

CITY OF CAMBRIDGE, MARYLAND
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

CITY OF CAMBRIDGE, MARYLAND

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1 – 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 – 12
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements	
Statement of net position	13
Statement of activities	14
Governmental fund financial statements	
Balance sheet – governmental funds	15
Reconciliation of the governmental funds balance sheet to the statement of net position	16
Statement of revenues, expenditures and changes in fund balances – governmental funds	17
Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities	18
Proprietary fund financial statements	
Statement of net position – proprietary funds	19
Statement of revenues, expenses and changes in net position – proprietary funds	20
Statement of cash flows – proprietary funds	21 - 22
Notes to financial statements	23 – 57

CITY OF CAMBRIDGE, MARYLAND

**TABLE OF CONTENTS
(Continued)**

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule – general fund	58
Maryland State Retirement and Pension System	
Schedule of the City's proportionate share of the net pension liability	59
Schedule of the City's contributions	60
Actuarial assumptions – pension plan	61
Other Post-Employment Healthcare Benefit Plan	
Schedule of changes in the net OPEB liability and related ratios	62
Length of Service Award Program	
Schedule of changes in the net LOSAP liability and related ratios	63

SUPPLEMENTARY INFORMATION

Independent auditors' report on supplementary information	64
Schedules of revenues and expenditures – general fund	65
Schedules of revenues and expenditures – special revenue fund	66
Schedules of revenues and expenses – water fund	67
Schedules of revenues and expenses – sewer fund	68
Schedules of revenues and expenses – marina fund	69

GOVERNMENT AUDITING STANDARDS REPORT

Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	
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CITY OF CAMBRIDGE, MARYLAND

**TABLE OF CONTENTS
(Continued)**

UNIFORM GUIDANCE REPORTS

Independent auditors' report on schedule of expenditures of federal awards	72
Schedule of expenditures of federal awards	73
Notes to schedule of expenditures of federal awards	74
Independent auditors' report on compliance for each major program and on internal control over compliance required by the Uniform Guidance	75 – 77
Summary schedule of prior year findings	78
Schedule of findings and questioned costs	79 – 80
Corrective action plan	81 – 82

INDEPENDENT AUDITORS' REPORT

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ALLINIAL GLOBAL

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, 2024, 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, 2024, 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 58 through 63 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 December 16, 2024 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
December 16, 2024



CITY OF CAMBRIDGE, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

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, 2024. 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, special revenue, and interest on long-term debt. The business-type activities of the City include Water, Sewer, and Marina operations.

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, 2024

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 two individual governmental funds: the General Fund and the Special Revenue 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 58.

Proprietary Funds

Proprietary funds are used to account for essentially the same functions reported as business-type activities in the government-wide financial statements. The City maintains one type of proprietary fund: enterprise funds.

CITY OF CAMBRIDGE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The City maintains three enterprise funds. The City uses enterprise funds to account for its Water, Sewer, and Marina activities.

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 57 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 on June 30, 2024 was \$61,424,953. Of this amount, \$54,993,006 is invested in capital assets net of related debt and \$1,284,720 is restricted. The remaining unrestricted amount is \$5,147,227.

The City's net position increased \$4,515,796 or 8.0% 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, 2024

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (Continued)

	Statements of Net Position (In thousands of dollars)					
	2024			2023		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Assets						
Current and other assets	\$ 21,407	\$ 9,853	\$ 31,260	\$ 23,046	\$ 8,382	\$ 31,428
Capital assets	31,866	34,738	66,604	29,520	34,615	64,135
Total assets	<u>53,273</u>	<u>44,591</u>	<u>97,864</u>	<u>52,566</u>	<u>42,997</u>	<u>95,563</u>
Deferred outflows of resources	<u>5,321</u>	<u>1,502</u>	<u>6,823</u>	<u>5,125</u>	<u>1,479</u>	<u>6,604</u>
Liabilities						
Current and other liabilities	2,394	1,648	4,042	2,367	832	3,199
Long-term liabilities outstanding	24,148	4,571	28,719	23,094	3,842	26,936
Total liabilities	<u>26,542</u>	<u>6,219</u>	<u>32,761</u>	<u>25,461</u>	<u>4,674</u>	<u>30,135</u>
Deferred inflows of resources	<u>9,251</u>	<u>1,249</u>	<u>10,500</u>	<u>13,355</u>	<u>1,768</u>	<u>15,123</u>
Net position						
Invested in capital assets, net of related debt	22,640	32,353	54,993	19,416	32,757	52,173
Restricted	1,118	167	1,285	1,034	160	1,194
Unrestricted (deficit)	(957)	6,104	5,147	(1,575)	5,117	3,542
Total net position	<u>\$ 22,801</u>	<u>\$ 38,624</u>	<u>\$ 61,425</u>	<u>\$ 18,875</u>	<u>\$ 38,034</u>	<u>\$ 56,909</u>

The City's total revenues were \$31,620,053. Of this amount, 28% comes from property taxes, 26% from grants and contributions, and 27% from fees charged for water, sewer, and marina services.

The City's expenses which totaled \$27,104,257 cover a range of services with 30% for public safety, 29% for water and sewer services, 21% for public works, 11% for economic development, and 6% for general government.

CITY OF CAMBRIDGE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

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)					
	2024			2023		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues						
Program revenues						
Charges for services	\$ 2,448	\$ 8,477	\$ 10,925	\$ 2,353	\$ 8,045	\$ 10,398
Operating grants and contributions	4,904	264	5,168	5,129	295	5,424
Capital grants and contributions	3,003	176	3,179	2,078	297	2,375
General revenues						
Property taxes	8,947		8,947	8,053		8,053
Shared taxes	2,254		2,254	2,179		2,179
Intergovernmental	121		121	110		110
Miscellaneous	62		62	132		132
Gain (loss) on disposal of assets	32		32	(12)		(12)
Unrestricted investment earnings	878	54	932	187	41	228
Total revenues	<u>22,649</u>	<u>8,971</u>	<u>31,620</u>	<u>20,209</u>	<u>8,678</u>	<u>28,887</u>
Expenses						
General government	1,748		1,748	1,448		1,448
Public safety	8,141		8,141	7,878		7,878
Public works	5,715		5,715	4,291		4,291
Economic development	2,990		2,990	2,122		2,122
Interest on long-term debt	129		129	149		149
Water		2,136	2,136		2,110	2,110
Sewer		5,623	5,623		5,061	5,061
Marina		622	622		647	647
Total expenses	<u>18,723</u>	<u>8,381</u>	<u>27,104</u>	<u>15,888</u>	<u>7,818</u>	<u>23,706</u>
Change in net position	<u>\$ 3,926</u>	<u>\$ 590</u>	<u>\$ 4,516</u>	<u>\$ 4,321</u>	<u>\$ 860</u>	<u>\$ 5,181</u>

CITY OF CAMBRIDGE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

General Fund – For the year ended June 30, 2024, the general fund balance increased \$2,276,718 compared to an increase of \$3,752,536 in 2023.

Significant variances from the prior year include:

- Total revenues increased \$1,992,369. The largest increase was in taxes and utility fees. This is due to the increase in the assessable base.
- Total expenditures increased \$917,392. Expenditures increased in general government, public works, and public safety.
- Capital outlay expenditures decreased \$448,926. Expenditures included police and public works vehicles, equipment, land bank purchases, and improvements to infrastructure.
- Investment income increased \$690,486.

A comparison of revenues and expenditures for three years can be found on page 65.

As of June 30, 2024, the general fund reported a fund balance of \$15,754,492. Of this amount, \$7,457,782 is unassigned.

Special Revenue Fund – For the year ended June 30, 2024, revenues were \$6,249,828, expenditures were \$7,218,113, resulting in revenues under expenditures of \$968,285. ARPA funds of \$400,000 were transferred to the general fund for lost revenue and proceeds from leases were \$129,508.

Grant revenue recognized included American Rescue Plan Act funds (ARPA) of \$2,543,810, Community Development Block Grants of \$2,321,127, and Community Legacy grants of \$574,331. Additional grants were received from the Department of the Interior, Maryland Department of Health and Community Development, Maryland Emergency Management, and the Maryland Department of Transportation.

As of June 30, 2024, unspent ARPA funds of \$4,559,843 are reported as deferred inflows of resources.

Water Fund (previously MUC) – For the year ended June 30, 2024, the Water Fund has an operating income of \$431,623, net non-operating revenues of \$25,434, for a total increase in net position of \$457,057. This compares to an increase in net position of \$327,965 in the prior year.

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

As of June 30, 2024, the Water Fund reported a net position of \$3,898,846. Of this amount, \$2,446,896 is invested in capital assets, \$54,518 is restricted impact fees, and \$1,397,432 is unrestricted and available for use.

CITY OF CAMBRIDGE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (Continued)

Sewer Fund – For the year ended June 30, 2024, the sewer fund had an operating income of \$74,732, net non-operating expenses of \$25,137, and a total increase in net position of \$49,595. This compares to an increase in net position of \$443,798 in the prior year.

Significant variances from the prior year include:

- Charges for services increased \$356,999.
- Expenses increased \$524,261 due to increases in distribution and operating expenses.

A comparison of revenues and expenses for three years is presented on page 68.

As of June 30, 2024, the sewer fund reported a net position of \$31,112,323. Of this amount, \$26,026,025 is invested in capital assets, \$112,128 is restricted impact fees, and \$4,974,170 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 58. Major variances between the final budget and actual results are as follows:

- Taxes and utility fees were over-budget by \$1,551,281.
- Miscellaneous revenue was over-budget by \$855,902 due to an increase in investment income.
- Total expenditures were under the final budget by \$283,567.
- Capital outlay expenditures were over-budget due to the leasing of vehicles and equipment that were not included in the budget.

During 2024, the budget was amended to increase the use of prior year surplus funds by \$1,060,000 to fund expenditures for Maces Lane, Old City Hall, Cambridge Main Street, and Department of Public Works equipment.

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, 2024 was \$66,604,201 (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, 2024

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 35 through 38 of this report.

	Capital Assets (net of depreciation)					
	(In thousands of dollars)					
	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	\$ 5,370	\$ 5,208	\$ 217	\$ 217	\$ 5,587	\$ 5,425
Construction in progress	1,489	1,113	1,129	193	2,618	1,306
Building and improvements	16,160	16,105	7,861	7,841	24,021	23,946
Distribution system			3,908	3,639	3,908	3,639
Machinery and equipment	1,892	1,497	1,129	939	3,021	2,436
Meter replacement program			852	853	852	853
Production ground storage			2,149	2,149	2,149	2,149
Leased equipment and subscriptions	2,032	1,164			2,032	1,164
Infrastructure	14,453	12,806	63,328	63,165	77,781	75,971
Vehicles	6,541	6,101	1,367	1,290	7,908	7,391
Less: accumulated depreciation	(16,071)	(14,680)	(47,202)	(45,671)	(63,273)	(60,351)
Net capital assets	\$ 31,866	\$ 29,314	\$ 34,738	\$ 34,615	\$ 66,604	\$ 63,929

Major capital purchases this year included:

Governmental activities

- Police and public works vehicles purchased and leased,
- Land Improvements
- Properties on High Street, Douglas Street, 915 Pine Street, 645 Washington St, and 843 Park Lane
- Construction in progress at Cannery Park, Cannery Way Chesapeake Court, Green Street, and Old City Hall

Business-type activities

- Gate doors, Central vacuum system, HVAC system, and construction in progress at the Marina,
- Pumps and equipment replacement, and construction in progress in the sewer fund,
- Truck, equipment, and distribution system in the water fund.

CITY OF CAMBRIDGE, MARYLAND
MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2024

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY (CONTINUED)

Long-term debt activity

	Outstanding Debt (In thousands of dollars)					
	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
General obligation bonds	\$ 6,109	\$ 6,719	\$ 2,130	\$ 1,858	\$ 8,239	\$ 8,577
Bond premium	421	473	255		676	473
Leases payable	976	996			976	996
Notes payable	1,720	1,916			1,720	1,916
Total	\$ 9,226	\$ 10,104	\$ 2,385	\$ 1,858	\$ 11,611	\$ 11,962

New debt incurred during 2024 included operating leases for police and public works vehicles and a copier lease for town hall in the governmental activities. General obligation bonds of \$2,600,000 were issued in the sewer fund to finance the West End sewer replacement project. During 2024, \$765,891 of bond proceeds were drawn.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The City began work on the Trenton Street pump station during 2024. The project will be funded with loans from the Maryland State Revolving Fund, including a forgivable loan.

The City established the Land Bank Authority of Cambridge, Inc. (a non-profit corporation) in accordance with Maryland law for the purpose of acquiring, managing, maintaining, and repurposing blighted, abandoned and distressed properties in the City. As of June 30, 2024, there were no transactions in the corporation. However, the City has purchased several properties during the fiscal year under the land bank program.

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 pperegoy@chooscambridge.com.

CITY OF CAMBRIDGE, MARYLAND

STATEMENT OF NET POSITION

JUNE 30, 2024

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 15,551,152	\$ 7,145,937	\$ 22,697,089
Certificates of deposit		1,089,474	1,089,474
Accounts receivable, net	475,417	731,487	1,206,904
Due from other governments	2,586,283	1,792,446	4,378,729
Internal balances	1,355,741	(1,355,741)	
Inventory		278,264	278,264
Prepaid expenses and other assets	104,628	4,500	109,128
Leases receivable	215,198		215,198
Capital assets, net of accumulated depreciation	31,866,329	34,737,872	66,604,201
Restricted cash and cash equivalents	1,118,074	166,646	1,284,720
Total assets	<u>53,272,822</u>	<u>44,590,885</u>	<u>97,863,707</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension	3,688,992	1,181,993	4,870,985
LOSAP	354,086		354,086
OPEB	1,278,253	319,563	1,597,816
Total deferred outflows of resources	<u>5,321,331</u>	<u>1,501,556</u>	<u>6,822,887</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	1,386,197	1,462,777	2,848,974
Other liabilities	124,613		124,613
Long-term liabilities			
Bonds, notes, and leases payable			
Due within one year	1,066,757	185,310	1,252,067
Due in more than one year	8,159,661	2,199,467	10,359,128
Compensated absences	443,980	64,249	508,229
Net pension liability	8,250,148	809,672	9,059,820
Net LOSAP obligation	1,119,642		1,119,642
Net OPEB obligation	5,991,168	1,497,792	7,488,960
Total liabilities	<u>26,542,166</u>	<u>6,219,267</u>	<u>32,761,433</u>
DEFERRED INFLOWS OF RESOURCES			
Pension	2,341,625	956,438	3,298,063
LOSAP	572,879		572,879
OPEB	1,170,338	292,585	1,462,923
Deferred grants	4,940,441		4,940,441
Deferred lease revenue	225,902		225,902
Total deferred inflows of resources	<u>9,251,185</u>	<u>1,249,023</u>	<u>10,500,208</u>
NET POSITION			
Invested in capital assets	22,639,911	32,353,095	54,993,006
Restricted	1,118,074	166,646	1,284,720
Unrestricted (deficit)	(957,183)	6,104,410	5,147,227
Total net position	<u>\$ 22,800,802</u>	<u>\$ 38,624,151</u>	<u>\$ 61,424,953</u>

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

CITY OF CAMBRIDGE, MARYLAND

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2024

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS							
GOVERNMENTAL ACTIVITIES							
General government	\$ 1,747,655	\$ 1,208,831	\$ 531,495	\$	\$ (7,329)	\$	\$ (7,329)
Public safety	8,140,534	41,273	872,555	98,240	(7,128,466)		(7,128,466)
Public works	5,714,831	1,197,358	1,275,810	2,213,637	(1,028,026)		(1,028,026)
Economic development	2,990,362			691,483	(2,298,879)		(2,298,879)
Interest on long-term debt	129,502				(129,502)		(129,502)
Total governmental activities	<u>18,722,884</u>	<u>2,447,462</u>	<u>4,904,295</u>	<u>3,003,360</u>	<u>(8,367,767)</u>		<u>(8,367,767)</u>
BUSINESS-TYPE ACTIVITIES							
Water	2,135,581	2,561,371				425,790	425,790
Sewer	5,623,498	5,379,092	264,384	6,900		26,878	26,878
Marina	622,294	536,715		168,630		83,051	83,051
Total business-type activities	<u>8,381,373</u>	<u>8,477,178</u>	<u>264,384</u>	<u>175,530</u>		<u>535,719</u>	<u>535,719</u>
Total	<u>\$ 27,104,257</u>	<u>\$ 10,924,640</u>	<u>\$ 5,168,679</u>	<u>\$ 3,178,890</u>	<u>(8,367,767)</u>	<u>535,719</u>	<u>(7,832,048)</u>
GENERAL REVENUES							
Taxes							
Property taxes, levied for general purposes					8,947,143		8,947,143
Room tax					949,132		949,132
State income tax					1,305,142		1,305,142
Unrestricted grants and contributions					120,800		120,800
Miscellaneous					61,447		61,447
Gain on disposal of assets					32,337		32,337
Unrestricted investment earnings					877,859	53,984	931,843
Total general revenues					<u>12,293,860</u>	<u>53,984</u>	<u>12,347,844</u>
Change in net position					3,926,093	589,703	4,515,796
NET POSITION, BEGINNING OF YEAR					<u>18,874,709</u>	<u>38,034,448</u>	<u>56,909,157</u>
NET POSITION, END OF YEAR					<u>\$ 22,800,802</u>	<u>\$ 38,624,151</u>	<u>\$ 61,424,953</u>

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

CITY OF CAMBRIDGE, MARYLAND

**BALANCE SHEET
GOVERNMENTAL FUNDS**

JUNE 30, 2024

ASSETS

	General Fund	Special Revenue Fund	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 12,854,238	\$ 2,696,914	\$ 15,551,152
Taxes receivable, net	273,288		273,288
Accounts receivable, net	202,129		202,129
Leases receivable	215,198		215,198
Due from other governments	945,151	1,641,132	2,586,283
Due from other funds	1,355,741		1,355,741
Prepaid expenses	104,628		104,628
Restricted cash and cash equivalents	1,118,074		1,118,074
Total assets	<u>\$ 17,068,447</u>	<u>\$ 4,338,046</u>	<u>\$ 21,406,493</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES

LIABILITIES

Accounts payable and accrued expenses	\$ 724,673	\$ 661,525	\$ 1,386,198
Other liabilities	124,612		124,612
Total liabilities	<u>849,285</u>	<u>661,525</u>	<u>1,510,810</u>

DEFERRED INFLOWS OF RESOURCES

Deferred property taxes	232,456		232,456
Deferred grant revenue	6,312	4,934,129	4,940,441
Deferred lease revenue	225,902		225,902
Total deferred inflows of resources	<u>464,670</u>	<u>4,934,129</u>	<u>5,398,799</u>

FUND BALANCES

Nonspendable	104,628		104,628
Restricted	1,118,074		1,118,074
Committed	5,223,852	106,943	5,330,795
Assigned	1,850,156	488,892	2,339,048
Unassigned	7,457,782	(1,853,443)	5,604,339
Total fund balances (deficit)	<u>15,754,492</u>	<u>(1,257,608)</u>	<u>14,496,884</u>
Total liabilities and fund balances	<u>\$ 17,068,447</u>	<u>\$ 4,338,046</u>	<u>\$ 21,406,493</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, 2024

Total fund balances, governmental funds	\$	14,496,884
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>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.</p>		31,866,329
<p>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.</p>		
Deferred outflows of resources - Pension		3,688,992
Deferred outflows of resources - LOSAP		354,086
Deferred outflows of resources - OPEB		1,278,253
<p>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</p>		232,456
<p>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.</p>		
Bonds, notes, and leases payable		(9,226,418)
Compensated absences		(443,980)
Net pension liability		(8,250,148)
Net LOSAP liability		(1,119,642)
Net OPEB liability		(5,991,168)
<p>Certain revenues that do not provide current financial resources are reported as deferred inflows of resources in the funds financial statements, but are reported as revenue in the governmental activities of the Statement of Net Position.</p>		
Deferred inflows of resources - Pension		(2,341,625)
Deferred inflows of resources - LOSAP		(572,879)
Deferred inflows of resources - OPEB		(1,170,338)
Net assets, governmental activities in the Statement of Net Position	\$	22,800,802

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, 2024

	General Fund	Special Revenue Fund	Governmental Funds
REVENUES			
Taxes and utility fees	\$ 11,499,499	\$	\$ 11,499,499
Licenses and permits	1,201,438		1,201,438
Intergovernmental	1,631,028	6,249,828	7,880,856
Charges for services	1,207,371		1,207,371
Fines and forfeitures	41,273		41,273
Miscellaneous	960,902		960,902
Total revenues	<u>16,541,511</u>	<u>6,249,828</u>	<u>22,791,339</u>
EXPENDITURES			
Current			
General government	1,613,627	297,319	1,910,946
Public safety	6,569,793	166,586	6,736,379
Public works	4,091,036	1,013,324	5,104,360
Economic development	331,133	2,712,164	3,043,297
Debt service	1,466,611		1,466,611
Capital outlay	1,045,644	3,028,720	4,074,364
Total expenditures	<u>15,117,844</u>	<u>7,218,113</u>	<u>22,335,957</u>
Revenues over (under) expenditures	<u>1,423,667</u>	<u>(968,285)</u>	<u>455,382</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from asset disposal	26,636		26,636
Transfers, net	400,000	(400,000)	
Proceeds from long-term debt	426,415	129,508	555,923
Net other financing sources (uses)	<u>853,051</u>	<u>(270,492)</u>	<u>582,559</u>
Net change in fund balance	2,276,718	(1,238,777)	1,037,941
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>13,477,774</u>	<u>(18,831)</u>	<u>13,458,943</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 15,754,492</u>	<u>\$ (1,257,608)</u>	<u>\$ 14,496,884</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, 2024

Net change in fund balances, governmental funds	\$	1,037,941
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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.</p>		
Capital outlay		4,074,364
Depreciation expense		(1,486,336)
Book value of capital assets disposed (net of lease liability)		5,701
Fair value of donated assets		600
<p>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.</p>		
Proceeds from the issuance of long-term liabilities		(555,923)
Principal payments on long-term liabilities		1,185,597
<p>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.</p>		
		(177,283)
<p>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:</p>		
Change in compensated absences		44,446
Change in deferred outflows of resources - pension		87,663
Change in deferred inflows of resources - pensions		1,055,015
Change in net pension liability		(1,135,506)
Change in deferred outflows of resources - LOSAP		(50,903)
Change in deferred inflows of resources - LOSAP		38,754
Change in net LOSAP obligation		(15,614)
Change in deferred outflows of resources - OPEB		159,359
Change in deferred inflows of resources - OPEB		353,200
Change in net OPEB obligation		(694,982)
Change in net position, governmental activities	\$	3,926,093

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

CITY OF CAMBRIDGE, MARYLAND

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

JUNE 30, 2024

	Water Fund	Sewer Fund	Marina Fund	Total
ASSETS				
Cash and cash equivalents	\$ 1,774,442	\$ 557,549	\$ 959,640	\$ 3,291,631
Equity in pooled cash		3,854,306		3,854,306
Certificates of deposit	1,089,474			1,089,474
Accounts receivable, net	289,447	442,040		731,487
Due from other governments		1,644,765	147,681	1,792,446
Due from other funds		320,984		320,984
Inventory	278,264			278,264
Prepaid expenses			4,500	4,500
Capital assets, net of accumulated depreciation	2,446,896	28,410,802	3,880,174	34,737,872
Cash - restricted impact fees	54,518	112,128		166,646
Total assets	<u>5,933,041</u>	<u>35,342,574</u>	<u>4,991,995</u>	<u>46,267,610</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension	652,134	529,859		1,181,993
OPEB	191,738	127,825		319,563
Total deferred outflows of resources	<u>843,872</u>	<u>657,684</u>		<u>1,501,556</u>
LIABILITIES				
Current liabilities				
Accounts payable and accrued expenses	335,553	991,088	136,136	1,462,777
Due to other funds			1,234,305	1,234,305
Bonds and notes payable, current portion		185,310		185,310
Non-current liabilities				
Compensated absences	51,462	4,215	8,572	64,249
Due to other funds	442,420			442,420
Bonds and notes payable, less current portion		2,199,467		2,199,467
Net pension liability	446,716	362,956		809,672
Net OPEB obligation	898,675	599,117		1,497,792
Total liabilities	<u>2,174,826</u>	<u>4,342,153</u>	<u>1,379,013</u>	<u>7,895,992</u>
DEFERRED INFLOWS OF RESOURCES				
Pension	527,690	428,748		956,438
OPEB	175,551	117,034		292,585
Total deferred inflows of resources	<u>703,241</u>	<u>545,782</u>		<u>1,249,023</u>
NET POSITION				
Net investment in capital assets	2,446,896	26,026,025	3,880,174	32,353,095
Restricted, impact fees	54,518	112,128		166,646
Unrestricted (deficit)	1,397,432	4,974,170	(267,192)	6,104,410
Total net position	<u>\$ 3,898,846</u>	<u>\$ 31,112,323</u>	<u>\$ 3,612,982</u>	<u>38,624,151</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, 2024

	Water Fund	Sewer Fund	Marina Fund	Total
OPERATING REVENUES				
Charges for services	\$ 2,561,371	\$ 5,379,092	\$ 536,715	\$ 8,477,178
Operational grants		264,384		264,384
Total operating revenues	2,561,371	5,643,476	536,715	8,741,562
OPERATING EXPENSES				
Salaries and related costs	1,094,844	1,467,189	98,956	2,660,989
Repairs and maintenance	463,934	51,994	39,036	554,964
Distribution and operating expenses	244,578	2,766,967	167,892	3,179,437
Professional services			135,240	135,240
Depreciation	171,376	1,184,112	174,475	1,529,963
General and administrative	155,016	98,482	6,695	260,193
Total operating expenses	2,129,748	5,568,744	622,294	8,320,786
Operating income (loss)	431,623	74,732	(85,579)	420,776
NON-OPERATING REVENUES (EXPENSES)				
Capital grants			168,630	168,630
Impact fees		6,900		6,900
Interest income	31,267	22,717		53,984
Interest expense	(5,833)	(54,754)		(60,587)
Total non-operating revenues (expenses)	25,434	(25,137)	168,630	168,927
Change in net position	457,057	49,595	83,051	589,703
NET POSITION, BEGINNING OF YEAR	3,441,789	31,062,728	3,529,931	38,034,448
NET POSITION, END OF YEAR	\$ 3,898,846	\$ 31,112,323	\$ 3,612,982	\$ 38,624,151

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, 2024

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Marina Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 2,530,955	\$ 5,314,587	\$ 536,715	\$ 8,382,257
Cash received for operating grants		264,384		264,384
Cash paid to vendors	(866,930)	(2,324,368)	(204,681)	(3,395,979)
Cash paid to or on behalf of employees	(1,248,984)	(1,585,122)	(90,384)	(2,924,490)
Net cash provided by operating activities	<u>415,041</u>	<u>1,669,481</u>	<u>241,650</u>	<u>2,326,172</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Interfund borrowings (repayments)	<u>5,793</u>	<u>(163,923)</u>	<u>248,491</u>	<u>90,361</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(486,056)	(973,208)	(210,740)	(1,670,004)
Capital grant income		36,948	21,249	58,197
Impact fees		6,900		6,900
Principal paid on long-term obligations		(178,045)		(178,045)
Interest paid on long-term obligations	(5,833)	(54,754)		(60,587)
Net cash used by capital and related financing activities	<u>(491,889)</u>	<u>(1,162,159)</u>	<u>(189,491)</u>	<u>(1,843,539)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment in certificates of deposit	(25,976)			(25,976)
Interest income	31,267	22,717		53,984
Net cash provided by investing activities	<u>5,291</u>	<u>22,717</u>		<u>28,008</u>
 Net increase (decrease) in cash	 (65,764)	 366,116	 300,650	 601,002
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,894,724</u>	<u>4,157,867</u>	<u>658,990</u>	<u>6,711,581</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,828,960</u>	<u>\$ 4,523,983</u>	<u>\$ 959,640</u>	<u>\$ 7,312,583</u>
CASH AND CASH EQUIVALENTS CONSISTS OF:				
Unrestricted cash	\$ 1,774,442	\$ 557,549	\$ 959,640	\$ 3,291,631
Equity in pooled cash		3,854,306		3,854,306
Restricted cash	54,518	112,128		166,646
	<u>\$ 1,828,960</u>	<u>\$ 4,523,983</u>	<u>\$ 959,640</u>	<u>\$ 7,312,583</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, 2024

	Water Fund	Sewer Fund	Marina Fund	Total
INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 431,623	\$ 74,732	\$ (85,579)	\$ 420,776
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	171,376	1,184,112	174,475	1,529,963
Loss on disposal of capital assets			17,370	17,370
Deferred financing outflows - pension	9,852	8,005		17,857
Deferred financing outflows - OPEB	(23,904)	(15,936)		(39,840)
Deferred financing inflows - pension	(237,750)	(193,172)		(430,922)
Deferred financing inflows - OPEB	(52,980)	(35,320)		(88,300)
(Increase) decrease in assets				
Accounts and other receivables	(30,416)	(64,505)		(94,921)
Prepaid expenses			(4,500)	(4,500)
Inventory	(19,595)			(19,595)
Increase (decrease) in liabilities				
Accounts payable and accrued expenses	16,193	593,075	131,312	740,580
Compensated absences	(12,931)	791	8,572	(3,568)
Net pension liability	59,326	48,201		107,527
Net OPEB obligation	104,247	69,498		173,745
Net cash provided by operating activities	<u>\$ 415,041</u>	<u>\$ 1,669,481</u>	<u>\$ 241,650</u>	<u>\$ 2,326,172</u>

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

CITY OF CAMBRIDGE, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

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 was included in the City's financial statements as a blended component unit in prior year statements. Effective March 2023, the City approved Ordinance No. 1213 to amend the City Charter to reorganize the Municipal Utilities Commission. The amendment authorized the City to assume the obligation of maintaining a City water system (Water Fund) and established the Cambridge Utilities Commission (formerly Municipal Utilities Commission) as an advisory commission. As of June 30, 2024, the city does not report any component units.

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.

CITY OF CAMBRIDGE, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of presentation (continued)

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.

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 are the City's governmental funds:

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, 2024

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund accounting (continued)

Special Revenue fund: This fund is used to account for Federal and state grants with specific compliance restrictions and other revenues committed by the city commissioner.

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.

The City has three major enterprise funds. The Water Fund (formerly 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, 2024

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, 2024

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 Water fund. The annual budget for the General Fund is prepared in accordance with the budgetary basis of accounting.

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

- (1) 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.

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 2024, the City of Cambridge real property tax rate was \$.8096 per \$100 of assessed value and the business personal property tax rate was \$1.69 per \$100 of assessed value.

CITY OF CAMBRIDGE, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2024, the allowance in the General Fund was \$141,028 and the Proprietary Funds was \$19,000.

Inventory

Inventory of materials held by the Water fund 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.

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.

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.

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.

CITY OF CAMBRIDGE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets (continued)

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. Leased equipment and subscription assets are amortized over the life of the agreement:

<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 and subscriptions	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.

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.

CITY OF CAMBRIDGE, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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).

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.

CITY OF CAMBRIDGE, MARYLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.
- *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.

CITY OF CAMBRIDGE, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

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, 2024, \$22,641,210 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 \$66,376, police forfeited and confiscated funds of \$63,201, unspent state grant monies of \$19,792, and LOSAP plan assets of \$968,705.

Restricted cash in the sewer fund and water fund is impact fees reserved for capital projects and debt service costs of \$112,128 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, 2024, 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 \$417,468 and are included in cash equivalents.

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.

CITY OF CAMBRIDGE, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

DEPOSITS AND INVESTMENTS (Continued)

Investments (continued)

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, 2024, 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 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, 2024 is \$968,705 and is included in restricted cash and cash equivalents on the general fund balance sheet.

CITY OF CAMBRIDGE, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

DEPOSITS AND INVESTMENTS (Continued)

LOSAP funds (continued)

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		
	General fund	Special projects	Water fund	Sewer Fund	Marina Fund
Net receivable (payable)	\$ 1,355,741	\$	\$ (442,420)	\$ 320,984	\$ (1,234,305)

The outstanding balances between funds result from actual transfers of dollars between the Water fund, 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, 2024

CAPITAL ASSETS

Capital assets of the Governmental Activities are summarized as follows:

	Balance June 30, 2023	Additions & Transfers	Deletions & Transfers	Balance June 30, 2024
Capital assets not being depreciated				
Land	\$ 5,207,736	\$ 161,814	\$	\$ 5,369,550
Construction in progress	1,112,532	376,740		1,489,272
Total capital assets not being depreciated	<u>6,320,268</u>	<u>538,554</u>		<u>6,858,822</u>
Capital assets being depreciated				
Building and improvements	16,104,957	55,247		16,160,204
Furniture and equipment	1,497,040	394,785		1,891,825
Infrastructure	12,806,329	1,647,111		14,453,440
Vehicles	6,101,484	511,734	(72,233)	6,540,985
Subscription assets	136,950	38,610		175,560
Leased equipment	1,026,860	888,923	(58,988)	1,856,795
Total capital assets being depreciated	<u>37,673,620</u>	<u>3,536,410</u>	<u>(131,221)</u>	<u>41,078,809</u>
Less accumulated depreciation for				
Building and improvements	(6,393,659)	(399,380)		(6,793,039)
Furniture and equipment	(1,093,793)	(99,006)		(1,192,799)
Infrastructure	(3,085,049)	(322,613)		(3,407,662)
Vehicles	(3,959,587)	(360,901)	72,233	(4,248,255)
Subscription assets	(4,620)	(28,677)		(33,297)
Leased equipment	(143,103)	(275,759)	22,612	(396,250)
Total accumulated depreciation	<u>(14,679,811)</u>	<u>(1,486,336)</u>	<u>94,845</u>	<u>(16,071,302)</u>
Governmental activities, capital assets, net	<u>\$ 29,314,077</u>	<u>\$ 2,588,628</u>	<u>\$ (36,376)</u>	<u>\$ 31,866,329</u>

The balances as of June 30, 2023 have been restated to correct the reporting of certain subscription assets and computer equipment. Net capital assets decreased by \$205,973 as a result of this restatement.

Construction in progress in the governmental activities includes costs incurred for Cannery Park, Cornish Park, renovations to Old City Hall, and Cambridge Green Technology Park.

CITY OF CAMBRIDGE, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

CAPITAL ASSETS (Continued)

Capital assets of the Water fund are summarized as follows:

	<u>Balance June 30, 2023</u>	<u>Additions & Transfers</u>	<u>Deletions & Transfers</u>	<u>Balance June 30, 2024</u>
Capital assets not being depreciated				
Land	\$ 151,562	\$	\$	\$ 151,562
Total capital assets not being depreciated	<u>151,562</u>			<u>151,562</u>
Capital assets being depreciated				
Building and improvements	155,152			155,152
Distribution system	3,639,420	268,971		3,908,391
Machinery and equipment	695,112	151,232		846,344
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	397,747	65,853		463,600
Total capital assets being depreciated	<u>7,975,158</u>	<u>486,056</u>		<u>8,461,214</u>
Less accumulated depreciation for				
Building and improvements	(115,000)	(3,342)		(118,342)
Distribution system	(2,317,387)	(65,908)		(2,383,295)
Machinery and equipment	(394,242)	(45,018)		(439,260)
Meter replacement program	(722,834)	(19,303)		(742,137)
Office and lab equipment	(86,849)			(86,849)
Production ground storage	(2,079,734)	(9,370)		(2,089,104)
Transportation equipment	(278,458)	(28,435)		(306,893)
Total accumulated depreciation	<u>(5,994,504)</u>	<u>(171,376)</u>		<u>(6,165,880)</u>
Water Fund capital assets, net	<u>\$ 2,132,216</u>	<u>\$ 314,680</u>	<u>\$</u>	<u>\$ 2,446,896</u>

CITY OF CAMBRIDGE, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

CAPITAL ASSETS (Continued)

Capital assets of the Sewer Fund are summarized as follows:

	Balance June 30, 2023	Additions & Transfers	Deletions & Transfers	Balance June 30, 2024
Capital assets not being depreciated				
Land	\$ 65,950	\$	\$	\$ 65,950
Construction in progress	146,825	801,800		948,625
Total capital assets not being depreciated	<u>212,775</u>	<u>801,800</u>		<u>1,014,575</u>
Capital assets being depreciated				
Building and improvements	1,336,900			1,336,900
Computer and equipment	3,885			3,885
Wastewater systems	63,165,483	162,178		63,327,661
Furniture and equipment	103,232			103,232
Vehicles	854,554	9,230		863,784
Total capital assets being depreciated	<u>65,464,054</u>	<u>171,408</u>		<u>65,635,462</u>
Less accumulated depreciation for				
Building and improvements	(1,328,092)	(700)		(1,328,792)
Computer and equipment	(3,885)			(3,885)
Wastewater systems	(34,897,897)	(1,152,583)		(36,050,480)
Furniture and equipment	(103,236)			(103,236)
Vehicles	(722,013)	(30,829)		(752,842)
Total accumulated depreciation	<u>(37,055,123)</u>	<u>(1,184,112)</u>		<u>(38,239,235)</u>
Sewer Fund capital assets, net	<u>\$ 28,621,706</u>	<u>\$ (210,904)</u>	<u>\$</u>	<u>\$ 28,410,802</u>

Construction in progress includes costs incurred to date for the West End sewer replacement project. This project is being funded through the issuance of \$2.6 million general obligation bonds.

Also included in construction in progress are costs incurred to date for the Trenton Street pump station replacement project. This project will be funded through forgivable and low interest loans from the Maryland Quality Revolving Loan Fund.

CITY OF CAMBRIDGE, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

CAPITAL ASSETS (Continued)

Capital assets of the Marina Fund are summarized as follows:

	Balance June 30, 2023	Additions & Transfers	Deletions & Transfers	Balance June 30, 2024
Capital assets not being depreciated				
Construction in progress	\$ 46,370	\$ 150,759	\$ (17,370)	\$ 179,759
Total capital assets not being depreciated	<u>46,370</u>	<u>150,759</u>	<u>(17,370)</u>	<u>179,759</u>
Capital assets being depreciated				
Building and improvements	6,348,508	20,043		6,368,551
Furniture and fixtures	49,239	39,939		89,178
Vehicles	39,240			39,240
Total capital assets being depreciated	<u>6,436,987</u>	<u>59,982</u>		<u>6,496,969</u>
Less accumulated depreciation for				
Building and improvements	(2,587,257)	(159,926)		(2,747,183)
Furniture and fixtures	(23,082)	(8,760)		(31,842)
Vehicles	(11,739)	(5,790)		(17,529)
Total accumulated depreciation	<u>(2,622,078)</u>	<u>(174,476)</u>		<u>(2,796,554)</u>
Marina activities, capital assets, net	<u>\$ 3,861,279</u>	<u>\$ 36,265</u>	<u>\$ (17,370)</u>	<u>\$ 3,880,174</u>
Business-type activities, capital assets, net	<u>\$ 34,615,201</u>	<u>\$ 140,041</u>	<u>\$ (17,370)</u>	<u>\$ 34,737,872</u>

Depreciation expense in the governmental activities is recorded as follows:

General government	\$ 111,855
Public safety	531,547
Public works	<u>842,934</u>
Total governmental activities	<u>\$ 1,486,336</u>

CITY OF CAMBRIDGE, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

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, 2024. For the year ending June 30, 2024, 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, 2024 are as follows:

	Beginning Balance	Additions (net of write-off)	Principal Repayments	Ending Balance
Governmental activities:				
General obligation bonds	\$ 6,718,500	\$	\$ 609,000	\$ 6,109,500
Bond premiums	472,930		52,125	420,805
Leases payable	790,445	513,847	328,080	976,212
Notes payable	1,916,292		196,391	1,719,901
Total	\$ 9,898,167	\$ 513,847	\$ 1,185,596	\$ 9,226,418
Business-type activities:				
General obligation bonds	\$ 1,857,952	\$ 447,653	\$ 175,366	\$ 2,130,239
Bond Premiums		318,238	63,700	254,538
Total	\$ 1,857,952	\$ 765,891	\$ 239,066	\$ 2,384,777

The beginning balances have been restated to correct the reporting of certain liabilities. Total long-term debt as of June 30, 2023 decreased by \$205,974 as a result of this restatement.

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%.	\$ 4,600,000
Bond premiums	341,845
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%.	1,509,500
Bond premiums	78,960
Total general obligation bonds and bond premiums	\$ 6,530,305

CITY OF CAMBRIDGE, MARYLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

LONG-TERM DEBT (Continued)

Governmental activities (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	\$ 56,115
Hebron Savings Bank mortgage: \$200,000, secured by property, maturing February 2028, monthly principal and interest payments of \$1,448, interest at 3.68%	58,052
Queenstown Bank loan of \$1,700,000 secured by fire engine with principal payments in monthly installments of \$11,700 beginning August 2022. Interest is payable monthly at 2.95%.	1,530,179
Bay Vanguard Bank loan of \$300,552 secured by equipment with payments in annual installments of \$75,933 maturing February 2025. Interest is payable annually at 0.5%.	75,555
Total notes payable	<u>\$ 1,719,901</u>

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 administrative, public works and police vehicles under leases. The City has leases for thirty one vehicles expiring through 2028. The assets are recorded at \$1,004,500. Accumulated amortization as of June 30, 2024 is \$378,459.

In addition, the City is leasing copiers under operating leases expiring in 2027. The assets are recorded at \$22,360. Accumulated amortization as of June 30, 2024 was \$17,791.

CITY OF CAMBRIDGE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

LONG-TERM DEBT (Continued)

Business-type activities

General obligation bonds consist of the following:

	<u>Sewer Fund</u>
2011 Water Quality Bonds: \$1,214,000 maturing February 2032 annual principal payments ranging from \$57,752 to \$70,321 interest at 1.1%	\$ 514,396
\$1,718,895 - USDA. 120 quarterly installments beginning November 18, 2011. Quarterly payments of \$25,045 including principal and interest of 4.125%	1,230,973
2023 Series A and A-2: CDA Local Government Infrastructure Bonds of \$2,561,021. Maturing April 2043. Annual principal payments ranging from \$62,783 to \$170,000 considering undrawn amounts. Interest at 3.829%. As of June 30, 2024, \$447,653 has been drawn.	384,870
Bond Premiums	254,538
Total general obligation bonds	<u>\$ 2,384,777</u>

Debt service requirements

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

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>			
	<u>General Obligation Bonds</u>		<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 634,500	\$ 139,901	\$ 198,842	\$ 46,097
2026	660,000	168,303	126,754	42,252
2027	689,000	141,778	130,330	38,676
2028	709,500	120,882	126,525	35,036
2029	721,000	106,113	119,872	31,762
2030 – 2034	1,656,000	321,609	593,962	108,093
2035 – 2039	308,000	229,318	423,616	20,596
2040 – 2044	374,000	157,069		
2045 – 2048	357,500	57,060		
	<u>\$ 6,109,500</u>	<u>\$ 1,496,033</u>	<u>\$ 1,719,901</u>	<u>\$ 322,513</u>

CITY OF CAMBRIDGE, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

LONG-TERM DEBT (Continued)

<u>Year Ending June 30,</u>	Governmental Activities	
	Leases Payable	
	Principal	Interest
2025	\$ 233,415	\$ 65,313
2026	250,991	47,737
2027	263,544	35,444
2028	182,735	10,693
2029	45,525	1,061
	\$ 976,210	\$ 160,248

<u>Year Ending June 30,</u>	Business-Type Activities	
	General Obligation Bonds	
	Principal	Interest
2025	\$ 185,310	\$ 65,752
2026	198,126	59,300
2027	196,042	53,250
2028	204,056	50,236
2029	207,043	47,118
2030 – 2034	516,369	179,653
2035 – 2039	411,184	89,716
2040 – 2044	212,109	10,993
	\$ 2,130,239	\$ 556,018

CITY OF CAMBRIDGE, MARYLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

LONG-TERM DEBT (Continued)

Technology Park Water and Sewer Systems

The Commissioners of the City of Cambridge 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 water fund. As of June 30, 2024, this loan has a balance of \$1,230,973 with \$935,520 due from the County and \$150,764 due from the water fund.

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, 2024, the outstanding loan balance was \$514,396.

LEASES RECEIVABLE

The City entered into lease agreements expiring in 2032 and 2033 with Verizon and WBOC for the use of the City's water tower for wireless antennas and transmission lines. The leases receivable 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, 2024, the balance of the leases receivable were \$215,198.

CITY OF CAMBRIDGE, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

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
2025	\$ 24,288	\$ 8,558
2026	25,215	7,665
2027	21,293	6,739
2028	23,656	5,861
2029	25,688	4,101
2030 – 2034	95,058	6,388
	\$ 215,198	\$ 35,789

GENERAL FUND BALANCES

Nonspendable fund balances are expenses prepaid for the subsequent year.

Restricted fund balances of \$1,118,074 are the amounts restricted for the Choptank River Lighthouse (\$66,376), forfeited and confiscated police funds (\$63,201), 508 Savings (\$19,792), and LOSAP plan assets (\$968,705).

Committed fund balances are amounts encumbered of \$5,223,852 for projects to be completed in subsequent years and include Rainy Day reserves (\$2,444,337), open purchase orders (\$16,052), debt reserves (\$1,063,463), and loan proceeds received for Fire and Rescue equipment (\$1,700,000).

Assigned fund balances include the use of budget surplus of \$950,156 included in the 2024 approved budget and \$900,000 for the Shoreline Resiliency Reserve.

CITY OF CAMBRIDGE, MARYLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

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.

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, 2024

RETIREMENT AND PENSION PLANS (Continued)

General information about the pension plan (continued)

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, 2024

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 \$959,438.

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

At June 30, 2024, the City reported a liability of \$9,059,820 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2023, the City's proportion was .0121% for the general employees' plan and .0272% for the police officers' plan.

For the year ended June 30, 2024, the City recognized pension expense of \$1,091,397. At June 30, 2024, 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	\$ 793,152	\$ 42,428
Net difference between projected and actual earnings on pension plan investments	1,954,999	1,980,738
Changes in proportion	603,674	846,359
Difference between actual and expected experience	318,426	428,538
Contributions subsequent to measurement date	1,200,734	
	\$ 4,870,985	\$ 3,298,063

CITY OF CAMBRIDGE, MARYLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

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 \$1,200,734, reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ended June 30, 2025.

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 5.78 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
2025	\$ 20,439
2026	(129,736)
2027	220,340
2028	77,396
2028	183,749
Total	<u>\$ 372,188</u>

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

Inflation	2.25% general, 2.75% wage
Salary increases	2.75% to 11.25%, including wage inflation
Investment rate of return	6.8%

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, 2024

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, 2023, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	34%	6.9%
Private Equity	16%	8.6%
Rate Sensitive	20%	2.6%
Credit Opportunity	9%	5.6%
Real Assets	15%	5.4%
Absolute Return	6%	4.4%
Total	100%	

For the years ended June 30, 2023 and 2022, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was 3.11% (2.97)%, 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, 2024

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%)	\$ 13,433,879
Current discount rate (6.80%)	\$ 9,059,820
1% Increase (7.8%)	\$ 5,430,109

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, 2024

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, 2024, a total of 82 employees were covered by the benefit terms as follows:

Retirees in pay status (pre-Medicare)	7
Retirees in pay status (post-Medicare)	32
Active employees	38
Spouses	5

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, 2024 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, 2024
Measurement Date	June 30, 2023
Measurement Period	June 30, 2023 to June 30, 2024

Actuarial assumptions. The total OPEB liability in the June 30, 2024 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	2.60%
Rate of growth in real income/GDP per year	1.40%
Excess medical cost growth	0.09%
Health share of GDP in 2029	19.00%
Health share of GDP resistance point	17.00%
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, 2022) is 3.69%. The rate as of June 30, 2023 is 3.86%.

CITY OF CAMBRIDGE, MARYLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

OTHER POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Changes in the total OPEB liability.

	Total OPEB Liability
Balance as of June 30, 2022 for FY23	\$ 6,620,232
Changes for the year:	
Service cost	177,893
Interest	238,856
Experience losses	578,978
Changes in assumptions	104,523
Benefit payouts	(231,522)
Net changes	868,728
Balance as of June 30, 2023 for FY24	\$ 7,488,960

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 (2.86 %)	\$ 8,285,917
Current discount rate (3.86%)	\$ 7,488,960
1% Increase (4.86%)	\$ 6,792,733

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 (2.92%)	\$ 6,770,123
Current discount rate (3.92%)	\$ 7,488,960
1% Increase (4.92%)	\$ 8,322,479

CITY OF CAMBRIDGE, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

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, 2024, the City recognized an OPEB expense of \$459,550. At June 30, 2024, 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	\$ 776,853	\$ 179,868
Changes of assumptions	820,963	1,283,055
Total	\$ 1,597,816	\$ 1,462,923

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 Ending June 30	Measurement Date	
2025	6/30/2024	\$ 134,193
2026	6/30/2025	138,653
2027	6/30/2026	185,513
2028	6/30/2027	(78,060)
2029	6/30/2028	(245,406)
Total		\$ 134,893

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, 2024

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, 2022 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, 2022
Measurement Date:	September 30, 2023
Measurement Period:	October 1, 2021 to September 30, 2023

Actuarial assumptions. The total LOSAP liability was determined by an actuarial valuation as of October 1, 2022 rolled forward to September 30, 2023 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	4.63%, 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, 2024

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, 2022 actuarial report.

Discount rate. The 4.63% discount rate is based on a 20 year AA general obligation bond rate as of September 30, 2023.

Changes in LOSAP liability.

	Net LOSAP Liability
Balances, October 1, 2022	\$ 1,104,028
Changes for the year	
Service cost	24,626
Interest	50,836
Differences between expected and actual experience	(164)
Changes of assumptions	(45,364)
Benefit payments and expenses	(14,320)
Net changes	15,614
Balances, September 30, 2023	\$ 1,119,642

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 (3.63%)	\$ 1,332,199
Current discount rate (4.63%)	\$ 1,119,642
1% Increase (5.63%)	\$ 951,289

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, 2024, the City recognized a LOSAP expense of \$42,063. At June 30, 2024, the City reported deferred outflows of resources or deferred inflows of resources related to the OPEB plan from the following sources:

CITY OF CAMBRIDGE, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 65,020	\$ 21,066
Changes of assumptions	220,742	551,813
Contributions subsequent to measurement date	68,324	
Total	\$ 354,086	\$ 572,879

The \$68,324 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, 2024. Amounts reported as deferred outflows and deferred inflows will be amortized as follows:

Year Ending June 30		
2024	\$	(33,399)
2025		(33,399)
2026		(33,397)
2027		(19,481)
2028		(11,537)
Thereafter		(155,904)
Total	\$	(287,117)

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, 2024

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.

NEW GASB PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended June 30, 2024, 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. 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.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CAMBRIDGE, MARYLAND

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

YEAR ENDED JUNE 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Taxes and utility fees	\$ 9,948,218	\$ 9,948,218	\$ 11,499,499	\$ 1,551,281
Licenses and permits	1,228,500	1,228,500	1,201,438	(27,062)
Intergovernmental	1,441,336	1,441,336	1,631,028	189,692
Charges for services	1,231,897	1,231,897	1,207,371	(24,526)
Fines and forfeitures	7,800	7,800	41,273	33,473
Miscellaneous	105,000	105,000	960,902	855,902
Total revenues	<u>13,962,751</u>	<u>13,962,751</u>	<u>16,541,511</u>	<u>2,578,760</u>
EXPENDITURES				
Current				
General government	1,559,653	2,219,653	1,613,627	606,026
Public safety	6,585,200	6,585,200	6,569,793	15,407
Public works	3,684,017	3,484,017	4,091,036	(607,019)
Economic development	610,756	860,756	331,133	529,623
Debt service	1,318,195	1,318,195	1,466,611	(148,416)
Capital outlay	583,590	933,590	1,045,644	(112,054)
Total expenditures	<u>14,341,411</u>	<u>15,401,411</u>	<u>15,117,844</u>	<u>283,567</u>
Revenues over (under) expenditures	<u>(378,660)</u>	<u>(1,438,660)</u>	<u>1,423,667</u>	<u>2,862,327</u>
OTHER FINANCING SOURCES (USES)				
Prior year surplus	1,064,886	2,124,886		(2,124,886)
Transfers, net	(684,886)	(684,886)	400,000	1,084,886
Gain on disposal of assets			26,636	26,636
Proceeds from long-term debt			426,415	426,415
Total other financing sources	<u>380,000</u>	<u>1,440,000</u>	<u>853,051</u>	<u>(586,949)</u>
Net change in fund balance	<u>\$ 1,340</u>	<u>\$ 1,340</u>	<u>\$ 2,276,718</u>	<u>\$ 2,275,378</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%
2023/2022	0.0390673%	7,816,787	4,527,875	173%	76%
2024/2023	0.0393386%	9,059,820	5,844,707	155%	74%

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	\$	\$ 4,683,287	18%
2016	828,640	828,640		4,487,284	18%
2017	904,924	904,924		4,563,208	18%
2018	870,293	870,293		5,031,681	18%
2019	916,319	916,319		4,715,375	19%
2020	911,570	911,570		4,834,060	20%
2021	1,056,350	1,056,350		4,629,988	22%
2022	891,634	891,634		4,812,343	20%
2023	959,438	959,438		4,527,875	21%
2024	1,200,734	1,200,734		5,844,707	21%

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

JUNE 30, 2024

Changes in benefit terms:

There were no benefit changes during the year.

Changes in assumptions:

There were no changes in assumptions during the year.

Method and assumptions used in calculations of actuarially determined contributions for the plan years ended June 30, 2023 and 2022:

Actuarial	Entry age normal.
Amortization method	Level percentage of payroll. Closed.
Remaining amortization period	25 year closed amortization period ending June 30, 2039; 15 years remaining.
Asset valuation model	Five year smoothed market (maximum 120% and minimum 80% of market value.)
Inflation	2023 2.25% general; 2.75% wage 2022 2.25% general; 2.75% wage
Salary increases	2023 2.75% to 11.25%, including wage inflation 2022 2.75% to 11.25%, including wage inflation
Investment rate of return	2023 6.80% 2022 6.80%
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	2024/2023	2023/2022	2022/2021	2021/2020	2020/2019	2019/2018	2018/2017
Total OPEB liability							
Service cost	\$ 177,892	\$ 271,472	\$ 221,680	\$ 177,736	\$ 175,330	\$ 171,033	\$ 164,596
Interest cost	238,856	156,177	168,607	192,757	230,519	225,125	194,935
Difference between expected and actual experience	578,978	72,186	502,953	8,531	(629,514)	(81)	
Changes of assumptions	104,522	(1,790,051)	668,497	640,363	301,456	(31,147)	(639,683)
Benefit payments	(231,522)	(375,319)	(301,585)	(295,740)	(293,603)	(271,188)	(271,269)
Net change in total OPEB liability	868,726	(1,665,535)	1,260,152	723,647	(215,812)	93,742	(551,421)
Total OPEB liability, beginning of year	6,620,233	8,285,768	7,025,616	6,301,969	6,517,781	6,424,039	6,975,460
Total OPEB liability, end of year	<u>\$ 7,488,959</u>	<u>\$ 6,620,233</u>	<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>
Plan fiduciary net position							
Contributions employer	\$ 231,522	\$ 375,319	\$ 301,585	\$ 295,740	\$ 293,603	\$ 271,188	\$ 271,269
Benefit payments	(231,522)	(375,319)	(301,585)	(295,740)	(293,603)	(271,188)	(271,269)
Net change in fiduciary net position							
Fiduciary net position, beginning of year							
Fiduciary net position, end of year	<u>\$</u>						
City's total OPEB liability, end of year	<u>\$ 7,488,959</u>	<u>\$ 6,620,233</u>	<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>						

Notes to schedule

No benefit changes.

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

6/30/2022	1.92%
6/30/2023	3.69%
6/30/2024	3.86%

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	2024/2023	2023/2022	2022/2021	2021/2020	2020/2019	2019/2018	2018/2017
Total LOSAP liability ("TLL")							
Service cost	\$ 24,626	\$ 26,835	\$ 53,026	\$ 53,251	\$ 46,515	\$ 33,144	\$ 40,272
Interest cost	50,836	69,707	31,021	29,093	23,780	37,453	37,496
Difference between expected and actual experience	(164)	667	18,902	41,940	52,180	(62,758)	
Changes of assumptions	(45,364)	(573,586)	68,614	94,463	232,067	(62,511)	(87,408)
Benefit payments and administrative expenses	(14,320)	(5,950)	(1,670)	(9,468)	(14,112)	(102,887)	(63,564)
Net change in total OPEB liability	15,614	(482,327)	169,893	209,279	340,430	(157,559)	(73,204)
TLL, beginning of year	1,104,028	1,586,355	1,416,462	1,207,183	866,753	1,024,312	1,097,515
TLL, end of year	<u>\$ 1,119,642</u>	<u>\$ 1,104,028</u>	<u>\$ 1,586,355</u>	<u>\$ 1,416,462</u>	<u>\$ 1,207,183</u>	<u>\$ 866,753</u>	<u>\$ 1,024,311</u>
Plan fiduciary net position							
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>
City's total LOSAP liability, end of year	<u>\$ 1,119,642</u>	<u>\$ 1,104,028</u>	<u>\$ 1,586,355</u>	<u>\$ 1,416,462</u>	<u>\$ 1,207,183</u>	<u>\$ 866,753</u>	<u>\$ 1,024,311</u>
Fiduciary net position as a % of total LOSAP liability	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>

Notes to schedule

No benefit changes.

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

6/30/2022	2.19%
6/30/2023	4.40%
6/30/2024	4.63%

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

Information for fiscal year 2017 and earlier is not available.

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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, 2024, 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 65 through 68 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 2023 and 2022 financial statements. In our reports dated January 5, 2024, and January 5, 2023, we expressed an unmodified opinions on the 2023 and 2022 respective financial statements of the governmental activities, the business-type activities, and each major fund.

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
December 16, 2024

CITY OF CAMBRIDGE, MARYLAND
SCHEDULES OF REVENUES AND EXPENDITURES
GENERAL FUND
YEAR ENDED JUNE 30, 2024
(WITH COMPARATIVE TOTALS FOR 2023 AND 2022)

	<u>2024</u>	<u>2023</u>	<u>2022</u>
REVENUES			
Taxes and utility fees	\$ 11,499,499	\$ 10,243,349	\$ 9,787,986
Licenses and permits	1,201,438	1,175,164	1,308,065
Intergovernmental	1,631,028	1,654,144	4,780,751
Charges for services	1,207,371	1,154,310	955,774
Fines and forfeitures	41,273	10,282	41,118
Miscellaneous	960,902	311,893	182,633
Total revenues	<u>16,541,511</u>	<u>14,549,142</u>	<u>17,056,327</u>
EXPENDITURES			
Current			
General government	1,613,627	1,169,973	971,136
Public safety	6,569,793	6,396,146	5,599,409
Public works	4,091,036	3,627,978	3,430,388
Economic development	331,133	198,942	1,354,194
Debt service	1,466,611	1,312,843	1,023,881
Capital outlay	1,045,644	1,494,570	2,363,304
Total expenditures	<u>15,117,844</u>	<u>14,200,452</u>	<u>14,742,312</u>
Revenues over expenditures	<u>1,423,667</u>	<u>348,690</u>	<u>2,314,015</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from asset disposal	26,636	3,535	
Transfers, net	400,000	500,000	(229,132)
Proceeds from loans and leases	426,415	2,900,311	70,652
Total other financing sources (uses)	<u>853,051</u>	<u>3,403,846</u>	<u>(158,480)</u>
Net change in fund balance	<u>\$ 2,276,718</u>	<u>\$ 3,752,536</u>	<u>\$ 2,155,535</u>

See independent auditors' report on supplementary information.

CITY OF CAMBRIDGE, MARYLAND
SCHEDULES OF REVENUES AND EXPENDITURES
SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2024
(WITH COMPARATIVE TOTALS FOR 2023)

	2024	2023
REVENUES		
Intergovernmental	\$ 6,249,828	\$ 5,564,435
EXPENDITURES		
Current		
General government	297,319	
Public safety	166,586	440,923
Public works	1,013,324	578,889
Economic development	2,712,164	2,060,108
Capital outlay	3,028,720	2,003,346
Total expenditures	7,218,113	5,083,266
Revenues over (under) expenditures	(968,285)	481,169
OTHER FINANCING		
SOURCES (USES)		
Proceeds from leases	129,508	
Transfers, net	(400,000)	(500,000)
Net other financing uses	(270,492)	(500,000)
Net change in fund balance	\$ (1,238,777)	\$ (18,831)

See independent auditors' report on supplementary information.

CITY OF CAMBRIDGE, MARYLAND

**SCHEDULES OF REVENUES AND EXPENSES
WATER FUND**

**YEAR ENDED JUNE 30, 2024
(WITH COMPARATIVE TOTALS FOR 2023 AND 2022)**

	2024	2023	2022
OPERATING REVENUES			
Charges for services	\$ 2,561,371	\$ 2,410,343	\$ 2,402,330
OPERATING EXPENSES			
Salaries and related costs	1,094,844	1,249,442	1,226,827
Repairs and maintenance	463,934	338,172	391,521
Distribution and operating expenses	244,578	223,657	229,875
Depreciation	171,376	156,009	139,074
General and administrative	155,016	136,500	159,662
Total operating expenses	2,129,748	2,103,780	2,146,959
Operating income	431,623	306,563	255,371
NON-OPERATING REVENUES (EXPENSES)			
Impact fees			1,850
Interest income	31,267	27,452	18,268
Interest expense	(5,833)	(6,050)	(6,883)
Loss on disposal of assets			(133)
Total non-operating revenues	25,434	21,402	13,102
Change in net position	\$ 457,057	\$ 327,965	\$ 268,473

See independent auditors' report on supplementary information.

CITY OF CAMBRIDGE, MARYLAND

**SCHEDULES OF REVENUES AND EXPENSES
SEWER FUND**

**YEAR ENDED JUNE 30, 2024
(WITH COMPARATIVE TOTALS FOR 2023 AND 2022)**

	2024	2023	2022
OPERATING REVENUES			
Charges for services	\$ 5,379,092	\$ 5,022,093	\$ 4,898,758
Operating grants	264,384	294,839	290,676
Total operating income	5,643,476	5,316,932	5,189,434
OPERATING EXPENSES			
Salaries and related costs	1,467,189	1,418,707	1,512,490
Repairs and maintenance	51,994	37,237	192,655
Distribution and operating expenses	2,766,967	2,334,234	2,031,312
Depreciation	1,184,112	1,178,149	1,176,672
Other general and administrative	98,482	76,156	98,066
Total operating expenses	5,568,744	5,044,483	5,011,195
Operating income	74,732	272,449	178,239
NON-OPERATING REVENUES (EXPENSES)			
Impact fees	6,900		5,739
Interest income	22,717	13,296	533
Interest expense	(54,754)	(16,947)	(14,282)
Total non-operating expenses	(25,137)	(3,651)	(8,010)
Income before contributions	49,595	268,798	170,229
CONTRIBUTED CAPITAL		175,000	
Change in net position	\$ 49,595	\$ 443,798	\$ 170,229

See independent auditors' report on supplementary information.

CITY OF CAMBRIDGE, MARYLAND

**SCHEDULES OF REVENUES AND EXPENSES
MARINA FUND**

**YEAR ENDED JUNE 30, 2024
(WITH COMPARATIVE TOTALS FOR 2023 AND 2022)**

	<u>2024</u>	<u>2023</u>	<u>2022</u>
OPERATING REVENUES			
Charges for services	\$ 536,715	\$ 612,638	\$ 560,453
OPERATING EXPENSES			
Salaries	98,956		
Repairs and maintenance	39,036	14,041	50,145
Operating expenses	167,892	176,030	156,258
Professional services	135,240	270,480	270,480
Depreciation	174,475	161,441	158,963
General and administrative	6,695	24,815	19,543
Total operating expenses	<u>622,294</u>	<u>646,807</u>	<u>655,389</u>
Operating loss	<u>(85,579)</u>	<u>(34,169)</u>	<u>(94,936)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income			10,229
Capital grants	168,630	121,925	63,314
Total non-operating revenues	<u>168,630</u>	<u>121,925</u>	<u>73,543</u>
Income (loss) before transfers	83,051	87,756	(21,393)
TRANSFERS IN			<u>254,834</u>
Change in net position	<u>\$ 83,051</u>	<u>\$ 87,756</u>	<u>\$ 233,441</u>

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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ALLINIAL GLOBAL

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, 2024, 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 December 16, 2024.

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 a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001 that we consider to be a significant deficiency.

City's Response to Findings

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

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*.

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
December 16, 2024

UNIFORM GUIDANCE REPORTS

ANDREW M. HAYNIE, CPA
SUSAN P. KEEN, CPA
MICHAEL C. KLEGER, CPA
JAMES D. MAYBURY, CPA
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*MARYLAND ASSOCIATION OF
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*DELAWARE SOCIETY OF
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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, 2024, 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 65 through 69 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 2023 and 2022 financial statements. In our reports dated January 5, 2024, and January 5, 2023, we expressed an unmodified opinions on the 2023 and 2022 respective financial statements of the governmental activities, the business-type activities, and each major fund.

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
December 16, 2024

CITY OF CAMBRIDGE, MARYLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

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	\$ 2,543,810
<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 2022-0019	98,240	98,240
<u>U.S. Department of Housing and Urban Development</u> Pass through Maryland Department of Housing and Community Development <i>Entitlement Grants Cluster</i> Community Development Block Grants/Entitlement Grants Community Development Block Grants/Entitlement Grants Community Development Block Grants/Entitlement Grants Community Development Block Grants/Entitlement Grants Community Development Block Grants/Entitlement Grants Total U.S. Department of Housing and Urban Development	14.218 14.218 14.218 14.218 14.218	MD-20-CD-2 MD-18-CD-31 MD-22-CD-3 MD-22-CD-9 MD-22-CD-09	375,000 1,187,953 1,600,000 3,000,000 2,600,000 8,762,953	68,410 175,779 1,092,439 121,720 889,449 2,347,797
<u>U.S. Department of the Interior</u> Chesapeake Bay Gateways Network	15.930		389,000	6,603
<u>U.S. Environmental Protection Agency</u> Pass through Maryland Department of Natural Resources Geographic Programs - Chesapeake Bay Program Implementation, Regulatory/Accountability and Monitoring Grants	66.964	CBIG FFY23	28,960	16,630
<u>U.S. Department of Homeland Security</u> Pass through Maryland Emergency Management Agency Flood Mitigation Assistance	97.029	FEMA-4491-DR-MD-0034	570,000	247,461
Total expenditures of federal awards			\$ 21,928,434	\$ 5,260,541

See accompanying notes to schedule of expenditures of federal awards.

CITY OF CAMBRIDGE, MARYLAND

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2024

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, 2024. 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, 2024.

**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 Federal 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, 2024. 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, 2024.

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. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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
December 16, 2024

CITY OF CAMBRIDGE, MARYLAND
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2024

SECTION B. FINDINGS – FINANCIAL STATEMENT AUDIT

There were no findings or questioned costs reported for the year ended June 30, 2023.

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

There were no findings or questioned costs reported for the year ended June 30, 2023.

CITY OF CAMBRIDGE, MARYLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2024

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>Assistance Listing No.</u>	<u>Name of Federal Program or Cluster</u>
21.027	Coronavirus State and Local Fiscal Recovery Funds
14.218	CDBG - Entitlements Grant Cluster

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

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

CITY OF CAMBRIDGE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2024

B: FINDINGS – FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCY

Finding: 2024-001 – The City does not have a process in place to reconcile material asset and liability accounts with the subsidiary ledgers in a timely manner.

Criteria: The reconciliation of material asset and liability accounts is the process of matching the subsidiary ledgers or other supporting statements 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 certain accounts receivable, interfund receivables and payables, and accounts payable did not reconcile. In addition, bank reconciliations were not completed in a timely manner.

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

Effect or potential effect: Lack of account reconciliations may result in inaccurate financial records and unintentional errors or intentional fraud occurring and not being detected. During our audit, we proposed significant adjusting journal entries to these accounts.

Recommendation: We recommend the City reconcile subsidiary ledgers for material asset and liability accounts to the general ledger balances on a monthly basis. In addition, we recommend creating a month-end closing checklist to assist in ensuring reconciliations are completed. An independent person should review and approve the monthly reconciliations as well as the checklist. 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 periodic reconciliations.

C. FINDINGS AND QUESTIONED COSTS – MAJOR AWARD PROGRAMS AUDIT

None



City of Cambridge

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December 10, 2024

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RE: Management's Response to Auditor's Findings
And Corrective Action Plan

To Whom It May Concern:

This letter serves as The Commissioners of Cambridge's (Commissioners) response to Audit Finding Reference: 2024-001 and sets forth management's plan for correcting and improving the finding situation.

The Commissioners concur with the auditor's finding and are committed to taking immediate, corrective, and positive actions to address any concerns. To this end, below are the specific corrective actions to be undertaken as part of the City's periodic closing process –

- **Timely Closing** – the books and records of the City will be closed on a quarterly basis including all relevant journal entries, account reconciliations and production of financial statements
 - **Anticipated Completion** – Quarter Ending December 31, 2024
- **Bank Reconciliations** - all City bank statements will be reconciled monthly and appropriate journal entries entered into the financial records within 10 days of the month's end.
 - **Anticipated Completion** – Quarter-Ending December 31, 2024
- **Accounts Receivable** – the City will revise the existing A/R policy to ensure a timelier collection of bona fide Accounts Receivables. The new policy will be more proactive, clarify staff responsibility, produce timely “aging” reports and identify appropriate legal actions to ensure the timely collection of accounts receivable. The Accounts Receivable sub-ledger will be reconciled with the General ledger as part of the closing process.
 - **Anticipated Completion** -
 - **Reconciliation** - Quarter-Ending December 31, 2024
 - **Policy Issued** – February 28, 2025
- **Accounts Payables** - a review of all existing Accounts Payable processes will be initiated to identify gaps and inconsistencies as well as identify opportunities to take advantage of

advances in payment management. Upon completion of the review, a manual of standardized Accounts Payable procedures will be prepared and distributed to all City staff involved in the Accounts Payable process. In addition, instructional training will be part of the roll-out process. As part of the quarterly closing process the Account Payable sub-ledger will be reconciled with the General Ledger.

- **Anticipated Completion** –
 - **Evaluation** – December 31, 2024
 - **Standard Procedures Manual** – February 15, 2025
 - **Training** – March 15, 2025

- **Interfund Receivables** – As part of the quarterly closing of the City’s books and records all Interfund Receivables will be reconciled and journal entries, as appropriate, prepared and recorded.
 - **Anticipated Completion** – Quarter-Ending December 31, 2024

The City believes the aforementioned corrective actions will result in an improvement of the internal controls and operational processes currently in place and are responsive to the Audit Finding.

Sincerely,



Perry Peregoy
Finance Director