

CITY OF CAMBRIDGE, MARYLAND
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

CITY OF CAMBRIDGE, MARYLAND

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CITY OF CAMBRIDGE, MARYLAND

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INDEPENDENT AUDITORS' REPORT

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ALLINIAL GLOBAL

The Honorable Mayor and Council
City of Cambridge, Maryland

Opinions

We have audited the accompanying 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, 2025, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, of the City of Cambridge, Maryland, as of June 30, 2025, 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.

Emphasis of Matter – Adoption of Accounting Standard

As discussed in the notes to the financial statements, the City adopted GASB Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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

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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting 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 generally accepted auditing standards, 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 the 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 13 and pages 61 through 66 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 8, 2025 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.

PKS & Company, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
December 8, 2025



CITY OF CAMBRIDGE, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025

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, 2025. Please read it in conjunction with the City's financial statements, which begin on page 14.

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 14 and 15 of this report.

CITY OF CAMBRIDGE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025

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 16 through 19. The budgetary comparison can be found on page 61.

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, 2025

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 20 through 23 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 24 through 60 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, 2025 was \$67,779,250. Of this amount, \$63,593,663 is invested in capital assets net of related debt and (\$630,861) is restricted. The remaining unrestricted amount is \$4,816,448.

The City's net position increased \$7,509,629 or 12.5% from last year. The following table shows key financial information in a condensed form.

CITY OF CAMBRIDGE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (Continued)

	Statements of Net Position (In thousands of dollars)					
	2025			2024		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Assets						
Current and other assets	\$ 21,560	\$ 9,328	\$ 30,888	\$ 21,407	\$ 9,853	\$ 31,260
Capital assets	38,846	37,076	75,922	31,866	34,738	66,604
Total assets	<u>60,406</u>	<u>46,404</u>	<u>106,810</u>	<u>53,273</u>	<u>44,591</u>	<u>97,864</u>
Deferred outflows of resources	<u>7,001</u>	<u>608</u>	<u>7,609</u>	<u>5,321</u>	<u>1,501</u>	<u>6,822</u>
Liabilities						
Current and other liabilities	3,529	961	4,490	2,394	1,648	4,042
Long-term liabilities outstanding	28,821	5,356	34,177	24,148	4,571	28,719
Total liabilities	<u>32,350</u>	<u>6,317</u>	<u>38,667</u>	<u>26,542</u>	<u>6,219</u>	<u>32,761</u>
Deferred inflows of resources	<u>7,678</u>	<u>295</u>	<u>7,973</u>	<u>9,251</u>	<u>1,249</u>	<u>10,500</u>
Net position						
Invested in capital assets, net of related debt	30,499	33,094	63,593	22,640	32,353	54,993
Restricted (deficit)	(820)	189	(631)	1,118	167	1,285
Unrestricted (deficit)	(2,300)	7,117	4,817	(957)	6,104	5,147
Total net position	<u>\$ 27,379</u>	<u>\$ 40,400</u>	<u>\$ 67,779</u>	<u>\$ 22,801</u>	<u>\$ 38,624</u>	<u>\$ 61,425</u>

The City's total revenues were \$33,975,595. Of this amount, 28% comes from property taxes, 28% from grants and contributions, and 25% from fees charged for water, sewer, and marina services.

The City's expenses which totaled \$26,465,966 cover a range of services with 35% for public safety, 25% for water and sewer services, 24% for public works, 4% for economic development, and 7% for general government.

CITY OF CAMBRIDGE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025

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)					
	2025			2024		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues						
Program revenues						
Charges for services	\$ 2,542	\$ 8,635	\$ 11,177	\$ 2,448	\$ 8,477	\$ 10,925
Operating grants and contributions	6,115	256	6,371	4,904	264	5,168
Capital grants and contributions	2,528	714	3,242	3,003	176	3,179
General revenues						
Property taxes	9,673		9,673	8,947		8,947
Shared taxes	2,339		2,339	2,254		2,254
Intergovernmental	114		114	121		121
Miscellaneous	28		28	62		62
Gain on disposal of assets	69	17	86	32		32
Unrestricted investment earnings	868	78	946	878	54	932
Total revenues	<u>24,276</u>	<u>9,700</u>	<u>33,976</u>	<u>22,649</u>	<u>8,971</u>	<u>31,620</u>
Expenses						
General government	1,944		1,944	1,748		1,748
Public safety	9,160		9,160	8,141		8,141
Public works	6,240		6,240	5,715		5,715
Economic development	1,184		1,184	2,990		2,990
Interest on long-term debt	202		202	129		129
Water		1,710	1,710		2,136	2,136
Sewer		4,982	4,982		5,623	5,623
Marina		1,044	1,044		622	622
Total expenses	<u>18,730</u>	<u>7,736</u>	<u>26,466</u>	<u>18,723</u>	<u>8,381</u>	<u>27,104</u>
Change in net position	<u>\$ 5,546</u>	<u>\$ 1,964</u>	<u>\$ 7,510</u>	<u>\$ 3,926</u>	<u>\$ 590</u>	<u>\$ 4,516</u>

CITY OF CAMBRIDGE, MARYLAND
MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2025

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

General Fund – For the year ended June 30, 2025, the general fund balance increased \$583,792 compared to an increase of \$2,276,718 in 2024.

Significant variances from the prior year include:

- Total revenues increased \$455,643. The largest increase was in taxes and utility fees. This is due to the increase in the assessable base.
- Total expenditures increased \$1,999,568. Expenditures increased in general government, public works, public safety, and economic development.
- Capital outlay expenditures increased \$1,103,756. Expenditures included police and public works vehicles, equipment, land bank purchases, and improvements to infrastructure.
- Investment income decreased \$9,570.

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

As of June 30, 2025, the general fund reported a fund balance of \$16,338,284. Of this amount, \$8,414,644 is unassigned.

Special Revenue Fund – For the year ended June 30, 2025, revenues were \$8,650,580, expenditures were \$9,107,681, resulting in revenues under expenditures of \$457,101. ARPA funds of \$300,000 were transferred to the general fund for lost revenue .

Grant revenue recognized included American Rescue Plan Act funds (ARPA) of \$2,026,686, Community Development Block Grants of \$2,636,965, and Community Legacy grants of \$1,183,919. Additional grants were received from the Department of the Interior, Maryland Department of Health and Community Development, Maryland Department of Natural Resources, Maryland Emergency Management, Maryland Department of Justice, National Fish and Wildlife Foundation, and United States Department of Housing and Urban Development.

As of June 30, 2025, unspent ARPA funds of \$2,533,157 are reported as deferred inflows of resources.

Water Fund (previously MUC) – For the year ended June 30, 2025, the Water Fund has an operating income of \$812,625, net non-operating revenues of \$56,743, for a total increase in net position of \$869,368. This compares to an increase in net position of \$457,057 in the prior year.

A comparison of revenues and expenses for three years can be found on page 69.

As of June 30, 2025, the Water Fund reported a net position of \$4,624,233. Of this amount, \$2,528,466 is invested in capital assets, \$60,068 is restricted impact fees, and \$2,035,699 is unrestricted and available for use.

CITY OF CAMBRIDGE, MARYLAND
MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2025

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (Continued)

Sewer Fund – For the year ended June 30, 2025, the sewer fund had an operating income of \$924,501, net non-operating income of \$4,596, and a total increase in net position of \$929,097. This compares to an increase in net position of \$49,595 in the prior year.

Significant variances from the prior year include:

- Charges for services increased \$231,956.
- Expenses decreased \$626,457 due to decreases in salaries and related costs.

A comparison of revenues and expenses for three years is presented on page 70.

As of June 30, 2025, the sewer fund reported a net position of \$32,018,025. Of this amount, \$26,146,578 is invested in capital assets, \$129,378 is restricted impact fees, and \$5,742,069 is unrestricted and available for use.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

- Taxes and utility fees were over-budget by \$142,717.
- Miscellaneous revenue was over-budget by \$206,270 due to an increase in investment income.
- Total expenditures were over the final budget by \$619,032.
- Capital outlay expenditures were over-budget due to the leasing of vehicles and equipment that were not included in the budget.

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, 2025 was \$75,921,831 (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, 2025

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY (Continued)

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

	Capital Assets (net of depreciation)					
	(In thousands of dollars)					
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 5,834	\$ 5,370	\$ 217	\$ 217	\$ 6,051	\$ 5,587
Construction in progress	6,059	1,489	353	1,129	6,412	2,618
Building and improvements	16,430	16,160	8,602	7,861	25,032	24,021
Distribution system			3,908	3,908	3,908	3,908
Machinery and equipment	2,280	1,892	1,457	1,129	3,737	3,021
Meter replacement program			852	852	852	852
Production ground storage			2,149	2,149	2,149	2,149
Leased equipment and subscriptions	2,351	2,032			2,351	2,032
Infrastructure	14,848	14,453	66,655	63,328	81,503	77,781
Vehicles	8,157	6,541	1,663	1,367	9,820	7,908
Less: accumulated depreciation	(17,113)	(16,071)	(48,780)	(47,202)	(65,893)	(63,273)
Net capital assets	\$ 38,846	\$ 31,866	\$ 37,076	\$ 34,738	\$ 75,922	\$ 66,604

Major capital purchases this year included:

Governmental activities

- Building and land for radio station at 2 Queen Anne Ave.,
- Infrastructure,
- Land at School St. Lot I-43,
- Five leased 2025 Ford Police Interceptors included as right-to-use assets,
- Various vehicles
- Construction in progress at Cannery Park, Cornish Park, Old City Hall, Cambridge Green Technology Park, Douglas Street properties and infrastructure, PSB lighting retrofit, and Flood Mitigation project.

Business-type activities

- Timber wave fence, dock floating fingers, six floating piers, and improvements to dock "A", and construction in progress at the Marina,
- Mobile crawler camera system, vehicles, pump station upgrades, West End Sewer Rehab, and construction in progress in the sewer fund,
- Truck and equipment in the water fund.

CITY OF CAMBRIDGE, MARYLAND
MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2025

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY (CONTINUED)

Long-term debt activity

	Outstanding Debt (In thousands of dollars)					
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
General obligation bonds	\$ 5,475	\$ 6,109	\$ 3,740	\$ 2,130	\$ 9,215	\$ 8,239
Bond premium	368	421	242	255	610	676
Leases payable	982	976			982	976
Notes payable	1,521	1,720			1,521	1,720
Total	\$ 8,346	\$ 9,226	\$ 3,982	\$ 2,385	\$ 12,328	\$ 11,611

New debt incurred during 2025 included operating leases for police and public works vehicles. General obligation bonds of \$2,600,000 were issued in the sewer fund to finance the West End sewer replacement project. During 2025, \$1,795,130 of bond proceeds were drawn.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The City received federal funding of \$3,000,000 from the Community Development Block Grant Home Ownership Works Program for the predevelopment, new construction, marketing and sales for up to 10 new affordable homes for sale to buyers who meet certain income and other restrictions. Costs are currently being tracked within construction in progress until the homes are complete and ready to be sold.

The City was awarded federal funding of up to \$19,150,000 from the National Fish and Wildlife Foundation for designing habitat restoration and green stormwater management. The goal of the project is to create a living shoreline along the Choptank River that integrates green infrastructure to improve flood protection, water quality, and restore fish and wildlife habitat. The project will implement a comprehensive resilience plan that will provide large-scale flood mitigation to the City’s citizens, properties, and critical infrastructure from coastal hazard impacts.

CITY OF CAMBRIDGE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025

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, Perry Peregoy, City of Cambridge, 410 Academy St, Cambridge, Maryland 21613 or through an email at pperegoy@choosecambridge.com.

CITY OF CAMBRIDGE, MARYLAND

STATEMENT OF NET POSITION

JUNE 30, 2025

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 14,033,302	\$ 8,276,930	\$ 22,310,232
Certificates of deposit		1,117,123	1,117,123
Accounts receivable, net	971,525	645,402	1,616,927
Due from other governments	2,809,162	1,145,100	3,954,262
Internal balances	2,307,797	(2,307,797)	
Inventory		255,938	255,938
Prepaid expenses and other assets	53,220	6,000	59,220
Leases receivable	190,910		190,910
Capital assets, net of accumulated depreciation	38,845,996	37,075,835	75,921,831
Restricted cash and cash equivalents	1,194,402	189,446	1,383,848
Total assets	<u>60,406,314</u>	<u>46,403,977</u>	<u>106,810,291</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension	5,589,293	492,334	6,081,627
LOSAP	413,001		413,001
OPEB	998,194	115,319	1,113,513
Total deferred outflows of resources	<u>7,000,488</u>	<u>607,653</u>	<u>7,608,141</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	2,195,396	762,958	2,958,354
Other liabilities	255,805		255,805
Long-term liabilities			
Bonds, notes, and leases payable			
Due within one year	1,077,417	198,127	1,275,544
Due in more than one year	7,269,015	3,783,609	11,052,624
Compensated absences	1,854,051	326,513	2,180,564
Net pension liability	11,602,740	460,215	12,062,955
Net LOSAP obligation	1,298,148		1,298,148
Net OPEB obligation	6,797,277	785,282	7,582,559
Total liabilities	<u>32,349,849</u>	<u>6,316,704</u>	<u>38,666,553</u>
DEFERRED INFLOWS OF RESOURCES			
Pension	1,700,498	171,889	1,872,387
LOSAP	488,597		488,597
OPEB	1,063,420	122,856	1,186,276
Deferred grants	4,214,154		4,214,154
Deferred lease revenue	211,215		211,215
Total deferred inflows of resources	<u>7,677,884</u>	<u>294,745</u>	<u>7,972,629</u>
NET POSITION			
Invested in capital assets	30,499,564	33,094,099	63,593,663
Restricted (deficit)	(820,307)	189,446	(630,861)
Unrestricted (deficit)	(2,300,188)	7,116,636	4,816,448
Total net position	<u>\$ 27,379,069</u>	<u>\$ 40,400,181</u>	<u>\$ 67,779,250</u>

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

CITY OF CAMBRIDGE, MARYLAND

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2025

	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	\$ 1,944,216	\$ 1,012,520	\$ 320,517	\$ 39,935	\$ (571,244)	\$	\$ (571,244)
Public safety	9,160,524	28,345	569,230	654,790	(7,908,159)		(7,908,159)
Public works	6,239,595	1,501,005	2,957,541	1,581,463	(199,586)		(199,586)
Economic development	1,183,768		2,267,230	251,563	1,335,025		1,335,025
Interest on long-term debt	201,951				(201,951)		(201,951)
Total governmental activities	<u>18,730,054</u>	<u>2,541,870</u>	<u>6,114,518</u>	<u>2,527,751</u>	<u>(7,545,915)</u>		<u>(7,545,915)</u>
BUSINESS-TYPE ACTIVITIES							
Water	1,709,560	2,516,100		5,550		812,090	812,090
Sewer	4,982,026	5,611,048	255,740	17,250		902,012	902,012
Marina	1,044,326	507,479		691,774		154,927	154,927
Total business-type activities	<u>7,735,912</u>	<u>8,634,627</u>	<u>255,740</u>	<u>714,574</u>		<u>1,869,029</u>	<u>1,869,029</u>
Total	<u>\$ 26,465,966</u>	<u>\$ 11,176,497</u>	<u>\$ 6,370,258</u>	<u>\$ 3,242,325</u>	<u>(7,545,915)</u>	<u>1,869,029</u>	<u>(5,676,886)</u>
GENERAL REVENUES							
Taxes							
Property taxes, levied for general purposes							
					9,673,075		9,673,075
					910,607		910,607
					1,428,518		1,428,518
Unrestricted grants and contributions							
					114,300		114,300
Miscellaneous							
					28,361		28,361
Gain on disposal of assets							
					68,559	16,500	85,059
Unrestricted investment earnings							
					868,289	78,306	946,595
Total general revenues							
					<u>13,091,709</u>	<u>94,806</u>	<u>13,186,515</u>
Change in net position							
					5,545,794	1,963,835	7,509,629
NET POSITION, BEGINNING OF YEAR, RESTATED							
					<u>21,833,275</u>	<u>38,436,346</u>	<u>60,269,621</u>
NET POSITION, END OF YEAR							
					<u>\$ 27,379,069</u>	<u>\$ 40,400,181</u>	<u>\$ 67,779,250</u>

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

CITY OF CAMBRIDGE, MARYLAND

**BALANCE SHEET
GOVERNMENTAL FUNDS**

JUNE 30, 2025

ASSETS

	General Fund	Special Revenue Fund	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 12,461,672	\$ 1,571,630	\$ 14,033,302
Taxes receivable, net	387,404		387,404
Accounts receivable, net	584,122		584,122
Leases receivable	190,910		190,910
Due from other governments	861,339	1,947,824	2,809,163
Due from other funds	2,073,377	234,420	2,307,797
Prepaid expenses	53,220		53,220
Restricted cash and cash equivalents	1,194,402		1,194,402
Total assets	<u>\$ 17,806,446</u>	<u>\$ 3,753,874</u>	<u>\$ 21,560,320</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES

LIABILITIES

Accounts payable and accrued expenses	\$ 640,967	\$ 1,554,429	\$ 2,195,396
Other liabilities	255,805		255,805
Total liabilities	<u>896,772</u>	<u>1,554,429</u>	<u>2,451,201</u>

DEFERRED INFLOWS OF RESOURCES

Deferred property taxes	366,240		366,240
Deferred grant revenue		4,214,154	4,214,154
Deferred lease revenue	211,215		211,215
Total deferred inflows of resources	<u>577,455</u>	<u>4,214,154</u>	<u>4,791,609</u>

FUND BALANCES

Nonspendable	53,220		53,220
Restricted	1,194,402	(2,014,709)	(820,307)
Committed	4,915,284		4,915,284
Assigned	1,760,734		1,760,734
Unassigned	8,408,579		8,408,579
Total fund balances (deficit)	<u>16,332,219</u>	<u>(2,014,709)</u>	<u>14,317,510</u>
Total liabilities and fund balances	<u>\$ 17,806,446</u>	<u>\$ 3,753,874</u>	<u>\$ 21,560,320</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, 2025

Total fund balances, governmental funds	\$	14,317,510
<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>		38,845,996
<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		5,589,293
Deferred outflows of resources - LOSAP		413,001
Deferred outflows of resources - OPEB		998,194
<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>		366,240
<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		(8,346,431)
Compensated absences		(1,854,051)
Net pension liability		(11,602,740)
Net LOSAP liability		(1,298,148)
Net OPEB liability		(6,797,277)
<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		(1,700,501)
Deferred inflows of resources - LOSAP		(488,597)
Deferred inflows of resources - OPEB		(1,063,420)
Net assets, governmental activities in the Statement of Net Position	\$	27,379,069

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, 2025

	General Fund	Special Revenue Fund	Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Taxes and utility fees	\$ 11,992,717	\$	\$ 11,992,717
Licenses and permits	1,190,854		1,190,854
Intergovernmental	1,522,773	8,650,580	10,173,353
Charges for services	1,351,195		1,351,195
Fines and forfeitures	28,345		28,345
Miscellaneous	905,205		905,205
Total revenues	<u>16,991,089</u>	<u>8,650,580</u>	<u>25,641,669</u>
EXPENDITURES			
Current			
General government	1,826,647	18,514	1,845,161
Public safety	6,617,618	154,687	6,772,305
Public works	4,707,775	420,798	5,128,573
Economic development	365,125	1,937,274	2,302,399
Debt service	1,450,847		1,450,847
Capital outlay	2,149,400	6,576,408	8,725,808
Total expenditures	<u>17,117,412</u>	<u>9,107,681</u>	<u>26,225,093</u>
Revenues under expenditures	<u>(126,323)</u>	<u>(457,101)</u>	<u>(583,424)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from asset disposal	65,234		65,234
Transfers, net	300,000	(300,000)	
Proceeds from long-term debt	338,816		338,816
Net other financing sources (uses)	<u>704,050</u>	<u>(300,000)</u>	<u>404,050</u>
Net change in fund balance	577,727	(757,101)	(179,374)
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>15,754,492</u>	<u>(1,257,608)</u>	<u>14,496,884</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 16,332,219</u>	<u>\$ (2,014,709)</u>	<u>\$ 14,317,510</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, 2025

Net change in fund balances, governmental funds	\$	(179,374)
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay		8,725,809
Depreciation expense		(1,727,554)
Book value of capital assets disposed (net of lease liability)		3,325

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

Proceeds from the issuance of long-term liabilities		(338,817)
Principal payments on long-term liabilities		1,196,890

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.

133,783

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

Change in compensated absences		(442,541)
Change in deferred outflows of resources - pension		1,900,301
Change in deferred inflows of resources - pensions		641,127
Change in net pension liability		(3,352,596)
Change in deferred outflows of resources - LOSAP		58,915
Change in deferred inflows of resources - LOSAP		84,282
Change in net LOSAP obligation		(178,506)
Change in deferred outflows of resources - OPEB		(280,059)
Change in deferred inflows of resources - OPEB		106,918
Change in net OPEB obligation		(806,109)

Change in net position, governmental activities	\$	<u>5,545,794</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF CAMBRIDGE, MARYLAND

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

JUNE 30, 2025

	Water Fund	Sewer Fund	Marina Fund	Total
ASSETS				
Cash and cash equivalents	\$ 2,308,664	\$ 1,427,562	\$ 891,125	\$ 4,627,351
Equity in pooled cash		3,649,579		3,649,579
Certificates of deposit	1,117,123			1,117,123
Accounts receivable, net	229,475	415,927		645,402
Due from other governments		901,577	243,523	1,145,100
Due from other funds		144,659		144,659
Inventory	255,938			255,938
Prepaid expenses			6,000	6,000
Capital assets, net of accumulated depreciation	2,528,466	30,128,314	4,419,055	37,075,835
Cash - restricted impact fees	60,068	129,378		189,446
Total assets	<u>6,499,734</u>	<u>36,796,996</u>	<u>5,559,703</u>	<u>48,856,433</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension	403,634	23,109	65,591	492,334
OPEB	57,052	25,347	32,920	115,319
Total deferred outflows of resources	<u>460,686</u>	<u>48,456</u>	<u>98,511</u>	<u>607,653</u>
LIABILITIES				
Current liabilities				
Accounts payable and accrued expenses	135,525	613,444	13,989	762,958
Due to other funds	6,273			6,273
Bonds and notes payable, current portion		198,127		198,127
Non-current liabilities				
Compensated absences	256,808	6,546	63,159	326,513
Due to other funds	1,032,578		1,413,605	2,446,183
Bonds and notes payable, less current portion		3,783,609		3,783,609
Net pension liability	312,238	17,877	130,100	460,215
Net OPEB obligation	388,504	172,605	224,173	785,282
Total liabilities	<u>2,131,926</u>	<u>4,792,208</u>	<u>1,845,026</u>	<u>8,769,160</u>
DEFERRED INFLOWS OF RESOURCES				
Pension	143,480	8,215	20,194	171,889
OPEB	60,781	27,004	35,071	122,856
Total deferred inflows of resources	<u>204,261</u>	<u>35,219</u>	<u>55,265</u>	<u>294,745</u>
NET POSITION				
Net investment in capital assets	2,528,466	26,146,578	4,419,055	33,094,099
Restricted, impact fees	60,068	129,378		189,446
Unrestricted (deficit)	2,035,699	5,742,069	(661,132)	7,116,636
Total net position	<u>\$ 4,624,233</u>	<u>\$ 32,018,025</u>	<u>\$ 3,757,923</u>	<u>40,400,181</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, 2025

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Marina Fund</u>	<u>Total</u>
OPERATING REVENUES				
Charges for services	\$ 2,516,100	\$ 5,611,048	\$ 507,479	\$ 8,634,627
Operational grants		255,740		255,740
Total operating revenues	<u>2,516,100</u>	<u>5,866,788</u>	<u>507,479</u>	<u>8,890,367</u>
OPERATING EXPENSES				
Salaries and related costs	685,058	511,172	573,280	1,769,510
Repairs and maintenance	411,695	298,909	22,044	732,648
Distribution and operating expenses	336,950	2,882,051	235,646	3,454,647
Professional services				
Depreciation	204,019	1,236,511	202,378	1,642,908
General and administrative	65,753	13,644	10,978	90,375
Total operating expenses	<u>1,703,475</u>	<u>4,942,287</u>	<u>1,044,326</u>	<u>7,690,088</u>
Operating income (loss)	<u>812,625</u>	<u>924,501</u>	<u>(536,847)</u>	<u>1,200,279</u>
NON-OPERATING REVENUES (EXPENSES)				
Capital grants			691,774	691,774
Impact fees	5,550	17,250		22,800
Interest income	40,778	27,085	10,443	78,306
Interest expense	(6,085)	(39,739)		(45,824)
Gain on disposal of assets	16,500			16,500
Total non-operating revenues (expenses)	<u>56,743</u>	<u>4,596</u>	<u>702,217</u>	<u>763,556</u>
Change in net position	869,368	929,097	165,370	1,963,835
NET POSITION, BEGINNING OF YEAR, RESTATED	<u>3,754,865</u>	<u>31,088,928</u>	<u>3,592,553</u>	<u>38,436,346</u>
NET POSITION, END OF YEAR	<u>\$ 4,624,233</u>	<u>\$ 32,018,025</u>	<u>\$ 3,757,923</u>	<u>\$ 40,400,181</u>

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, 2025

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Marina Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 2,576,072	\$ 5,637,161	\$ 507,479	\$ 8,720,712
Cash received for operating grants		255,740		255,740
Cash paid to vendors	(992,100)	(3,572,248)	(392,315)	(4,956,663)
Cash paid to or on behalf of employees	(1,384,136)	(1,205,162)	(129,584)	(2,718,882)
Net cash provided (used) by operating activities	<u>199,836</u>	<u>1,115,491</u>	<u>(14,420)</u>	<u>1,300,907</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Interfund borrowings (repayments)	<u>596,431</u>	<u>176,325</u>	<u>179,300</u>	<u>952,056</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(285,589)	(2,954,023)	(741,259)	(3,980,871)
Proceeds from disposal of capital assets	16,500			16,500
Capital grant income		2,538,318	595,932	3,134,250
Impact fees	5,550	17,250		22,800
Principal paid on long-term obligations		(198,171)		(198,171)
Interest paid on long-term obligations	(6,085)	(39,739)		(45,824)
Deferred refunding costs			(98,511)	(98,511)
Net cash used by capital and related financing activities	<u>(269,624)</u>	<u>(636,365)</u>	<u>(243,838)</u>	<u>(1,149,827)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment in certificates of deposit	(27,649)			(27,649)
Interest income	40,778	27,085	10,443	78,306
Net cash provided by investing activities	<u>13,129</u>	<u>27,085</u>	<u>10,443</u>	<u>50,657</u>
 Net increase (decrease) in cash	539,772	682,536	(68,515)	1,153,793
CASH AND CASH EQUIVALENTS, BEGINNING 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, END OF YEAR	<u>\$ 2,368,732</u>	<u>\$ 5,206,519</u>	<u>\$ 891,125</u>	<u>\$ 8,466,376</u>
CASH AND CASH EQUIVALENTS CONSISTS OF:				
Unrestricted cash	\$ 2,308,664	\$ 1,427,562	\$ 891,125	\$ 4,627,351
Equity in pooled cash		3,649,579		3,649,579
Restricted cash	60,068	129,378		189,446
	<u>\$ 2,368,732</u>	<u>\$ 5,206,519</u>	<u>\$ 891,125</u>	<u>\$ 8,466,376</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, 2025

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Marina Fund</u>	<u>Total</u>
INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 812,625	\$ 924,501	\$ (536,847)	\$ 1,200,279
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	204,019	1,236,511	202,378	1,642,908
Deferred financing outflows - pension	248,500	506,750		755,250
Deferred financing outflows - OPEB	134,686	102,478		237,164
Deferred financing inflows - pension	(384,210)	(420,533)	55,265	(749,478)
Deferred financing inflows - OPEB	(114,770)	(90,030)		(204,800)
(Increase) decrease in assets				
Accounts and other receivables	59,972	26,113		86,085
Prepaid expenses			(1,500)	(1,500)
Inventory	22,326			22,326
Increase (decrease) in liabilities				
Accounts payable and accrued expenses	(200,028)	(377,644)	(122,147)	(699,819)
Compensated absences	61,365	(21,064)	34,158	74,459
Net pension liability	(134,478)	(345,079)	130,100	(349,457)
Net OPEB obligation	(510,171)	(426,512)	224,173	(712,510)
Net cash provided (used) by operating activities	<u>\$ 199,836</u>	<u>\$ 1,115,491</u>	<u>\$ (14,420)</u>	<u>\$ 1,300,907</u>

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

CITY OF CAMBRIDGE, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

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, 2025, 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, 2025

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, 2025

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, 2025

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, 2025

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 2025, 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, 2025

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, 2025, 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, 2025

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, 2025

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. A liability is recorded for non-vesting accumulated rights to receive sick pay benefits based off the lower of 960 hours or actual hours accrued.

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, 2025

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, 2025

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of GASB Statement No. 101, Compensated Absences

Effective July 1, 2024, the City adopted the new compensated absences accounting guidance in GASB Statement No. 101, *Compensated Absences*. The new guidance requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. As a result of this adoption, salaries and related expenses increased with a corresponding increase in compensated absences liability. The statement has been applied retrospectively to all prior periods presented.

Governmental Activities	
Net position at June 30, 2024, as previously reported	\$ 22,800,802
Adjustment to compensated absences under GASB 101	<u>(967,527)</u>
Net position at June 30, 2024, restated	<u>\$ 21,833,275</u>
Business-Type Activities	
Net position at June 30, 2024, as previously reported	\$ 38,624,151
Adjustment to compensated absences under GASB 101	<u>(187,805)</u>
Net position at June 30, 2024, restated	<u>\$ 38,436,346</u>
Water Fund	
Net position at June 30, 2024, as previously reported	\$ 3,898,846
Adjustment to compensated absences under GASB 101	<u>(143,981)</u>
Net position at June 30, 2024, restated	<u>\$ 3,754,865</u>
Sewer Fund	
Net position at June 30, 2024, as previously reported	\$ 31,112,323
Adjustment to compensated absences under GASB 101	<u>(23,395)</u>
Net position at June 30, 2024, restated	<u>\$ 31,088,928</u>
Marina Fund	
Net position at June 30, 2024, as previously reported	\$ 3,612,982
Adjustment to compensated absences under GASB 101	<u>(20,429)</u>
Net position at June 30, 2024, restated	<u>\$ 3,592,553</u>

CITY OF CAMBRIDGE, MARYLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

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, 2025, \$22,340,056 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 partially collateralized with securities held by the pledging financial institution's trust department, but not in the City's name. As of June 30, 2025, \$1,776,968 of deposits were exposed to custodial credit risk due to insufficient collateral pledged by financial institutions.

Restricted cash and cash equivalents

Restricted cash and cash equivalents in the general fund consists of monies restricted for the Choptank Lighthouse of \$66,409, police forfeited and confiscated funds of \$61,094, unspent state grant monies of \$22,157, and LOSAP plan assets of \$1,044,742.

Restricted cash in the sewer fund and water fund is impact fees reserved for capital projects and debt service costs of \$129,378 and \$60,068, 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, 2025, 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 \$439,447 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, 2025

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, 2025, 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, 2025 is \$1,044,742 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, 2025

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)	<u>\$ 2,073,377</u>	<u>\$ 234,420</u>	<u>\$ (1,038,851)</u>	<u>\$ 144,659</u>	<u>\$ (1,413,605)</u>

The outstanding balances between funds result from actual transfers of dollars between the General, Special Projects, Water, Sewer, and Marina 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, 2025

CAPITAL ASSETS

Capital assets of the Governmental Activities are summarized as follows:

	Balance June 30, 2024	Additions & Transfers	Deletions & Transfers	Balance June 30, 2025
Capital assets not being depreciated				
Land	\$ 5,369,550	\$ 464,449	\$	\$ 5,833,999
Construction in progress	1,489,272	4,569,549		6,058,821
Total capital assets not being depreciated	<u>6,858,822</u>	<u>5,033,998</u>		<u>11,892,820</u>
Capital assets being depreciated				
Building and improvements	16,160,204	270,028		16,430,232
Furniture and equipment	1,891,825	387,848		2,279,673
Infrastructure	14,453,440	394,494		14,847,934
Vehicles	6,540,985	2,338,816	(722,678)	8,157,123
Subscription assets	175,560	11,440		187,000
Leased equipment	1,856,795	338,817	(30,980)	2,164,632
Total capital assets being depreciated	<u>41,078,809</u>	<u>3,741,443</u>	<u>(753,658)</u>	<u>44,066,594</u>
Less accumulated depreciation for				
Building and improvements	(6,793,039)	(404,563)		(7,197,602)
Furniture and equipment	(1,192,799)	(154,110)		(1,346,909)
Infrastructure	(3,407,662)	(362,916)		(3,770,578)
Vehicles	(4,248,255)	(446,760)	673,046	(4,021,969)
Subscription assets	(33,297)	(35,398)		(68,695)
Leased equipment	(396,250)	(323,807)	12,392	(707,665)
Total accumulated depreciation	<u>(16,071,302)</u>	<u>(1,727,554)</u>	<u>685,438</u>	<u>(17,113,418)</u>
Governmental activities, capital assets, net	<u>\$ 31,866,329</u>	<u>\$ 7,047,887</u>	<u>\$ (68,220)</u>	<u>\$ 38,845,996</u>

Construction in progress in the governmental activities includes costs incurred for Cannery Park, Cornish Park, renovations to Old City Hall, Cambridge Green Technology Park, Douglas Street properties and infrastructure, PSB lighting retrofit, and Flood Mitigation project.

CITY OF CAMBRIDGE, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

CAPITAL ASSETS (Continued)

Capital assets of the Water fund are summarized as follows:

	Balance June 30, 2024	Additions & Transfers	Deletions & Transfers	Balance June 30, 2025
Capital assets not being depreciated				
Land	\$ 151,562	\$	\$	\$ 151,562
Total capital assets not being depreciated	151,562			151,562
Capital assets being depreciated				
Building and improvements	155,152			155,152
Distribution system	3,908,391			3,908,391
Machinery and equipment	846,344	256,545	(11,869)	1,091,020
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	463,600	29,044	(51,447)	441,197
Total capital assets being depreciated	8,461,214	285,589	(63,316)	8,683,487
Less accumulated depreciation for				
Building and improvements	(118,342)	(3,116)		(121,458)
Distribution system	(2,383,295)	(72,482)		(2,455,777)
Machinery and equipment	(439,260)	(62,241)	11,869	(489,632)
Meter replacement program	(742,137)	(18,430)		(760,567)
Office and lab equipment	(86,849)			(86,849)
Production ground storage	(2,089,104)	(5,919)		(2,095,023)
Transportation equipment	(306,893)	(41,831)	51,447	(297,277)
Total accumulated depreciation	(6,165,880)	(204,019)	63,316	(6,306,583)
Water Fund capital assets, net	\$ 2,446,896	\$ 81,570	\$	\$ 2,528,466

CITY OF CAMBRIDGE, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

CAPITAL ASSETS (Continued)

Capital assets of the Sewer Fund are summarized as follows:

	Balance June 30, 2024	Additions & Transfers	Deletions & Transfers	Balance June 30, 2025
Capital assets not being depreciated				
Land	\$ 65,950	\$	\$	\$ 65,950
Construction in progress	948,625	19,650	(794,569)	173,706
Total capital assets not being depreciated	<u>1,014,575</u>	<u>19,650</u>	<u>(794,569)</u>	<u>239,656</u>
Capital assets being depreciated				
Building and improvements	1,336,900			1,336,900
Computer and equipment	3,885			3,885
Wastewater systems	63,327,661	3,327,189		66,654,850
Furniture and equipment	103,232	82,982		186,214
Vehicles	863,784	318,771		1,182,555
Total capital assets being depreciated	<u>65,635,462</u>	<u>3,728,942</u>	<u></u>	<u>69,364,404</u>
Less accumulated depreciation for				
Building and improvements	(1,328,792)	(700)		(1,329,492)
Computer and equipment	(3,885)			(3,885)
Wastewater systems	(36,050,480)	(1,175,106)		(37,225,586)
Furniture and equipment	(103,236)	(8,298)		(111,534)
Vehicles	(752,842)	(52,407)		(805,249)
Total accumulated depreciation	<u>(38,239,235)</u>	<u>(1,236,511)</u>	<u></u>	<u>(39,475,746)</u>
Sewer Fund capital assets, net	<u>\$ 28,410,802</u>	<u>\$ 2,512,081</u>	<u>\$ (794,569)</u>	<u>\$ 30,128,314</u>

Construction in progress includes 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, 2025

CAPITAL ASSETS (Continued)

Capital assets of the Marina Fund are summarized as follows:

	Balance June 30, 2024	Additions & Transfers	Deletions & Transfers	Balance June 30, 2025
Capital assets not being depreciated				
Construction in progress	\$ 179,759	\$	\$	\$ 179,759
Total capital assets not being depreciated	<u>179,759</u>			<u>179,759</u>
Capital assets being depreciated				
Building and improvements	6,368,551	741,259		7,109,810
Furniture and fixtures	89,178			89,178
Vehicles	39,240			39,240
Total capital assets being depreciated	<u>6,496,969</u>	<u>741,259</u>		<u>7,238,228</u>
Less accumulated depreciation for				
Building and improvements	(2,747,183)	(185,958)		(2,933,141)
Furniture and fixtures	(31,842)	(10,630)		(42,472)
Vehicles	(17,529)	(5,790)		(23,319)
Total accumulated depreciation	<u>(2,796,554)</u>	<u>(202,378)</u>		<u>(2,998,932)</u>
Marina activities, capital assets, net	<u>\$ 3,880,174</u>	<u>\$ 538,881</u>	<u>\$</u>	<u>\$ 4,419,055</u>
Business-type activities, capital assets, net	<u>\$ 34,737,872</u>	<u>\$ 3,132,532</u>	<u>\$ (794,569)</u>	<u>\$ 37,075,835</u>

Construction in progress includes costs incurred to date for the Pier E/F/H Replacement project.

Depreciation expense in the governmental activities is recorded as follows:

General government	\$ 111,654
Public safety	675,653
Public works	<u>940,247</u>
Total governmental activities	<u>\$ 1,727,554</u>

CITY OF CAMBRIDGE, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

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, 2025. For the year ending June 30, 2025, 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, 2025 are as follows:

	Beginning Balance	Additions (net of write-off)	Principal Repayments	Ending Balance
Governmental activities:				
General obligation bonds	\$ 6,109,500	\$	\$ 634,500	\$ 5,475,000
Bond premiums	420,805		52,125	368,680
Leases payable	976,212	316,901	311,401	981,712
Notes payable	1,719,901		198,861	1,521,040
	<u>9,226,418</u>	<u>316,901</u>	<u>1,196,887</u>	<u>8,346,432</u>
	<u>\$ 9,226,418</u>	<u>\$ 316,901</u>	<u>\$ 1,196,887</u>	<u>\$ 8,346,432</u>
Business-type activities:				
General obligation bonds	\$ 2,130,239	\$ 1,795,130	\$ 185,310	\$ 3,740,059
Bond Premiums	254,538		12,861	241,677
Total	<u>\$ 2,384,777</u>	<u>\$ 1,795,130</u>	<u>\$ 198,171</u>	<u>\$ 3,981,736</u>
	<u>\$ 2,384,777</u>	<u>\$ 1,795,130</u>	<u>\$ 198,171</u>	<u>\$ 3,981,736</u>

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%.	\$ 4,005,000
Bond premiums	293,010
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%.	1,470,000
Bond premiums	<u>75,670</u>
Total general obligation bonds and bond premiums	<u>\$ 5,843,680</u>

CITY OF CAMBRIDGE, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

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	\$ 44,892
Hebron Savings Bank mortgage: \$200,000, secured by property, maturing February 2028, monthly principal and interest payments of \$1,448, interest at 3.68%	42,558
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%.	1,433,590
Total notes payable	<u>\$ 1,521,040</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 six vehicles expiring through 2030. The assets are recorded at \$2,131,339. Accumulated amortization as of June 30, 2025 is \$684,298.

In addition, the City is leasing copiers under operating leases expiring in 2028. The assets are recorded at \$33,293. Accumulated amortization as of June 30, 2025 was \$23,367.

CITY OF CAMBRIDGE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

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%	\$ 449,258
\$1,718,895 - USDA. 120 quarterly installments beginning November 18, 2011. Quarterly payments of \$25,045 including principal and interest of 4.125%	1,180,801
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, 2025, the full amount of the bond has been drawn.	2,110,000
Bond Premiums	241,677
Total general obligation bonds	\$ 3,981,736

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>
2026	\$ 660,000	\$ 168,303	\$ 126,754	\$ 42,252
2027	689,000	141,779	130,330	38,676
2028	709,500	120,883	126,525	35,036
2029	721,000	106,113	119,872	31,762
2030	737,500	89,167	111,897	28,514
2031 – 2035	974,500	282,978	611,723	90,332
2036 – 2040	320,500	217,040	293,939	9,862
2041 – 2045	389,500	139,256		
2046 – 2048	273,500	36,615		
	\$ 5,475,000	\$ 1,302,134	\$ 1,521,040	\$ 276,434

CITY OF CAMBRIDGE, MARYLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

LONG-TERM DEBT (Continued)

<u>Year Ending June 30,</u>	Governmental Activities	
	Leases Payable	
	Principal	Interest
2026	\$ 290,663	\$ 64,979
2027	306,481	49,422
2028	232,269	21,105
2029	103,063	7,299
2030	49,236	1,732
	\$ 981,712	\$ 144,537

<u>Year Ending June 30,</u>	Business-Type Activities	
	General Obligation Bonds	
	Principal	Interest
2026	\$ 198,127	\$ 167,008
2027	196,042	159,939
2028	204,056	153,035
2029	217,173	145,768
2030	220,399	137,871
2031 – 2035	991,600	554,168
2036 – 2040	1,108,409	314,569
2041 – 2043	604,253	58,473
	\$ 3,740,059	\$ 1,690,831

CITY OF CAMBRIDGE, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

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, 2025, this loan has a balance of \$1,180,802 with \$897,387 due from the County and \$144,659 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, 2025, the outstanding loan balance was \$449,258.

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, 2025, the balance of the leases receivable were \$190,910.

CITY OF CAMBRIDGE, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

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
2026	\$ 25,215	\$ 6,739
2027	21,293	5,861
2028	23,656	5,035
2029 - 2033	120,746	10,489
	\$ 190,910	\$ 28,124

GENERAL FUND BALANCES

Nonspendable fund balances are expenses prepaid for the subsequent year.

Restricted fund balances of \$1,194,402 are the amounts restricted for the Choptank River Lighthouse (\$66,409), forfeited and confiscated police funds (\$61,094), 508 Savings (\$22,157), and LOSAP plan assets (\$1,044,742).

Committed fund balances are amounts encumbered of \$4,915,284 for projects to be completed in subsequent years and include Rainy Day reserves (\$2,928,716), debt reserves (\$986,568), CWDI litigation reserves (\$500,000) and Economic Development reserves (\$500,000)

Assigned fund balances include the use of budget surplus of \$1,340,734 included in the 2026 approved budget and \$420,000 for the Shoreline Resiliency Reserve.

CITY OF CAMBRIDGE, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

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, 2025

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, 2025

RETIREMENT AND PENSION PLANS (Continued)

General information about the pension plan (continued)

Contributions. The State Personnel and Pensions Article requires active members to contribute to the MSRPS at the rate of 4%, 5% or 7% of their covered salary depending upon the retirement option selected. For the LEOPS, members are required to contribute 7% of annual earnable compensation during employment. The City is required to contribute at an actuarially determined rate. Contributions to the plan from the City were \$1,200,734.

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

At June 30, 2025, the City reported a liability of \$12,062,955 for its proportionate share of the net pension liability. The total pension liability was determined by an actuarial valuation as of as of June 30, 2023 and rolled forward to June 30, 2024, using the entry age normal actuarial cost method. 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, 2024, the City's proportion was .01549% for the general employees' plan and .03037% for the police officers' plan.

For the year ended June 30, 2025, the City recognized pension expense of \$1,661,736. At June 30, 2025, 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	\$ 883,988	\$ 3,583
Net difference between projected and actual earnings on pension plan investments	1,098,084	274,382
Changes in proportion	1,597,817	604,052
Difference between actual and expected experience	1,205,040	990,370
Contributions subsequent to measurement date	1,296,698	
	\$ 6,081,627	\$ 1,872,387

CITY OF CAMBRIDGE, MARYLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

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 \$1,296,698, reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ended June 30, 2026.

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 5.44 to 5.68 years. The net difference in investment earnings are being amortized over a closed five-year period for each of the years presented. The following table shows the amortization of these balances.

Year Ending June 30	Net Deferred Inflows and Outflows
2026	\$ 445,428
2027	795,503
2028	652,559
2029	758,910
2030	260,142
Total	<u>\$ 2,912,542</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 with projected generational mortality improvements based on the MP-2018 fully generational mortality improvement scale.

CITY OF CAMBRIDGE, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

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, 2024, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	34%	6.0%
Private Equity	16%	8.5%
Rate Sensitive	20%	2.4%
Credit Opportunity	9%	5.4%
Real Assets	15%	5.5%
Absolute Return	6%	3.9%
Total	100%	

For the years ended June 30, 2024 and 2023, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was 6.89% and 3.11%, 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, 2025

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 (7.80%).

1% Decrease (5.80%)	\$ 17,531,634
Current discount rate (6.80%)	\$ 12,062,955
1% Increase (7.8%)	\$ 7,304,426

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, 2025

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, 2025 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, 2024
Measurement Period	June 30, 2023 to June 30, 2024

Actuarial assumptions. The total OPEB liability in the June 30, 2025 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, 2023) is 3.86%. The rate as of June 30, 2024 is 3.97%.

CITY OF CAMBRIDGE, MARYLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

OTHER POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Changes in the total OPEB liability.

	Total OPEB Liability
Balance as of June 30, 2023 for FY24	\$ 7,488,960
Changes for the year:	
Service cost	142,009
Interest	289,917
Changes in assumptions	(97,950)
Benefit payouts	(240,377)
Net changes	93,599
Balance as of June 30, 2024 for FY25	\$ 7,582,559

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 (2.97 %)	\$ 8,352,175
Current discount rate (3.97%)	\$ 7,582,559
1% Increase (4.97%)	\$ 6,907,186

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%)	\$ 6,828,316
Current discount rate (3.92%)	\$ 7,582,559
1% Increase (4.92%)	\$ 8,457,047

CITY OF CAMBRIDGE, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

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, 2025, the City recognized an OPEB expense of \$541,630. At June 30, 2025, 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	\$ 548,727	\$ 89,928
Changes of assumptions	564,786	1,096,348
Total	\$ 1,113,513	\$ 1,186,276

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	
2026	6/30/2025	\$ 114,165
2027	6/30/2026	161,025
2028	6/30/2027	(102,546)
2029	6/30/2028	(245,407)
Total		\$ (72,763)

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, 2025

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, 2023, a total of 76 employees were participants as follows:

Active members	55
Vested – terminated	10
Retired and beneficiaries	11

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, 2023 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, 2023
Measurement Date:	September 30, 2024
Measurement Period:	October 1, 2023 to September 30, 2024

Actuarial assumptions. The total LOSAP liability was determined by an actuarial valuation as of October 1, 2023 rolled forward to September 30, 2024 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	4.06%, 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, 2025

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, 2023 actuarial report.

Discount rate. The 4.06% discount rate is based on the S&P Municipal Bond 20-Year High Grade Rate Index as of September 30, 2024.

Changes in LOSAP liability.

	Net LOSAP Liability
Balance, October 1, 2023	\$ 1,119,642
Changes for the year	
Service cost	28,242
Interest	45,128
Differences between expected and actual experience	3,559
Changes of assumptions	119,997
Benefit payments and expenses	(18,420)
Net changes	178,506
Balance, September 30, 2024	\$ 1,298,148

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 (3.06%)	\$ 1,547,766
Current discount rate (4.06%)	\$ 1,298,148
1% Increase (5.06%)	\$ 1,100,873

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, 2025, the City recognized a LOSAP expense of \$53,699. At June 30, 2025, 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, 2025

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	\$ 56,815	\$ 14,075
Changes of assumptions	287,892	474,522
Contributions subsequent to measurement date	68,294	
Total	\$ 413,001	\$ 488,597

The \$68,294 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, 2026. Amounts reported as deferred outflows and deferred inflows will be amortized as follows:

Year Ending June 30		
2026	\$	(19,671)
2027		(19,669)
2028		(5,753)
2029		2,191
2030		(26,228)
Thereafter		(74,760)
Total	\$	(143,890)

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, 2025

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.

SUBSEQUENT EVENTS

Effective with Ordinance 1253, the City agreed to purchase all real property at 1099 Maces Lane for \$1. The real property acquired includes the Maces Lane Community Center.

CITY OF CAMBRIDGE, MARYLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

NEW GASB PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended June 30, 2025, 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. 102, *Certain Risk Disclosures*, will be effective for the City beginning with the year ending June 30, 2026. This statement establishes requirements to disclose certain risks faced by governments.

GASB Statement No. 103, *Financial Reporting Improvements*, will be effective for the City beginning with the year ending June 30, 2026. This statements will improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing the government's accountability.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, will be effective for the City beginning with the year ending June 30, 2027. The statement will provide guidance on how to disclose right-to-use assets resulting from leases, subscriptions and PPPs to promote consistency and comparability between governments. It also provides new disclosure requirements related to capital assets held for sale.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CAMBRIDGE, MARYLAND

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

YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Taxes and utility fees	\$ 11,850,000	\$ 11,850,000	\$ 11,992,717	\$ 142,717
Licenses and permits	1,373,300	1,373,300	1,190,854	(182,446)
Intergovernmental	1,603,249	1,603,249	1,522,773	(80,476)
Charges for services	1,212,100	1,212,100	1,351,195	139,095
Fines and forfeitures	31,575	31,575	28,345	(3,230)
Miscellaneous	705,000	705,000	905,205	200,205
Total revenues	<u>16,775,224</u>	<u>16,775,224</u>	<u>16,991,089</u>	<u>215,865</u>
EXPENDITURES				
Current				
General government	2,229,107	2,229,107	1,826,647	402,460
Public safety	6,692,758	6,692,758	6,617,618	75,140
Public works	4,654,582	4,654,582	4,707,775	(53,193)
Economic development	405,150	405,150	365,125	40,025
Debt service	1,627,165	1,627,165	1,450,847	176,318
Capital outlay	889,618	889,618	2,149,400	(1,259,782)
Total expenditures	<u>16,498,380</u>	<u>16,498,380</u>	<u>17,117,412</u>	<u>(619,032)</u>
Revenues over (under) expenditures	<u>276,844</u>	<u>276,844</u>	<u>(126,323)</u>	<u>(403,167)</u>
OTHER FINANCING SOURCES (USES)				
Prior year surplus				
Transfers, net	305,000	305,000	300,000	(5,000)
Gain on disposal of assets	8,000	8,000	65,234	57,234
Proceeds from long-term debt			338,816	338,816
Total other financing sources	<u>313,000</u>	<u>313,000</u>	<u>704,050</u>	<u>391,050</u>
Net change in fund balance	<u>\$ 589,844</u>	<u>\$ 589,844</u>	<u>\$ 577,727</u>	<u>\$ (12,117)</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>
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%
2025/2024	0.0458590%	12,062,955	6,273,426	192%	72%

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>
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%
2025	1,296,698	1,296,698		6,273,426	21%

CITY OF CAMBRIDGE, MARYLAND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

JUNE 30, 2025

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, 2024 and 2023:

Actuarial	Entry age normal.
Amortization method	Level percentage of payroll. Closed.
Remaining amortization period	25 year closed amortization period ending June 30, 2039; 14 years remaining.
Asset valuation model	Five year smoothed market (maximum 120% and minimum 80% of market value.)
Inflation	2024 2.5% general; 3% wage 2023 2.25% general; 2.75% wage
Salary increases	2024 3% to 22.5%, including wage inflation 2023 2.75% to 11.25%, including wage inflation
Investment rate of return	2024 6.80% 2023 6.80%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2024 valuation pursuant to the 2024 experience study for the period July 1, 2018 to July 30, 2023.
Mortality	Public Sector 2010 Mortality Tables calibrated to MSRPS experience with generational projections using MP-2021 (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	2025/2024	2024/2023	2023/2022	2022/2021	2021/2020	2020/2019	2019/2018	2018/2017
Total OPEB liability								
Service cost	\$ 142,009	\$ 177,892	\$ 271,472	\$ 221,680	\$ 177,736	\$ 175,330	\$ 171,033	\$ 164,596
Interest cost	289,916	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	(97,950)	104,522	(1,790,051)	668,497	640,363	301,456	(31,147)	(639,683)
Benefit payments	(240,377)	(231,522)	(375,319)	(301,585)	(295,740)	(293,603)	(271,188)	(271,269)
Net change in total OPEB liability	93,598	868,726	(1,665,535)	1,260,152	723,647	(215,812)	93,742	(551,421)
Total OPEB liability, beginning of year	7,488,959	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>\$ 7,582,557</u>	<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	\$ 240,377	\$ 231,522	\$ 375,319	\$ 301,585	\$ 295,740	\$ 293,603	\$ 271,188	\$ 271,269
Benefit payments	(240,377)	(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	<u>\$</u>							
Fiduciary net position, end of year	<u>\$</u>							
City's total OPEB liability, end of year	<u>\$ 7,582,557</u>	<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%
6/30/2025	3.97%

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	2025/2024	2024/2023	2023/2022	2022/2021	2021/2020	2020/2019	2019/2018	2018/2017
Total LOSAP liability ("TLL")								
Service cost	\$ 28,242	\$ 24,626	\$ 26,835	\$ 53,026	\$ 53,251	\$ 46,515	\$ 33,144	\$ 40,272
Interest cost	45,128	50,836	69,707	31,021	29,093	23,780	37,453	37,496
Difference between expected and actual experience	3,559	(164)	667	18,902	41,940	52,180	(62,758)	(87,408)
Changes of assumptions	119,997	(45,364)	(573,586)	68,614	94,463	232,067	(62,511)	(87,408)
Benefit payments and administrative expenses	(18,420)	(14,320)	(5,950)	(1,670)	(9,468)	(14,112)	(102,887)	(63,564)
Net change in total OPEB liability	178,506	15,614	(482,327)	169,893	209,279	340,430	(157,559)	(73,204)
TLL, beginning of year	1,119,642	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>\$ 1,298,148</u>	<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>	<u>\$</u>
City's total LOSAP liability, end of year	<u>\$ 1,298,148</u>	<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>	<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%
6/30/2025	4.06%

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

Information for fiscal year 2017 and earlier is not available.

SUPPLEMENTARY INFORMATION

**INDEPENDENT AUDITORS' REPORT ON
SUPPLEMENTARY INFORMATION**

ANDREW M. HAYNIE, CPA
SUSAN P. KEEN, CPA
MICHAEL C. KLEGER, CPA
JAMES D. MAYBURY, CPA
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ROBERT L. MOORE, CPA
DANIEL M. O'CONNELL II, CPA
ASHLEY M. STERN, CPA
JOHN M. STERN, JR., CPA

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, 2025, 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 68 through 72 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 2024 and 2023 financial statements. In our reports dated December 16, 2024, and January 5, 2024, we expressed an unmodified opinions on the 2024 and 2023 respective financial statements of the governmental activities, the business-type activities, and each major fund.

PKS & Company, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
December 8, 2025

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*MARYLAND ASSOCIATION OF
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CITY OF CAMBRIDGE, MARYLAND
SCHEDULES OF REVENUES AND EXPENDITURES
GENERAL FUND
YEAR ENDED JUNE 30, 2025
(WITH COMPARATIVE TOTALS FOR 2024 AND 2023)

	<u>2025</u>	<u>2024</u>	<u>2023</u>
REVENUES			
Taxes and utility fees	\$ 11,992,717	\$ 11,499,499	\$ 10,243,349
Licenses and permits	1,190,854	1,201,438	1,175,164
Intergovernmental	1,522,773	1,631,028	1,654,144
Charges for services	1,351,195	1,207,371	1,154,310
Fines and forfeitures	28,345	41,273	10,282
Miscellaneous	905,205	960,902	311,893
Total revenues	<u>16,991,089</u>	<u>16,541,511</u>	<u>14,549,142</u>
EXPENDITURES			
Current			
General government	1,826,647	1,613,627	1,169,973
Public safety	6,617,618	6,569,793	6,396,146
Public works	4,707,775	4,091,036	3,627,978
Economic development	365,125	331,133	198,942
Debt service	1,450,847	1,466,611	1,312,843
Capital outlay	2,149,400	1,045,644	1,494,570
Total expenditures	<u>17,117,412</u>	<u>15,117,844</u>	<u>14,200,452</u>
Revenues over (under) expenditures	<u>(126,323)</u>	<u>1,423,667</u>	<u>348,690</u>
OTHER FINANCING SOURCES			
Proceeds from asset disposal	65,234	26,636	3,535
Transfers, net	300,000	400,000	500,000
Proceeds from loans and leases	338,816	426,415	2,900,311
Total other financing sources	<u>704,050</u>	<u>853,051</u>	<u>3,403,846</u>
Net change in fund balance	<u>\$ 577,727</u>	<u>\$ 2,276,718</u>	<u>\$ 3,752,536</u>

See independent auditors' report on supplementary information.

CITY OF CAMBRIDGE, MARYLAND
SCHEDULES OF REVENUES AND EXPENDITURES
SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2025
(WITH COMPARATIVE TOTALS FOR 2024 AND 2023)

	2025	2024	2023
REVENUES			
Intergovernmental	\$ 8,650,580	\$ 6,249,828	5,564,435
EXPENDITURES			
Current			
General government	18,514	297,319	
Public safety	154,687	166,586	440,923
Public works	420,798	1,013,324	578,889
Economic development	1,937,274	2,712,164	2,060,108
Capital outlay	6,576,408	3,028,720	2,003,346
Total expenditures	9,107,681	7,218,113	5,083,266
Revenues over (under) expenditures	(457,101)	(968,285)	481,169
OTHER FINANCING			
SOURCES (USES)			
Proceeds from leases		129,508	
Transfers, net	(300,000)	(400,000)	(500,000)
Net other financing uses	(300,000)	(270,492)	(500,000)
Net change in fund balance	\$ (757,101)	\$ (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, 2025
(WITH COMPARATIVE TOTALS FOR 2024 AND 2023)**

	2025	2024	2023
OPERATING REVENUES			
Charges for services	\$ 2,516,100	\$ 2,561,371	\$ 2,410,343
OPERATING EXPENSES			
Salaries and related costs	685,058	1,094,844	1,249,442
Repairs and maintenance	411,695	463,934	338,172
Distribution and operating expenses	336,950	244,578	223,657
Depreciation	204,019	171,376	156,009
General and administrative	65,753	155,016	136,500
Total operating expenses	1,703,475	2,129,748	2,103,780
Operating income	812,625	431,623	306,563
NON-OPERATING REVENUES (EXPENSES)			
Impact fees	5,550		
Interest income	40,778	31,267	27,452
Interest expense	(6,085)	(5,833)	(6,050)
Loss on disposal of assets	16,500		
Total non-operating revenues	56,743	25,434	21,402
Change in net position	\$ 869,368	\$ 457,057	\$ 327,965

See independent auditors' report on supplementary information.

CITY OF CAMBRIDGE, MARYLAND

**SCHEDULES OF REVENUES AND EXPENSES
SEWER FUND**

**YEAR ENDED JUNE 30, 2025
(WITH COMPARATIVE TOTALS FOR 2024 AND 2023)**

	<u>2025</u>	<u>2024</u>	<u>2023</u>
OPERATING REVENUES			
Charges for services	\$ 5,611,048	\$ 5,379,092	\$ 5,022,093
Operating grants	255,740	264,384	294,839
Total operating income	<u>5,866,788</u>	<u>5,643,476</u>	<u>5,316,932</u>
OPERATING EXPENSES			
Salaries and related costs	511,172	1,467,189	1,418,707
Repairs and maintenance	298,909	51,994	37,237
Distribution and operating expenses	2,882,051	2,766,967	2,334,234
Depreciation	1,236,511	1,184,112	1,178,149
Other general and administrative	13,644	98,482	76,156
Total operating expenses	<u>4,942,287</u>	<u>5,568,744</u>	<u>5,044,483</u>
Operating income	<u>924,501</u>	<u>74,732</u>	<u>272,449</u>
NON-OPERATING REVENUES (EXPENSES)			
Impact fees	17,250	6,900	
Interest income	27,085	22,717	13,296
Interest expense	(39,739)	(54,754)	(16,947)
Total non-operating revenues (expenses)	<u>4,596</u>	<u>(25,137)</u>	<u>(3,651)</u>
Income before contributions	929,097	49,595	268,798
CONTRIBUTED CAPITAL			<u>175,000</u>
Change in net position	<u>\$ 929,097</u>	<u>\$ 49,595</u>	<u>\$ 443,798</u>

See independent auditors' report on supplementary information.

CITY OF CAMBRIDGE, MARYLAND
SCHEDULES OF REVENUES AND EXPENSES
MARINA FUND
YEAR ENDED JUNE 30, 2025
(WITH COMPARATIVE TOTALS FOR 2024 AND 2023)

	<u>2025</u>	<u>2024</u>	<u>2023</u>
OPERATING REVENUES			
Charges for services	\$ 507,479	\$ 536,715	\$ 612,638
OPERATING EXPENSES			
Salaries	573,280	98,956	
Repairs and maintenance	22,044	39,036	14,041
Operating expenses	235,646	167,892	176,030
Professional services		135,240	270,480
Depreciation	202,378	174,475	161,441
General and administrative	10,978	6,695	24,815
Total operating expenses	<u>1,044,326</u>	<u>622,294</u>	<u>646,807</u>
Operating loss	<u>(536,847)</u>	<u>(85,579)</u>	<u>(34,169)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	10,443		
Capital grants	691,774	168,630	121,925
Total non-operating revenues	<u>702,217</u>	<u>168,630</u>	<u>121,925</u>
Income before transfers	<u>165,370</u>	<u>83,051</u>	<u>87,756</u>
Change in net position	<u>\$ 165,370</u>	<u>\$ 83,051</u>	<u>\$ 87,756</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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DELAWARE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

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, 2025, 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 8, 2025.

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, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Internal Control Over Financial Reporting (Continued)

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the schedule of findings and questioned costs as item 2025-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

City's Response to Findings

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.

Purpose of this Report

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

PKS & Company, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
December 8, 2025