflows - OPEB	331,988	62,860	394,848
Total deferred outflows of resources	<u>439,442</u>	<u>96,682</u>	<u>536,124</u>
LIABILITIES			
Line of credit	14,598	51,000	65,598
Accounts payable and accrued expenses	253,838	179,139	432,977
Security deposits		2,238	2,238
Due within one year			
Compensated absences	29,534	5,598	35,132
Capital lease payable	5,578	11,156	16,734
Notes and bonds payable	55,590	368,424	424,014
Due in more than one year			
Compensated absences, less current portion	45,398	10,529	55,927
Total OPEB liability	873,646	165,419	1,039,065
Net pension liability	609,474	188,271	797,745
Capital lease payable, less current portion	11,812	23,623	35,435
Notes and bonds payable, less current portion	336,756	4,149,802	4,486,558
Total liabilities	<u>2,236,224</u>	<u>5,155,199</u>	<u>7,391,423</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred financing inflows - retirement	72,627	21,832	94,459
NET POSITION			
Net investment in capital assets	4,698,205	13,328,034	18,026,239
Restricted		104,650	104,650
Unrestricted (deficit)	(505,680)	(169,951)	(675,631)
Total net position	<u>\$ 4,192,525</u>	<u>\$ 13,262,733</u>	<u>\$ 17,455,258</u>

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

CITY OF CRISFIELD, MARYLAND
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS							
GOVERNMENTAL ACTIVITIES							
General government	\$ 583,040	\$ 35,712	\$	\$	\$ (547,328)	\$	\$ (547,328)
Public safety	953,307		122,064		(831,243)		(831,243)
Streets and highways	581,052				(581,052)		(581,052)
Sanitation and waste removal	200,572	110,487			(90,085)		(90,085)
Conservation of health	208,893		196,600		(12,293)		(12,293)
Airport	52,152	39,515			(12,637)		(12,637)
Miscellaneous	842,444	13,407		124,797	(704,240)		(704,240)
Bad debt expense	19,960				(19,960)		(19,960)
Interest on long-term debt	10,557				(10,557)		(10,557)
Total governmental activities	<u>3,451,977</u>	<u>199,121</u>	<u>318,664</u>	<u>124,797</u>	<u>(2,809,395)</u>		<u>(2,809,395)</u>
BUSINESS-TYPE ACTIVITIES							
Water fund	629,403	549,498				(79,905)	(79,905)
Sewer fund	1,230,743	1,274,238		223,538		267,033	267,033
Industrial rental property	58,557					(58,557)	(58,557)
Partnership rental housing	42,592	37,608				(4,984)	(4,984)
Total business-type activities	<u>1,961,295</u>	<u>1,861,344</u>		<u>223,538</u>		<u>123,587</u>	<u>123,587</u>
Total	<u>\$ 5,413,272</u>	<u>\$ 2,060,465</u>	<u>\$ 318,664</u>	<u>\$ 348,335</u>	<u>(2,809,395)</u>	<u>123,587</u>	<u>(2,685,808)</u>
GENERAL REVENUES							
Taxes							
Real and personal					1,460,078		1,460,078
State shared					254,801		254,801
Payment in lieu of taxes					24,014		24,014
Licenses and permits					51,476		51,476
Fines and forfeitures					1,638		1,638
Rents and concessions					43,168		43,168
Interest					2,456	558	3,014
Miscellaneous					40,935		40,935
Loss on disposal of assets					(15,693)		(15,693)
Transfers					561,435	(561,435)	
Total general revenues					<u>2,424,308</u>	<u>(560,877)</u>	<u>1,863,431</u>
Change in net position					(385,087)	(437,290)	(822,377)
NET POSITION, BEGINNING OF YEAR, RESTATED					<u>4,577,612</u>	<u>13,700,023</u>	<u>18,277,635</u>
NET POSITION, END OF YEAR					<u>\$ 4,192,525</u>	<u>\$ 13,262,733</u>	<u>\$ 17,455,258</u>

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

CITY OF CRISFIELD, MARYLAND

**BALANCE SHEET
GOVERNMENTAL FUND**

JUNE 30, 2020

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 384,309
Investments	14,690
Taxes receivable	178,556
Grant receivable	56,581
Other receivable	213,346
Due from other governments	53,357
Due from other funds	48,783
Inventory - fuel, at cost	10,466
Prepaid insurance	11,295
	<hr/>
Total assets	<u>\$ 971,383</u>
LIABILITIES	
Accounts payable	253,838
Compensated absences	29,534
Line of credit	14,598
Total liabilities	<u>297,970</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred taxes	<u>224,454</u>
FUND BALANCES	
Nonspendable	70,544
Unassigned	378,415
Total fund balances	<u>448,959</u>
	<hr/>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 971,383</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, 2020

Total fund balance, governmental fund	\$ 448,959
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.	5,090,551
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.	107,454
Some liabilities and deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the fund financial statements, but are included in the governmental activities in the Statement of Net Position.	
Capital lease payable	(17,390)
Notes payable	(392,346)
Compensated absences	(45,398)
Other post-employment benefits obligation	(873,646)
Deferred financing inflows - retirement	(72,627)
Deferred financing inflows - OPEB	331,988
Net pension liability	(609,474)
Certain revenues that do not provide current financial resources are reported as deferred inflows in the funds financial statements, but are reported as revenue in the governmental activities of the Statement of Net Position.	
Deferred property taxes	<u>224,454</u>
Net position of governmental activities in the Statement of Net Position	<u>\$ 4,192,525</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, 2020

	<u>General Fund</u>
REVENUES	
Taxes - real and personal	\$ 1,622,043
Taxes - state shared	254,801
Licenses and permits	51,476
Intergovernmental	451,841
Charges for services	199,121
Fines and forfeitures	1,638
Revenues from use of money and property	45,624
Miscellaneous	43,274
Total revenues	<u>2,669,818</u>
EXPENDITURES	
Current	
General government	509,080
Public safety	987,448
Streets and highways	523,451
Sanitation and waste removal	199,814
Conservation of health	208,893
Airport	65,162
Economic development	110,216
Culture and recreation	54,349
Miscellaneous	528,016
Bad debt expense	19,960
Debt service	
Principal	49,705
Interest	10,557
Total expenditures	<u>3,266,651</u>
Revenues under expenditures	<u>(596,833)</u>
OTHER FINANCING SOURCES	
Loan proceeds	77,000
Transfer from other funds	561,435
Total other financing sources	<u>638,435</u>
Net change in fund balance	41,602
FUND BALANCE, BEGINNING OF YEAR	<u>407,357</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 448,959</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, 2020

Net change in fund balance, governmental fund	\$ 41,602
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 \$261,942 exceeds capital outlay \$177,481 in the current period.	(84,461)
In the Statement of Activities, the gain or loss on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net asset differs from the change in fund balance by the book value of the assets sold.	(26,413)
Changes in deferred outflows of resources presented in the governmental activities of the Statement of Activities:	
Deferred financing outflows - retirement	(29,761)
Deferred financing outflows - OPEB	216,554
Proceeds from the issuance of long-term debt are reported in the governmental fund as a source of financing. On the other hand, loan proceeds are not revenues in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Position.	(77,000)
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.	49,705
Bond issuance costs are expended in the governmental funds when paid and are capitalized and amortized over the life of the corresponding bonds for purposes of the Statement of Activities. The following amortization was incurred during the year.	(1,212)
Bond premiums and discounts are expended in the governmental funds when the bonds are issued, and are capitalized and amortized over the life of the bond in the Statement of Activities. The following amortization was incurred during the year.	(484)
Some expenses in the Statements of Activities do not require the use of current financial resources and these are not reported as expenditures in the governmental fund:	
Change in long-term compensated absences	(706)
Change in other post-employment benefit obligation	(322,362)
Change in net pension liability	(11,037)
Change in deferred financing inflows - retirement	(1,562)
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	(137,950)
Change in net position, governmental activities	\$ (385,087)

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

CITY OF CRISFIELD, MARYLAND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020

	Water and Sewer	Industrial Rental Property	Partnership Rental Housing	Total
ASSETS				
Cash and cash equivalents	\$ 21,856	\$	\$ 24,946	\$ 46,802
Security deposits certificates of deposits			3,071	3,071
Receivables	356,303			356,303
Restricted cash			104,650	104,650
Capital assets, net	16,145,994	1,690,752	44,293	17,881,039
Total assets	<u>16,524,153</u>	<u>1,690,752</u>	<u>176,960</u>	<u>18,391,865</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred financing outflows - retirement	33,822			33,822
Deferred financing outflows - OPEB	62,860			62,860
Total deferred outflows of resources	<u>96,682</u>			<u>96,682</u>
LIABILITIES				
Line of credit	51,000			51,000
Accounts payable and accrued expenses	179,139			179,139
Security deposits			2,238	2,238
Due to other funds			48,783	48,783
Due within one year				
Compensated absences	5,598			5,598
Capital lease payable	11,156			11,156
Notes and bonds payable	368,424			368,424
Due in more than one year				
Compensated absences, less current portion	10,529			10,529
Total OPEB liability	165,419			165,419
Net pension liability	188,271			188,271
Capital lease payable, less current portion	23,623			23,623
Notes and bonds payable, less current portion	3,621,279		528,523	4,149,802
Total liabilities	<u>4,624,438</u>		<u>579,544</u>	<u>5,203,982</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred financing inflows - retirement	21,832			21,832
NET POSITION				
Net investment in capital assets	12,121,512	1,690,752	(484,230)	13,328,034
Restricted			104,650	104,650
Unrestricted (deficit)	(146,947)		(23,004)	(169,951)
Total net position	<u>\$ 11,974,565</u>	<u>\$ 1,690,752</u>	<u>\$ (402,584)</u>	<u>\$ 13,262,733</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, 2020

	Water	Sewer	Industrial Rental Property	Partnership Rental Housing	Total
OPERATING REVENUES					
Water service	\$ 524,545	\$	\$	\$	\$ 524,545
Sewer service		1,197,221			1,197,221
Front foot assessment		61,425			61,425
Rent				37,608	37,608
Late fees	7,512				7,512
Application fees	10,500	6,000			16,500
Flush tax		9,592			9,592
Other	6,941				6,941
Total operating revenues	<u>549,498</u>	<u>1,274,238</u>		<u>37,608</u>	<u>1,861,344</u>
OPERATING EXPENSES					
Salaries and wages	123,275	123,038			246,313
Payroll taxes and fringe benefits	38,871	24,430			63,301
Contracted services	92,773	101,597		6,967	201,337
Utilities	62,443	103,168		10,355	175,966
Chemicals	18,174	77,547			95,721
Depreciation	167,882	523,541	58,557	17,679	767,659
Other operating expenses	120,018	226,398		7,591	354,007
Total operating expenses	<u>623,436</u>	<u>1,179,719</u>	<u>58,557</u>	<u>42,592</u>	<u>1,904,304</u>
Operating income (loss)	<u>(73,938)</u>	<u>94,519</u>	<u>(58,557)</u>	<u>(4,984)</u>	<u>(42,960)</u>
NONOPERATING REVENUES (EXPENSES)					
Grant revenue		223,538			223,538
Interest income				558	558
Interest expense	(5,967)	(51,024)			(56,991)
Transfer to general fund	(280,717)	(280,718)			(561,435)
Net nonoperating revenues (expenses)	<u>(286,684)</u>	<u>(108,204)</u>		<u>558</u>	<u>(394,330)</u>
Change in net position	<u>(360,622)</u>	<u>(13,685)</u>	<u>(58,557)</u>	<u>(4,426)</u>	<u>(437,290)</u>
NET POSITION, BEGINNING OF YEAR, RESTATED	<u>102,221</u>	<u>12,246,651</u>	<u>1,749,309</u>	<u>(398,158)</u>	<u>13,700,023</u>
NET POSITION, END OF YEAR	<u>\$ (258,401)</u>	<u>\$ 12,232,966</u>	<u>\$ 1,690,752</u>	<u>\$ (402,584)</u>	<u>\$ 13,262,733</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, 2020

	Water and Sewer	Industrial Rental Property	Partnership Rental Housing	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 1,824,959	\$	\$ 37,608	\$ 1,862,567
Cash paid to or on behalf of employees	(307,706)			(307,706)
Cash paid to suppliers	(698,248)		(24,913)	(723,161)
Net cash provided (used) by operating activities	<u>819,005</u>		<u>12,695</u>	<u>831,700</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Grant proceeds	39,402			39,402
Debt proceeds	51,000			51,000
Purchase of assets	(118,259)			(118,259)
Principal paid on long-term obligations	(198,419)			(198,419)
Interest paid on long-term obligations	(56,991)			(56,991)
Net cash used by capital and related financing activities	<u>(283,267)</u>			<u>(283,267)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to general fund	<u>(561,435)</u>			<u>(561,435)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income			558	558
Net increase (decrease) in cash	(25,697)		13,253	(12,444)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	47,553		119,414	166,967
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 21,856</u>	<u>\$</u>	<u>\$ 132,667</u>	<u>\$ 154,523</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 20,581	\$ (58,557)	\$ (4,984)	\$ (42,960)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	691,423	58,557	17,679	767,659
Deferred financing outflows - retirement	8,016			8,016
Deferred financing outflows - OPEB	(31,767)			(31,767)
Deferred financing inflows - retirement	421			421
Effects of changes in operating assets and liabilities:				
Accounts and other receivables	1,223			1,223
Accounts payable and accrued expenses	106,843			106,843
Total other post-employment benefit liability	16,927			16,927
Compensated absences	5,338			5,338
Net cash provided (used) by operating activities	<u>\$ 819,005</u>	<u>\$</u>	<u>\$ 12,695</u>	<u>\$ 831,700</u>

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

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting

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

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

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

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

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

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

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of estimates in preparing financial statements

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

Budgets and budgetary accounting

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

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

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

Cash, cash equivalents and investments

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

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

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

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted cash

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

Property tax receivables

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

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

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

Real and personal property taxes are levied at rates enacted by the Commissioners in the annual budget ordinance on the assessed value as determined by the Maryland State Department of Assessments and Taxation. The rates of levy cannot exceed the constant yield rate furnished by the Maryland State Department of Assessment and Taxation without public notice and only after public hearings. For fiscal year 2020, the City of Crisfield, Maryland's real property tax rate was \$.87 per \$100 of assessed value and the business personal property tax rate was \$1.75 per \$100 of assessed value.

Interfund transactions

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

Inventory

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

Prepaid items

Payments made to vendors for services that will benefit periods beyond June 30, 2020, are reported as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets

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

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

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

Estimated useful lives are as follows:

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, 2020

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 two 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) 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 two items that qualify for reporting in this category: deferred financing outflows related to the retirement plan and deferred financing outflows related to OPEB 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, 2020, there was \$91,059 of vacation benefits due to employees.

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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 due from other funds, 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, 2020

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, 2020, the invested funds are as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Fully Insured</u>
Governmental Activities:			
Cash and cash equivalents	\$ 384,309	\$ 479,579	\$ 479,579
Investments	14,690	14,774	14,774
Total	<u>\$ 398,999</u>	<u>\$ 494,353</u>	<u>\$ 494,353</u>
Business-type Activities:			
Cash and cash equivalents	\$ 98,958	\$ 104,308	\$ 104,308
Investments	55,565	55,565	55,565
Total	<u>\$ 154,523</u>	<u>\$ 159,873</u>	<u>\$ 159,873</u>

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

Investment Rate Risk

Fair value fluctuates with interest rates, and increasing interest rates could cause fair value to decline below original cost. To limit the City's exposure to fair value losses arising from increasing interest rates, the City's investment policy limits the term of investment maturities between thirty days to 24 months in order to remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated. City management believes the liquidity in the portfolio is adequate to meet cash flow requirements and to preclude the City from having to sell investments below original cost for that purpose. The investments at June 30, 2020 met the City's investment policy as of that date. Investment income was comprised entirely of interest amounting to \$3,014 for the year ended June 30, 2020.

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

DEPOSITS AND INVESTMENTS (Continued)

Credit Risk

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

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover all or a portion of the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2020, none of the City's investments were exposed to custodial credit risk as they were covered by FDIC insurance.

RECEIVABLES

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

Taxes	\$	178,556
Grants		56,581
Other		
Mowing		53,715
Penalties		30,814
Interest		21,892
Airport		29,268
Police		17,680
Garbage		12,199
Other		47,778
Receivables	\$	448,483

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

RECEIVABLES (Continued)

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

	Water and Sewer	Industrial Rental Property	Partnership Rental Housing	Total
Accounts receivable	<u>\$ 356,303</u>	<u>\$</u>	<u>\$</u>	<u>\$ 356,303</u>

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, 2020 consisted of deferred taxes and was \$224,454.

DUE FROM OTHER GOVERNMENTS

The June 30, 2020 balance due from other governments is as follows:

	Governmental Activities	Business-type Activities	Total
State of Maryland:			
Police	\$ 17,754	\$	\$ 17,754
Highway user	33,292		33,292
Other	2,311		2,311
Total State of Maryland	<u>\$ 53,357</u>	<u>\$</u>	<u>\$ 53,357</u>

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

CAPITAL ASSETS

Capital assets of the Governmental Activities are summarized as follows:

	Balance June 30, 2019	Additions & Transfers	Deletions & Transfers	Balance June 30, 2020
Capital assets not being depreciated				
Land	\$ 1,823,737	\$	\$ (13,792)	\$ 1,809,945
Construction in progress	26,307	1,275	(5,807)	21,775
Total capital assets not being depreciated	<u>1,850,044</u>	<u>1,275</u>	<u>(19,599)</u>	<u>1,831,720</u>
Capital assets being depreciated				
Building and improvements	2,546,108	83,877	(22,492)	2,607,493
Machinery and equipment	1,338,945	84,190	(65,729)	1,357,406
Furniture and fixtures	125,365	2,338		127,703
Infrastructure	4,574,217	11,607		4,585,824
Total capital assets being depreciated	<u>8,584,635</u>	<u>182,012</u>	<u>(88,221)</u>	<u>8,678,426</u>
Less accumulated depreciation for				
Building and improvements	(788,899)	(74,152)	9,872	(853,179)
Machinery and equipment	(1,150,380)	(70,698)	65,729	(1,155,349)
Furniture and fixtures	(91,068)	(4,772)		(95,840)
Infrastructure	(3,202,907)	(112,320)		(3,315,227)
Total accumulated depreciation	<u>(5,233,254)</u>	<u>(261,942)</u>	<u>75,601</u>	<u>(5,419,595)</u>
Governmental activities, capital assets, net	<u>\$ 5,201,425</u>	<u>\$ (78,655)</u>	<u>\$ (32,219)</u>	<u>\$ 5,090,551</u>

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

	Balance June 30, 2019	Additions & Transfers	Deletions & Transfers	Balance June 30, 2020
Capital assets not being depreciated				
Land	\$ 408,760	\$	\$	\$ 408,760
Construction in progress	399,099	69,783		468,882
Total capital asset not being depreciated	<u>807,859</u>	<u>69,783</u>		<u>877,642</u>
Capital assets being depreciated				
Building and improvements	13,646,739	2,500		13,649,239
Machinery and equipment	9,321,156	41,949		9,363,105
Infrastructure	5,383,331	4,027	(18,130)	5,369,228
Total capital assets being depreciated	<u>28,351,226</u>	<u>48,476</u>	<u>(18,130)</u>	<u>28,381,572</u>
Less accumulated depreciation for				
Building and improvements	(5,328,809)	(279,843)		(5,608,652)
Machinery and equipment	(3,540,357)	(243,751)		(3,784,108)
Infrastructure	(3,570,761)	(167,829)	18,130	(3,720,460)
Total accumulated depreciation	<u>(12,439,927)</u>	<u>(691,423)</u>	<u>18,130</u>	<u>(13,113,220)</u>
Water and Sewer activities, capital assets, net	<u>\$ 16,719,158</u>	<u>\$ (573,164)</u>	<u>\$</u>	<u>\$ 16,145,994</u>

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

CAPITAL ASSETS (Continued)

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

	<u>Balance June 30, 2019</u>	<u>Additions & Transfers</u>	<u>Deletions & Transfers</u>	<u>Balance June 30, 2020</u>
Capital assets not being depreciated				
Land	\$ 116,000	\$	\$	\$ 116,000
Total capital assets not being depreciated	<u>116,000</u>			<u>116,000</u>
Capital assets being depreciated				
Building and improvements	2,086,225			2,086,225
Total capital assets being depreciated	<u>2,086,225</u>			<u>2,086,225</u>
Less accumulated depreciation for				
Building and improvements	<u>(452,916)</u>	<u>(58,557)</u>		<u>(511,473)</u>
Total accumulated depreciation	<u>(452,916)</u>	<u>(58,557)</u>		<u>(511,473)</u>
Industrial Rental Property activities, capital assets, net	<u>\$ 1,749,309</u>	<u>\$ (58,557)</u>	<u>\$</u>	<u>\$ 1,690,752</u>

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

	<u>Balance June 30, 2019</u>	<u>Additions & Transfers</u>	<u>Deletions & Transfers</u>	<u>Balance June 30, 2020</u>
Capital assets being depreciated				
Building and improvements	\$ 530,384	\$	\$	\$ 530,384
Total capital assets being depreciated	<u>530,384</u>			<u>530,384</u>
Less accumulated depreciation for				
Building and improvements	<u>(468,412)</u>	<u>(17,679)</u>		<u>(486,091)</u>
Total accumulated depreciation	<u>(468,412)</u>	<u>(17,679)</u>		<u>(486,091)</u>
Partnership Rental Housing, capital assets, net	<u>\$ 61,972</u>	<u>\$ (17,679)</u>	<u>\$</u>	<u>\$ 44,293</u>

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

CAPITAL ASSETS (Continued)

Depreciation expense is recorded as follows:

Governmental activities:	
General government	\$ 132,322
Public safety	24,186
Streets and highways	104,676
Sanitation and waste removal	758
Total governmental activities	<u>\$ 261,942</u>
Business-type activities:	
Water and sewer fund	\$ 691,423
Industrial rental property fund	58,557
Partnership rental housing fund	17,679
Total business-type activities	<u>\$ 767,659</u>

LINE OF CREDIT

The following is a summary of the City's lines of credit for the year ended June 30, 2020:

Governmental Activities:

Hebron Savings Bank line of credit. Interest is payable at a rate equivalent to the prime rate of interest. Payable on demand. Limit of \$100,000.	<u>\$ 14,598</u>
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Business-type Activities:

Hebron Savings Bank line of credit for the Sewer fund. Interest accrues at a tax-exempt rate of 4.71%. Payable on demand. Limit of \$1,993,000.	<u>\$ 51,000</u>
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Changes in the lines of credit for the year ended June 30, 2020 are as follows:

	Beginning Balance	Additions	Principal Repayments	Ending Balance
Governmental activities:				
Line of credit	<u>\$ 19,599</u>	<u>\$</u>	<u>\$ 5,001</u>	<u>\$ 14,598</u>
Business-type activities:				
Line of credit	<u>\$</u>	<u>\$ 51,000</u>	<u>\$</u>	<u>\$ 51,000</u>

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

LONG-TERM LIABILITIES

Changes in long-term obligations for the year ended June 30, 2020 are as follows:

	Beginning Balance	Additions & Transfers	Principal Repayments & Transfers	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 353,500	\$	\$ 40,999	\$ 312,501	\$ 38,000
Less: Unamortized bond issuance costs	(9,792)		(1,212)	(8,580)	
Less: Unamortized bond premium	(3,911)		(483)	(3,428)	
Notes payable	18,187	77,000	3,334	91,853	17,590
Capital lease payable	22,761		5,371	17,390	5,578
Compensated absences	75,205		273	74,932	29,534
Governmental activities long-term liabilities	<u>\$ 455,950</u>	<u>\$ 77,000</u>	<u>\$ 48,282</u>	<u>\$ 484,668</u>	<u>\$ 90,702</u>
Business-type activities:					
General obligation bonds	\$ 4,337,347	\$	\$ 75,917	\$ 4,261,430	\$ 250,471
Less: Unamortized debt forgiveness	(368,274)	(184,138)		(552,412)	
Notes payable	920,965		111,760	809,205	117,953
Capital lease payable	45,522		10,742	34,780	11,156
Compensated absences	10,789	5,338		16,127	5,598
Business-type activities long-term liabilities	<u>\$ 4,946,349</u>	<u>\$ (178,800)</u>	<u>\$ 198,419</u>	<u>\$ 4,569,130</u>	<u>\$ 385,178</u>

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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.	\$ 312,501
Less: Unamortized bond insurance costs	(8,580)
Less: Unamortized bond premium	<u>(3,428)</u>
	<u>\$ 300,493</u>

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

Notes payable consist of the following:

Hebron Savings Bank - three trucks - a tractor - two roofs. Principal payments in annual installments of \$4,126 beginning July 3, 2019. Interest is payable annually at 4.35%.	<u>\$ 91,853</u>
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Capital lease payable consist of the following:

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

JCB Finance - Backhoe - Principal payments in annual installments of \$6,251 including interest at 3.80%, beginning September 26, 2018.	<u>\$ 17,390</u>
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CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

LONG-TERM LIABILITIES (Continued)

Business-type activities

General obligation bonds consist of the following:

	Water and Sewer	Industrial Rental Property	Partnership Rental Housing	Total
\$582,573 - Water Quality Bonds - Series 2008A. 20 annual installments beginning February 1, 2008. Annual payments including principal and interest of .40% are paid over the term of 20 years.	\$ 209,212	\$	\$	\$ 209,212
\$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%.	797,670			797,670
\$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.	308,352			308,352
\$2,946,196 - 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.	2,946,196			2,946,196
Less: accumulated loan forgiveness	(552,412)			(552,412)
Total business-type activities general obligation bonds	\$ 3,709,018	\$	\$	\$ 3,709,018

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

LONG-TERM LIABILITIES (Continued)

Business-type activities (continued)

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

Notes payable consist of the following:

	Water and Sewer	Industrial Rental Property	Partnership Rental Housing	Total
Hebron Savings Bank - Principal payable in monthly payments of \$5,456, including interest at 2.06% beginning October 2012.	\$ 149,335	\$	\$	\$ 149,335
Hebron Savings Bank - Principal payable in a single payment of all unpaid principal, including interest at 3.25% beginning October 30, 2015.	14,900			14,900
Hebron Savings Bank - Principal payable in annual installments of \$8,252, including interest at 4.35% beginning July 3, 2019.	29,704			29,704
Hebron Savings Bank - Principal payable in quarterly installments of \$16,340, including interest at 2.92% beginning June 24, 2017.	16,353			16,353
Hebron Savings Bank - Principal payable in annual installments of \$19,587, including interest at 4.35% beginning October 4, 2019.	70,390			70,390
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	\$ 280,682	\$	\$ 528,523	\$ 809,205

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

LONG-TERM LIABILITIES (Continued)

Business-type activities (continued)

Capital lease payable consists of the following:

JCB Finance - Backhoe - Principal payments in annual installments of \$12,501 including interest at 3.80%, beginning September 26, 2018.	<u><u>\$ 34,780</u></u>
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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
2021	38,000	7,172	17,590	4,015
2022	39,500	6,311	18,358	3,246
2023	41,500	5,429	19,160	2,444
2024	43,000	4,538	19,998	1,607
2025	45,000	3,625	16,747	733
2026-2030	93,493	4,044		
	<u>\$ 300,493</u>	<u>\$ 31,119</u>	<u>\$ 91,853</u>	<u>\$ 12,045</u>

Year Ending June 30,	Business-Type Activities			
	General Obligation Bonds		Notes	
	Principal	Interest	Principal	Interest
2021	250,471	38,443	117,953	7,589
2022	251,396	37,518	89,039	4,413
2023	252,348	36,566	47,530	2,341
2024	253,330	34,444	554,683	1,167
2025	254,343	33,432		
2026-2030	1,196,586	156,029		
2031-2035	737,689	130,104		
2036-2040	142,757	95,151		
2041-2045	176,360	61,549		
2046-2050	193,738	20,164		
	<u>\$ 3,709,018</u>	<u>\$ 643,400</u>	<u>\$ 809,205</u>	<u>\$ 15,510</u>

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Debt service requirements (continued)

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

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	5,578	672	11,156	1,345
2022	5,794	457	11,588	914
2023	6,018	233	12,036	465
	<u>\$ 17,390</u>	<u>\$ 1,362</u>	<u>\$ 34,780</u>	<u>\$ 2,724</u>

RETIREMENT AND PENSION PLANS

General information about the pension plan

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

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

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

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

RETIREMENT AND PENSION PLANS (Continued)

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

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

At June 30, 2020, the City reported a liability of \$797,745 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2019, the City's proportion was .003868%.

For the year ended June 30, 2020, the City recognized pension expense of \$134,502. At June 30, 2020, 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	\$ 13,940	\$ 21,711
Net difference between projected and actual earnings on pension plan investments	51,931	28,124
Difference between actual and expected experience		44,624
Contributions subsequent to measurement date	75,405	
	\$ 141,276	\$ 94,459

The City's contribution subsequent to the measurement date of \$75,405 reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

RETIREMENT AND PENSION PLANS (Continued)

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

Deferred financial inflows and outflows are made up of changes in actuarial assumptions, 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 5.68 to 5.87 years. The net difference in investment earnings are being amortized over a closed five-year period. The following table shows the amortization of these balances:

Year Ending June 30	Deferred Outflows	Deferred Inflows
2021	\$ 33,088	\$ 33,602
2022	22,404	29,998
2023	5,552	17,025
2024	4,827	9,506
2025	_____	4,328
Total	\$ 65,871	\$ 94,459

Actuarial assumptions. The actuarial assumption for the Pension Plan as a whole and based on the June 30, 2019 annual actuarial valuation report for Maryland Municipal Corporation are as follows:

Inflation	2.65% general
Salary increases	3.15%, including inflation
Investment rate of return	7.40%

Mortality rates were based on the RP-2018 Combined Healthy Mortality table projected to the year 2028.

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

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

RETIREMENT AND PENSION PLANS (Continued)

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

Investments. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board of Trustees after considering input from MSRPS's investment consultants and actuaries. For each major class that is included in the MSRPS's target asset allocation as of June 30, 2019, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	37%	6.3%
Private Equity	13%	7.5%
Rate Sensitive	19%	1.3%
Credit Opportunity	9%	3.9%
Real Assets	14%	4.5%
Absolute Return	8%	3.0%
Total	100%	

Discount rate. The discount rate used to measure the total pension liability was 7.40%. 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, 2020

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 7.40%, 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 (6.40%) or 1-percentage point higher (8.40%) than the current rate:

1% Decrease (6.40%)	\$ 1,154,644
Current discount rate (7.40%)	\$ 797,745
1% Increase (8.40%)	\$ 500,478

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

OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan description

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

Benefits provided

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

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

Employees covered by benefit terms

As of June 30, 2020, plan membership includes the following:

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

Contributions

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

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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, 2019
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020

Discount rate

The discount rate used to measure the total OPEB liability as of June 30, 2020 is 2.21%.

Actuarial assumptions

The total OPEB liability in the June 30, 2020 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	6.5% per year, declining 50 basis points per year to an ultimate annual rate increase of 4.5%

Mortality rates were based on the Pub-2010 General Headcount-Weighted with scale MP-2019.

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, 2019	\$ 699,776	\$	\$ 699,776
Changes for the year:			
Service cost	14,905		14,905
Interest	24,407		24,407
Assumption changes	304,877		304,877
Contributions - employer		4,900	(4,900)
Benefit payments	(4,900)	(4,900)	
Net changes	339,289		339,289
Balance as of June 30, 2020	\$ 1,039,065	\$	\$ 1,039,065

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Deferred outflows of resources and deferred inflows of resources

	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 17,436	\$
Changes of assumptions	377,412	
Total	\$ 394,848	\$

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

	FY 2021	\$	56,556
	FY 2022		56,556
	FY 2023		56,556
	FY 2024		56,556
	FY 2025		56,556
	Thereafter		112,068
		\$	394,848

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 (1.21%)	\$ 1,348,644
Current discount rate (2.21%)	\$ 1,039,065
1% Increase (3.21%)	\$ 813,986

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 (5.5% to 3.5%)	\$ 797,620
Current trend rate (6.5% to 4.5%)	\$ 1,039,065
1% Increase (7.5% to 5.5%)	\$ 1,377,158

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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 \$87,994 to LGIT in fiscal year 2020 to participate in the primary liability and property pools. The maximum financial loss exposure to the City is two times the annual premium (\$175,988). The insurance trust agreement provides for alternatives, which could reduce the City's maximum financial exposure.

JOINT VENTURES

Airport

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

Ambulance

The Lower Somerset County Ambulance and Rescue Squad (LSCARS) is a joint venture between the City and Somerset County. During fiscal year 2020, the County reimbursed the City \$196,600 to help pay for the salaries and others costs of the paid paramedics and EMTs.

CONTINGENCIES

Partnership Rental Housing

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

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

CONTINGENCIES (Continued)

Grant compliance

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

NEW GASB PRONOUNCEMENT

GASB Statement No. 87, *Leases*, will be effective for the Town beginning with the year ending June 30, 2023. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement will also change the way leases are disclosed.

COVID-19 IMPACT

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) outbreak a public health emergency. There have been mandates from federal, state, and local authorities requiring forced closures of schools, businesses, and other facilities. All City services continue to be provided with City employees following CDC and state guidelines. Public events were postponed or cancelled and parks and playgrounds were closed. Meetings were held in accordance with state guidelines and were available to the public through electronic livestreaming.

Although most state and local governments have begun to ease restrictions, it is possible that a resurgence in COVID-19 cases could prompt a return to tighter restrictions. Therefore, significant uncertainty remains regarding the financial impact on the City's financial condition and future results of operations.

CITY OF CRISFIELD, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

PRIOR PERIOD ADJUSTMENT

The net position in the government-wide financial statements and proprietary fund statements as of June 30, 2020 has been restated due to unrecorded deferred outflows of resources related to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

	Government-wide	
	Governmental Activities	Business-type Activities
Net position, as previously reported	\$ 4,462,178	\$ 13,668,930
Adjustment to:		
Deferred financing outflows - OPEB	115,434	31,093
Net position, as restated	\$ 4,577,612	\$ 13,700,023

	Fund financial statements				
	General Fund	Enterprise Funds			Partnership Rental Property
		Water Fund	Sewer Fund	Industrial Rental Property	
Fund balance/net position, June 30, 2019, as previously reported	\$ 407,357	\$ 86,675	\$ 12,231,104	\$ 1,749,309	\$ (398,158)
Adjustment to:					
Deferred financing outflows - OPEB		15,546	15,547		
Fund balance/net position, as restated	\$ 407,357	\$ 102,221	\$ 12,246,651	\$ 1,749,309	\$ (398,158)

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, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Taxes				
Real and personal				
Real property	\$ 1,220,000	\$ 1,220,000	\$ 1,403,567	\$ 183,567
Personal property	7,000	7,000	36,811	29,811
RR and public utilities	42,000	42,000	52,816	10,816
Ordinary business	70,000	70,000	59,714	(10,286)
Interest on delinquent taxes	26,000	26,000	17,829	(8,171)
Penalty on delinquent taxes			18,830	18,830
Hotel tax	5,000	5,000	8,462	3,462
Housing in lieu of taxes	17,000	17,000	24,014	7,014
Total real and personal taxes	<u>1,387,000</u>	<u>1,387,000</u>	<u>1,622,043</u>	<u>235,043</u>
State shared				
Income taxes - local	75,000	75,000	101,242	26,242
Highway - gas motor vehicle	160,000	160,000	153,559	(6,441)
Total state shared taxes	<u>235,000</u>	<u>235,000</u>	<u>254,801</u>	<u>19,801</u>
Total taxes	<u>1,622,000</u>	<u>1,622,000</u>	<u>1,876,844</u>	<u>254,844</u>
Licenses and permits				
Traders	1,000	1,000	5,155	4,155
Building	3,050	3,050	4,676	1,626
CATV - franchise fees	36,000	36,000	39,830	3,830
Parking			475	475
Golf cart			1,340	1,340
Total licenses and permits	<u>40,050</u>	<u>40,050</u>	<u>51,476</u>	<u>11,426</u>
Intergovernmental				
Ambulance	196,600	196,600	196,600	0
Community legacy grant			75,396	75,396
USDA grant			11,026	11,026
Police protection	108,000	108,000	125,184	17,184
Other agencies	51,000	51,000	38,375	(12,625)
County bank shares			5,260	5,260
Total intergovernmental	<u>355,600</u>	<u>355,600</u>	<u>451,841</u>	<u>96,241</u>

CITY OF CRISFIELD, MARYLAND

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

**YEAR ENDED JUNE 30, 2020
(Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Service charges				
Liquor dispensaries	\$ 11,000	\$ 11,000	\$ 13,407	\$ 2,407
Inspection fees	30,000	30,000	16,925	(13,075)
Garbage charge	100,000	100,000	110,487	10,487
Airport fuel sales and county reimbursement	12,000	12,000	39,515	27,515
Mowing	15,000	15,000	16,359	1,359
Zoning fees	150	150		(150)
Other	6,800	6,800	2,428	(4,372)
Total service charges	<u>174,950</u>	<u>174,950</u>	<u>199,121</u>	<u>24,171</u>
Fines and forfeitures				
Fines	<u>1,500</u>	<u>1,500</u>	<u>1,638</u>	<u>138</u>
Revenue from use of money and property				
Interest	2,000	2,000	2,456	456
Rents and concessions	<u>34,000</u>	<u>34,000</u>	<u>43,168</u>	<u>9,168</u>
Total revenue from use of money and property	<u>36,000</u>	<u>36,000</u>	<u>45,624</u>	<u>9,624</u>
Miscellaneous income	<u>1,000</u>	<u>1,000</u>	<u>43,274</u>	<u>42,274</u>
Total revenues	<u>2,231,100</u>	<u>2,231,100</u>	<u>2,669,818</u>	<u>438,718</u>
Other financing sources				
Loan proceeds			77,000	77,000
Transfers from other funds			561,435	561,435
Total other financing sources			<u>638,435</u>	<u>638,435</u>
Total revenues and other financing sources	<u>\$ 2,231,100</u>	<u>\$ 2,231,100</u>	<u>\$ 3,308,253</u>	<u>\$ 1,077,153</u>

CITY OF CRISFIELD, MARYLAND

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

**YEAR ENDED JUNE 30, 2020
(Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
General government				
Mayor and council				
Salaries and wages	\$ 15,300	\$ 15,300	\$ 17,957	\$ (2,657)
Other operating expenses	11,300	11,300	8,157	3,143
Total mayor and council	26,600	26,600	26,114	486
City clerk				
Salaries and wages	182,789	182,789	196,528	(13,739)
Other operating expenses	98,650	98,650	79,136	19,514
Total city clerk	281,439	281,439	275,664	5,775
Accounting and auditing				
Other operating expenses	19,750	19,750	19,620	130
Legal counsel				
Professional fees	50,000	50,000	74,211	(24,211)
Municipally owned buildings				
Other operating expenses	28,700	28,700	98,853	(70,153)
Public officers association				
Other operating expenses	11,000	11,000	9,339	1,661
Zoning board				
Salaries and wages	1,538	1,538	417	1,121
Other operating expenses	500	500		500
Total zoning board	2,038	2,038	417	1,621
Voter registration				
Salaries and wages	4,500	4,500	1,176	3,324
Other operating expenses			3,686	(3,686)
Total voter registration	4,500	4,500	4,862	(362)
Total general government	424,027	424,027	509,080	(85,053)

CITY OF CRISFIELD, MARYLAND

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

**YEAR ENDED JUNE 30, 2020
(Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Public safety				
Police department				
Salaries and wages	\$ 716,250	\$ 716,250	\$ 668,467	\$ 47,783
Other operating expenses	120,600	120,600	204,448	(83,848)
Capital outlay			11,836	(11,836)
Total police department	<u>836,850</u>	<u>836,850</u>	<u>884,751</u>	<u>(47,901)</u>
Fire department				
Other operating expenses	50,000	50,000	54,937	(4,937)
Protective inspection				
Salaries and wages	41,000	41,000	43,960	(2,960)
Other operating expenses	2,700	2,700	3,800	(1,100)
Total protective inspection	<u>43,700</u>	<u>43,700</u>	<u>47,760</u>	<u>(4,060)</u>
Total public safety	<u>930,550</u>	<u>930,550</u>	<u>987,448</u>	<u>(56,898)</u>
Streets and highways				
Maintenance of streets and highways				
Salaries and wages	62,085	62,085	70,298	(8,213)
Other operating expenses	157,833	157,833	294,657	(136,824)
Total maintenance of streets and highways	<u>219,918</u>	<u>219,918</u>	<u>364,955</u>	<u>(145,037)</u>
Highway lighting				
Other operating expenses	122,000	122,000	112,134	9,866
Snow and ice removal				
Salaries and wages	1,025	1,025		1,025
Other operating expenses	3,000	3,000	4,574	(1,574)
Total snow and ice removal	<u>4,025</u>	<u>4,025</u>	<u>4,574</u>	<u>(549)</u>
Storm drainage				
Other operating expenses	4,000	4,000	41,788	(37,788)
Total streets and highways	<u>349,943</u>	<u>349,943</u>	<u>523,451</u>	<u>(173,508)</u>

CITY OF CRISFIELD, MARYLAND

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

**YEAR ENDED JUNE 30, 2020
(Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Sanitation and waste removal				
Street sanitation				
Salaries and wages	\$ 62,085	\$ 62,085	\$ 71,419	\$ (9,334)
Other operating expenses	8,300	8,300	10,591	(2,291)
Total street sanitation	<u>70,385</u>	<u>70,385</u>	<u>82,010</u>	<u>(11,625)</u>
Waste collection and disposal				
Other operating expenses	75,000	75,000	74,955	45
Landfill	40,000	40,000	42,849	(2,849)
Total waste collection and disposal	<u>115,000</u>	<u>115,000</u>	<u>117,804</u>	<u>(2,804)</u>
Total sanitation and waste removal	<u>185,385</u>	<u>185,385</u>	<u>199,814</u>	<u>(14,429)</u>
Conservation of health				
Mosquito control				
Other operating expenses	4,000	4,000	3,191	809
Ambulance				
Salaries and wages	201,515	201,515	199,787	1,728
Other operating expenses	9,900	9,900	5,915	3,985
Total ambulance	<u>211,415</u>	<u>211,415</u>	<u>205,702</u>	<u>5,713</u>
Total conservation of health	<u>215,415</u>	<u>215,415</u>	<u>208,893</u>	<u>6,522</u>

CITY OF CRISFIELD, MARYLAND

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

**YEAR ENDED JUNE 30, 2020
(Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Airport				
Salaries and wages	16,904	16,904	30,669	(13,765)
Fuel			6,229	(6,229)
Other operating expenses	8,100	8,100	28,264	(20,164)
Total airport	<u>25,004</u>	<u>25,004</u>	<u>65,162</u>	<u>(40,158)</u>
Economic development	<u>15,500</u>	<u>15,500</u>	<u>110,216</u>	<u>(94,716)</u>
Culture and recreation	<u>13,200</u>	<u>13,200</u>	<u>54,349</u>	<u>(41,149)</u>
Miscellaneous				
Payroll related expenditures	128,054	128,054	113,446	14,608
Other operating expenses	2,950	2,950	2,432	518
Pension	85,000	85,000	78,426	6,574
Insurance	425,000	425,000	333,712	91,288
Wind energy	12,000	12,000		12,000
Total miscellaneous	<u>653,004</u>	<u>653,004</u>	<u>528,016</u>	<u>124,988</u>
Bad debt expense			<u>19,960</u>	<u>(19,960)</u>
Debt service				
Principal	257,293	257,293	49,705	207,588
Interest	10,126	10,126	10,557	(431)
Total debt service	<u>267,419</u>	<u>267,419</u>	<u>60,262</u>	<u>207,157</u>
Total expenditures	<u>\$ 3,079,447</u>	<u>\$ 3,079,447</u>	<u>\$ 3,266,651</u>	<u>\$ (187,204)</u>

CITY OF CRISFIELD, MARYLAND

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

**YEAR ENDED JUNE 30, 2020
(Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Summary				
Total revenues and other financing sources	\$ 2,231,100	\$ 2,231,100	\$ 3,308,253	\$ 1,077,153
Total expenditures	3,079,447	3,079,447	3,266,651	187,204
Revenues and other financing sources under expenditures	\$ (848,347)	\$ (848,347)	\$ 41,602	\$ 889,949

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

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.003868%	0.003735%	0.003463%	0.003961%	0.004632%	0.004141%
City's proportionate share of the net pension liability	\$ 797,745	\$ 783,735	\$ 748,880	\$ 934,451	\$ 906,496	\$ 734,898
City's covered-employee payroll	\$ 1,058,940	\$ 1,202,194	\$ 1,205,249	\$ 1,216,336	\$ 1,258,492	\$ 969,276
City's proportionate share of the net pension liability as a percentage of its covered payroll	75.33%	65.19%	62.13%	76.83%	72.03%	75.82%
Plan fiduciary net position as a percentage of the total pension liability	72.34%	71.18%	69.38%	65.79%	68.78%	71.87%

CITY OF CRISFIELD, MARYLAND

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

SCHEDULE OF THE CITY'S CONTRIBUTIONS

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

CITY OF CRISFIELD, MARYLAND

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

	2020	2019	2018
Total OPEB liability			
Service cost	\$ 14,905	\$ 10,554	\$ 10,161
Interest cost	24,407	19,564	18,637
Difference between expected & actual experience		22,962	
Assumption changes	304,877	143,609	
Benefit payments	(4,900)	(4,845)	(4,842)
Net change in total OPEB liability	339,289	191,844	23,956
Total OPEB liability, beginning of year	699,776	507,932	483,976
Total OPEB liability, end of year	<u>\$ 1,039,065</u>	<u>\$ 699,776</u>	<u>\$ 507,932</u>
Plan fiduciary net position			
Contributions employer	\$ 4,900	\$ 4,845	\$ 4,842
Benefit payments	(4,900)	(4,845)	(4,842)
Net change in fiduciary net position			
Fiduciary net position, beginning of year			
Fiduciary net position, end of year	<u>\$</u>	<u>\$</u>	<u>\$</u>
City's net OPEB liability, end of year	<u>\$ 1,039,065</u>	<u>\$ 699,776</u>	<u>\$ 507,932</u>
Fiduciary net position as a % of net OPEB liability	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>
Covered-employee payroll	\$ 836,136	\$ 849,512	\$ 779,731
Total June 30 OPEB liability by Active/Inactive			
Active employees	\$ 1,006,001	\$ 665,049	\$ 474,741
Inactive participants	33,064	34,727	33,191
Total OPEB liability	<u>\$ 1,039,065</u>	<u>\$ 699,776</u>	<u>\$ 507,932</u>
City's net OPEB liability as a % of the covered employee payroll	124.27%	82.37%	65.14%

Notes to schedule

The discount rate was changed from 3.50% percent to 2.21% for the measurement period ended June 30, 2020.

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

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

GOVERNMENT AUDITING STANDARDS REPORT



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

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AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MARYLAND ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

DELAWARE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

ALLINIAL GLOBAL

Mayor and Council
City of Crisfield, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Crisfield, Maryland (the "City") as of and for the year ended June 30, 2020, 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 27, 2021.

Internal Control over Financial Reporting

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

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

Internal Control over Financial Reporting (Continued)

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in item 20-01 in the accompanying schedule of findings and responses, which we consider to be a material weakness.

Compliance and Other Matters

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

City of Crisfield, Maryland's Response to Findings

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

Purpose of this Report

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

PKS & Company, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
January 27, 2021

CITY OF CRISFIELD, MARYLAND
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2020

A. FINDINGS — FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESS

20-01 Significant Number of Journal Entries Needed to Prepare the Financial Statements

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

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

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

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

Recommendation: None.

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