

**CITY OF CAMBRIDGE, MARYLAND**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2022**

**CITY OF CAMBRIDGE, MARYLAND**

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## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Council  
City of Cambridge, Maryland

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund, of the City of Cambridge, Maryland, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Cambridge, Maryland's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, of the City of Cambridge, Maryland, as of June 30, 2022, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

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

#### *Responsibilities of Management for the Financial Statements*

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

## ***Responsibilities of Management for the Financial Statements (continued)***

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

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information on pages 4 through 12 and pages 60 through 65 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2023 on our consideration of the City of Cambridge, 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 the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Cambridge, Maryland's internal control over financial reporting and compliance.

**CERTIFIED PUBLIC ACCOUNTANTS**

Salisbury, Maryland  
January 5, 2023



## CITY OF CAMBRIDGE, MARYLAND

### MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2022

This section of the City of Cambridge'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, 2022. Please read it in conjunction with the City's financial statements, which begin on page 13.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

##### Government-wide Statements

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, public works, economic development, and interest on long-term debt. The business-type activities of the City include Water, Sewer, and Marina operations.

The government-wide financial statements include the City of Cambridge and the Municipal Utilities Commission, which is a component unit of the City. The government-wide financial statements can be found on pages 13 and 14 of this report.

**CITY OF CAMBRIDGE, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2022**

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

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 three categories: governmental funds, proprietary funds, and fiduciary funds. The City has no fiduciary 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.

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. This helps readers 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 Balances, 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 Balances.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 15 through 18. The budgetary comparison can be found on page 60.

Proprietary Funds

Proprietary funds include enterprise funds and internal service funds.

**CITY OF CAMBRIDGE, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2022**

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

The City maintains three enterprise funds. 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 Municipal Utilities Commission, Sewer, and Marina activities.

In prior years, the City maintained an internal service fund to report the City's partially self-insured employee health insurance function. This fund was closed during 2022 and the remaining assets and liabilities were transferred to the general fund.

The basic proprietary fund financial statements can be found on pages 19 through 22 of this report.

Notes to the Financial Statements and Supplementary Information

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 23 through 59 of this report.

The statements are followed by a section of *Required Supplementary Information* that shows a budget comparison for the general fund and retirement and other employee benefit schedules. In addition to these required elements, we have included certain schedules that provide more detail about the City's finances.

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

The City's combined net position at June 30, 2022 was \$51,728,617. Of this amount, \$52,146,178 is invested in capital assets net of related debt and \$1,164,587 is restricted. The remaining unrestricted amount is a deficit of \$1,582,148.

The City's net position increased \$4,091,388 or 8.5% from last year. The following table shows key financial information in a condensed form.

**CITY OF CAMBRIDGE, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2022**

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (Continued)**

	Net Position (In thousands of dollars)					
	2022			2021		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>						
Current and other assets	\$ 15,089	\$ 7,318	\$ 22,407	\$ 8,605	\$ 5,574	\$ 14,179
Capital assets	27,263	35,130	62,393	27,049	36,181	63,230
Total assets	<u>42,352</u>	<u>42,448</u>	<u>84,800</u>	<u>35,654</u>	<u>41,755</u>	<u>77,409</u>
<b>Deferred outflows of resources</b>	<u>5,414</u>	<u>663</u>	<u>6,077</u>	<u>2,408</u>	<u>728</u>	<u>3,136</u>
<b>Liabilities</b>						
Current and other liabilities	1,456	1,019	2,475	1,333	1,124	2,457
Long-term liabilities outstanding	22,659	4,329	26,988	24,303	4,508	28,811
Total liabilities	<u>24,115</u>	<u>5,348</u>	<u>29,463</u>	<u>25,636</u>	<u>5,632</u>	<u>31,268</u>
<b>Deferred inflows of resources</b>	<u>9,097</u>	<u>588</u>	<u>9,685</u>	<u>1,272</u>	<u>369</u>	<u>1,641</u>
<b>Net position</b>						
Invested in capital assets, net of related debt	18,984	33,162	52,146	18,034	33,838	51,872
Restricted	1,005	160	1,165	847	153	1,000
Unrestricted (deficit)	(5,435)	3,853	(1,582)	(7,727)	2,492	(5,235)
<b>Total net position</b>	<u>\$ 14,554</u>	<u>\$ 37,175</u>	<u>\$ 51,729</u>	<u>\$ 11,154</u>	<u>\$ 36,483</u>	<u>\$ 47,637</u>

The City's total revenues were \$24,118,374. Of this amount, 32% comes from property taxes, 22% from grants and contributions, and 33% from fees charged for water, sewer, and marina services.

The City's expenses which totaled \$20,026,986 cover a range of services with 31% for public safety, 36% for water and sewer services, 18% for public works, and 7% for general government.

**CITY OF CAMBRIDGE, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2022**

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (Continued)**

The following table considers the operations of governmental and business-type activities separately:

	Changes in Net Position (In thousands of dollars)					
	2022			2021		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 2,260	\$ 7,862	\$ 10,122	\$ 1,967	\$ 7,133	\$ 9,100
Operating grants and contributions	1,555	290	1,845	1,263	243	1,506
Capital grants and contributions	3,263	71	3,334	111	231	342
General revenues						
Property taxes	7,717		7,717	7,464		7,464
Shared taxes	1,883		1,883	1,484		1,484
Intergovernmental	137		137	87		87
Miscellaneous	121		121	119		119
Gain (loss) on disposal of assets	(1,135)		(1,135)	(29)		(29)
Unrestricted investment earnings	65	29	94	53	23	76
Total revenues	<u>15,866</u>	<u>8,252</u>	<u>24,118</u>	<u>12,519</u>	<u>7,630</u>	<u>20,149</u>
<b>Expenses</b>						
General government	1,491		1,491	1,172		1,172
Public safety	6,226		6,226	6,275		6,275
Public works	3,613		3,613	2,792		2,792
Economic development	749		749	169		169
Interest on long-term debt	113		113	234		234
Water		2,154	2,154		1,821	1,821
Sewer		5,026	5,026		4,629	4,629
Marina		655	655		755	755
Total expenses	<u>12,192</u>	<u>7,835</u>	<u>20,027</u>	<u>10,642</u>	<u>7,205</u>	<u>17,847</u>
<b>Transfers</b>	<u>(275)</u>	<u>275</u>				
<b>Change in net position</b>	<u>\$ 3,399</u>	<u>\$ 692</u>	<u>\$ 4,091</u>	<u>\$ 1,877</u>	<u>\$ 425</u>	<u>\$ 2,302</u>

**CITY OF CAMBRIDGE, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2022**

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

General Fund – For the year ended June 30, 2022, the general fund balance increased \$2,155,535 compared to an increase of \$1,789,616 in 2021.

Significant variances from the prior year include:

- Total revenues increased \$4,432,993 primarily due to an increase in intergovernmental revenues. During the year, the City received grants from the American Rescue Plan Act, Community Development Block grants, FEMA, and the Maryland Department of Housing and Community Development for various projects.
- Total expenditures increased \$3,733,042. Expenditures increased in public works, economic development and capital outlay.
- Capital outlay expenditures of \$2,406,336 included roof improvements at City Hall, new police vehicles, sidewalk renovations, the SeaWall project, and the fire truck.

A comparison of revenues and expenditures for three years can be found on page 67.

As of June 30, 2022, the general fund reported a fund balance of \$9,725,236. Of this amount, \$7,823,352 is unassigned and represents 6.5 months of average daily operating expenditures.

Municipal Utilities Commission – For the year ended June 30, 2022, the Municipal Utilities Commission has an operating income of \$255,372, net non-operating revenues of \$13,101, and a total increase in net position of \$268,473. This compares to an increase in net position of \$294,582 in the prior year.

Significant variances from the prior year include:

- Charges for services increased \$334,321 due to increases in water sales and miscellaneous services for new housing developments.
- Operating expenses increased \$349,387 due to increase in repairs and maintenance and salaries and related costs.

A comparison of revenues and expenses for three years can be found on page 68.

As of June 30, 2022, the Municipal Utilities Commission reported a net position of \$3,113,824. Of this amount, \$1,970,973 is invested in capital assets, \$54,518 is restricted impact fees, and \$1,088,333 is unrestricted and available for use.

Sewer Fund – For the year ended June 30, 2022, the sewer fund had an operating income of \$178,239, net non-operating expenses of \$8,010, and a total increase in net position of \$170,229. This compares to an increase in net position of \$150,364 in the prior year.

**CITY OF CAMBRIDGE, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2022**

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS (Continued)**

Significant variances from the prior year include:

- Charges for services increased \$391,512.
- Expenses increased \$453,830 due to increases in salaries and related costs and repairs and maintenance.
- Impact fees of \$5,739 were collected in the current year.

A comparison of revenues and expenses for three years is presented on page 69.

As of June 30, 2022, the sewer fund reported a net position of \$30,618,930. Of this amount, \$27,330,736 is invested in capital assets, \$105,228 is restricted impact fees, and \$3,182,966 is unrestricted and available for use.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

A budgetary comparison schedule is provided in the required supplementary information for the general fund on page 60. The budgetary comparison schedule shows the original adopted budgets, the final amended budget, actual results and variances between the final budget and actual results. Major variances between the final budget and actual results are as follows:

- Taxes and utility fees were over budget by \$668,137.
- Licenses and permit fees were over budget by \$646,565.
- Total expenditures were under the final budget by \$2,071,926 due primarily to the overbudgeting of economic development costs.

The final budget included the use of prior year surplus funds of \$821,700. However, due to an increase in the fund balance, these surplus funds were not used during 2022.

**CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY**

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2021 was \$62,393,297 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, furniture and fixtures, vehicles and water and sewer systems.

**CITY OF CAMBRIDGE, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2022**

**CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY (Continued)**

The following table of the City's capital assets is listed below. Additional information can be found on pages 36 through 39 of this report.

Capital Assets (net of depreciation)						
(In thousands of dollars)						
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 4,515	\$ 5,627	\$ 156	\$ 156	\$ 4,671	\$ 5,783
Construction in progress	521	89	305		826	
Building and improvements	15,745	15,687	7,724	7,724	23,469	23,411
Distribution system			3,639	3,639	3,639	3,639
Machinery and equipment	1,347	1,779	740	633	2,087	2,412
Meter replacement program			853	852	853	852
Production ground storage			2,149	2,149	2,149	2,149
Leased equipment	85	15			85	15
Infrastructure	12,650	12,390	62,536	62,536	75,186	74,926
Vehicles	5,909	4,844	1,230	1,238	7,139	6,082
Less: accumulated depreciation	(13,509)	(13,375)	(44,202)	(42,746)	(57,711)	(56,121)
<b>Net capital assets</b>	<b>\$ 27,263</b>	<b>\$ 27,056</b>	<b>\$ 35,130</b>	<b>\$ 36,181</b>	<b>\$ 62,393</b>	<b>\$ 63,148</b>

Major capital purchases this year included:

Governmental activities

- Leased vehicles for \$70,534
- Oakley Street SeaWall replacement for \$259,523
- Pierce Arrow XT Tower Ladder for \$1,563,701
- Cannery Park improvements of \$447,704

Business-type activities

- Design Piers for replacement of Piers for \$29,000
- Cannery Stream Sewer replacement for \$276,367
- Machinery and equipment for the MUC for \$118,353

During the year, the City transferred waterfront properties with an original cost of \$1,118,610 to CWDI Holdings, LLC resulting in a loss on disposal.

**CITY OF CAMBRIDGE, MARYLAND**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2022**

**CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY (CONTINUED)**

Long-term debt activity

	Outstanding Debt (In thousands of dollars)					
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
General obligation bonds	\$ 7,305	\$ 7,870	\$ 1,968	\$ 2,325	\$ 9,273	\$ 10,195
Bond premium	525	577		18	525	595
Operating leases	58	7			58	7
Notes payable	391	568			391	568
Total	\$ 8,279	\$ 9,022	\$ 1,968	\$ 2,343	\$ 10,247	\$ 11,365

**CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS**

The City was awarded \$12,079,282 from the American Rescue Plan Act of 2021. The first installment of \$6,039,641 was received in July 2021. Of this amount, \$1,958,181 was spent during fiscal year 2022. The remaining \$4,081,460 is being carried forward for use in fiscal year 2023. The second installment of \$6,044,161 was received in August 2022.

In July 2022, the Council approved the borrowing of \$1.7 million for the replacement of rescue fire equipment.

The City has committed funds from the general fund of \$50,000 for projects to be completed in subsequent years including the Bayly Road project

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Cambridge’s finances for all those with an interest in the City’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Finance Director, City of Cambridge, 410 Academy St, Cambridge, Maryland 21613 or through an email at [dcooper@chooscambridge.com](mailto:dcooper@chooscambridge.com).

**CITY OF CAMBRIDGE, MARYLAND**

**STATEMENT OF NET POSITION**

**JUNE 30, 2022**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 13,243,971	\$ 2,700,979	\$ 15,944,950
Certificates of deposit		1,037,179	1,037,179
Accounts receivable, net	477,419	605,715	1,083,134
Due from other governments	1,364,158	1,041,142	2,405,300
Internal balances	(1,527,895)	1,527,895	
Inventory		245,315	245,315
Prepaid expenses and other assets	160,518		160,518
Leases receivable	242,338		242,338
Loan receivable	122,788		122,788
Capital assets, net of accumulated depreciation	27,263,450	35,129,847	62,393,297
Restricted cash and cash equivalents	1,004,841	159,746	1,164,587
Total assets	<u>42,351,588</u>	<u>42,447,818</u>	<u>84,799,406</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension	3,651,818	335,576	3,987,394
LOSAP	450,450		450,450
OPEB	1,311,886	327,972	1,639,858
Total deferred outflows of resources	<u>5,414,154</u>	<u>663,548</u>	<u>6,077,702</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued liabilities	605,493	909,067	1,514,560
Other liabilities	125,766		125,766
Bonds, notes and leases payable, current portion	700,825	109,946	810,771
Non-current liabilities			
Compensated absences	429,359	82,527	511,886
Bonds, notes and leases payable, less current portion	7,578,396	1,857,952	9,436,348
Net pension liability	6,460,404	731,562	7,191,966
Net LOSAP obligation	1,586,355		1,586,355
Net OPEB obligation	6,628,615	1,657,153	8,285,768
Total liabilities	<u>24,115,213</u>	<u>5,348,207</u>	<u>29,463,420</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension	4,212,870	477,056	4,689,926
LOSAP	117,271		117,271
OPEB	444,695	111,174	555,869
Deferred grants	4,081,460		4,081,460
Deferred lease revenue	240,545		240,545
Total deferred inflows of resources	<u>9,096,841</u>	<u>588,230</u>	<u>9,685,071</u>
<b>NET POSITION</b>			
Invested in capital assets	18,984,229	33,161,949	52,146,178
Restricted	1,004,841	159,746	1,164,587
Unrestricted (deficit)	(5,435,382)	3,853,234	(1,582,148)
Total net position	<u>\$ 14,553,688</u>	<u>\$ 37,174,929</u>	<u>\$ 51,728,617</u>

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

**CITY OF CAMBRIDGE, MARYLAND**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2022**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>FUNCTIONS/PROGRAMS</b>							
<b>GOVERNMENTAL ACTIVITIES</b>							
General government	\$ 1,491,357	\$ 1,324,356	\$	\$ 1,958,181	\$ 1,791,180	\$	\$ 1,791,180
Public safety	6,226,381	42,863	338,275	76,027	(5,769,216)		(5,769,216)
Public works	3,612,488	893,329	876,895	1,128,360	(713,904)		(713,904)
Economic development	748,639		339,393	100,000	(309,246)		(309,246)
Interest on long-term debt	113,414				(113,414)		(113,414)
Total governmental activities	<u>12,192,279</u>	<u>2,260,548</u>	<u>1,554,563</u>	<u>3,262,568</u>	<u>(5,114,600)</u>		<u>(5,114,600)</u>
<b>BUSINESS-TYPE ACTIVITIES</b>							
Water	2,153,841	2,402,330		1,850		250,339	250,339
Sewer	5,025,477	4,898,758	290,676	5,739		169,696	169,696
Marina	655,389	560,453		63,314		(31,622)	(31,622)
Total business-type activities	<u>7,834,707</u>	<u>7,861,541</u>	<u>290,676</u>	<u>70,903</u>		<u>388,413</u>	<u>388,413</u>
Total	<u>\$ 20,026,986</u>	<u>\$ 10,122,089</u>	<u>\$ 1,845,239</u>	<u>\$ 3,333,471</u>	<u>(5,114,600)</u>	<u>388,413</u>	<u>(4,726,187)</u>
<b>GENERAL REVENUES</b>							
Taxes							
Property taxes, levied for general purposes					7,717,249		7,717,249
Room tax					927,042		927,042
State income tax					955,570		955,570
Unrestricted grants and contributions					137,258		137,258
Miscellaneous					120,909		120,909
Loss on disposal of assets					(1,134,682)	(133)	(1,134,815)
Unrestricted investment earnings					65,333	29,029	94,362
Transfers					(274,694)	274,694	
Total general revenues					<u>8,513,985</u>	<u>303,590</u>	<u>8,817,575</u>
Change in net position					3,399,385	692,003	4,091,388
<b>NET POSITION, BEGINNING OF YEAR</b>					<u>11,154,303</u>	<u>36,482,926</u>	<u>47,637,229</u>
<b>NET POSITION, END OF YEAR</b>					<u>\$ 14,553,688</u>	<u>\$ 37,174,929</u>	<u>\$ 51,728,617</u>

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

**CITY OF CAMBRIDGE, MARYLAND**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**JUNE 30, 2022**

**ASSETS**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 13,243,971
Taxes receivable, net	368,585
Accounts receivable, net	108,834
Leases receivable	242,338
Due from other governments	1,364,158
Prepaid expenses	160,518
Loan receivable	122,788
Restricted cash and cash equivalents	1,004,841
Total assets	<u><u>\$ 16,616,033</u></u>

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES,  
AND FUND BALANCES**

**LIABILITIES**

Accounts payable and accrued expenses	\$ 605,493
Due to other funds	1,527,895
Other liabilities	125,766
Total liabilities	<u>2,259,154</u>

**DEFERRED INFLOWS OF RESOURCES**

Deferred property taxes	309,638
Deferred grant revenue	4,081,460
Deferred lease revenue	240,545
Total deferred inflows of resources	<u>4,631,643</u>

**FUND BALANCES**

Nonspendable	160,518
Restricted	1,004,841
Committed	50,000
Assigned	686,525
Unassigned	7,823,352
Total fund balances	<u>9,725,236</u>
Total liabilities and fund balances	<u><u>\$ 16,616,033</u></u>

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

**CITY OF CAMBRIDGE, MARYLAND**

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

**JUNE 30, 2022**

Total fund balances, governmental funds	\$	9,725,236
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and are therefore not reported as assets in fund financial statements, but are reported in the governmental activities of the Statement of Net Position.		27,263,450
Certain expenditures that reduce current financial resources are reported as expenditures in the fund financial statements, but are reported as deferred outflows of resources in the governmental activities of the Statement of Net Position.		
Deferred outflows of resources - Pension		3,651,818
Deferred outflows of resources - LOSAP		450,450
Deferred outflows of resources - OPEB		1,311,886
Certain property tax collections are not available to pay for current period expenditures and therefore are reported as deferred inflows of resources in the governmental fund balance sheet but are reported as revenue in the statement of activities: Deferred property taxes		309,638
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.		
Bonds, notes and leases payable		(8,279,221)
Compensated absences		(429,359)
Net pension liability		(6,460,404)
Net LOSAP liability		(1,586,355)
Net OPEB liability		(6,628,615)
Certain revenues that do not provide current financial resources are reported as deferred inflow of resources in the funds financial statements, but are reported as revenue in the governmental activities of the Statement of Net Position.		
Deferred inflows of resources - Pension		(4,212,870)
Deferred inflows of resources - LOSAP		(117,271)
Deferred inflows of resources - OPEB		(444,695)
Net assets, governmental activities in the Statement of Net Position	\$	<u>14,553,688</u>

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

**CITY OF CAMBRIDGE, MARYLAND**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2022**

	<u>General Fund</u>
<b>REVENUES</b>	
Taxes and utility fees	\$ 9,787,986
Licenses and permits	1,308,065
Intergovernmental	4,778,751
Charges for services	955,774
Fines and forfeitures	41,118
Miscellaneous	184,633
Total revenues	<u>17,056,327</u>
<b>EXPENDITURES</b>	
Current	
General government	971,136
Public safety	5,599,409
Public works	3,388,563
Economic development	1,354,194
Debt service	1,022,674
Capital outlay	2,406,336
Total expenditures	<u>14,742,312</u>
Revenues over expenditures	<u>2,314,015</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Transfers, net	(229,132)
Lease proceeds	70,652
Net other financing uses	<u>(158,480)</u>
Net change in fund balance	2,155,535
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>7,569,701</u>
<b>FUND BALANCE, END OF YEAR</b>	<u><u>\$ 9,725,236</u></u>

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

**CITY OF CAMBRIDGE, MARYLAND**

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

**YEAR ENDED JUNE 30, 2022**

Net change in fund balances, governmental funds \$ 2,155,535

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.

Capital outlay	2,406,336
Depreciation expense	(1,064,113)
Book value of capital assets disposed	(1,134,682)

Governmental funds report the issuance of long term obligations as income and the  
repayment of long term obligations as expenditures. However, in the government-wide  
statements, the issuance and repayment of debt are reported as a change in long-term  
liabilities.

Proceeds from the issuance of long-term liabilities	(70,652)
Principal payments on long-term liabilities	812,819

Property tax revenues in the government-wide Statement of Activities include  
economic resources that are not reported as revenues in the governmental fund  
statement. Change in deferred property taxes.

(50,866)

Some items reported in the statement of activities do not require the use of current  
financial resources and therefore are not reported as expenditures in the governmental  
funds. These activities include:

Change in compensated absences	(33,336)
Change in deferred outflows of resources - pension	2,263,184
Change in deferred inflows of resources - pensions	(3,673,477)
Change in net pension liability	2,098,784
Change in deferred outflows of resources - LOSAP	48,273
Change in deferred inflows of resources - LOSAP	21,865
Change in net LOSAP obligation	(169,893)
Change in deferred outflows of resources - OPEB	694,669
Change in deferred inflows of resources - OPEB	148,621
Change in net OPEB obligation	(1,008,121)

In prior years, an internal service fund was used by management to charge the costs of  
self insurance to individual funds. As of July 1, 2021, the internal service fund was  
closed out and the net position transferred to the general fund.

(45,561)

Change in net position, governmental activities

\$ 3,399,385

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

**CITY OF CAMBRIDGE, MARYLAND**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS**

**JUNE 30, 2022**

	Municipal Utilities Commission	Sewer Fund	Marina Fund	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,698,728	\$ 528,435	\$ 473,816	\$ 2,700,979
Certificates of deposit	1,037,179			1,037,179
Accounts receivable, net	182,343	423,372		605,715
Due from other governments		1,012,142	29,000	1,041,142
Due from other funds		2,845,114		2,845,114
Inventory	245,315			245,315
Capital assets, net of accumulated depreciation	1,970,973	29,298,634	3,860,240	35,129,847
Cash - restricted impact fees	54,518	105,228		159,746
Total assets	<u>5,189,056</u>	<u>34,212,925</u>	<u>4,363,056</u>	<u>43,765,037</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension	185,145	150,431		335,576
OPEB	196,783	131,189		327,972
Total deferred outflows of resources	<u>381,928</u>	<u>281,620</u>		<u>663,548</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable and accrued expenses	235,507	655,045	18,515	909,067
Due to other funds	260,371		902,366	1,162,737
Bonds and notes payable, current portion		109,946		109,946
Non-current liabilities				
Compensated absences	78,981	3,546		82,527
Due to other funds	154,482			154,482
Bonds and notes payable, less current portion		1,857,952		1,857,952
Net pension liability	403,620	327,942		731,562
Net OPEB obligation	994,292	662,861		1,657,153
Total liabilities	<u>2,127,253</u>	<u>3,617,292</u>	<u>920,881</u>	<u>6,665,426</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension	263,203	213,853		477,056
OPEB	66,704	44,470		111,174
Total deferred inflows of resources	<u>329,907</u>	<u>258,323</u>		<u>588,230</u>
<b>NET POSITION</b>				
Net investment in capital assets	1,970,973	27,330,736	3,860,240	33,161,949
Restricted, impact fees	54,518	105,228		159,746
Unrestricted (deficit)	1,088,333	3,182,966	(418,065)	3,853,234
Total net position	<u>\$ 3,113,824</u>	<u>\$ 30,618,930</u>	<u>\$ 3,442,175</u>	<u>37,174,929</u>
Adjustment to close out the internal service fund				
Balance beginning of year				(19,860)
Transfer from the general fund				19,860
Net position of business-type activities				<u>\$ 37,174,929</u>

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

**CITY OF CAMBRIDGE, MARYLAND**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS**

**YEAR ENDED JUNE 30, 2022**

	Municipal Utilities Commission	Sewer Fund	Marina Fund	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 2,402,330	\$ 4,898,758	\$ 560,453	\$ 7,861,541
Operational grants		290,676		290,676
Total operating revenues	2,402,330	5,189,434	560,453	8,152,217
<b>OPERATING EXPENSES</b>				
Salaries and related costs	1,224,319	1,512,490		2,736,809
Repairs and maintenance	349,874	192,655	50,145	592,674
Distribution and operating expenses	255,783	2,031,312	156,258	2,443,353
Professional services			270,480	270,480
Depreciation	139,074	1,176,672	158,963	1,474,709
General and administrative	177,908	98,066	19,543	295,517
Total operating expenses	2,146,958	5,011,195	655,389	7,813,542
Operating income (loss)	255,372	178,239	(94,936)	338,675
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Capital grants			63,314	63,314
Impact fees	1,850	5,739		7,589
Interest income	18,267	533		18,800
(Interest expense) premium	(6,883)	(14,282)	10,229	(10,936)
Loss on disposal of assets	(133)			(133)
Total non-operating revenues (expenses)	13,101	(8,010)	73,543	78,634
Income (loss) before transfers	268,473	170,229	(21,393)	417,309
<b>TRANSFERS IN</b>			254,834	254,834
Change in net position	268,473	170,229	233,441	672,143
<b>NET POSITION, BEGINNING OF YEAR</b>	2,845,351	30,448,701	3,208,734	
<b>NET POSITION, END OF YEAR</b>	\$ 3,113,824	\$ 30,618,930	\$ 3,442,175	
Transfer from general fund to close out the internal service fund				19,860
Change in net position of business-type activities				\$ 692,003

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

**CITY OF CAMBRIDGE, MARYLAND**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

**YEAR ENDED JUNE 30, 2022**

	Municipal Utilities Commission	Sewer Fund	Marina Fund	Total	Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$ 2,411,477	\$ 4,941,593	\$ 569,730	\$ 7,922,800	\$
Cash received for operating grants		290,676		290,676	
Cash received for interfund services					(124,648)
Cash paid to vendors	(790,818)	(2,147,850)	(500,349)	(3,439,017)	
Cash paid to or on behalf of employees	(1,108,268)	(1,419,392)		(2,527,660)	
Net cash provided (used) by operating activities	<u>512,391</u>	<u>1,665,027</u>	<u>69,381</u>	<u>2,246,799</u>	<u>(124,648)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers between funds			254,834	254,834	(25,701)
Interfund borrowings/repayments	73,390	(1,306,629)	25,507	(1,207,732)	150,349
Net cash provided (used) by noncapital financing activities	<u>73,390</u>	<u>(1,306,629)</u>	<u>280,341</u>	<u>(952,898)</u>	<u>124,648</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchase of capital assets	(118,353)	(276,366)	(29,000)	(423,719)	
Capital grant income		33,907	73,699	107,606	
Impact fees	1,850	5,739		7,589	
Principal paid on long-term obligations		(107,395)	(267,424)	(374,819)	
Interest paid on long-term obligations	(7,016)	(14,282)	(4,090)	(25,388)	
Deferred refunding costs			6,392	6,392	
Net cash used by capital and related financing activities	<u>(123,519)</u>	<u>(358,397)</u>	<u>(220,423)</u>	<u>(702,339)</u>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Investment in certificates of deposit	(16,038)			(16,038)	
Interest income	18,267	533	10,229	29,029	
Net cash provided by investing activities	<u>2,229</u>	<u>533</u>	<u>10,229</u>	<u>12,991</u>	
Net increase in cash	464,491	534	139,528	604,553	
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>1,288,755</u>	<u>633,129</u>	<u>334,288</u>	<u>2,256,172</u>	
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 1,753,246</u>	<u>\$ 633,663</u>	<u>\$ 473,816</u>	<u>\$ 2,860,725</u>	<u>\$</u>
<b>CASH AND CASH EQUIVALENTS CONSISTS OF:</b>					
Unrestricted cash	\$ 1,698,728	\$ 528,435	\$ 473,816	\$ 2,700,979	
Restricted cash	54,518	105,228		159,746	
	<u>\$ 1,753,246</u>	<u>\$ 633,663</u>	<u>\$ 473,816</u>	<u>\$ 2,860,725</u>	

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

**CITY OF CAMBRIDGE, MARYLAND**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
(CONTINUED)**

**YEAR ENDED JUNE 30, 2022**

	<u>Municipal Utilities Commission</u>	<u>Sewer Fund</u>	<u>Marina Fund</u>	<u>Total</u>	<u>Internal Service Fund</u>
<b>INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ 255,372	\$ 178,239	\$ (94,936)	\$ 338,675	
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	139,074	1,176,672	158,963	1,474,709	
Loss on disposal of capital assets	133			133	
Deferred financing outflows - pension	127,787	103,826		231,613	
Deferred financing outflows - OPEB	(104,200)	(69,467)		(173,667)	
Deferred financing inflows - pension	141,650	115,091		256,741	
Deferred financing inflows - OPEB	(22,293)	(14,862)		(37,155)	
(Increase) decrease in assets					
Accounts and other receivables	9,147	42,835	9,277	61,259	
Inventory	(25,761)			(25,761)	
Increase (decrease) in liabilities					
Accounts payable and accrued expenses	18,375	174,183	(3,923)	188,635	(124,648)
Compensated absences	(2,419)	447		(1,972)	
Net pension liability	(175,692)	(142,749)		(318,441)	
Net OPEB obligation	151,218	100,812		252,030	
Net cash provided (used) by operating activities	<u>\$ 512,391</u>	<u>\$ 1,665,027</u>	<u>\$ 69,381</u>	<u>\$ 2,246,799</u>	<u>\$ (124,648)</u>

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

## CITY OF CAMBRIDGE, MARYLAND

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

#### ORGANIZATION

The City of Cambridge, Maryland (the City) was incorporated on December 28, 1793, under the provisions of the laws of the State of Maryland. The City is governed by a Mayor and five Commissioners and is located in Dorchester County, Maryland. The City provides the following services as authorized by its charter: General Government, Public Safety, Public Works, and Economic Development.

#### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing government accounting and financial reporting standards. The most significant of the City's accounting policies are described below.

##### Financial reporting entity

The City's financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- The organization is legally separate (can sue and be sued in their own name);
- The City holds the corporate powers of the organization;
- The City appoints a voting majority of the organization's board;
- The City is able to impose its will on the organization;
- The organization has the potential to impose a financial benefit/burden on the City; and
- There is a fiscal dependency by the organization on the City.

Based on the aforementioned criteria, the Municipal Utilities Commission is included in the accompanying financial statements as a blended component unit.

##### Basis of presentation

The City's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

*Government-wide statements:* The statement of net position and the statement of activities display information about the City as whole. These statements include the financial activities of the City. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

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

**JUNE 30, 2022**

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

Basis of presentation (continued)

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function and of the City's governmental activities are for business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department, and therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identified the extent to which each business segment or governmental function is self-financing or draws from general revenues of the City.

*Fund financial statements:* During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at a more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. The City has elected to treat all proprietary funds as major.

Fund accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The City has no fiduciary funds.

*Governmental funds:* Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets, deferred outflows of resources, liabilities and deferred inflows of resources is reported as fund balance. The following is the City's only governmental fund:

*General fund:* The general fund is the general operating fund of the City. All general revenues and other receipts that are not allocated by law or contractual agreement to another fund and general operating expenditures are accounted for in this fund.

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

**JUNE 30, 2022**

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

Fund accounting (continued)

*Proprietary funds:* Proprietary funds focus on the determination of changes in net position, financial position and cash flows and are classified as enterprise.

*Enterprise fund:* Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

*Internal service fund:* Internal service funds are used to account for employee health insurance. The City decided to close the internal service fund effective July 1, 2021.

The City has three major enterprise funds. The Municipal Utilities Commission operates the water treatment plants and distribution system. The Sewer Fund is used to record the operations of the sewage treatment plant, pumping stations, and collection system. The Marina Fund is used to record the operations of the marina.

Measurement focus

*Government-wide financial statements:* The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows, liabilities, and deferred inflows associated with the operation of the City are included on the statement of net position.

*Fund financial statements:* All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets, deferred outflows, liabilities, and deferred inflows associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

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

**JUNE 30, 2022**

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

Basis of accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

*Revenues - Exchange and Non-exchange Transactions:* Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter (within 60 days after year end) to be used to pay liabilities of the current fiscal year.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include primarily grants. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursable basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: charges for services, fines and forfeitures, state-levied locally shared taxes, grants, interest and rent.

*Expenses/Expenditures:* On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated assets during the year is reported in the operating statement as an expense with a like amount reported as donated revenue. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

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

**JUNE 30, 2022**

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

Budgets and budgetary accounting

Formal budgetary accounting is employed as a management control for the City's General Fund and the Municipal Utilities Commission. 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) The City Manager will prepare the City budget and capital program annually and submit to the Mayor and City Commissioners as a body with a narrative describing the important features. After adoption, the City Manager is responsible for the administration and implementation of the final budget and any capital program approved by the City Commissioners to achieve the goals of the City.
- (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) As set forth in the City Code, the Council may amend or supplement the budget at any time after its adoption by supermajority vote of the Council members. The City Manager has the authority to make administrative adjustments to the department budgets as long as those changes will not have a significant policy impact on budgeted year-end balances.
- (4) All annual appropriations lapse at fiscal year-end.

Property tax

Taxpayers have the option to pay their real property tax in two installments. The first installment is due July 1 and the second installment is due October 1. Dorchester County bills and receives the tax payments on behalf of the City and remits to the City on a regular basis.

Taxes on real and personal property are levied on a fiscal year basis as of July 1. All unpaid taxes as of 90 days after the levy are subject to interest at 12% per annum. Delinquent property taxes are attached as an enforceable lien on the underlying properties. Property tax revenue is recognized in the year it is levied and becomes available to pay liabilities of the current period in the General Fund Statements.

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

**JUNE 30, 2022**

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

Property tax (continued)

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 2022, the City of Cambridge real property tax rate was \$.8301 per \$100 of assessed value and the business personal property tax rate was \$1.69 per \$100 of assessed value.

Interfund receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as “due to / due from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances” and are eliminated.

Allowance for Uncollectible Accounts

Trade and other receivables are shown net of an allowance for uncollectible accounts. Provision is made for estimated uncollectible balances based upon historical collection data and, in some cases, specific account analysis. At June 30, 2022, the allowance in the General Fund was \$59,182 and the Proprietary Funds was \$3,600.

Inventory

Inventory of materials held by the Municipal Utilities Commission consists primarily of meters and supplies, valued at the lower of cost or market on a first-in, first-out basis. The cost of inventories is recorded as capital outlay or expenses when placed in service or consumed rather than when purchased.

Capital assets

General capital assets are those assets not specifically related to activities reported in proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

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

**JUNE 30, 2022**

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

Capital assets (continued)

All capital assets are capitalized at cost (or estimated historical costs) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The City maintains a capitalization threshold of \$5,000. Improvements are capitalized. The costs of normal maintenance and repairs that do not add value to the asset or materially extend an asset's life are not capitalized.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Category</u>	<u>Years</u>
Buildings and Improvements	5 - 40
Furniture and equipment	2 - 10
Infrastructure	40
Distribution system	5 - 60
Wastewater systems	7 - 40
Machinery and equipment	5 - 10
Vehicles	3 - 15
Meter replacement program	10 - 30
Office and lab equipment	5
Production ground storage	7 - 50
Leased equipment (Right-to-use)	Life of lease

Deferred outflows and inflows of resources

The statement of financial position and/or balance sheet may report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one type of item that qualifies for reporting in this category: deferred financing outflows related to retirement and other employee benefit programs.

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

**JUNE 30, 2022**

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

Deferred outflows and inflows of resources

The statement of financial position and/or balance sheet may report a separate section for *deferred inflows of resources*. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has the following types of items that qualify for reporting in the category: (a) deferred property taxes which are not recognized until available (collected not later than 60 days after the end of the City's fiscal year), (b) deferred grants which are not recognized until available and all eligibility requirements have been met, (c) deferred lease revenue which is recognized over the life of the lease, and (d) deferred financing outflows related to retirement and other employee benefit programs.

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.

Accrued compensated absences

Vested or accumulated vacation is accrued when earned by employees and a liability is recorded in the government-wide and proprietary fund financial statements. No liability is recorded for non-vesting accumulated rights to receive sick pay benefits as the City does not pay these amounts when employees separate from service.

City ordinance provides that full-time employees may accumulate up to a maximum of forty-five (45) days annual leave based upon years of service and upon termination will be paid for all accumulated leave not to exceed this amount. The accrual is included in "Non-current liabilities" in the government-wide statements. A liability for vacation pay is recorded in the governmental fund financial statements only if it has matured (i.e. unused reimbursable leave still outstanding following an employee's resignation or retirement).

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

**JUNE 30, 2022**

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

Accrued liabilities and long-term obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

Net position

Net position represents the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources. Invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Restricted components of net position are reported when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by grantors, contributors, creditors, or laws and regulations of other governments.

The City applies restricted resources first when an expense is incurred for purposes for which restricted and unrestricted resources are available.

Governmental fund balances

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

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

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

**JUNE 30, 2022**

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

Governmental fund balances (continued)

- *Assigned fund balance*—amounts that are designated by Council or management with intent to be used for specific purposes, but are neither restricted nor committed by ordinance or resolution.
- *Unassigned fund balance*—all amounts not included in other spendable classifications.

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.

Operating revenues and expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as non-operating.

Adoption of GASB Statement No. 87, Leases

Effective July 1, 2021, the City adopted the new lease accounting guidance in GASB Statement No. 87, *Leases*. The new guidance requires recognition of certain lease assets and liabilities that were previously classified as operating leases. As a result of the adoption of the new guidance, the City recognized as of July 1, 2021 the following:

- a. Leases receivable of \$257,686 which represents the present value of the remaining lease payments discounted using the City's incremental borrowing rate,
- b. Deferred inflows of resources of \$395,207 which represents the original leases receivable less accumulated amortization of \$137,521,
- c. Operating leases payable of \$6,630 which represents the present value of the remaining lease payments discounted using the City's incremental borrowing rate, and
- d. Leased equipment of \$14,527 which represents the original lease payable net of accumulated amortization of \$7,897.

Estimates

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

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

**JUNE 30, 2022**

**DEPOSITS AND INVESTMENTS**

Deposits

The City follows the State of Maryland laws related to types of deposits and investments, selection of depositories, and collateral requirements. The Annotated Code of Maryland requires that deposits with financial institutions be fully collateralized. Full collateralization is necessary to minimize the risk of loss of a deposit in the event of the default of a financial institution.

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2022, \$14,800,651 of the City's deposits were exposed to custodial credit risk. These amounts were not covered by the Federal Deposit Insurance Corporation (FDIC) but were collateralized with securities held by the pledging financial institution's trust department, but not in the City's name.

Restricted cash and cash equivalents

Restricted cash and cash equivalents in the general fund consists of monies restricted for the Choptank Lighthouse of \$66,315, police forfeited and confiscated funds of \$63,138, unspent state grant monies of \$71,079, and LOSAP plan assets of \$804,309.

Restricted cash in the sewer fund and Municipal Utilities Commission is impact fees reserved for capital projects and debt service costs of \$105,228 and \$54,518, respectively.

Cash equivalents

For the purpose of the statement of cash flows, the proprietary fund considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. The City is authorized to invest in United States Government bonds on evidence of indebtedness, or in federally insured bonding institutions which pledge United States Treasury bills, notes or other obligations to secure such deposits.

Investments

At June 30, 2022, the City's investments were pooled in the State-created Maryland Local Government Investment Pool (MLGIP), a money market fund. The cost of those investments, which approximates fair value, were \$382,511 and are included in cash equivalents.

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

**JUNE 30, 2022**

**DEPOSITS AND INVESTMENTS (Continued)**

Investments (continued)

Investments in the Maryland Local Government Investment Pool (MLGIP) are not evidenced by securities. The investment pool, not the participating governments, faces the custodial credit risk. The State Treasurer of Maryland exercises oversight responsibility over the MLGIP.

A single financial institution is contracted to operate the Pool. In addition, the State Treasurer has established an advisory board composed of Pool participants to review the activities of the contractor quarterly and provide suggestions to enhance the return on investments. The MLGIP uses the amortized cost method to compute unit value rather than market value to report net position. Accordingly, the fair value of the position in the MLGIP is the same as the value of the MLGIP shares. The MLGIP is rated AAA by Standard and Poor's. As of June 30, 2022, the City's investments, for both custodial and credit risk purposes, consisted solely of shares in the MLGIP. This investment is not deemed to have either risk and is in conformity with the City's policy relating to minimal credit risk of investments. The Pool is managed as a Rule 2a-7 pool. Therefore, the City faces no interest rate risk.

LOSAP funds

The LOSAP funds are invested in a MassMutual General Investment Account (GIA). The GIA, backed by MassMutual's general assets, is designed to provide stable, guaranteed rate of return and guarantee of principal. General investment account assets are managed with reference to their associated liabilities so product specifications and obligations to clients can be met with a high degree of certainty, even when market conditions change. Investment risk management is a high priority. Strict diversification among industries and individual issuers help mitigate credit risk. Various quantitative tools and systems, as well as qualitative approaches, are used to manage interest rate risk and liquidity risk. Assets in the GIA were managed to range from 5 to 6 years. The Massachusetts Mutual Life Insurance Company (does not apply to any separate investment accounts or mutual funds offered by MassMutual or its affiliates) are rated AA+ from Standard and Poor's.

If the GIA Contract is fully or partially terminated, participants will receive the liquidation value of the GIA instead of the book value (i.e., contract value), which is the value disclosed on participant statements and recorded within these financial statements. The liquidation value is determined in accordance with a formula contained in the GIA Contract and is designed to reflect the value of the

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

**JUNE 30, 2022**

**DEPOSITS AND INVESTMENTS (Continued)**

LOSAP funds (continued)

assets in the general investment account. This liquidation value may be more or less than the book value of the plan’s investment in the GIA Contract. This means that upon partial or full termination of the GIA Contract a participant’s account balance in the GIA may be either increased or decreased.

The City’s LOSAP fund GIA account balance as of June 30, 2022 is \$804,309 and is included in restricted cash and cash equivalents on the general fund balance sheet.

The fair value GAAP hierarchy is based on the valuation of inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 are significant unobservable inputs. GIA is measured on recurring basis and is considered to be Level 3 as liquidation value is based on actuarial formula as defined under the terms of the contract with no observable price.

**INTERFUND TRANSACTIONS**

Interfund receivables and payables consist of the following:

	Governmental activities	Business-type activities			Total
	General fund	Municipal Utilities Commission	Sewer fund	Marina fund	
Net receivable (payable)	\$ (1,527,895)	\$ (414,853)	\$ 2,845,114	\$ (902,366)	\$

The outstanding balances between funds result from actual transfers of dollars between the Municipal Utilities Commission, Sewer, Marina and General Funds and the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between the funds are made.

The balances are not expected to be repaid within one year.

**CITY OF CAMBRIDGE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**INTERFUND TRANSACTIONS (Continued)**

Transfers in and out were as follows:

	General Fund	Internal Service Fund	Marina Fund
Net transfers in (out)	\$ (229,132)	\$ (25,702)	\$ 254,834

**CAPITAL ASSETS**

Capital assets of the Governmental Activities are summarized as follows:

	Balance June 30, 2021	Additions & Transfers	Deletions & Transfers	Balance June 30, 2022
Capital assets not being depreciated				
Land	\$ 5,627,160	\$ 6,499	\$ (1,118,610)	\$ 4,515,049
Construction in progress	88,662	447,827	(15,000)	521,489
Total capital assets not being depreciated	5,715,822	454,326	(1,133,610)	5,036,538
Capital assets being depreciated				
Building and improvements	15,687,178	58,254		15,745,432
Furniture and equipment	1,779,762		(432,760)	1,347,002
Infrastructure	12,390,292	259,523		12,649,815
Vehicles	4,843,633	1,563,701	(498,705)	5,908,629
Leased equipment	14,527	70,534		85,061
Total capital assets being depreciated	34,715,392	1,952,012	(931,465)	35,735,939
Less accumulated depreciation for				
Building and improvements	(5,618,928)	(385,262)		(6,004,190)
Furniture and equipment	(1,445,975)	(72,511)	431,693	(1,086,793)
Infrastructure	(2,450,068)	(313,178)		(2,763,246)
Vehicles	(3,852,439)	(281,766)	498,700	(3,635,505)
Leased equipment	(7,897)	(11,396)		(19,293)
Total accumulated depreciation	(13,375,307)	(1,064,113)	930,393	(13,509,027)
Governmental activities, capital assets, net	\$ 27,055,907	\$ 1,342,225	\$ (1,134,682)	\$ 27,263,450

The 2021 balances have been adjusted to reflect leased assets in prior years due to the implementation of GASB Statement No. 87.

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

**JUNE 30, 2022**

**CAPITAL ASSETS (Continued)**

Capital assets of the Municipal Utilities Commission are summarized as follows:

	<u>Balance</u> <u>June 30, 2021</u>	<u>Additions</u> <u>&amp; Transfers</u>	<u>Deletions</u> <u>&amp; Transfers</u>	<u>Balance</u> <u>June 30, 2022</u>
Capital assets not being depreciated				
Land	\$ 90,189	\$	\$	\$ 90,189
Total capital assets not being depreciated	<u>90,189</u>			<u>90,189</u>
Capital assets being depreciated				
Building and improvements	155,152			155,152
Distribution system	3,639,420			3,639,420
Machinery and equipment	390,200	118,353	(11,139)	497,414
Meter replacement program	851,999			851,999
Office and lab equipment	86,849			86,849
Production ground storage	2,148,879			2,148,879
Transportation equipment	373,481		(7,989)	365,492
Total capital assets being depreciated	<u>7,645,980</u>	<u>118,353</u>	<u>(19,128)</u>	<u>7,745,205</u>
Less accumulated depreciation for				
Building and improvements	(107,685)	(3,658)		(111,343)
Distribution system	(2,197,717)	(59,890)		(2,257,607)
Machinery and equipment	(372,025)	(10,899)	11,139	(371,785)
Meter replacement program	(678,418)	(22,227)		(700,645)
Office and lab equipment	(86,849)			(86,849)
Production ground storage	(2,052,493)	(13,620)		(2,066,113)
Transportation equipment	(249,155)	(28,780)	7,856	(270,079)
Total accumulated depreciation	<u>(5,744,342)</u>	<u>(139,074)</u>	<u>18,995</u>	<u>(5,864,421)</u>
Municipal Utilities Commission, capital assets, net	<u>\$ 1,991,827</u>	<u>\$ (20,721)</u>	<u>\$ (133)</u>	<u>\$ 1,970,973</u>

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

**JUNE 30, 2022**

**CAPITAL ASSETS (Continued)**

Capital assets of the Sewer Fund are summarized as follows:

	<u>Balance June 30, 2021</u>	<u>Additions &amp; Transfers</u>	<u>Deletions &amp; Transfers</u>	<u>Balance June 30, 2022</u>
Capital assets not being depreciated				
Land	\$ 65,950	\$	\$	\$ 65,950
Construction in progress		276,366		276,366
Total capital assets not being depreciated	<u>65,950</u>	<u>276,366</u>		<u>342,316</u>
Capital assets being depreciated				
Building and improvements	1,336,900			1,336,900
Computer and equipment	3,885			3,885
Wastewater systems	62,534,721			62,534,721
Furniture and equipment	103,232			103,232
Vehicles	854,554			854,554
Total capital assets being depreciated	<u>64,833,292</u>			<u>64,833,292</u>
Less accumulated depreciation for				
Building and improvements	(1,326,692)	(700)		(1,327,392)
Computer and equipment	(3,885)			(3,885)
Wastewater systems	(32,605,212)	(1,145,604)		(33,750,816)
Furniture and equipment	(103,236)			(103,236)
Vehicles	(661,277)	(30,368)		(691,645)
Total accumulated depreciation	<u>(34,700,302)</u>	<u>(1,176,672)</u>		<u>(35,876,974)</u>
Sewer activities, capital assets, net	<u>\$ 30,198,940</u>	<u>\$ (900,306)</u>	<u>\$</u>	<u>\$ 29,298,634</u>

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

**JUNE 30, 2022**

**CAPITAL ASSETS (Continued)**

Capital assets of the Marina Fund are summarized as follows:

	<u>Balance June 30, 2021</u>	<u>Additions &amp; Transfers</u>	<u>Deletions &amp; Transfers</u>	<u>Balance June 30, 2022</u>
Capital assets not being depreciated				
Construction in progress	\$	\$ 29,000	\$	\$ 29,000
Total capital assets not being depreciated		<u>29,000</u>		<u>29,000</u>
Capital assets being depreciated				
Building and improvements	6,232,348			6,232,348
Furniture and fixtures	49,239			49,239
Vehicles	10,290			10,290
Total capital assets being depreciated	<u>6,291,877</u>			<u>6,291,877</u>
Less accumulated depreciation for				
Building and improvements	(2,278,149)	(154,039)		(2,432,188)
Furniture and fixtures	(13,234)	(4,924)		(18,158)
Vehicles	(10,291)			(10,291)
Total accumulated depreciation	<u>(2,301,674)</u>	<u>(158,963)</u>		<u>(2,460,637)</u>
Marina activities, capital assets, net	<u>\$ 3,990,203</u>	<u>\$ (129,963)</u>	<u>\$</u>	<u>\$ 3,860,240</u>
Business-type activities, capital assets, net	<u>\$ 36,180,970</u>	<u>\$ (1,050,990)</u>	<u>\$ (133)</u>	<u>\$ 35,129,847</u>

Depreciation expense in the governmental activities is recorded as follows:

General government	\$ 94,709
Public safety	254,203
Public works	<u>715,201</u>
Total governmental activities	<u>\$ 1,064,113</u>

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

**JUNE 30, 2022**

**LINE OF CREDIT**

The City has a \$2,500,000 line of credit with Bay Vanguard with interest assessed at the prime rate which was 6.25% at June 30, 2022. For the year ending June 30, 2022, the City of Cambridge, Maryland has not drawn on this line of credit.

**LONG-TERM DEBT**

Changes in long-term debt for the year June 30, 2022 are as follows:

	Beginning Balance	Additions	Principal Repayments	Ending Balance
<b>Governmental activities:</b>				
General obligation bonds	\$ 7,870,000	\$	\$ 565,500	\$ 7,304,500
Bond premiums	577,180		52,125	525,055
Leases payable	6,630	70,652	19,155	58,127
Notes payable	567,578		176,039	391,539
<b>Total</b>	<b>\$ 9,021,388</b>	<b>\$ 70,652</b>	<b>\$ 812,819</b>	<b>\$ 8,279,221</b>
<b>Business-type activities:</b>				
General obligation bonds	\$ 2,325,293	\$	\$ 357,395	\$ 1,967,898
Bond premiums	17,424		17,424	
<b>Total</b>	<b>\$ 2,342,717</b>	<b>\$</b>	<b>\$ 374,819</b>	<b>\$ 1,967,898</b>

Governmental Activities

General obligation bonds consist of the following:

Public Facilities Bond of 2016: \$8,695,000, maturing February 2031, annual principal payments ranging from \$460,000 to \$710,000, semi-annual interest payments at 2-4%.	\$ 5,720,000
Bond premiums	439,515
Infrastructure Bond of 2018: \$1,718,538, maturing April 2048, annual principal payments ranging from \$30,000 to \$94,000, semi-annual interest payments at 4.14%.	1,584,500
Bond premiums	85,540
<b>Total general obligation bonds and bond premiums</b>	<b>\$ 7,829,555</b>

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

**JUNE 30, 2022**

**LONG-TERM DEBT (Continued)**

Notes payable consist of the following:

Maryland Department of Natural Resources loan : \$280,575, unsecured, maturing July 2029, annual principal payment of \$11,223. The obligation is without interest.	\$ 78,561	
Hebron Savings Bank mortgage: \$200,000, secured by property, maturing February 2028, monthly principal and interest payments of \$1,448, interest at 3.68%.	87,437	
Bay Vanguard Bank loan of \$300,552 secured by equipment payments in annual installments of \$75,933 maturing February 2025. Interest is payable annually at 0.5%.	225,541	
Total notes payable	<table style="margin-left: auto; margin-right: 0;"> <tr> <td style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 391,539</td> </tr> </table>	\$ 391,539
\$ 391,539		

Leases payable

The City leases various equipment under operating leases. The assets and liabilities are recorded at the present value of the future lease payments. The assets are amortized over the life of the lease using the straight-line method. Amortization of the assets under operating leases is included in depreciation expense.

The City entered into an agreement with Enterprise Fleet Management for the lease of public works and police vehicles under operating leases. During 2022, the City leased one police vehicle through 2027. The asset was recorded at \$62,701. Accumulated amortization as of June 30, 2022 was \$16,044.

In addition, the City is leasing copiers under operating leases expiring in 2027. The assets were recorded at \$22,360. Accumulated amortization as of June 30, 2022 was \$10,890.

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

**JUNE 30, 2022**

**LONG-TERM DEBT (Continued)**

Business-type activities

General obligation bonds consist of the following:

	Sewer Fund
2011 Water Quality Bonds: \$1,214,000 maturing February 2032 annual principal payments ranging from \$57,752 to \$70,321 interest at 1.1%	\$ 642,552
\$1,718,895 - USDA. 120 quarterly installments beginning November 18, 2011. Quarterly payments of \$25,045 including principal and interest of 4.125%.	<u>1,325,346</u>
Totals general obligation bonds	<u><u>\$ 1,967,898</u></u>

Debt Service Requirements

Total annual debt service requirements to maturity for long-term debt, excluding bond premiums, are as follows:

Year Ending June 30,	Governmental Activities			
	General Obligation Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2023	\$ 586,000	\$ 242,416	\$ 100,425	\$ 4,103
2024	609,000	218,665	101,338	3,190
2025	634,500	193,901	102,273	2,256
2026	660,000	168,303	27,297	1,298
2027	689,000	141,779	27,899	696
2028 – 2032	2,977,500	441,212	32,307	119
2033 – 2037	287,500	252,016		
2038 – 2042	345,500	189,485		
2042 – 2047	421,500	101,434		
2048 – 2049	94,000	7,904		
	<u>\$ 7,304,500</u>	<u>\$ 1,957,115</u>	<u>\$ 391,539</u>	<u>\$ 11,662</u>

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

**JUNE 30, 2022**

**LONG-TERM DEBT (Continued)**

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	
	<u>Leases Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 14,400	\$ 1,934
2024	12,253	1,422
2025	12,171	972
2026	12,635	508
2027	6,668	81
	<u>\$ 58,127</u>	<u>\$ 4,917</u>

<u>Year Ending June 30,</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 109,946	\$ 64,346
2024	112,583	61,709
2025	115,309	58,983
2026	118,127	56,164
2027	121,042	53,250
2028 – 2032	625,341	218,905
2033 – 2037	378,783	122,117
2038 – 2042	386,767	36,695
	<u>\$ 1,967,898</u>	<u>\$ 672,169</u>

**CITY OF CAMBRIDGE, MARYLAND**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022**

**LONG-TERM DEBT (Continued)**

Technology Park Water and Sewer Systems

The Commissioners of Cambridge and the Municipal Utilities Commission have entered into an agreement with the County Council of Dorchester County, Maryland, Dorchester County Sanitary Commission, Inc. and Maryland Economic Development Corporation to construct water and sewer infrastructure facilities to the Technology Park. Of the total costs of the project, \$1,718,895 was financed with a loan from the United States Department of Agriculture in the City's name. Of this amount, 76% will be repaid by the County and is recorded as a Due from Dorchester County and 24% will be repaid by the City and MUC. As of June 30, 2022, this loan has a balance of \$1,325,346 with \$1,166,091 due from the County and \$160,028 due from MUC.

Enhanced Nutrient Removal

The Commissioners of Cambridge have acquired a bond with the Maryland Water Quality Financing Administration for \$1,619,000 to provide enhanced nutrient removal to the wastewater plant. The bond is payable in two series of \$1,214,000 and \$405,000 drawn down simultaneously. It is agreed that if all requirements of the loan are met, the \$405,000 portion of the loan will be forgiven. At June 30, 2022, the outstanding loan balance was \$642,552.

**LEASES RECEIVABLE**

The City entered into lease agreements expiring 2032 and 2033 with Verizon and WBOC for the use of the City's water tower for wireless antennas and transmission lines. The lease receivables and deferred inflows of resources are recorded at the present value of the lease payments. The deferred inflow of resources is being amortized over the life of the lease. Amortization is included in rental income in the general fund.

As of June 30, 2022, the balance of the leases receivable were \$242,338.

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

**JUNE 30, 2022**

**LEASES RECEIVABLE (Continued)**

A maturity analysis of all future lease payments for the term of the leases is as follows:

Year Ending June 30,	Principal	Interest
2023	\$ 17,344	\$ 8,812
2024	19,032	8,122
2025	19,757	7,397
2026	20,511	6,643
2027	21,293	5,861
2028 – 2032	132,436	15,411
2033 – 2037	11,965	113
	\$ 242,338	\$ 52,359

**FUND BALANCES**

Nonspendable fund balances are expenses prepaid for the subsequent year.

Restricted fund balances of \$1,004,841 are the amounts restricted for the Choptank River Lighthouse, forfeited and confiscated police funds, 508 Savings, and LOSAP plan assets.

Committed fund balances are amounts encumbered of \$50,000 for projects to be completed in the subsequent year and includes the Bayly Road project.

Assigned fund balance includes the use of budget surplus of \$686,525 included in the 2023 approved budget.

## CITY OF CAMBRIDGE, MARYLAND

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

#### 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, the Employees' Retirement System of the State of Maryland, or the Law Enforcement Officer's Pension System (LEOPS). These systems are part of the Maryland State Retirement and Pension System (MSRPS), and are cost-sharing multiple-employer public employee retirement systems. The plans are 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 [sra.maryland.gov/annual-financial-reports](http://sra.maryland.gov/annual-financial-reports).

*Basis of accounting.* The MSRPS financial statements are prepared on the accrual basis of accounting. For purposes of measuring 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 MSRPS and additions to/deductions from MSRPS's fiduciary net position have been determined on the same basis as they are reported by MSRPS. Benefit payments and refunds of employee contributions are recognized when due and payable in accordance with statutes governing MSRPS. Expenses are recognized when the liability is incurred, regardless of when payment is made. Investments are reported at fair value.

*Covered members.* On October 1, 1941, the Employees' Retirement System was established to provide retirement allowances and other benefits to State employees, elected and appointed officials and the employees of participating governmental units. Effective January 1, 1980, the Employees' Retirement System was essentially closed to new members and the Employees' Pension system was established. As a result, State employees (other than correctional officers) and employees of participating governmental units hired after December 31, 1979, became members of the Employees' Pension System as a condition of employment. On or after January 1, 2005, an individual who is a member of the Employees' Retirement System may not transfer membership to the Employees' Pension System.

The Law Enforcement Officers' Pension System (LEOPS) was established on July 2, 1990, to provide retirement allowances and other benefits for certain State and local law enforcement officers. This System includes both retirement plan and pension plan provisions which are applicable to separate portions of the System's membership. The retirement plan provisions are only applicable to those members who, on the date they elected to participate in LEOPS, were members of the Employees' Retirement System. This System's pension plan provisions are applicable to all other participating law enforcement officers.

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

**JUNE 30, 2022**

**RETIREMENT AND PENSION PLANS (Continued)**

General information about the pension plan

*Benefits provided.* All plan benefits are specified by the State Personnel and Pensions Article of the Annotated Code of Maryland. The MSRPS provides retirement, disability and death benefits.

A member of the Employees' Retirement System is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of credible service of age. The annual retirement allowance equals  $1/55$  (1.81%) of member's AFC multiplied by the number of years accumulated creditable service. A member of the Employees' Retirement System may retire with reduced benefits after completing 25 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree either attains age 60 or would have accumulated 30 years of creditable service, whichever is less. The maximum reduction for an Employees' Retirement System member is 30%.

A member of the LEOPS is eligible for full retirement benefits upon the earlier of attaining age 50 or accumulating 25 years of eligibility service regardless of age. The annual retirement allowance for a member who is covered under the retirement plan provisions equal  $1/50$  (2.0%) of the member's AFC multiplied by the number of years of accumulated creditable service up to 30 years, plus  $1/100$  (1.0%) of the member's AFC multiplied by the number of years of accumulated creditable service in excess of 30 years. For members subject to the pension provision, full service pension allowances equal 2.0% of AFC up to a maximum of 60% (30 years of credit).

Generally, a member covered under the retirement plan provisions who is permanently disabled after five years of service receives a service allowance based on a minimum percentage (usually 25%) of the member's AFC. A member covered under pension plan provisions who is permanently disabled after accumulating 5 years of eligibility service receives a service allowance computed as if service had continued with no change in salary until the retiree attained age 62. Death benefits equal to a member's annual salary as of the date of death plus all member contributions an interest.

*Cost-of-Living Adjustments.* Benefits attributable to service on or after July 1, 2011 in many of the pension systems now will be subject to different cost-of-living adjustments (COLA) that is based on the increase in the Consumer Price Index (CPI) and capped at 2.5% or 1.0% based on whether the market value investment return for the preceding calendar year was higher or lower than the investment return assumption used in valuation.

**CITY OF CAMBRIDGE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**RETIREMENT AND PENSION PLANS (Continued)**

General information about the pension plan (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. For the LEOPS, members are required to contribute 7% of annual earnable compensation during employment. The City is required to contribute at an actuarially determined rate. Contributions to the plan from the City were \$1,056,350.

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

At June 30, 2022, the City reported a liability of \$7,191,966 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2021, the City's proportion was .0168% for the general employees' plan and .0311% for the police officers' plan.

For the year ended June 30, 2022 the City recognized pension expense of \$414,565. At June 30, 2022, 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	\$ 1,392,066	\$ 3,984,554
Net difference between projected and actual earnings on pension plan investments	700,118	154,148
Changes in proportion	1,003,576	
Difference between actual and expected experience		551,224
Contributions subsequent to measurement date	891,634	
	<u>\$ 3,987,394</u>	<u>\$ 4,689,926</u>

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

**JUNE 30, 2022**

**RETIREMENT AND PENSION PLANS (Continued)**

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

The City's contribution subsequent to the measurement date of \$891,634, reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

Deferred financial inflows and outflows are made up of changes in actuarial assumptions, differences in actual and expected experience, and net difference between 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 to 5.87 years. The net difference in investment earnings are being amortized over a closed five-year period.

Year Ending June 30	Net Deferred Inflows and Outflows
2023	\$ (507,593)
2024	(396,756)
2025	(391,285)
2026	(535,180)
2027	236,648
Total	<u>\$ (1,594,166)</u>

Actuarial assumptions. The actuarial assumption for the Pension Plan as a whole and based on the June 30, 2021 annual actuarial valuation report for Maryland Municipal Corporation are as follows:

Inflation	2.60% general, 3.10% wage
Salary increases	3.10% to 11.6%, including wage inflation
Investment rate of return	7.40%

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

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

**JUNE 30, 2022**

**RETIREMENT AND PENSION PLANS (Continued)**

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

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

*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, 2021, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	37%	4.7%
Private Equity	13%	6.5%
Rate Sensitive	19%	-0.4%
Credit Opportunity	9%	2.6%
Real Assets	14%	4.2%
Absolute Return	8%	2.0%
Total	100%	

For the years ended June 30, 2021 and 2020, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was 26.69% and 3.5%, respectively. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

**JUNE 30, 2022**

**RETIREMENT AND PENSION PLANS (Continued)**

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

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

*Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate.* The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.80%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.80%) or 1-percentage higher (7.8%).

1% Decrease (5.80%)	\$ 12,248,907
Current discount rate (6.80%)	\$ 7,191,966
1% Increase (7.8%)	\$ 2,997,246

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 HEALTH CARE BENEFITS**

*Plan description.* The City administers a single-employer defined benefit healthcare plan (the "Plan"). The Plan has no assets accumulated in a trust that meet the criteria in GASB Statement No. 75.

*Benefits provided.* Retirees hired prior to July 1, 2017 can continue the same medical coverage they had as active employees until 65 if they retire upon reaching age 62 with 20 years of service or after attaining 25 years of service. Effective July 1, 2017 the plan is closed to new hires.

Retirees are eligible to continue their medical coverage upon retirement and receive the full subsidy from the City of Cambridge which is a monthly contribution of \$80 for individual and \$392 for employee and spouse. The subsidy is provided to retirees and dependents only.

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

**JUNE 30, 2022**

**OTHER POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)**

When someone receiving this health benefit turns 65, they can no longer stay on the regular City health plan. Instead the City will subsidize for retirees a Medicare part - F supplement, at no cost to the retiree. Dependents are not eligible for this benefit.

*Employees covered by benefit terms.* As of July 1, 2021, a total of 117 employees were covered by the benefit terms as follows:

Retirees in pay status (pre-Medicare)	15
Retirees in pay status (post-Medicare)	24
Active employees	78

*Contributions.* The City has not established an irrevocable trust. The plan is funded on a pay-as-you-go basis. An actuarial valuation was performed as of June 30, 2019 to determine the unfunded actuarial accrued liability.

*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	July 1, 2021
Measurement Date	June 30, 2021
Measurement Period	June 30, 2021 to June 30, 2022

*Actuarial assumptions.* The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement. The medical trend assumption was developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model. The model was updated in September 2019.

Inflation	2.5%
Rate of growth in real income/GDP per year	1.4%
Excess medical cost growth	1.0%
Health share of GDP in 2029	19.0%
Health share of GDP resistance point	20.0%
Year for limiting cost growth to GDP Growth	2075

*Discount rate.* The discount rate used to measure the total OPEB liability as of the beginning of the year (June 30, 2020) is 2.45%. The rate as of June 30, 2021 is 1.92%.

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

**JUNE 30, 2022**

**OTHER POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)**

*Changes in the total OPEB liability.*

	Total OPEB Liability
Balance as of June 30, 2020 for FY21	\$ 7,025,616
Changes for the year:	
Service cost	221,680
Interest	168,607
Experience losses	502,953
Changes in assumptions	668,497
Benefit payouts	(301,585)
Net changes	1,260,152
Balance as of June 30, 2021 for FY22	\$ 8,285,768

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the total OPEB liability of the City, as well as what the total 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 (.92%)	\$ 9,632,590
Current discount rate (1.92%)	\$ 8,285,768
1% Increase (2.92%)	\$ 7,207,294

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate.* The following presents the total OPEB liability of the City, as well as what the total 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 (2.94%)	\$ 7,082,502
Current discount rate (3.94%)	\$ 8,285,768
1% Increase (4.94%)	\$ 9,822,689

**CITY OF CAMBRIDGE, MARYLAND**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022**

**OTHER POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)**

*OPEB expense and deferred inflows of resources related to OPEB.* Benefit payments are recognized when currently due and payable in accordance with the benefit terms. For the year ended June 30, 2022, the City recognized an OPEB expense of \$206,041. At June 30, 2022, the City reported deferred outflows of resources or deferred inflows of resources related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 437,196	\$ 359,754
Changes of assumptions	1,202,662	196,115
Total	\$ 1,639,858	\$ 555,869

Amounts reported as deferred inflows of resources related to the OPEB plan will be recognized in expense over a closed period equal to the average of the remaining service lives of all employees that are provided with OPEB through the OPEB plan or twelve years as follows:

Fiscal Year Ended June 30	Measurement Date		
2023	6/30/2022	\$	117,338
2024	6/30/2023		117,336
2025	6/30/2024		208,727
2026	6/30/2025		213,187
2027	6/30/2026		260,050
Thereafter	6/30/27 and after		167,351
Total			\$ 1,083,989

**VOLUNTEER FIREMAN PENSION PLAN LENGTH OF SERVICE AWARD PROGRAM (LOSAP)**

*Plan description.* The City established the Volunteer Fireman Pension Plan Length of Service Award Program (“LOSAP”) for volunteer firefighters in October 2004. The LOSAP is a single-employer defined benefit length of service award program that covers all volunteer members (“members”) of the City’s Fire Rescue Company, Inc.

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

**JUNE 30, 2022**

**VOLUNTEER FIREMAN PENSION PLAN LENGTH OF SERVICE AWARD PROGRAM (LOSAP) (Continued)**

*Benefits provided.* An active member, upon reaching 65 years of age, is eligible to receive \$10 per year of eligible service, with a \$300 maximum monthly benefit that may be earned. Insured participants' designated beneficiary shall receive the greater of \$10,000 face amount of the life insurance or the present value of the participants' accrued benefit. Non-insured participants' designated beneficiary shall receive the lump sum of the present value of the participants' accrued benefit.

*Participant summary.* As of October 1, 2020, a total of 71 employees were participants as follows:

Active members	58
Vested – terminated	12
Retired and beneficiaries	1

*Contributions.* The City has not established an irrevocable trust. The plan is funded on a pay-as-you-go basis. An actuarial valuation was performed as of October 1, 2020 to determine the unfunded actuarial accrued liability.

*Total LOSAP 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:	October 1, 2020
Measurement Date:	September 30, 2021
Measurement Period:	October 1, 2020 to September 30, 2021

*Actuarial assumptions.* The total LOSAP liability was determined by an actuarial valuation as of October 1, 2020 rolled forward to September 30, 2021 measurement date using the following actuarial assumptions, applied to all period included in the measurement.

Inflation	0.0%
Salary increases	Not applicable
Investment rate of return	2.19%, net of pension plan investment expense, including inflation
Mortality	No pre-retirement mortality, post retirement RP2000 projected to 2030
Retirement	First eligible
Turnover	T5
Disability	None

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

**JUNE 30, 2022**

**VOLUNTEER FIREMAN PENSION PLAN LENGTH OF SERVICE AWARD PROGRAM (LOSAP) (Continued)**

The above is a summary of key actuarial assumptions. Full description of actuarial assumptions are available in the October 1, 2020 actuarial report.

*Discount rate.* The 2.19% discount rate is based on a 20 year AA general obligation bond rate as of September 30, 2021.

*Changes in LOSAP liability.*

*Sensitivity of the total LOSAP liability to changes in the discount rate.* The following presents the total LOSAP liability of the City, as well as what the total LOSAP 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 (1.19%)	\$ 1,953,714
Current discount rate (2.19%)	\$ 1,586,355
1% Increase (3.19%)	\$ 1,300,809

*LOSAP expense and deferred inflows of resources related to LOSAP.* Benefit payments are recognized when currently due and payable in accordance with the benefit terms. For the year ended June 30, 2022, the City recognized a LOSAP expense of \$99,755. At June 30, 2022, the City reported deferred outflows of resources or deferred inflows of resources related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 87,091	\$ 34,866
Changes of assumptions	299,770	82,405
Contributions subsequent to measurement date	63,589	
Total	\$ 450,450	\$ 117,271

**CITY OF CAMBRIDGE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**VOLUNTEER FIREMAN PENSION PLAN LENGTH OF SERVICE AWARD PROGRAM (LOSAP) (Continued)**

The \$63,589 of deferred outflows of resources resulting from the City’s contribution subsequent to the measurement date will be recognized as a reduction of the net LOSAP liability in the year ending June 30, 2022. Amounts reported as deferred outflows and deferred inflows will be amortized as follows:

Year Ending June 30		
2023	\$	28,951
2024		28,951
2025		28,951
2026		28,951
2027		28,953
Thereafter		124,833
Total	\$	<u>269,590</u>

**RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's risk financing techniques include the purchase of commercial insurance.

The City is fully insured for workers’ compensation through commercial insurance, and employees are bonded to limit the loss to the City in the event of employees committing acts of embezzlement or theft. There has been no significant reduction in insurance coverage from the prior year by major categories of risk, and amounts of settlements have not exceeded insurance coverage for each of the past three fiscal years.

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

**JUNE 30, 2022**

**COMMITMENTS AND CONTINGENCIES**

Legal

The City is a defendant in several lawsuits. After considering all relevant facts and the opinion of legal counsel, it is the opinion that the lawsuits will not, in the aggregate, have a material adverse effect on the financial position of the City.

Health

The City participates in a "minimum premium plan" for its employee healthcare insurance. Under this plan, the City, who uses a third party administrator to process and pay claims, is responsible for paying all claims up to agreed-upon aggregate level with an insurance program responsible for the excess. The City has obtained a stop loss insurance policy of \$100,000 per participant to limit its healthcare costs.

Federal and State Grants

In the normal course of operations, the City receives grant funds from various Federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement, which may arise as the result of these audits is not believed to be material.

Maryland Environmental Services

The City has entered into a contract with the Maryland Environmental Services (MES), a body politic and corporate constituting an instrumentality of the State of Maryland. The contract dated June 18, 1993 and amended December 16, 1998 states that MES shall operate and maintain the City's sewage collection and wastewater treatment plant on a full time basis and provide properly trained and licensed personnel to operate and maintain the City's plant and pump stations including all rules, regulations, and analysis and reports as required by local, state, and federal regulatory agencies.

The contract states that the City shall be responsible for reimbursing all cost of salary administration cost and overhead at a monthly rate mutually agreed to annually and bear all cost of maintenance and improvements to the system.

**CITY OF CAMBRIDGE, MARYLAND**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022**

**NEW GASB PRONOUNCEMENTS**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended June 30, 2022, that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the new standards may have on the financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for the year ending June 30, 2023. This statement changes the reporting and accounting for software subscription payments.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, will be effective for the City beginning with the year ending June 30, 2023. This statement changes the reporting and accounting of component units.

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

**SUBSEQUENT EVENTS**

The City was awarded \$12,079,282 from the American Rescue Plan Act of 2021 Coronavirus Local Fiscal Recovery Fund (CLFRF). Eligible uses of these funds include lost revenue replacement, COVID-19 expenditures or negative economic impact programs, premium pay for essential workers, and investments in certain infrastructure. The second installment was received in August 2022 in the amount of \$6,039,641.

In July 2022, the City approved the borrowing of \$1.7 million from Queenstown Bank. The proceeds of this loan will be used for the replacement of rescue fire equipment.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF CAMBRIDGE, MARYLAND**

**REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

**YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Taxes and utility fees	\$ 9,119,849	\$ 9,119,849	\$ 9,787,986	\$ 668,137
Licenses and permits	661,500	661,500	1,308,065	646,565
Intergovernmental	4,674,601	4,851,363	4,778,751	(72,612)
Charges for services	1,322,387	1,322,387	955,774	(366,613)
Fines and forfeitures	97,200	97,200	41,118	(56,082)
Miscellaneous	189,073	189,073	184,633	(4,440)
Total revenues	<u>16,064,610</u>	<u>16,241,372</u>	<u>17,056,327</u>	<u>814,955</u>
<b>EXPENDITURES</b>				
Current				
General government	1,359,824	1,408,774	971,136	437,638
Public safety	6,108,640	6,175,402	5,599,409	575,993
Public works	3,470,289	3,497,039	3,388,563	108,476
Economic development	2,326,770	2,426,770	1,354,194	1,072,576
Debt service	1,169,659	1,169,659	1,022,674	146,985
Capital outlay	2,136,594	2,136,594	2,406,336	(269,742)
Total expenditures	<u>16,571,776</u>	<u>16,814,238</u>	<u>14,742,312</u>	<u>2,071,926</u>
Revenues over (under) expenditures	<u>(507,166)</u>	<u>(572,866)</u>	<u>2,314,015</u>	<u>2,886,881</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Prior year surplus	756,000	821,700		(821,700)
Transfers, net	(254,834)	(254,834)	(229,132)	25,702
Gain on disposal of assets	6,000	6,000		(6,000)
Lease proceeds			70,652	70,652
Total other financing sources	<u>507,166</u>	<u>572,866</u>	<u>(158,480)</u>	<u>(731,346)</u>
Net change in fund balance	<u>\$</u>	<u>\$</u>	<u>\$ 2,155,535</u>	<u>\$ 2,155,535</u>

**CITY OF CAMBRIDGE, MARYLAND**

**REQUIRED SUPPLEMENTARY INFORMATION**

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

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

<u>Fiscal year/ measurement date</u>	<u>Town's proportion of the net pension liability</u>	<u>Town's proportionate share of the net pension liability</u>	<u>Town's covered employee payroll</u>	<u>Town's proportionate share as a percentage of covered payroll</u>	<u>Plan fiduciary net position as a percentage of total pension liability</u>
2015/2014	0.0381800%	\$ 6,776,366	\$ 4,683,287	145%	72%
2016/2015	0.0379844%	7,893,803	4,487,284	176%	69%
2017/2016	0.0425362%	10,035,993	4,563,208	220%	66%
2018/2017	0.0444606%	9,614,010	5,031,681	191%	69%
2019/2018	0.0436439%	9,157,186	4,715,375	194%	71%
2020/2019	0.0446223%	9,203,617	4,834,060	190%	72%
2021/2020	0.0425159%	9,609,191	4,629,988	208%	71%
2022/2021	0.0479390%	7,191,966	4,812,343	149%	82%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information is available to present a ten-year trend.

**CITY OF CAMBRIDGE, MARYLAND**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE CITY'S CONTRIBUTIONS**

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

<u>Fiscal Year</u>	<u>Contractually required contribution</u>	<u>Actual contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Town's covered payroll</u>	<u>Actual contribution as a percentage of covered payroll</u>
2015	\$ 800,608	\$ 800,608	\$	\$ 4,487,284	18%
2016	828,640	828,640		4,563,208	18%
2017	904,924	904,924		5,031,681	18%
2018	870,293	870,293		4,715,375	18%
2019	916,319	916,319		4,834,060	19%
2020	911,570	911,570		4,629,988	20%
2021	1,056,350	1,056,350		4,812,343	22%
2022	891,634	891,634		4,527,875	20%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information is available to present a ten-year trend.

**CITY OF CAMBRIDGE, MARYLAND**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**MARYLAND STATE RETIREMENT AND PENSION SYSTEM**  
**(UNAUDITED)**

**JUNE 30, 2021**

**Changes in benefit terms:**

There were no benefit changes during the year.

**Changes in assumptions:**

Discount rates changed to 6.8%

**Method and assumptions used in calculations of actuarially determined contributions for the plan years ended June 30, 2021 and 2020:**

Actuarial	Entry age normal.
Amortization method	Level percentage of payroll. Closed.
Remaining amortization period	25 year closed amortization period ending June 30, 2039; 17 years remaining.
Asset valuation model	Five year smoothed market (maximum 120% and minimum 80% of market value.)
Inflation	2021 2.60% general; 3.10% wage 2020 2.60% general; 3.10% wage
Salary increases	2021 3.10% to 11.6%, including wage inflation 2020 3.10% to 11.6%, including wage inflation
Investment rate of return	2021 6.80% 2020 7.40%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2018 valuation pursuant to an experience study of the period July 1, 2014 to July 30, 2018.
Mortality	Public Sector 2010 Mortality Tables calibrated to MSRPS experience with generational projections using MP-2018 (2-dimensional) mortality improvement scale.

**CITY OF CAMBRIDGE, MARYLAND**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CHANGES IN THE NET  
OPEB LIABILITY AND RELATED RATIOS  
(UNAUDITED)**

Fiscal year/measurement date	<u>2022/2021</u>	<u>2021/2020</u>	<u>2020/2019</u>	<u>2019/2018</u>	<u>2018/2017</u>
<b>Total OPEB liability</b>					
Service cost	\$ 221,680	\$ 177,736	\$ 175,330	\$ 171,033	\$ 164,596
Interest cost	168,607	192,757	230,519	225,125	194,935
Difference between expected and actual experience	502,953	8,531	(629,514)	(81)	
Changes of assumptions	668,497	640,363	301,456	(31,147)	(639,683)
Benefit payments	<u>(301,585)</u>	<u>(295,740)</u>	<u>(293,603)</u>	<u>(271,188)</u>	<u>(271,269)</u>
Net change in total OPEB liability	1,260,152	723,647	(215,812)	93,742	(551,421)
Total OPEB liability, beginning of year	7,025,616	6,301,969	6,517,781	6,424,039	6,975,460
Total OPEB liability, end of year	<u>\$ 8,285,768</u>	<u>\$ 7,025,616</u>	<u>\$ 6,301,969</u>	<u>\$ 6,517,781</u>	<u>\$ 6,424,039</u>
<b>Plan fiduciary net position</b>					
Contributions employer	\$ 301,585	\$ 295,740	\$ 293,603	\$ 271,188	\$ 271,269
Benefit payments	<u>(301,585)</u>	<u>(295,740)</u>	<u>(293,603)</u>	<u>(271,188)</u>	<u>(271,269)</u>
Net change in fiduciary net position					
Fiduciary net position, beginning of year	<u>                    </u>				
Fiduciary net position, end of year	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>City's total OPEB liability, end of year</b>	<u>\$ 8,285,768</u>	<u>\$ 7,025,616</u>	<u>\$ 6,301,969</u>	<u>\$ 6,517,781</u>	<u>\$ 6,424,039</u>
Fiduciary net position as a % of total OPEB liability	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>

**Notes to schedule**

No benefit changes.

Changes of assumptions: The discount rate was changed as follows:

6/30/2020	3.13%
6/30/2021	2.45%
6/30/2022	1.92%

Because this OPEB plan does not depend on salary, no salary information is presented.

Information for fiscal year 2017 and earlier is not available.

**CITY OF CAMBRIDGE, MARYLAND**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CHANGES IN THE NET  
LOSAP LIABILITY AND RELATED RATIOS  
(UNAUDITED)**

Fiscal year/measurement date	<u>2022/2021</u>	<u>2021/2020</u>	<u>2020/2019</u>	<u>2019/2018</u>	<u>2018/2017</u>
<b>Total LOSAP liability ("TLL")</b>					
Service cost	\$ 53,026	\$ 53,251	\$ 46,515	\$ 33,144	\$ 40,272
Interest cost	31,021	29,093	23,780	37,453	37,496
Difference between expected and actual experience	18,902	41,940	52,180	(62,758)	
Changes of assumptions	68,614	94,463	232,067	(62,511)	(87,408)
Benefit payments and administrative expenses	(1,670)	(9,468)	(14,112)	(102,887)	(63,564)
Net change in total OPEB liability	<u>169,893</u>	<u>209,279</u>	<u>340,430</u>	<u>(157,559)</u>	<u>(73,204)</u>
TLL, beginning of year	<u>1,416,462</u>	<u>1,207,183</u>	<u>866,753</u>	<u>1,024,312</u>	<u>1,097,515</u>
TLL, end of year	<u><u>\$ 1,586,355</u></u>	<u><u>\$ 1,416,462</u></u>	<u><u>\$ 1,207,183</u></u>	<u><u>\$ 866,753</u></u>	<u><u>\$ 1,024,311</u></u>
<b>Plan fiduciary net position</b>					
Contributions employer	\$	\$	\$	\$	\$
Benefit payments					
Net change in fiduciary net position					
Fiduciary net position, beginning of year					
Fiduciary net position, end of year	<u><u>\$</u></u>	<u><u>\$</u></u>	<u><u>\$</u></u>	<u><u>\$</u></u>	<u><u>\$</u></u>
<b>City's total LOSAP liability, end of year</b>	<u><u>\$ 1,586,355</u></u>	<u><u>\$ 1,416,462</u></u>	<u><u>\$ 1,207,183</u></u>	<u><u>\$ 866,753</u></u>	<u><u>\$ 1,024,311</u></u>
Fiduciary net position as a % of total LOSAP liability	<u><u>0.0%</u></u>	<u><u>0.0%</u></u>	<u><u>0.0%</u></u>	<u><u>0.0%</u></u>	<u><u>0.0%</u></u>

**Notes to schedule**

No benefit changes.

Changes of assumptions: The discount rate was changed as follows:

6/30/2020	2.75%
6/30/2021	2.41%
6/30/2022	2.19%

Because this LOSAP plan does not depend on salary, no salary information is presented.

Information for fiscal year 2017 and earlier is not available.

**SUPPLEMENTARY INFORMATION**

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*ALLINIAL GLOBAL*

## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

The Honorable Mayor and Council  
City of Cambridge, Maryland

### Report on Supplementary Information

Our report on our audit of the financial statements that collectively comprise City of Cambridge, Maryland's basic financial statements as of June 30, 2022, appears on pages one through three. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cambridge, Maryland's basic financial statements. The supplementary information presented on pages 67 through 70 is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

### Other Matter

The prior year comparative information has been derived from the City's 2021 and 2020 financial statements. In our reports dated February 10, 2022 and December 22, 2020, we expressed an unmodified opinions on the 2021 and 2020 respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

**CERTIFIED PUBLIC ACCOUNTANTS**

Salisbury, Maryland  
January 5, 2023

**CITY OF CAMBRIDGE, MARYLAND**  
**SCHEDULES OF REVENUES AND EXPENDITURES**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2022**  
**(WITH COMPARATIVE TOTALS FOR 2021 AND 2020)**

	2022	2021	2020
<b>REVENUES</b>			
Taxes and utility fees	\$ 9,787,986	\$ 9,774,910	\$ 9,372,872
Licenses and permits	1,308,065	872,960	774,695
Intergovernmental	4,778,751	825,391	600,272
Charges for services	955,774	899,947	1,030,927
Fines and forfeitures	41,118	22,831	55,418
Miscellaneous	184,633	227,295	269,603
Total revenues	17,056,327	12,623,334	12,103,787
<b>EXPENDITURES</b>			
Current			
General government	971,136	949,731	805,310
Public safety	5,599,409	5,243,509	5,206,330
Public works	3,388,563	2,634,799	2,966,518
Economic development	1,354,194	368,635	463,051
Debt service	1,022,674	927,712	926,437
Capital outlay	2,406,336	884,884	106,374
Total expenditures	14,742,312	11,009,270	10,474,020
Revenues over expenditures	2,314,015	1,614,064	1,629,767
<b>OTHER FINANCING</b>			
<b>SOURCES (USES)</b>			
Proceeds from asset disposal			600
Transfers, net	(229,132)	(125,000)	(276,225)
Loan/lease proceeds	70,652	300,552	
Total other financing sources (uses)	(158,480)	175,552	(275,625)
Net change in fund balance	\$ 2,155,535	\$ 1,789,616	\$ 1,354,142

See independent auditors' report on supplementary information.

**CITY OF CAMBRIDGE, MARYLAND**  
**SCHEDULES OF REVENUES AND EXPENSES**  
**MUNICIPAL UTILITIES COMMISSION**  
**YEAR ENDED JUNE 30, 2022**  
**(WITH COMPARATIVE TOTALS FOR 2021 AND 2020)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 2,402,330	\$ 2,076,709	\$ 1,881,388
<b>OPERATING EXPENSES</b>			
Salaries and related costs	1,224,319	1,067,958	1,000,697
Repairs and maintenance	349,874	215,837	315,119
Distribution and operating expenses	255,783	229,326	223,266
Depreciation	139,074	121,007	133,587
General and administrative	177,908	163,443	183,750
Total operating expenses	<u>2,146,958</u>	<u>1,797,571</u>	<u>1,856,419</u>
Operating income	<u>255,372</u>	<u>279,138</u>	<u>24,969</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Impact fees	1,850		
Interest income	18,267	22,567	31,104
Interest expense	(6,883)	(7,123)	(7,094)
Capital grants			117,711
Loss on disposal of assets	(133)		
Total non-operating revenues	<u>13,101</u>	<u>15,444</u>	<u>141,721</u>
Change in net position	<u>\$ 268,473</u>	<u>\$ 294,582</u>	<u>\$ 166,690</u>

See independent auditors' report on supplementary information.

**CITY OF CAMBRIDGE, MARYLAND**

**SCHEDULES OF REVENUES AND EXPENSES  
SEWER FUND**

**YEAR ENDED JUNE 30, 2022  
(WITH COMPARATIVE TOTALS FOR 2021 AND 2020)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 4,898,758	\$ 4,507,246	\$ 4,423,382
Operating grants	290,676	243,000	243,000
Total operating income	<u>5,189,434</u>	<u>4,750,246</u>	<u>4,666,382</u>
<b>OPERATING EXPENSES</b>			
Salaries and related costs	1,512,490	1,312,065	1,398,012
Repairs and maintenance	192,655	45,653	155,350
Distribution and operating expenses	2,031,312	1,957,443	1,891,794
Depreciation	1,176,672	1,181,920	1,199,623
Other general and administrative	98,066	60,284	49,544
Total operating expenses	<u>5,011,195</u>	<u>4,557,365</u>	<u>4,694,323</u>
Operating income (loss)	<u>178,239</u>	<u>192,881</u>	<u>(27,941)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Impact fees	5,739	10,350	
Interest income	533	740	9,571
Interest expense	<u>(14,282)</u>	<u>(53,607)</u>	<u>(62,739)</u>
Total non-operating expenses	<u>(8,010)</u>	<u>(42,517)</u>	<u>(53,168)</u>
Change in net position	<u>\$ 170,229</u>	<u>\$ 150,364</u>	<u>\$ (81,109)</u>

See independent auditors' report on supplementary information.

**CITY OF CAMBRIDGE, MARYLAND**  
**SCHEDULES OF REVENUES AND EXPENSES**  
**MARINA FUND**

**YEAR ENDED JUNE 30, 2022**  
**(WITH COMPARATIVE TOTALS FOR 2021 AND 2020)**

	2022	2021	2020
<b>OPERATING REVENUES</b>			
Charges for services	\$ 560,453	\$ 548,634	\$ 397,464
<b>OPERATING EXPENSES</b>			
Repairs and maintenance	50,145	164,441	17,825
Operating expenses	156,258	145,613	97,819
Professional services	270,480	256,146	270,480
Depreciation	158,963	155,550	160,507
General and administrative	19,543	33,250	13,291
Total operating expenses	655,389	755,000	559,922
Operating loss	(94,936)	(206,366)	(162,458)
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest income		87	42
(Interest expense) premium	10,229		(8,872)
Capital grants	63,314	220,445	17,508
Total non-operating revenues	73,543	220,532	8,678
Income (loss) before transfers	(21,393)	14,166	(153,780)
<b>TRANSFERS IN</b>	254,834		276,225
Change in net position	\$ 233,441	\$ 14,166	\$ 122,445

See independent auditors' report on supplementary information.

***GOVERNMENT AUDITING STANDARDS REPORTS***

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

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DANIEL M. O’CONNELL II, CPA  
ASHLEY M. STERN, CPA  
JOHN M. STERN, JR., CPA

To the Mayor and Council  
City of Cambridge, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund, of the City of Cambridge, Maryland, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Cambridge, Maryland’s basic financial statements and have issued our report thereon dated January 5, 2023.

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DELAWARE SOCIETY OF  
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**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first preceding 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 certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002, that we consider to be significant deficiencies.

## **Compliance and Other Matters**

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

## **City's Response to Findings**

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

## **Purpose of this Report**

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

**CERTIFIED PUBLIC ACCOUNTANTS**

Salisbury, Maryland  
January 5, 2023

**UNIFORM GUIDANCE REPORTS**

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SUSAN P. KEEN, CPA  
MICHAEL C. KLEGER, CPA  
JAMES D. MAYBURY, CPA  
E. LEE McCABE, CPA  
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**INDEPENDENT AUDITORS' REPORT  
ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

To the Mayor and Commissioners  
City of Cambridge, Maryland

**Report on Schedule of Expenditures of Federal Awards Required by the  
Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund, of the City of Cambridge, Maryland as of and for the year ended June 30, 2022, and the related notes to the financial statements that collectively comprise the City of Cambridge, Maryland's basic financial statements. We have issued our report thereon dated January 5, 2023 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

**CERTIFIED PUBLIC ACCOUNTANTS**

Salisbury, Maryland  
January 5, 2023

**CITY OF CAMBRIDGE, MARYLAND**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Total Award	Federal Expenditures
<u>U.S. Department of the Treasury</u>				
Coronavirus State and Local Fiscal Recovery Funds	COVID-19 21.027		\$ 12,079,281	\$ 1,958,181
<u>U.S. Department of Justice</u>				
Pass through Governor's Office of Crime Control and Prevention Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.738	BJAG 2020-0021	76,762	76,027
<u>U.S. Department of Housing and Urban Development</u>				
Pass through Maryland Department of Housing and Community Development Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants	14.218	MD-20-CD-2	510,000	435,802
Community Development Block Grants/Entitlement Grants	14.218	MD-18-CD-31	1,187,953	311,420
Total U.S. Department of Housing and Urban Development			1,697,953	747,222
<u>U.S. Department of Homeland Security</u>				
Pass through Maryland Emergency Management Agency Flood Mitigation Project	97.029	FMA-FL-03 MD 2019 3	187,500	135,328
Total expenditures of federal awards			\$ 14,041,496	\$ 2,916,758

See accompanying notes to schedule of expenditures of federal awards.

## **CITY OF CAMBRIDGE, MARYLAND**

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**JUNE 30, 2022**

#### **BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the City of Cambridge, Maryland under programs of the federal government for the year ended June 30, 2022. The information presented in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in assets, or cash flows of the City.

#### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

The City provided no federal funds to subrecipients during the year.

The City has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

#### **LOANS**

For purposes of the schedule of expenditures of Federal awards, the value of Federal expenditures in the form of loans is calculated as the sum of the balance of loans from previous years for which the Federal Government imposes continuing compliance requirements plus the value of new loans received during the fiscal year. There were no Federal expenditures in the form of loans during the fiscal year ended June 30, 2022.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

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SUSAN P. KEEN, CPA

MICHAEL C. KLEGER, CPA  
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To the Mayor and Commissioners  
City of Cambridge, Maryland

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Program***

We have audited the City of Cambridge, Maryland's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Cambridge, Maryland's major federal programs for the year ended June 30, 2022. City of Cambridge, Maryland's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Cambridge, Maryland complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Cambridge, Maryland and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Cambridge, Maryland's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City of Cambridge, Maryland's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Cambridge, Maryland's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Cambridge, Maryland's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Cambridge, Maryland's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Cambridge, Maryland's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Cambridge, Maryland's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. We identified certain deficiencies in internal control described in the accompanying schedule of Findings and Questioned costs as items 2022-001 and 2022-002 that we consider significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**CERTIFIED PUBLIC ACCOUNTANTS**

Salisbury, Maryland  
January 5, 2023

**CITY OF CAMBRIDGE, MARYLAND**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**YEAR ENDED JUNE 30, 2022**

**SECTION B. FINDINGS – FINANCIAL STATEMENTS AUDIT**

Audit finding reference - 2021-001: Accounts receivable balances did not reconcile with the subsidiary ledgers.

Status of prior finding: No change from prior year.

Audit finding reference - 2021-002: Interfund receivables and payables did not reconcile.

Status of prior finding: Improvement noted from the prior year. The elimination of the internal service fund corrected most of the problems. However, the receivables and payable were not reconciled during the year.

Audit finding reference - 2021-003: Significant audit adjustments.

Status of prior finding: Not reported as a finding in the current year. The majority of the audit adjustments for the current year were for entries expected to be proposed by the auditor and related to capital assets, accrued expenses, deferred revenue, and employee retirement liabilities.

**SECTION C. FINDINGS AND QUESTIONED COSTS – MAJOR AWARDS PROGRAMS  
AUDIT**

An audit in accordance with Uniform Guidance was not required for the year ended June 30, 2021. Therefore, there are no prior year findings to report.

**CITY OF CAMBRIDGE, MARYLAND**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2022**

**A. SUMMARY OF AUDITORS' RESULTS**

***Financial Statements***

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?        Yes   x   No
- Significant deficiency(ies) identified?   x   Yes        None reported

Noncompliance material to the financial statements noted?        Yes   x   No

***Federal Awards***

Internal control over major federal programs:

- Material weakness(es) identified?        Yes   x   No
- Significant deficiency(ies) identified?        Yes   x   None reported

Type of auditors' reported issued on compliance for major federal programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?        Yes   x   No

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between type A and type B Programs \$750,000

Auditee qualified as a low-risk auditee?        Yes   x   No

**CITY OF CAMBRIDGE, MARYLAND**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2022**

**B: FINDINGS – FINANCIAL STATEMENTS AUDIT**

**SIGNIFICANT DEFICIENCIES**

**Finding: 2022-001, Repeat finding – Accounts receivable balances did not reconcile with the subsidiary ledgers.**

*Criteria:* The reconciliation of accounts receivable is the process of matching the detailed listing of unpaid customer balances with the total recorded in the general ledger. Accounting policies and procedures should be properly designed to ensure periodic reconciliations of material general ledger accounts with the subsidiary ledgers.

*Condition:* The general ledger balances and subsidiary ledgers for real estate taxes, receivable business taxes receivable, sewer fees receivable, and miscellaneous accounts receivable did not reconcile.

*Cause:* Policies have not been implemented to reconcile the accounts receivable subsidiary ledgers to the general ledger on a periodic basis.

*Effect or potential effect:* This condition could result in misstated accounts receivable reports and/or financial statement balances as well as the inability to determine accounts receivable balances and to assess account aging. During our audit, significant adjusting journal entries were prepared.

*Recommendation:* We recommend the City prepare an accounts receivable listing on a monthly basis and reconcile the totals to the general ledger balances. An independent person should review and approve the monthly reconciliations. The review should be documented by the signature of initials of the reviewer and the date of the review.

*Responsible Official's Response:* Management will review its procedures and policies related to accounts receivable reconciliations.

**Finding: 2022-002, Repeat finding – Interfund receivables and payables did not reconcile.**

*Criteria:* Interfund accounts receivable and/or accounts payable accounts are maintained in each fund to report the amounts due to or due from other funds. Accounting policies and procedures should be in place to ensure the interfund receivable and payable accounts reconcile between funds.

*Condition:* Interfund accounts receivable and accounts payable did not reconcile.

**CITY OF CAMBRIDGE, MARYLAND**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2022**

**Finding: 2022-002, Repeat finding – Interfund receivables and payables did not reconcile.**  
**(Continued)**

*Cause:* The City does not have a formal policy in place regarding the reconciliation of the interfund accounts receivable and payable accounts. In the prior year, the major part of the variance was caused by journal entries prepared to allocate health insurance expense in the internal service fund that were prepared incorrectly. In the current year, the internal service fund was eliminated. However, there were several other transactions that affected the interfund accounts that were incorrect and were not detected by the City’s procedures.

*Effect or potential effect:* This condition could result in misstated financial statements. During our audit, material adjusting entries were prepared to reconcile the interfund accounts.

*Recommendation:* We recommend that the City implement procedures to reconcile the interfund receivable and payable accounts on a monthly basis.

*Responsible Official’s Response:* Management will review its policies and procedures related to interfund accounts.

**C. FINDINGS AND QUESTIONED COSTS – MAJOR AWARD PROGRAMS AUDIT**

None



# City of Cambridge

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## MANAGEMENT'S RESPONSE TO AUDITOR'S FINDINGS AND CORRECTIVE ACTION PLAN

### **Audit finding reference: 2022-001**

**Finding summary:** The general ledger balances and subsidiary ledgers for business taxes receivable, sewer fees receivable, and miscellaneous accounts receivable did not reconcile. This condition could result in misstated accounts receivable reports and/or financial statement balances as well as the inability to determine accounts receivable balances and to assess account aging. During our audit, significant adjusting journal entries were prepared.

### **Planned corrective action:**

The City implemented a process for the monthly reconciliation of all balance sheet accounts. A schedule was created, and account reconciliations are assigned to individual staff members for completion. Reconciliations are reviewed monthly by the Finance Director to ensure accuracy and timely completion.

### **Name of contact persons:**

Deborah Cooper, Finance Director

### **Audit finding reference: 2022-002**

**Finding summary:** The City does not have a formal policy in place regarding the reconciliation of the interfund accounts receivable and payable accounts. This condition could result in misstated financial statements. During our audit, material adjusting entries were prepared to reconcile the interfund accounts.

### **Planned corrective action:**

The City implemented a process for the monthly reconciliation of interfund accounts receivable and payable accounts. Each account is assigned to individual staff members to be completed on a monthly basis. Reconciliations are reviewed monthly by the Finance Director to ensure accuracy and timely completion.

### **Name of contact person:**

Deborah Cooper, Finance Director