

**City of Havre de Grace, Maryland**

**Financial Statements  
(With Supplementary Information)  
and Independent Auditor's Report  
For Fiscal Year Ended  
June 30, 2023**

**Prepared by  
Department of Finance:  
George DeHority**

City of Havre de Grace, Maryland  
For the Fiscal Year Ended June 30, 2023

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For the Fiscal Year Ended June 30, 2023

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# *Zelenkofske Axelrod LLC*

**CERTIFIED PUBLIC ACCOUNTANTS**

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Havre de Grace, Maryland

### ***Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Havre de Grace (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinions***

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

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

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

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's ability to continue as a going concern for one year after the date that the financial statements are issued.



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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement 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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment 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'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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City'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, schedule of changes in net pension liability and related ratios - civilian employees' pension plan, schedule of employer contributions – last 10 years civilian employees' pension plan, schedule of investment returns - civilian employees' pension plan, schedule of changes in the net pension liability and related ratios - sworn officers' pension plan, schedule of employer contributions – last 10 years sworn officers' pension plan, schedule of investment returns - sworn officers' pension plan, schedule of changes in the total OPEB liability and related ratios – last 10 years, and general fund budgetary comparison information on pages 4–10 and 55–62 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.



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## **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statement and the combining pension trust statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements and the combining pension trust statements are the responsibility of management and were derived from and relate 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 combining nonmajor fund financial statements and the combining pension trust statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2023 on our consideration of the City'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 solely 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's internal control over financial reporting and compliance.

*Zelenkofske Axelrod LLC*

ZELENKOFSKE AXELROD LLC

October 27, 2023  
Harrisburg, Pennsylvania

City of Havre de Grace, Maryland  
Management's Discussion and Analysis (continued)  
June 30, 2023

This section of the City of Havre de Grace's annual financial report presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2023. We encourage users to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

**Financial Highlights**

- The assets of the City exceeded its liabilities at the close of the fiscal year by \$60.3 million (net assets). Of this amount, \$59.3 million is invested in capital assets, net of related debt.
- The City's overall net position increased by \$4.5 million during the fiscal year. Net position for government activities increased by \$2.4 million while those for business-type activities increased \$2.1 million.
- Operationally, revenues increased \$1.4 million during the fiscal year. The increase can be attributed primarily to City tax revenues increased over \$566,000 as a result of new development. New development also resulted in over \$278,000 in additional service fees during the year.
- Capital grants and contributions totaled \$1.52 million less than in the prior year primarily as a result of the receiving \$825,000 from the Maryland Department of Natural Resources last fiscal year to replace the fuel tanks at the City Marina. Additionally, housing starts declined in fiscal 2023 resulting in \$590,000 less capital contributions for new water and sewer service.
- At the close of the fiscal year, the City of Havre de Grace's governmental funds reported combined ending fund balances of \$8.7 million, an increase of \$1.4 million. The fund balance available for use in future year budgeting was \$6.4 million.
- The City's residents authorized the City to borrow \$15 million over 5 years to improve the City's water and wastewater infrastructure in February 2020. The City participated in an August 2020 bond issue by the Maryland Department of Housing and Community Development, borrowing \$9.68 million, to finance anticipated improvement costs over the next three years. The City borrowed the remaining \$5.32 million in April, 2023, also through a bond issue by the Maryland Department of Housing and Community Development.
- The City received \$13.5 million in Federal funds under the American Rescue Plan Act. The City has spent \$5 million through June 30, 2023. Under the Act, the City has until the end of 2024 to obligate the funds and until the end of 2026 to spend the funds.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City of Havre de Grace's basic financial statements. These financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Havre de Grace.

## **Basic Financial Statements**

The first two statements in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements are the **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the proprietary fund statements.

The **notes** section of the basic financial statements explains in detail some of the data contained in those statements. After the notes, **required supplemental information** is provided to show details about the City's individual funds.

## **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The statement of net position presents information on all of the City's assets, deferred inflows liabilities, and deferred outflows with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The statement of activities presents information showing how the government's net position changed during the most recent fiscal year.

The government-wide statements are divided into two categories: 1) governmental activities, and 2) business-type activities. The governmental activities include most of the City's basic services such as public safety, public works and sanitation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer and marina services offered by the City of Havre de Grace.

The government-wide financial statements can be found on pages 11 and 12 of this report.

## **Fund Financial Statements**

The fund financial statements provide a more detailed look at the City's most significant activities. 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 of Havre de Grace, like all other governmental entities in Maryland, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements. All of the funds of the City of Havre de Grace can be divided into two categories: governmental funds and proprietary funds.

City of Havre de Grace, Maryland  
Management's Discussion and Analysis (continued)  
June 30, 2023

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash, and what monies are left at year-end that will be available for spending in the next year. Such information may be useful in evaluating a government's near-term financing requirements. The relationship between government activities, reported in the Statement of Net Assets and the Statement of Activities, and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City of Havre de Grace adopts an annual budget for its General Fund and for its two *enterprise* funds, the Marina Fund and the Water and Sewer Fund. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Mayor and Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these activities. The budgetary statement provided for the general fund demonstrates how well the City complied with budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Council; 2) the final budget as amended by the Council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and expenses.

The budgetary statements can be found on page 62 of this report.

**Proprietary Funds** – *Enterprise* funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Havre de Grace uses enterprise funds to account for its water and sewer activity and for its marina operations. These funds are the same as those functions shown in the business-type activities column in the Statement of Net Position and the Statement of Activities. Proprietary funds provide the same type of information as the government-wide financial statements, but in more detail.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The City has three fiduciary funds: 1) the Community Center Fund; 2) the Civilian Employees' Pension Fund; and 3) the Sworn Officers' Pension Fund.

**Summary of Significant Accounting Policies and Notes to the Financial Statements** – The summary of significant accounting policies and notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The summary of significant accounting policies and notes to the financial statements begin on page 22 of this report.

City of Havre de Grace, Maryland  
Management's Discussion and Analysis (continued)  
June 30, 2023

## Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. This information is presented after the Notes to Financial Statements beginning on page 55 of this report.

## Government-wide Financial Analysis

The following analysis discusses the City's financial position and changes to the financial position for the year ended June 30, 2023, with comparative information for the previous year.

### Statement of Net Assets

- City assets exceeded liabilities by \$60.3 million as of June 30, 2023. However, the largest portion (\$59.3 million or 98%) of the City's net position reflects the City's investment in capital assets (e.g. land, buildings, machinery and equipment); less any related debt still outstanding that was used to acquire those assets. The City of Havre de Grace uses these capital assets to provide services to its citizens; therefore, these assets are not available for future spending. The remaining net position are subject to external or internal restrictions on how they may be used.

### City of Havre de Grace Net Assets

|                               | Governmental |              | Business-Type |              |              |              | %<br>Change |
|-------------------------------|--------------|--------------|---------------|--------------|--------------|--------------|-------------|
|                               | Activities   |              | Activities    |              | Total        |              |             |
|                               | 2023         | 2022         | 2023          | 2022         | 2023         | 2022         |             |
| Current Assets                | \$19,797,764 | \$18,008,726 | \$11,089,315  | \$ 9,332,022 | \$30,887,079 | \$27,340,748 | 13.0%       |
| Internal Balances             | -            | -            | -             | -            | -            | -            | 0.0%        |
| Capital Assets                | 24,168,438   | 22,362,270   | 59,114,833    | 54,199,184   | 83,283,271   | 76,561,454   | 8.8%        |
| Total Assets                  | 43,966,202   | 40,370,996   | 70,204,148    | 63,531,206   | 114,170,350  | 103,902,202  | 9.9%        |
| Deferred outflow of resources | 4,213,536    | 4,496,715    | 528,042       | 636,086      | 4,741,578    | 5,132,801    | (7.6%)      |
| Current Liabilities           | 10,742,979   | 10,151,571   | 3,602,151     | 3,629,102    | 14,345,130   | 13,780,673   | 4.1%        |
| Noncurrent Liabilities        | 17,505,422   | 18,037,249   | 25,555,862    | 21,029,003   | 43,061,284   | 39,066,252   | 10.2%       |
| Total Liabilities             | 28,248,401   | 28,188,820   | 29,158,013    | 24,658,105   | 57,406,414   | 52,846,925   | 8.6%        |
| Deferred Inflow of resources  | 1,173,648    | 340,409      | 40,481        | 70,200       | 1,214,129    | 410,609      | 195.7%      |
| Net Assets:                   |              |              |               |              |              |              |             |
| Net Investment in Capital     |              |              |               |              |              |              |             |
| Assets                        | 19,512,289   | 17,732,570   | 39,823,055    | 38,216,023   | 59,335,344   | 55,948,593   | 6.1%        |
| Restricted                    | 613,191      | 662,937      | -             | -            | 613,191      | 662,937      | (7.5%)      |
| Unrestricted                  | (1,367,791)  | (2,057,025)  | 1,710,641     | 1,222,964    | 342,850      | (834,061)    | (141.1%)    |
| Total Net Assets              | \$18,757,689 | \$16,338,482 | \$41,533,696  | \$39,438,987 | \$60,291,385 | \$55,777,469 | 8.1%        |

The City's overall net position increased by \$4.5 million during the fiscal year. Net position for government activities increased by \$2.4 million while those for business-type activities increased \$2.1 million.

City of Havre de Grace, Maryland  
Management's Discussion and Analysis (continued)  
June 30, 2023

Revenues increased by \$1.4 million during the fiscal year, primarily due to property taxes increasing by \$566 thousand and service fees increasing \$278,000 over the prior year.

Expenses increased \$2.9 million during the fiscal year. Spending by the City's government programs increased \$1.8 million while enterprise fund spending increased \$1.1 million.

**City of Havre de Grace Changes in Net Assets**

|  | Governmental<br>Activities |              | Business-Type<br>Activities |              | Total        |              | %        |
|--|----------------------------|--------------|-----------------------------|--------------|--------------|--------------|----------|
|  | 2023                       | 2022         | 2023                        | 2022         | 2023         | 2022         | Change   |
| Program Revenues:  |                            |              |                             |              |              |              |          |
| Charges for Services   | \$ 743,567                 | \$ 610,890   | \$ 8,494,820                | \$ 8,349,205 | \$ 9,238,387 | \$ 8,960,095 | 3.1%     |
| Operating Grants and Contributions                           | 4,812,017                  | 3,236,378    | 109,486                     | -            | 4,921,503    | 3,236,378    | 52.1%    |
| Capital Grants and Contributions                             | 3,194,238                  | 3,314,966    | 1,956,696                   | 3,359,251    | 5,150,934    | 6,674,217    | (22.8%)  |
| General Revenues:  |                            |              |                             |              |              |              |          |
| Taxes  | 13,205,577                 | 12,638,993   | -                           | -            | 13,205,577   | 12,638,993   | 4.5%     |
| Grants and contributions not restricted to specific Programs | 301,363                    | 14,841       | 4,672                       | 760          | 306,035      | 15,601       | 1,861.6% |
| Other  | 386,129                    | 415,117      | 166,000                     | 266,979      | 552,129      | 682,096      | (19.1%)  |
| Total Revenues   | 22,642,891                 | 20,231,185   | 10,731,674                  | 11,976,195   | 33,656,148   | 32,207,380   | 3.6%     |
| Expenses   |                            |              |                             |              |              |              |          |
| General Government   | 4,663,919                  | 4,130,395    | -                           | -            | 4,663,919    | 4,130,395    | 12.9%    |
| Public Safety  | 6,690,546                  | 6,514,296    | -                           | -            | 6,690,546    | 6,514,296    | 2.7%     |
| Public Works   | 5,582,391                  | 4,472,260    | -                           | -            | 5,582,391    | 4,472,260    | 24.8%    |
| Parks, Recreation, and Culture                               | 447,155                    | 514,624      | -                           | -            | 447,155      | 514,624      | (13.1%)  |
| Economic Development and Culture                             | 465,061                    | 432,391      | -                           | -            | 465,061      | 432,391      | 7.6%     |
| Miscellaneous  | 207,135                    | 199,716      | -                           | -            | 207,135      | 199,716      | 3.7%     |
| Interest on Long-Term Debt                                   | 134,219                    | 127,938      | -                           | -            | 134,219      | 127,938      | 4.9%     |
| Total Expenses   | 18,190,426                 | 16,391,620   | -                           | -            | 18,190,426   | 16,391,620   | 10.8%    |
| Water and Sewer  | -                          | -            | 9,766,410                   | 8,788,325    | 9,766,410    | 8,788,325    | 11.1%    |
| Dockage  | -                          | -            | 903,813                     | 757,764      | 903,813      | 757,764      | 19.3%    |
| Total Expenses   | 18,190,426                 | 16,391,620   | 10,670,223                  | 9,546,089    | 28,860,649   | 25,937,709   | 11.3%    |
| Transfers In/(Out)   | (2,033,258)                | (184,717)    | 2,033,258                   | 184,717      | -            | -            | 0.0%     |
| Change in Position   | 2,419,207                  | 3,654,848    | 2,094,709                   | 2,614,823    | 4,513,916    | 6,269,671    | (28.0%)  |
| Net Assets, Beginning  | 16,338,482                 | 12,683,634   | 39,438,987                  | 36,824,164   | 55,777,469   | 49,507,798   | 12.7%    |
| Net Assets, Ending   | \$18,757,689               | \$16,338,482 | \$41,533,696                | \$39,438,987 | \$60,291,385 | \$55,777,469 | 8.1%     |

## **Financial Analysis of the City's Funds**

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

**Governmental Funds** – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City's financing requirements. Specifically, unrestricted fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The City Charter requires the City to include any remaining funds at year end as a revenue source for the taxation and spending budget for the ensuing fiscal year, one of the definitions of a fund commitment. Therefore, the City's unrestricted fund balance is treated as either committed or assigned for encumbrances under generally accepted accounting principles.

The general fund is the chief operating fund of the City of Havre de Grace. At the end of the fiscal year, the total general fund balance was \$8.0 million. The City's total governmental funds reported a combined ending fund balance of \$8.7 million, an increase of \$1.4 million from the prior year. The portion of the general fund balance available for inclusion in future fiscal year taxation and spending budgets was \$6.4 million at year-end, an increase of \$1.5 million compared to that available for the prior year.

The entire fund balance is restricted, committed, unassigned, or in a nonspendable form. These amounts include \$0.6 million resulting from special assessments and contributions for which usage is restricted.

**Proprietary Funds** - The City's proprietary funds provide the same information found in the government-wide financial statements, but in more detail. The enterprise funds reported a gain in net position of \$2.1 million. Unrestricted net position increased \$487,000; while net investment in capital assets of enterprise funds increased by \$1.6 million.

## **Capital Assets and Debt Administration**

**Capital Assets** - The City of Havre de Grace's investment in capital assets for its governmental and business-type activities as of June 30, 2023 was \$83.3 million (net of accumulated depreciation.) These assets include land, buildings, water and sewer facilities, park facilities, machinery and equipment, and vehicles. The City spent \$11.3 million during 2023 for capital improvements.

City of Havre de Grace, Maryland  
Management's Discussion and Analysis (continued)  
June 30, 2023

**Capital Assets City of Havre de Grace**

|                                   | Governmental Activities |              | Business-Type Activities |              | Total        |              | %      |
|-----------------------------------|-------------------------|--------------|--------------------------|--------------|--------------|--------------|--------|
|                                   | 2023                    | 2022         | 2023                     | 2022         | 2023         | 2022         | Change |
| Land                              | \$ 3,548,139            | \$ 3,548,139 | \$ 37,811                | \$ 37,811    | \$ 3,585,950 | \$ 3,585,950 | 0.0%   |
| Buildings                         | 12,519,745              | 12,323,661   | 79,351,422               | 72,786,297   | 91,871,167   | 85,109,958   | 7.9%   |
| Improvements Other Than Buildings | 14,109,379              | 12,441,141   | 20,888,373               | 19,948,464   | 34,997,752   | 32,389,605   | 8.1%   |
| Machinery and Equipment           | 3,996,570               | 4,188,859    | 4,527,368                | 3,870,546    | 8,523,938    | 8,059,405    | 5.8%   |
| Right-to-Use Lease Asset          | 2,209,623               | 1,446,389    | 620,731                  | 392,491      | 2,830,354    | 1,838,880    | 53.9%  |
| Infrastructure                    | 9,423,357               | 9,060,203    | -                        | -            | 9,423,357    | 9,060,203    | 4.0%   |
| Construction in Progress          | 2,595,702               | 1,660,740    | 7,521,819                | 8,298,644    | 10,117,521   | 9,959,384    | 1.6%   |
| Less Accumulated Depreciation     | (24,234,077)            | (22,306,862) | (53,832,691)             | (51,135,069) | (78,066,768) | (73,441,931) | 6.3%   |
| Total Capital Assets              | \$24,168,438            | \$22,362,270 | \$59,114,833             | \$54,199,184 | \$83,283,271 | \$76,561,454 | 8.8%   |

**Long-Term Debt**

- As of June 30, 2023, the City of Havre de Grace had total general obligation debt outstanding of \$31.7 million, an increase of \$5.1 million from the prior year. In addition, the City has a postemployment benefit obligation totaling \$6.8 million, a compensated absences liability totaling \$3.4 million, and a net pension liability of \$4.4 million.
- The City's residents authorized the City to borrow \$15 million over a 5 year period, beginning in fiscal 2021, to improve the City's water and wastewater infrastructure. The City participated in an August 2020 bond issue by the Maryland Department of Housing and Community Development, borrowing \$9.68 million, to finance anticipated improvement costs over the following three years. The City borrowed the remaining \$5.32 million in April, 2023, also through a bond issue by the Maryland Department of Housing and Community Development.

**City of Havre de Grace Outstanding Debt**

|                          | Governmental Activities |              | Business-Type Activities |              | Total        |              | %       |
|--------------------------|-------------------------|--------------|--------------------------|--------------|--------------|--------------|---------|
|                          | 2023                    | 2022         | 2023                     | 2022         | 2023         | 2022         | Change  |
| General Obligation Bonds | \$ 1,555,033            | \$ 1,868,000 | \$26,842,838             | \$21,888,326 | \$28,397,871 | \$23,756,326 | 19.5%   |
| Notes and Loans Payable  | 1,702,357               | 1,798,435    | -                        | -            | 1,702,357    | 1,798,435    | (5.3%)  |
| Lease Payable            | 1,398,759               | 963,265      | 171,781                  | 82,230       | 1,570,540    | 1,045,495    | 50.2%   |
| Compensated Absences     | 3,005,496               | 3,043,326    | 376,338                  | 636,846      | 3,381,834    | 3,680,172    | (8.1%)  |
| Postemployment Benefits  | 6,786,807               | 7,560,896    | -                        | -            | 6,786,807    | 7,560,896    | (10.2%) |
| Net Pension Liability    | 3,855,373               | 3,442,530    | 581,671                  | 611,366      | 4,437,044    | 4,053,896    | 9.5%    |
| Total                    | \$18,303,825            | \$18,676,452 | \$27,972,628             | \$23,218,768 | \$46,276,453 | \$41,895,220 | 10.5%   |

**Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Finance, City of Havre de Grace, 711 Pennington Avenue, Havre de Grace, MD 21078.

City of Havre de Grace, Maryland  
Statement of Net Position  
June 30, 2023

|   | Governmental<br>Activities | Business - Type<br>Activities | Total         |
|---|----------------------------|-------------------------------|---------------|
| Current Assets:                                       |                            |                               |               |
| Cash and cash equivalents                             | \$ 17,849,345              | \$ 1,874,983                  | \$ 19,724,328 |
| Receivables, net of allowance for uncollectibles      | 241,095                    | 1,464,510                     | 1,705,605     |
| Due from other governments                            | 1,560,620                  | 7,722,841                     | 9,283,461     |
| Notes receivable, net of allowance for uncollectibles | 39,927                     | -                             | 39,927        |
| Inventory of fuel                                     | 35,116                     | 26,981                        | 62,097        |
| Prepaid expenses and deposits                         | 71,661                     | -                             | 71,661        |
| Total Current Assets                                  | 19,797,764                 | 11,089,315                    | 30,887,079    |
| Noncurrent Assets:                                    |                            |                               |               |
| Capital assets  |                            |                               |               |
| Land  | 3,548,139                  | 37,811                        | 3,585,950     |
| Construction in progress                              | 2,595,702                  | 7,521,819                     | 10,117,521    |
| Infrastructure  | 9,423,357                  | -                             | 9,423,357     |
| Buildings   | 12,519,745                 | 79,324,122                    | 91,843,867    |
| Leased equipment                                      | 2,209,623                  | 620,731                       | 2,830,354     |
| Improvements other than buildings                     | 14,109,379                 | 20,915,673                    | 35,025,052    |
| Equipment   | 3,996,570                  | 4,527,368                     | 8,523,938     |
| Less accumulated depreciation                         | (24,234,077)               | (53,832,691)                  | (78,066,768)  |
| Total Capital Assets                                  | 24,168,438                 | 59,114,833                    | 83,283,271    |
| Net Pension Asset                                     | -                          | -                             | -             |
| Total Assets  | 43,966,202                 | 70,204,148                    | 114,170,350   |
| Deferred Outflows of Resources                        |                            |                               |               |
| OPEB  | 1,103,211                  | -                             | 1,103,211     |
| Pensions  | 3,110,325                  | 528,042                       | 3,638,367     |
| Total Deferred Outflows of Resources                  | 4,213,536                  | 528,042                       | 4,741,578     |
| Current Liabilities                                   |                            |                               |               |
| Accounts payable                                      | 832,688                    | 870,817                       | 1,703,505     |
| Accrued expenses                                      | 312,343                    | 314,568                       | 626,911       |
| Unearned revenue                                      | 8,799,545                  | -                             | 8,799,545     |
| Leases payable  | 378,582                    | 36,308                        | 414,890       |
| Notes and loans payable - current                     | 97,721                     | -                             | 97,721        |
| General obligation bonds - current                    | 322,100                    | 2,380,458                     | 2,702,558     |
| Total Current Liabilities                             | 10,742,979                 | 3,602,151                     | 14,345,130    |
| Noncurrent Liabilities                                |                            |                               |               |
| Compensated absences                                  | 3,005,496                  | 376,338                       | 3,381,834     |
| Leases payable  | 1,020,177                  | 135,473                       | 1,155,650     |
| Notes and loans payable                               | 1,604,636                  | -                             | 1,604,636     |
| General obligation bonds                              | 1,232,933                  | 24,462,380                    | 25,695,313    |
| OPEB liability  | 6,786,807                  | -                             | 6,786,807     |
| Net pension liability                                 | 3,855,373                  | 581,671                       | 4,437,044     |
| Total Noncurrent Liabilities                          | 17,505,422                 | 25,555,862                    | 43,061,284    |
| Total Liabilities                                     | 28,248,401                 | 29,158,013                    | 57,406,414    |
| Deferred Inflows of Resources:                        |                            |                               |               |
| OPEB  | 1,012,143                  | -                             | 1,012,143     |
| Pensions  | 161,505                    | 40,481                        | 201,986       |
| Total Deferred Inflows of Resources                   | 1,173,648                  | 40,481                        | 1,214,129     |
| Net Position:   |                            |                               |               |
| Net Investment in Capital Assets                      | 19,512,289                 | 39,823,055                    | 59,335,344    |
| Restricted  | 613,191                    | -                             | 613,191       |
| Unrestricted  | (1,367,791)                | 1,710,641                     | 342,850       |
| Total Net Position                                    | \$ 18,757,689              | \$ 41,533,696                 | \$ 60,291,385 |

The notes to the financial statements are an integral part of this statement.

City of Havre de Grace, Maryland  
Statement of Activities  
For the Year Ended June 30, 2023

| Functions/Programs                      | 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                |
| Governmental Activities:                |                      |                      |                                    |                                  |   |                          |                      |
| General government                      | \$ 4,663,919         | \$ 508,248           | \$ 3,307,980                       | \$ -                             | \$ (847,691)                                      | \$ -                     | \$ (847,691)         |
| Public safety                           | 6,690,546            | 1,305                | 1,504,037                          | 658,623                          | (4,526,581)                                       | -                        | (4,526,581)          |
| Public works                            | 5,582,391            | 185,311              | -                                  | 1,032,074                        | (4,365,006)                                       | -                        | (4,365,006)          |
| Parks, recreation, and culture          | 447,155              | 48,703               | -                                  | 1,500,000                        | 1,101,548   | -                        | 1,101,548            |
| Economic development and opportunity    | 465,061              | -                    | -                                  | 3,541                            | (461,520)   | -                        | (461,520)            |
| Miscellaneous                           | 207,135              | -                    | -                                  | -                                | (207,135)   | -                        | (207,135)            |
| Interest expense                        | 134,219              | -                    | -                                  | -                                | (134,219)   | -                        | (134,219)            |
| Total Governmental Activities           | 18,190,426           | 743,567              | 4,812,017                          | 3,194,238                        | (9,440,604)                                       | -                        | (9,440,604)          |
| Business - Type Activities:             |                      |                      |                                    |                                  |   |                          |                      |
| Water and sewer                         | 9,766,410            | 7,718,873            | 109,486                            | 1,942,020                        | -   | 3,969                    | 3,969                |
| Dockage                                 | 903,813              | 775,947              | -                                  | 14,676                           | -   | (113,190)                | (113,190)            |
| Total business-type activities          | 10,670,223           | 8,494,820            | 109,486                            | 1,956,696                        | -   | (109,221)                | (109,221)            |
| Total Government                        | <u>\$ 28,860,649</u> | <u>\$ 9,238,387</u>  | <u>\$ 4,921,503</u>                | <u>\$ 5,150,934</u>              | <u>(9,440,604)</u>                                | <u>(109,221)</u>         | <u>(9,549,825)</u>   |
| General Revenues and Special Item:      |                      |                      |                                    |                                  |   |                          |                      |
| Property taxes                          |                      |                      |                                    |                                  | 9,959,564   | -                        | 9,959,564            |
| Income taxes                            |                      |                      |                                    |                                  | 2,954,247   | -                        | 2,954,247            |
| Other taxes                             |                      |                      |                                    |                                  | 291,766   | -                        | 291,766              |
| Transfers                               |                      |                      |                                    |                                  | (2,033,258)                                       | 2,033,258                | -                    |
| Unrestricted investment earnings        |                      |                      |                                    |                                  | 301,363   | 4,672                    | 306,035              |
| Return of funds to the state            |                      |                      |                                    |                                  | (8,482)   | -                        | (8,482)              |
| Miscellaneous                           |                      |                      |                                    |                                  | 394,611   | 166,000                  | 560,611              |
| Total General Revenues and Special Item |                      |                      |                                    |                                  | 11,859,811  | 2,203,930                | 14,063,741           |
| Change in Net Position                  |                      |                      |                                    |                                  | 2,419,207   | 2,094,709                | 4,513,916            |
| Net position at beginning of year       |                      |                      |                                    |                                  | 16,338,482  | 39,438,987               | 55,777,469           |
| Net position at end of year             |                      |                      |                                    |                                  | <u>\$ 18,757,689</u>                              | <u>\$ 41,533,696</u>     | <u>\$ 60,291,385</u> |

The notes to the financial statements are an integral part of this statement.

City of Havre de Grace, Maryland  
Balance Sheet - Governmental Funds  
June 30, 2023

|  | General              | American<br>Rescue Plan | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|-------------------------|-----------------------------------|--------------------------------|
| <b>Assets:</b>   |                      |                         |                                   |                                |
| Cash and cash equivalents  | \$ 8,436,126         | 8,799,545               | \$ 613,674                        | \$ 17,849,345                  |
| Receivables, net of allowance for uncollectibles                             | 239,695              | -                       | 1,400                             | 241,095                        |
| Due from other governments   | 1,560,620            | -                       | -                                 | 1,560,620                      |
| Notes receivable, net of allowance<br>for uncollectibles                     | -                    | -                       | 39,927                            | 39,927                         |
| Inventory of fuel  | 35,116               | -                       | -                                 | 35,116                         |
| Prepaid expenses and deposits  | 71,661               | -                       | -                                 | 71,661                         |
| Due from other funds   | -                    | -                       | -                                 | -                              |
| <b>Total Assets</b>  | <b>10,343,218</b>    | <b>8,799,545</b>        | <b>655,001</b>                    | <b>19,797,764</b>              |
| <b>Liabilities:</b>  |                      |                         |                                   |                                |
| Accounts payable   | 831,055              | -                       | 1,633                             | 832,688                        |
| Accrued expenses   | 291,887              | -                       | 20,456                            | 312,343                        |
| Unearned revenues  | -                    | 8,799,545               | -                                 | 8,799,545                      |
| Due to other funds   | -                    | -                       | -                                 | -                              |
| <b>Total Liabilities</b>   | <b>1,122,942</b>     | <b>8,799,545</b>        | <b>22,089</b>                     | <b>9,944,576</b>               |
| <b>Deferred Inflows of Resources:</b>  |                      |                         |                                   |                                |
| Unavailable revenue - property taxes   | 277,007              | -                       | -                                 | 277,007                        |
| Unavailable revenue - income taxes   | 896,315              | -                       | -                                 | 896,315                        |
| <b>Total Deferred Inflows of Resources</b>                                   | <b>1,173,322</b>     | <b>-</b>                | <b>-</b>                          | <b>1,173,322</b>               |
| <b>Fund balances:</b>  |                      |                         |                                   |                                |
| <b>Nonspendable:</b>   |                      |                         |                                   |                                |
| RAD loans  | -                    | -                       | 39,927                            | 39,927                         |
| Inventory  | 35,116               | -                       | -                                 | 35,116                         |
| Prepaid items and deposits   | 71,661               | -                       | -                                 | 71,661                         |
| <b>Restricted:</b>   |                      |                         |                                   |                                |
| American Rescue Plan   | -                    | -                       | -                                 | -                              |
| Community Development Block Grant  | -                    | -                       | 64,723                            | 64,723                         |
| Promenade Repair   | -                    | -                       | 39,643                            | 39,643                         |
| Critical Area  | -                    | -                       | 251,430                           | 251,430                        |
| Slip Users   | -                    | -                       | 138,328                           | 138,328                        |
| Local Law Enforcement Block Grant  | -                    | -                       | 101,765                           | 101,765                        |
| Forest Conservation  | -                    | -                       | 734                               | 734                            |
| Opioid Fund  | -                    | -                       | 16,568                            | 16,568                         |
| <b>Unassigned:</b>   |                      |                         |                                   |                                |
| Community Center   | -                    | -                       | (20,206)                          | (20,206)                       |
| <b>Committed:</b>  |                      |                         |                                   |                                |
| Subsequent year funding commitments  | 6,410,247            | -                       | -                                 | 6,410,247                      |
| Emergency reserve  | 1,529,930            | -                       | -                                 | 1,529,930                      |
| <b>Total fund balances</b>   | <b>8,046,954</b>     | <b>-</b>                | <b>632,912</b>                    | <b>8,679,866</b>               |
| <b>Total Liabilities Deferred Inflows of Resources<br/>and Fund Balances</b> | <b>\$ 10,343,218</b> | <b>\$ 8,799,545</b>     | <b>\$ 655,001</b>                 | <b>\$ 19,797,764</b>           |

The notes to the financial statements are an integral part of this statement.

City of Havre de Grace, Maryland  
Reconciliation of Total Governmental Fund Balances to  
Net Position of Governmental Activities  
For the Year Ended June 30, 2023

Amounts reported for governmental activities in the statement of net position are different because:

|  |              |
|--|--------------|
| Total fund balances - governmental funds | \$ 8,679,866 |
|--|--------------|

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds:

|                |            |
|----------------|------------|
| Capital assets | 24,168,438 |
|----------------|------------|

Other assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds:

|                                      |         |
|--------------------------------------|---------|
| Unavailable revenue - property taxes | 277,007 |
|--------------------------------------|---------|

|                                    |         |
|------------------------------------|---------|
| Unavailable revenue - income taxes | 896,315 |
|------------------------------------|---------|

Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the Statement of Net Position. Long-term liabilities at year-end consist of:

|                                |             |
|--------------------------------|-------------|
| Compensated absences           | (3,005,496) |
| OPEB Liability                 | (6,786,807) |
| Notes and loans payable        | (1,702,357) |
| General obligation bonds       | (1,555,033) |
| Lease                          | (1,398,759) |
| Net pension liability          | (3,855,373) |
| Deferred outflows of resources | 4,213,536   |
| Deferred inflows of resources  | (1,173,648) |

|   |                      |
|---|----------------------|
| Net position of governmental activities | <u>\$ 18,757,689</u> |
|---|----------------------|

The notes to the financial statements are an integral part of this statement.

City of Havre de Grace, Maryland  
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds  
For the Year Ended June 30, 2023

|  | General       | American<br>Rescue Plan | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------|-------------------------|-----------------------------------|--------------------------------|
| Revenues:  |               |                         |                                   |                                |
| Taxes  | \$ 13,267,567 | \$ -                    | \$ -                              | \$ 13,267,567                  |
| Licenses and permits   | 351,117       | -                       | 9,600                             | 360,717                        |
| Intergovernmental  | 1,306,458     | 3,301,442               | 16,568                            | 4,624,468                      |
| Fines and forfeitures  | 5,765         | -                       | -                                 | 5,765                          |
| Fees   | -             | -                       | 108,262                           | 108,262                        |
| Interest   | 299,249       | -                       | 2,114                             | 301,363                        |
| Charges for services   | 268,823       | -                       | -                                 | 268,823                        |
| Grants   | 3,381,787     | -                       | -                                 | 3,381,787                      |
| Miscellaneous  | 394,611       | -                       | -                                 | 394,611                        |
| Total Revenues   | 19,275,377    | 3,301,442               | 136,544                           | 22,713,363                     |
| Expenditures:  |               |                         |                                   |                                |
| Current operations:  |               |                         |                                   |                                |
| General government   | 4,946,674     | -                       | -                                 | 4,946,674                      |
| Public safety  | 6,199,349     | -                       | -                                 | 6,199,349                      |
| Public works   | 4,588,827     | -                       | -                                 | 4,588,827                      |
| Parks, recreation, and culture   | 406,484       | -                       | 40,671                            | 447,155                        |
| Economic development and opportunity                                   | 454,673       | -                       | -                                 | 454,673                        |
| Miscellaneous  | 207,135       | -                       | -                                 | 207,135                        |
| Capital outlay:  |               |                         |                                   | -                              |
| General government   | 412,011       | -                       | -                                 | 412,011                        |
| Public safety  | 713,920       | -                       | -                                 | 713,920                        |
| Public works   | 1,171,023     | -                       | -                                 | 1,171,023                      |
| Parks, recreation, and culture   | 1,844,766     | -                       | -                                 | 1,844,766                      |
| Debt service:  |               |                         |                                   | -                              |
| Principal  | 714,114       | -                       | -                                 | 714,114                        |
| Interest   | 134,219       | -                       | -                                 | 134,219                        |
| Distributed expenses and administrative fees<br>charged to other funds | (1,840,500)   | -                       | -                                 | (1,840,500)                    |
| Total Expenditures   | 19,952,695    | -                       | 40,671                            | 19,993,366                     |
| Revenues Over (Under) Expenditures                                     | (677,318)     | 3,301,442               | 95,873                            | 2,719,997                      |
| Other Financing Sources (Uses)   |               |                         |                                   |                                |
| Lease Proceeds   | 740,563       | -                       | -                                 | 740,563                        |
| Transfers in   | 1,357,579     | -                       | -                                 | 1,357,579                      |
| Transfers out  | -             | (3,301,442)             | (89,395)                          | (3,390,837)                    |
| Total Other Financing Sources (Uses)                                   | 2,098,142     | (3,301,442)             | (89,395)                          | (1,292,695)                    |
| Special Item:  |               |                         |                                   |                                |
| Return of funds to State of Maryland                                   | -             | -                       | (8,482)                           | (8,482)                        |
| Net Changes in Fund Balances   | 1,420,824     | -                       | (2,004)                           | 1,418,820                      |
| Fund Balances:   |               |                         |                                   |                                |
| Beginning of year  | 6,626,130     | -                       | 634,916                           | 7,261,046                      |
| End of year  | \$ 8,046,954  | \$ -                    | \$ 632,912                        | \$ 8,679,866                   |

The notes to the financial statements are an integral part of this statement.

City of Havre de Grace, Maryland  
Reconciliation of The Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2023

Amounts reported for governmental activities in the statement of activities are different because:

|  |              |
|--|--------------|
| Net change in fund balances - total governmental funds | \$ 1,418,820 |
|--|--------------|

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

|                      |             |
|----------------------|-------------|
| Capital outlays      | 4,141,720   |
| Depreciation expense | (2,335,552) |

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This amount is the net change in revenues accrued between the prior and current year:

|                |          |
|----------------|----------|
| Property taxes | 19,237   |
| Income taxes   | (81,227) |

The issuance of long-term liabilities provide financial resources to governmental funds and contribute to the change in fund balance. However, the issuance of debt does not affect the Statement of Activities since it increases long-term liabilities in the Statement of Net Position. Accordingly, the repayment of principal and the proceeds of bond issuance are reported as an expenditure and revenue in the governmental funds, respectively, but reduce/increase the liability in the Statement of Net Position. The amounts related to the above items that make up differences are:

|                                      |           |
|--------------------------------------|-----------|
| Principal payments on long-term debt | 409,045   |
| Proceeds from leases                 | (740,563) |
| Principal payments on leases         | 305,069   |

Pursuant to the modified accrual basis of accounting, governmental funds do not recognize expenditures for transactions that are not normally paid with expendable available financial resources. Pursuant to the accrual basis of accounting, the Statement of Activities reports expenses and liabilities regardless of when financial resources are available. In addition, interest on long-term debt is not recognized in the governmental funds until due, while it is accrued in the Statement of Activities. The net differences for the items discussed above are:

|  |           |
|--|-----------|
| OPEB Expense                           | (322,034) |
| Pension Expense                        | (433,138) |
| Change in accrued compensated absences | 37,830    |

|   |                            |
|---|----------------------------|
| Change in net position of governmental activities | <u><u>\$ 2,419,207</u></u> |
|---|----------------------------|

The notes to the financial statements are an integral part of this statement.

City of Havre de Grace, Maryland  
Statement of Net Position - Proprietary Funds  
June 30, 2023

|  | Water and<br>Sewer   | Dockage             | Total Business-<br>Type Activities |
|--|----------------------|---------------------|------------------------------------|
| Current Assets:                                  |                      |                     |                                    |
| Cash and cash equivalents                        | \$ 1,290,100         | \$ 584,883          | \$ 1,874,983                       |
| Receivables, net of allowance for uncollectibles | 1,432,951            | 31,559              | 1,464,510                          |
| Due from other governments                       | 7,722,841            | -                   | 7,722,841                          |
| Inventory of fuel                                | -                    | 26,981              | 26,981                             |
|  | <u>10,445,892</u>    | <u>643,423</u>      | <u>11,089,315</u>                  |
| Total Current Assets                             |                      |                     |                                    |
| Noncurrent Assets:                               |                      |                     |                                    |
| Capital assets                                   |                      |                     |                                    |
| Land   | 37,811               | -                   | 37,811                             |
| Construction in progress                         | 7,521,819            | -                   | 7,521,819                          |
| Buildings  | 79,324,122           | -                   | 79,324,122                         |
| Leased equipment                                 | 620,731              | -                   | 620,731                            |
| Improvements other than buildings                | 15,483,454           | 5,432,219           | 20,915,673                         |
| Equipment  | 3,677,181            | 850,187             | 4,527,368                          |
| Less accumulated depreciation                    | (49,452,731)         | (4,379,960)         | (53,832,691)                       |
| Total Capital Assets                             | <u>57,212,387</u>    | <u>1,902,446</u>    | <u>59,114,833</u>                  |
|  | <u>67,658,279</u>    | <u>2,545,869</u>    | <u>70,204,148</u>                  |
| Total Assets                                     |                      |                     |                                    |
| Deferred Outflows of Resources                   |                      |                     |                                    |
| Pensions   | <u>497,802</u>       | <u>30,240</u>       | <u>528,042</u>                     |
| Current Liabilities                              |                      |                     |                                    |
| Accounts payable                                 | 866,736              | 4,081               | 870,817                            |
| Accrued expenses                                 | 308,700              | 5,868               | 314,568                            |
| Due to other funds                               | -                    | -                   | -                                  |
| Leases payable                                   | 36,308               | -                   | 36,308                             |
| General obligation bonds - current               | <u>2,380,458</u>     | <u>-</u>            | <u>2,380,458</u>                   |
|  | <u>3,592,202</u>     | <u>9,949</u>        | <u>3,602,151</u>                   |
| Total Current Liabilities                        |                      |                     |                                    |
| Noncurrent Liabilities                           |                      |                     |                                    |
| Compensated absences                             | 329,916              | 46,422              | 376,338                            |
| Leases payable                                   | 135,473              | -                   | 135,473                            |
| General obligation bonds                         | 24,462,380           | -                   | 24,462,380                         |
| Net pension liability                            | <u>548,360</u>       | <u>33,311</u>       | <u>581,671</u>                     |
|  | <u>25,476,129</u>    | <u>79,733</u>       | <u>25,555,862</u>                  |
| Total Noncurrent Liabilities                     |                      |                     |                                    |
| Total Liabilities                                | <u>29,068,331</u>    | <u>89,682</u>       | <u>29,158,013</u>                  |
| Deferred Inflows of Resources:                   |                      |                     |                                    |
| Pensions   | <u>38,163</u>        | <u>2,318</u>        | <u>40,481</u>                      |
| Net Position:                                    |                      |                     |                                    |
| Net Investment in Capital Assets                 | 37,920,609           | 1,902,446           | 39,823,055                         |
| Unrestricted                                     | <u>1,128,978</u>     | <u>581,663</u>      | <u>1,710,641</u>                   |
|  | <u>\$ 39,049,587</u> | <u>\$ 2,484,109</u> | <u>\$ 41,533,696</u>               |
| Total Net Position                               |                      |                     |                                    |

The notes to the financial statements are an integral part of this statement.

City of Havre de Grace, Maryland  
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds  
For the Year Ended June 30, 2023

|   | Water and<br>Sewer   | Dockage             | Total Business-<br>Type Activities |
|---|----------------------|---------------------|------------------------------------|
| Operating Revenues:   |                      |                     |                                    |
| Charges for services and sales                                      | \$ 7,528,849         | \$ 513,328          | \$ 8,042,177                       |
| Fuel sales  | -                    | 245,727             | 245,727                            |
| Miscellaneous   | 190,024              | 16,892              | 206,916                            |
|   | <u>7,718,873</u>     | <u>775,947</u>      | <u>8,494,820</u>                   |
| Total Operating Revenues  |                      |                     |                                    |
| Operating Expenses:   |                      |                     |                                    |
| Personnel services  | 2,451,907            | 153,835             | 2,605,742                          |
| Chemicals and supplies  | 992,831              | -                   | 992,831                            |
| Utilities   | 403,178              | 40,459              | 443,637                            |
| Repairs and maintenance   | 375,199              | 6,520               | 381,719                            |
| Depreciation  | 2,422,533            | 375,391             | 2,797,924                          |
| Distributed expenses and administrative fees                        | 1,762,200            | 78,300              | 1,840,500                          |
| Other operating expenses  | 700,331              | 47,430              | 747,761                            |
| Cost of fuel sold   | -                    | 201,878             | 201,878                            |
|   | <u>9,108,179</u>     | <u>903,813</u>      | <u>10,011,992</u>                  |
| Total Operating Expenses  |                      |                     |                                    |
| Operating (Loss)/Income   | <u>(1,389,306)</u>   | <u>(127,866)</u>    | <u>(1,517,172)</u>                 |
| Nonoperating Revenues (Expenses):                                   |                      |                     |                                    |
| Bad debts   | (10,700)             | (8,200)             | (18,900)                           |
| Interest income   | 2,225                | 2,447               | 4,672                              |
| Penalties and miscellaneous revenues                                | 184,900              | -                   | 184,900                            |
| Tap Fees  | 50,350               | -                   | 50,350                             |
| Interest charges  | (553,915)            | -                   | (553,915)                          |
| Bond Issuance   | (154,666)            | -                   | (154,666)                          |
| Grant proceeds  | 109,486              | -                   | 109,486                            |
| Capital recovery charges  | 1,942,020            | -                   | 1,942,020                          |
|   | <u>1,569,700</u>     | <u>(5,753)</u>      | <u>1,563,947</u>                   |
| Total Nonoperating Revenues (Expenses)                              |                      |                     |                                    |
| Increase (Decrease) in Net Position<br>Before Capital Contributions | 180,394              | (133,619)           | 46,775                             |
| Capital Contributions and Transfers                                 |                      |                     |                                    |
| Transfers in  | 2,033,258            | -                   | 2,033,258                          |
| Grant proceeds  | -                    | 14,676              | 14,676                             |
|   | <u>2,033,258</u>     | <u>14,676</u>       | <u>2,047,934</u>                   |
| Total Capital Contributions and Transfers                           |                      |                     |                                    |
| Increase (Decrease) in Net Position                                 | 2,213,652            | (118,943)           | 2,094,709                          |
| Net position at beginning of year                                   | <u>36,835,935</u>    | <u>2,603,052</u>    | <u>39,438,987</u>                  |
| Net position at end of year   | <u>\$ 39,049,587</u> | <u>\$ 2,484,109</u> | <u>\$ 41,533,696</u>               |

The notes to the financial statements are an integral part of this statement.

City of Havre de Grace, Maryland  
Statement of Cash Flows - Proprietary Funds  
For The Year Ended June 30, 2023

|   | Water and<br>Sewer  | Dockage           | Total Business-<br>Type Activities |
|---|---------------------|-------------------|------------------------------------|
| Cash Flows from Operating Activities  |                     |                   |                                    |
| Receipts from customers and users   | \$ 7,699,870        | \$ 755,475        | \$ 8,455,345                       |
| Payments to employees for services  | (1,860,944)         | (106,540)         | (1,967,484)                        |
| Payments of benefits on behalf of employees   | (793,781)           | (56,355)          | (850,136)                          |
| Payments to suppliers for goods and services  | (4,455,453)         | (403,966)         | (4,859,419)                        |
| Other operating receipts  | 224,550             | 16,892            | 241,442                            |
| Net Cash Provided by Operating Activities   | <u>814,242</u>      | <u>205,506</u>    | <u>1,019,748</u>                   |
| Cash Flows from Noncapital Financing Activities   |                     |                   |                                    |
| Noncapital grant proceeds   | -                   | -                 | -                                  |
| Transfers from/(to) other funds   | 2,033,258           | -                 | 2,033,258                          |
| Net Cash Provided by/(Used in) Noncapital Financing Activities                                | <u>2,033,258</u>    | <u>-</u>          | <u>2,033,258</u>                   |
| Cash Flows from Capital and Related Financing Activities                                      |                     |                   |                                    |
| Acquisition and construction of capital assets  | (6,788,209)         | (733,745)         | (7,521,954)                        |
| Principal paid on bonds, notes, and leases  | (2,078,382)         | -                 | (2,078,382)                        |
| Interest paid on bonds, notes, and capital leases   | (685,136)           | -                 | (685,136)                          |
| Payment of Bond Issuance Costs  | (154,666)           | -                 | (154,666)                          |
| Proceeds from bonds and notes   | 5,326,601           | -                 | 5,326,601                          |
| Capital grant proceeds  | 109,486             | 14,676            | 124,162                            |
| Capital contributions   | 1,942,020           | -                 | 1,942,020                          |
| Net Cash Provided by/(Used In) Capital and Related Financing Activities                       | <u>(2,328,286)</u>  | <u>(719,069)</u>  | <u>(3,047,355)</u>                 |
| Cash Flows from Investing Activities  |                     |                   |                                    |
| Interest  | 2,225               | 2,447             | 4,672                              |
| Net Cash Provided by Investing Activities   | <u>2,225</u>        | <u>2,447</u>      | <u>4,672</u>                       |
| Net Increase/(Decrease) in Cash and Cash Equivalents  | 521,439             | (511,116)         | 10,323                             |
| Cash and Cash Equivalents, Beginning of Year  | 768,661             | 1,095,999         | 1,864,660                          |
| Cash and Cash Equivalents, End of Year  | <u>\$ 1,290,100</u> | <u>\$ 584,883</u> | <u>\$ 1,874,983</u>                |
| Reconciliation of Operating Income/(Loss) To Net Cash Provided By Operating Activities        |                     |                   |                                    |
| Operating income/(loss)   | \$ (1,389,306)      | \$ (127,866)      | \$ (1,517,172)                     |
| Adjustments to reconcile operating income/(loss) to net cash provided by operating activities |                     |                   |                                    |
| Depreciation  | 2,422,533           | 375,391           | 2,797,924                          |
| Penalties and miscellaneous source revenue received   | 235,250             | -                 | 235,250                            |
| Bad debt (expense)/recovery   | (10,700)            | (8,200)           | (18,900)                           |
| Changes in assets and liabilities   |                     |                   |                                    |
| (Increase)/decrease in accounts receivable  | (19,003)            | 4,620             | (14,383)                           |
| (Increase)/decrease in fuel inventory   | -                   | 2,859             | 2,859                              |
| (Increase)/decrease in deferred outflows pensions   | 106,327             | 1,717             | 108,044                            |
| Increase/(decrease) in accounts payable   | (254,014)           | (29,274)          | (283,288)                          |
| Increase/(decrease) in accrued operating expenses   | 32,300              | (2,964)           | 29,336                             |
| Increase/(decrease) in compensated absences   | (248,344)           | (12,164)          | (260,508)                          |
| Increase/(decrease) in net pension liability  | (32,291)            | 2,596             | (29,695)                           |
| Increase/(decrease) in deferred inflows pensions  | (28,510)            | (1,209)           | (29,719)                           |
| Net Cash Provided by Operating Activities   | <u>\$ 814,242</u>   | <u>\$ 205,506</u> | <u>\$ 1,019,748</u>                |

The notes to the financial statements are an integral part of this statement.

City of Havre de Grace, Maryland  
Statement of Fiduciary Net Position - Fiduciary Funds  
June 30, 2023

|                                      | <u>Component Unit</u>       |
|--------------------------------------|-----------------------------|
|                                      | <u>Pension Trust</u>        |
|                                      | <u>Funds</u>                |
| Assets:                              |                             |
| Cash and cash equivalents            | \$ 146,104                  |
| Investments, at fair value:          |                             |
| Mutual funds - equity                | 11,096,939                  |
| Mutual funds - fixed income          | 5,419,536                   |
| Other receivables                    | <u>61,052</u>               |
| Total Assets                         | <u>16,723,631</u>           |
| Net Position                         |                             |
| Net position restricted for pensions | <u><u>\$ 16,723,631</u></u> |

The notes to the financial statements are an integral part of this statement.

City of Havre de Grace, Maryland  
Statement of Changes in Fiduciary Net Position - Pension Funds  
For the Year Ended June 30, 2023

|                                   | <u>Component Unit<br/>Pension Trust<br/>Funds</u> |
|-----------------------------------|---|
| Additions:                        |   |
| Contributions:                    |   |
| Employer                          | \$ 989,325  |
| Employee                          | 330,268   |
| Net investment income             | 1,487,864   |
| Rental Income                     | <u>-</u>  |
| Total Additions                   | <u>2,807,457</u>                                  |
| Deductions                        |   |
| Benefit payments                  | <u>1,968,456</u>                                  |
| Total Deductions                  | <u>1,968,456</u>                                  |
| Change in net position            | 839,001   |
| Net position at beginning of year | <u>15,884,630</u>                                 |
| Net position at end of year       | <u><u>\$ 16,723,631</u></u>                       |

The notes to the financial statements are an integral part of this statement.

City of Havre de Grace, Maryland  
Notes to Financial Statements  
For the Year Ended June 30, 2023

**1. Summary of significant accounting policies:**

The City of Havre de Grace (the City) was incorporated on April 5, 1878, under the provisions of the Code of Public Local Laws of Harford County, Maryland. The City operates under a Mayor-Council supervised form of government and provides the following services as authorized by its charter: public safety (police, volunteer fire and ambulance company), highways and streets, sanitation, water and sewage facilities, recreation, urban development and housing, planning and zoning, and general administrative services.

The accounting policies of the City conform to generally accepted accounting principles for local governments. The City's significant accounting policies are described below.

**Reporting Entity**

For financial reporting purposes, in conformance with generally accepted accounting principles (GAAP), the reporting entity includes the primary government governed by the Mayor and Council and the following two fiduciary component units:

City of Havre de Grace, Civilian Employees Pension Trust. This pension plan is a defined benefit pension plan established by the City to provide benefits at retirement to employees of the City.

City of Havre de Grace, Sworn Officers Pension Trust. This pension plan is a defined benefit plan established by the City to provide benefits at retirement to sworn officers of the City.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Fiduciary activities of the City are not included in these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

City of Havre de Grace, Maryland  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2023

**1. Summary of significant accounting policies (continued):**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance/net position, revenue, and expenditures/expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements by fund types as follows:

**Governmental Fund Types**

**General Fund**

The General Fund is the general operating fund of the City. All financial resources are accounted for in this fund except those required to be accounted for in another fund.

**American Rescue Plan Fund**

The American Rescue Plan Fund was established to account for the proceeds received from the Federal Government under the American Rescue Plan Act that are legally restricted by the provisions of the act.

**Nonmajor Funds**

All Special Revenue Funds other than the American Rescue Plan Fund are considered nonmajor funds. The following seven funds are all considered nonmajor funds:

The Critical Area Fund is used to account for critical area revenue that is legally restricted to expenditures for the critical area.

The Community Development Block Grant Fund (CDBG) is used to account for the proceeds from the Maryland Department of Housing and Community Development that are legally restricted to expenditures for rehabilitating urban areas and expanding economic opportunities for the benefit of low and moderate income persons.

The Slip User Fund is used to account for Slip User tax revenue. Such revenue is legally restricted to fund expenditures necessary to maintain and enhance water quality, water and waste water facilities, marinas, law enforcement, public safety and fire protection services.

The Local Law Enforcement Restricted Fund is used to account for the proceeds from abandoned property and from the Bureau of Justice Assistance, U.S. Department of Justice, that are legally restricted to expenditures directly related to basic law enforcement functions.

The Forest Conservation Fund is used to account for revenue from the deforestation of property by landowners who have not pursued the option of replanting trees. Proceeds are legally restricted to reforestation of the City.

The Promenade Repair Fund is used to account for a portion of building permit revenues. Such revenues are legally restricted to fund expenditures related to the repair and maintenance of the Promenade.

The Community Center Fund is used to account for the rental fee revenue of the Community Activity Center. Such revenues are legally restricted to fund expenditures related to operating and capital costs of the Community Activity Center.

City of Havre de Grace, Maryland  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2023

**1. Summary of significant accounting policies (continued):**

**Nonmajor Funds (continued):**

The Opioid Fund is used to account for the proceeds from the Maryland State-Subdivision Agreement that are legally restricted to expenditures for opioid remediation under terms of several nation-wide settlements to resolve opioid litigation with manufacturers and distributors.

**Proprietary Fund Types - Enterprise Funds**

**Water and Sewer Fund**

The Water and Sewer Fund is used to account for the operations of the water and sewer systems in a manner whereby the costs of providing services to the general public are recovered primarily through user charges.

**Dockage Fund**

The Dockage Fund is used to account for the operations of the dock facilities in a manner whereby the costs of maintaining the dock area are recovered primarily through user charges or provided from government funds.

**Fiduciary Component Units**

**Pension Trust Funds**

The City maintains Pension Trust Funds to account for the Civilian employees' and the Sworn Officer employees' benefits. These funds are accounted for in essentially the same manner as a proprietary fund type.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements, as well as the proprietary and fiduciary fund statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, charges for services, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received.

City of Havre de Grace, Maryland  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2023

**1. Summary of significant accounting policies (continued):**

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are interfund services such as payments-in-lieu of taxes and other charges between certain City functions because the elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows the City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

**Budgets and Budgetary Accounting**

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

1. Prior to the first Monday in June, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and estimates of anticipated revenue, which shall equal the total proposed expenditures.
2. Prior to July 1, the property tax rate is approved by the City Council and is legally enacted through passage of an ordinance. The budget is adopted by the City Council at this time.
3. From the date of budget enactment, proposed expenditures become appropriations authorized by the City Council. Budgeted amounts presented are as adopted by the City Council. Any revision that alters the expenditure of any fund, in total or among functions or departments, must be approved by the City Council. Budget transfers within departments can be made without approval by the City Council; therefore, the legal level of budgetary control has been effectively lowered to the department level for legal compliance.

City of Havre de Grace, Maryland  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2023

**1. Summary of significant accounting policies** (continued):

Formal budgetary accounting is employed as a management control for all funds of the City. Annual operating budgets are adopted each year and amended as required for the General Fund and the Proprietary Funds. The annual budgets are prepared utilizing the same basis of accounting used to reflect actual revenue and expenditures on a generally accepted accounting principles basis except that, for budgetary purposes:

- (1) designations of prior fiscal year's fund balances are treated as revenue;
- (2) encumbrances are budgeted as expenditures;
- (3) loan proceeds are treated as revenue in the proprietary funds; and
- (4) capital acquisitions are budgeted as expenses in the proprietary funds.

The budget for the Special Revenue Funds is made on a project basis since these projects may span more than one fiscal year; therefore, no comparison of budgetary information with actual results for these funds is presented in these financial statements.

Actual expenditures may not exceed budgeted amounts for any fund except in emergency circumstances. Unencumbered appropriations lapse at year-end.

**Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of the interfund loans). Other outstanding balances between funds are also reported as "due to/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."

"Receivables (net of allowance for uncollectibles)" for the Water and Sewer Fund includes water and sewer services used by customers but not yet billed. Unbilled revenues are estimated based on the billing cycles of each customer.

All taxes, assessments, service charges and other receivables are shown net of an allowance for uncollectibles. The City's allowance for uncollectibles is based upon historical collection experience and a review of the status of current accounts receivable.

**Compensated Absences**

Employees may accumulate all unused sick leave. Accumulated unpaid annual leave at December 31 of each year cannot exceed 280 hours or it is forfeited. Upon termination, up to 280 hours of accumulated annual leave will be paid to the employee. Unused sick leave will be allowed to accumulate indefinitely. Retirees will be entitled to receive their accumulated sick leave, which will be calculated in their retirement formula. Employees who resign from city service will receive their accumulated sick leave, which will be calculated along with their retirement fund reimbursement.

City of Havre de Grace, Maryland  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2023

**1. Summary of significant accounting policies (continued):**

**Capital Assets**

**Tangible Assets**

Capital assets, which include land, construction-in-progress, buildings, machinery and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets for the primary government are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Donated capital assets are recorded at estimated acquisition value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Capital assets are depreciated using the straight-line method over their estimated useful lives. General infrastructure assets acquired prior to July 1, 2003, are not reported in the basic financial statements.

**Intangible Assets**

Intangible assets, included in improvements other than building, (e.g., easements, water rights, timber rights, trademarks, and computer software, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Intangible assets for the City are defined as all intangible assets which lack physical substance, are nonfinancial in nature, are identifiable, have an initial, individual costs of more than \$5,000 and have an initial useful life extending beyond a single reporting period. Intangible assets are depreciated using the straight-line method over their estimated useful lives.

Capital assets of the city are depreciated or amortized using the straight-line method over the following estimated lives:

|                                   |            |
|-----------------------------------|------------|
| Infrastructure                    | 5-10 years |
| Buildings                         | 5-40 years |
| Improvements other than buildings | 5-50 years |
| Equipment                         | 3-20 years |

**Deferred Inflows of Resources**

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has one type of item, which arises under the modified accrual basis of accounting, that qualifies for reporting under this category. The governmental funds report unavailable revenue from taxes and other receivables. The government has two types of items, which arises under the accrual basis of accounting that qualifies for reporting under this category, the deferred inflows related to pensions and OPEB.

**Deferred Outflows of Resources**

In addition to assets, the statement of net position will sometimes 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) until that time. The City has two items that arise under the accrual basis of accounting, that qualify for reporting under this category, the deferred outflows related to pensions and OPEB.

**1. Summary of significant accounting policies (continued):**

**Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond issuance costs, are expensed in the period incurred. Bond premiums and discounts are amortized as a component of interest expense over the lives of the bonds issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Use of Estimates in Preparing Financial Statements**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes. Actual results could differ from those estimates.

**Adoption of Governmental Accounting Standards Board Statements**

The City adopted the provisions of GASB Statement No. 91 "*Conduit Debt Obligations*". The adoption of this statement had no effect on previously reported amounts.

The City adopted the provisions of GASB Statement No. 94 "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*". The adoption of this statement had no effect on previously reported amounts.

The City adopted the provisions of GASB Statement No. 96 "*Subscription-Based Information Technology Arrangements*". The adoption of this statement had no effect on previously reported amounts.

The City adopted the provisions of GASB Statement No. 97, "*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*". The adoption of this statement had no effect on previously reported amounts.

**Pending Changes in Accounting Principles**

In May 2019, the GASB issued Statement No. 91, "*Conduit Debt Obligations*". The City is required to adopt statement No. 91 for its fiscal year 2023 financial statements.

In March 2020, the GASB issued Statement No. 94, "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*". The City is required to adopt statement No. 94 for its fiscal year 2023 financial statements.

In May 2020, the GASB issued Statement No. 96, "*Subscription-Based Information Technology Arrangements*". The City is required to adopt statement No. 96 for its fiscal year 2023 financial statements.

City of Havre de Grace, Maryland  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2023

**1. Summary of significant accounting policies (continued):**

**Pending Changes in Accounting Principles (continued):**

In October 2021, the GASB issued Statement No. 98, "*The Annual Comprehensive Financial Report*". The City is required to adopt the provisions of Statement No. 101 for its fiscal year 2023 financial statements.

In April 2022, the GASB issued Statement No. 99, "*Omnibus 2022*". The City is required to adopt the remaining provisions of Statement No. 99 for its fiscal year 2024 and 2025 financial statements.

In June 2022, the GASB issued Statement No. 100, "*Accounting Changes and Error Corrections-an amendment of GASB Statement No.63*". The City is required to adopt the provisions of Statement No. 100 for its fiscal year 2025 financial statements.

In June 2022, the GASB issued Statement No. 101, "*Compensated Absences*". The City is required to adopt the provisions of Statement No. 101 for its fiscal year 2025 financial statements.

The City has not yet completed the various analyses required to estimate the financial statement impact of these new pronouncements.

**2. Reserve for Emergency**

The City has established a reserve for emergency account (also known as a Rainy Day Fund) to provide funding in emergency situations or in cases of revenue shortfalls. On February 6, 2006, Resolution 2006-2 was adopted and the contingency reserve fund is to be funded each year by an amount equal to 2% of the prior fiscal year's General Fund operating budget until it reaches 10% of the prior fiscal year's General Fund operating budget. At that time, funding is required to be that amount necessary to fulfill the 10% obligation. As of June 30, 2023, the reserve for emergency was \$1,529,930.

**3. Cash and Investments**

**Deposits**

At year-end, the carrying amount of the City's deposits was \$19,707,286 and the bank balance was \$20,343,313. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Maryland State Law prescribes that local government units, such as the City, must deposit its cash in banks which transact business in Maryland. Such banks must also secure any deposits in excess of the Federal Depository Insurance Corporation insurance levels with collateral whose market value is at least equal to the deposits. As of June 30, 2023, the City's bank balance was not exposed to any custodial risk as all deposits in excess of Federal Depository Insurance were fully collateralized.

**Investments**

Statutes authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, repurchase agreements, certificates of deposit or time deposits insured by the FDIC, and the Maryland Local Government Investment Pool (MLGIP), which invests in U.S. Treasuries.

The City is a participant of the MLGIP, which provides all local government units of the State an investment vehicle for the short-term investment of funds. The State Legislature created MLGIP with the passage of Article 95 22 G, of the Annotated Code of Maryland. The MLGIP, under the administrative control of the State Treasurer, has been managed by PNC Institutional Investments. The pool has an AAA rating from Standard and Poor's and maintains a \$1.00 per share value. A MLGIP Advisory Committee of current participants was formed to review, on a quarterly basis, the activities of the Fund and to provide suggestions to enhance the pool. The fair market value of the pool is the same as the value of the pool shares.

City of Havre de Grace, Maryland  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2023

**3. Cash and Investments** (continued)

The City's investments in the local government investment pool of \$17,042 are included in cash and cash equivalents on the financial statements. There is no custodial credit risk for these investments.

In addition to the investments authorized for the governmental and proprietary funds, the City's fiduciary funds also have investments in various mutual funds, none of which are subject to custodial credit risk.

As of June 30, 2023, the City had the following debt investments and maturities within its pension funds:

| Investment Type           | Fair Value   | Investment Maturities (in Years) |              |              |              |
|---------------------------|--------------|----------------------------------|--------------|--------------|--------------|
|                           |              | Less Than 1                      | 1-5          | 6-10         | More Than 10 |
| Fixed Income Mutual Funds | \$ 5,419,536 | \$ -                             | \$ 1,023,950 | \$ 4,395,586 | \$ -         |
| Total                     | \$ 5,419,536 | \$ -                             | \$ 1,023,950 | \$ 4,395,586 | \$ -         |

*Interest rate risk:*

The City has a formal investment policy that permits investments as authorized by law and requires that maturities of investments are consistent with cash flow requirements. The policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit risk:*

As of June 30, 2023, none of the City's pension fund's investments in fixed income mutual funds were rated by Standard and Poor's.

*Concentration of credit risk:*

The City places no limit on the amounts invested in any one issuer. As of June 30, 2023 none of the City's pension fund investments were subject to concentration of credit risk.

**Fair Value**

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City's and pension trust funds money market funds of \$146,104 are valued using quoted market prices (Level 1 inputs), as of June 30, 2023.

The pension trust funds investments in mutual funds of \$16,516,475 are valued using quoted market prices (Level 1 inputs), as of June 30, 2023.

City of Havre de Grace, Maryland  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2023

**4. Property Taxes**

The taxes levied on July 1 become a lien on that date, and are payable by October 1. City property tax revenues are recognized when levied to the extent that they result in current receivables. Delinquency in paying property taxes results in property being put up for sale by Harford County in June of the respective tax year. Resolution No. 128 was passed February 15, 1982, by the Mayor and City Council which enabled the City to levy up to \$2.00 per \$100 of assessed valuation for general governmental services, including principal and interest on long-term debt for subsequent years beginning July 1, 1982. The City's tax rate for fiscal year 2023 was \$0.5650 per \$100 of assessed value.

The City's personal property taxes are levied annually. Assessed values are established by the Maryland State Department of Assessments and Taxation based on estimates of fair market value multiplied by that year's assessment rate. The rate per \$100 of assessed value was \$1.705 in fiscal year 2023.

All receivables are reported at gross value and, where appropriate, reduced by the estimate considered to be uncollectible. At June 30, 2023 all property taxes were considered collectible.

**5. Due from Other Governments**

Amounts due from other governments totaling \$9,283,461 at June 30, 2023, include shared General Fund revenue from both State and County sources, as well as certain bond proceeds due to the City.

**6. Notes Receivable**

The City administers a revolving program that was originally funded by a Community Development Block Grant (CDBG) to assist in rehabilitating the City's commercial entities. The loans bear interest of 5.0% per annum and are secured by deeds of trust.

At June 30, 2023, the outstanding balance of notes receivable were as follows:

|                           |    |               |
|---------------------------|----|---------------|
| Loan receivable           | \$ | 45,342        |
| Allowance for loan losses |    | (5,415)       |
| Balance, end of year      | \$ | <u>39,927</u> |

City of Havre de Grace, Maryland  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2023

## 7. Capital Assets

A summary of changes in capital assets for governmental activities for the year ended June 30, 2023 is as follows:

|   | Beginning<br><u>Balance</u> | <u>Increases</u> | <u>Decreases</u> | Ending<br><u>Balance</u> |
|---|-----------------------------|------------------|------------------|--------------------------|
| Capital Assets, Not Being Depreciated             |                             |                  |                  |                          |
| Land  | \$ 3,548,139                | \$ -             | \$ -             | \$ 3,548,139             |
| Construction-in-progress                          | 1,660,740                   | 1,027,875        | (92,913)         | 2,595,702                |
| Total Capital Assets, Not Being Depreciated       | 5,208,879                   | 1,027,875        | (92,913)         | 6,143,841                |
| Capital Assets, Being Depreciated                 |                             |                  |                  |                          |
| Infrastructure                                    | 9,060,203                   | 363,154          | -                | 9,423,357                |
| Buildings   | 12,323,661                  | 196,084          | -                | 12,519,745               |
| Right-To-Use Leased Equipment                     | 1,446,389                   | 763,234          | -                | 2,209,623                |
| Improvements other than buildings                 | 12,441,141                  | 1,668,238        | -                | 14,109,379               |
| Equipment   | 4,188,859                   | 216,048          | (408,337)        | 3,996,570                |
| Total Capital Assets, Being Depreciated           | 39,460,253                  | 3,206,758        | (408,337)        | 42,258,674               |
| Less Accumulated Depreciation for:                |                             |                  |                  |                          |
| Infrastructure                                    | 6,407,673                   | 478,648          | -                | 6,886,321                |
| Buildings   | 6,826,388                   | 442,178          | -                | 7,268,566                |
| Right-To-Use Leased Equipment                     | 251,686                     | 320,716          | -                | 572,402                  |
| Improvements other than buildings                 | 5,452,378                   | 848,717          | -                | 6,301,095                |
| Equipment   | 3,368,737                   | 245,293          | (408,337)        | 3,205,693                |
| Total Accumulated Depreciation                    | 22,306,862                  | 2,335,552        | (408,337)        | 24,234,077               |
| Total Capital Assets, Being Depreciated, Net      | 17,153,391                  | 871,206          | -                | 18,024,597               |
| Total Governmental Activities Capital Assets, Net | \$ 22,362,270               | \$ 1,899,081     | \$ (92,913)      | \$ 24,168,438            |

Depreciation expense was charged to function/programs of the City as follows:

### Governmental Activities

|   |                     |
|---|---------------------|
| General Government                                  | \$ 497,846          |
| Public Safety                                       | 323,628             |
| Public Works  | <u>1,514,078</u>    |
| Total Depreciation Expense, Governmental Activities | <u>\$ 2,335,552</u> |

City of Havre de Grace, Maryland  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2023

**7. Capital Assets** (continued)

A summary of changes in capital assets for business-type activities for the year ended June 30, 2023 is as follows:

|   | Beginning<br><u>Balance</u> | <u>Increases</u> | <u>Decreases</u> | Ending<br><u>Balance</u> |
|---|-----------------------------|------------------|------------------|--------------------------|
| Capital Assets, Not Being Depreciated             |                             |                  |                  |                          |
| Land  | \$ 37,811                   | \$ -             | \$ -             | \$ 37,811                |
| Construction In Progress                          | 8,298,644                   | 5,852,015        | (6,628,840)      | 7,521,819                |
| Total Capital Assets, Not Being Depreciated       | 8,336,455                   | 5,852,015        | (6,628,840)      | 7,559,630                |
| Capital Assets, Being Depreciated                 |                             |                  |                  |                          |
| Buildings   | 72,786,297                  | 6,537,825        | -                | 79,324,122               |
| Right-To-Use Leased Equipment                     | 392,491                     | 228,240          | -                | 620,731                  |
| Improvements other than buildings                 | 19,948,464                  | 967,209          | -                | 20,915,673               |
| Equipment   | 3,870,546                   | 757,124          | (100,302)        | 4,527,368                |
| Total Capital Assets, Being Depreciated           | 96,997,798                  | 8,490,398        | (100,302)        | 105,387,894              |
| Less Accumulated Depreciation for:                |                             |                  |                  |                          |
| Buildings   | 33,248,608                  | 1,817,441        | -                | 35,066,049               |
| Right-To-Use Leased Equipment                     | 148,501                     | 64,722           | -                | 213,223                  |
| Improvements other than buildings                 | 14,882,601                  | 686,330          | -                | 15,568,931               |
| Equipment   | 2,855,359                   | 229,431          | (100,302)        | 2,984,488                |
| Total Accumulated Depreciation                    | 51,135,069                  | 2,797,924        | (100,302)        | 53,832,691               |
| Total Capital Assets, Being Depreciated, Net      | 45,862,729                  | 5,692,474        | -                | 51,555,203               |
| Total Governmental Activities Capital Assets, Net | \$ 54,199,184               | \$ 11,544,489    | \$ (6,628,840)   | \$ 59,114,833            |

Depreciation Expense was charged as follows:

Business-Type Activities

|  |                     |
|--|---------------------|
| Water and Sewer Fund                                 | \$ 2,422,533        |
| Dockage Fund   | <u>375,391</u>      |
| Total Depreciation Expense, Business-Type Activities | <u>\$ 2,797,924</u> |

City of Havre de Grace, Maryland  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2023

## 8. Long-Term Liabilities

A summary of changes in long-term liabilities of governmental activities, which includes debt, compensated absences, net pension liability, and other post-employment benefits, for the year ended June 30, 2023, is as follows:

|                                  | Beginning<br>Balance | Additions           | Reductions          | Ending Balance       | Due Within One<br>Year |
|----------------------------------|----------------------|---------------------|---------------------|----------------------|------------------------|
| General obligation bonds payable | \$ 1,868,000         | \$ -                | \$ 312,967          | \$ 1,555,033         | \$ 322,100             |
| Notes and loans payable          | 1,798,435            | -                   | 96,078              | 1,702,357            | 97,721                 |
| Lease Payable                    | 963,265              | 740,563             | 305,069             | 1,398,759            | 378,582                |
| Compensated absences             | 3,043,326            | -                   | 37,830              | 3,005,496            | -                      |
| Total OPEB liability             | 7,560,896            | -                   | 774,089             | 6,786,807            | -                      |
| Net pension liability            | 3,442,530            | 412,843             | -                   | 3,855,373            | -                      |
|                                  | <u>\$ 18,676,452</u> | <u>\$ 1,153,406</u> | <u>\$ 1,526,033</u> | <u>\$ 18,303,825</u> | <u>\$ 798,403</u>      |

Compensated absences, the total OPEB liability, and the net pension liability are liquidated by the General Fund.

A summary of changes in the general obligation bonds payable, compensated absences, and net pension liability of business-type activities for the year ended June 30, 2023 is as follows:

|                                     | Beginning<br>Balance | Additions           | Reductions          | Ending<br>Balance    | Due Within<br>One Year |
|-------------------------------------|----------------------|---------------------|---------------------|----------------------|------------------------|
| General obligation bonds payable    | \$ 20,571,634        | \$ 6,183,173        | \$ 1,976,314        | \$ 24,778,493        | \$ 2,179,625           |
| Premium on general obligation bonds | 1,316,692            | 878,874             | 131,221             | 2,064,345            | 200,833                |
| Lease Payable                       | 82,230               | 191,618             | 102,067             | 171,781              | 36,308                 |
| Compensated absences                | 636,846              | -                   | 260,508             | 376,338              | -                      |
| Net pension liability               | 611,366              | -                   | 29,695              | 581,671              | -                      |
|                                     | <u>\$ 23,218,768</u> | <u>\$ 7,253,665</u> | <u>\$ 2,499,805</u> | <u>\$ 27,972,628</u> | <u>\$ 2,416,766</u>    |

City of Havre de Grace, Maryland  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2023

**8. Long-Term Liabilities (continued)**

Governmental Activities bonds, notes, and loans payable at June 30, 2023 are comprised of the following:

|   | <u>Current</u>    | <u>Long-Term</u>    | <u>Total</u>        |
|---|-------------------|---------------------|---------------------|
| <b>Long-Term Debt - Bonds Payable</b>   |                   |                     |                     |
| Infrastructure Bonds 2006 Series A - Bonds dated April 5, 2006, in the amount of \$400,000 to provide financing for park improvements. Bears interest at a rate of 4.03%. Semiannual interest payments are due on the first day of May and November. An annual principal payment is due on May 1. The bonds mature on May 1, 2026.  | \$ 26,000         | \$ 55,500           | \$ 81,500           |
| Refunding Bonds, 2013 Series - Bonds dated May 31, 2013 in the amount of 3,3831,000 (of which 2,210,000 is included in Governmental Activities and \$1,621,000 is included in the Water and Sewer Fund) to provide financing for various City projects. Bears interest at a rate of 1.97%. Annual principal and interest payments are due on June 30. The bonds mature on June 30, 2027.  | 156,100           | 111,100             | 267,200             |
| 2016 Series A_ - Bonds dated August 31, 2016 in the amount of \$4,500,000 (of which \$2,100,000 is included in Governmental Activities and \$2,400,000 is included in the Water and Sewer Fund) to provide financing for the water treatment plant and Opera House. Bears interest at a rate of 2.2% throughout the course of the loan with a ceiling of 3%. Semiannual interest payments are due on the first day of October and April. The bonds mature on April 1, 2031. | <u>140,000</u>    | <u>1,066,333</u>    | <u>1,206,333</u>    |
| Total long-term debt - bonds payable  | <u>322,100</u>    | <u>1,232,933</u>    | <u>1,555,033</u>    |
| <b>Long-Term Debt - Notes and Loan Payable</b>  |                   |                     |                     |
| Note Payable - Loan issued by a related party to the City on August 13, 2013, in the amount of \$1,250,000. The loan bears interest at 4.0% and is to be repaid in annual installments of \$80,015 until maturity in August 2038.   | 42,721            | 889,636             | 932,357             |
| Note Payable Harford County - Installment purchase agreement with Harford County in the amount of \$1,100,000 to facilitate the purchase of real property located within the City limits. The agreement "Note" bears no interest and requires the City to make annual principal payments of \$55,000 until maturity in September 2036.  | <u>55,000</u>     | <u>715,000</u>      | <u>770,000</u>      |
| Total notes and loans payable   | 97,721            | 1,604,636           | 1,702,357           |
| <b>Total governmental activities - long-term debt</b>   | <u>\$ 419,821</u> | <u>\$ 2,837,569</u> | <u>\$ 3,257,390</u> |

City of Havre de Grace, Maryland  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2023

**8. Long-Term Liabilities (continued)**

Business-type activities bonds payable at June 30, 2023 are comprised of the following:

|  | <u>Current</u>   | <u>Long-Term</u>  | <u>Total</u>      |
|--|------------------|-------------------|-------------------|
| <b>Water and Sewer Fund - Bonds Payable</b>  |                  |                   |                   |
| MDE 2008 ENR Bonds Payable - Bond issued January 31, 2008 in the amount of \$26,328,354 to provide financing for a water treatment plant. Bears interest at 2.10% annual rate, payable in semiannual installments with payments due on the first day of February and August. An annual principal payment in varying amounts is due on February 1, beginning August 1, 2011, and is due until maturity on February 1, 2029.   | 1,496,052        | 8,173,301         | 9,669,353         |
| Refunding Bonds, 2013 Series - Bonds dated May 31, 2013 in the amount of \$3,831,000 (of which \$2,210,000 is included in Governmental Activities and \$1,621,000 is included in the Water and Sewer Fund) to provide financing for various City projects. Bear interest at a rate of 1.97%. Annual principal and interest payments are due on June 30. The bonds mature on June 30, 2027.   | 60,900           | 185,900           | 246,800           |
| 2016 Series A - Bonds dated August 31, 2016 in the amount of \$4,500,000 (of which \$2,100,000 is included in Governmental Activities and \$2,400,000 is included in the Water and Sewer Fund) to provide financing for the water treatment plant and Opera House. Bears interest at a rate of 2.2% throughout the course of the loan with a ceiling of 3%. Semiannual interest payments are due on the first day of October and April. The bonds mature on April 1, 2031. | 160,000          | 1,218,667         | 1,378,667         |
| Infrastructure Bond 2020 Series A dated August 20, 2020 in the amount of \$8,082,618 to provide financing for improving the City's water and wastewater infrastructure. Bears interest at a rate of 2.29% throughout the course of the loan. Semiannual interest payments are due on the first day of October and April. The bond matures on April 1, 2040.  | 304,500          | 6,996,000         | 7,300,500         |
| Infrastructure Bond 2023 Series A-1 and A-2 dated April 1, 2023 in the amount of \$6,183,173 to provide financing for improving the City's water and wastewater infrastructure. Bears interest at a rate of 3.83% throughout the course of the loan. Semiannual interest payments are due on the first day of October and April. The bond matures on April 1, 2043.  | 158,173          | 6,025,000         | 6,183,173         |
| Total water and sewer fund - bonds payable   | <u>2,179,625</u> | <u>22,598,868</u> | <u>24,778,493</u> |

City of Havre de Grace, Maryland  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2023

**8. Long-Term Liabilities** (continued)

The following tables show the annual debt service requirements for Governmental Activities general obligation bonds and notes and loans payable outstanding for the year ended June 30, 2023, assuming current interest rates remain the same:

| Maturity, years ending June 30 | Long-Term Debt - Governmental Activities<br>General Obligation Bonds Payable |                   |                     |
|--------------------------------|--|-------------------|---------------------|
|                                | Principal  | Interest          | Total               |
| 2024                           | \$ 322,100   | \$ 37,634         | \$ 359,734          |
| 2025                           | 280,433  | 30,899            | 311,332             |
| 2026                           | 173,167  | 24,755            | 197,922             |
| 2027                           | 149,333  | 20,408            | 169,741             |
| 2028                           | 151,667  | 17,018            | 168,685             |
| 2029-2033                      | 478,333  | 28,006            | 506,339             |
| Total                          | <u>\$ 1,555,033</u>  | <u>\$ 158,720</u> | <u>\$ 1,713,753</u> |

| Maturity, years ending June 30 | Notes and Loans Payable |                   |                     |
|--------------------------------|-------------------------|-------------------|---------------------|
|                                | Principal               | Interest          | Total               |
| 2024                           | \$ 97,721               | \$ 37,294         | \$ 135,015          |
| 2025                           | 99,429                  | 35,586            | 135,015             |
| 2026                           | 101,207                 | 33,808            | 135,015             |
| 2027                           | 103,055                 | 31,960            | 135,015             |
| 2028                           | 104,977                 | 30,038            | 135,015             |
| 2029-2033                      | 556,520                 | 118,555           | 675,075             |
| 2034-2038                      | 562,512                 | 57,563            | 620,075             |
| 2039-2043                      | 76,936                  | 3,078             | 80,014              |
| Total                          | <u>\$ 1,702,357</u>     | <u>\$ 347,882</u> | <u>\$ 2,050,239</u> |

City of Havre de Grace, Maryland  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2023

**8. Long-Term Liabilities** (continued)

The following table shows the annual debt service requirements for Business-Type Activities general obligation bonds outstanding for the year ended June 30, 2023, assuming current interest rates remain the same:

| Maturity, years ending June 30 | Long-Term Debt - Business-Type Activities<br>General Obligation Bonds Payable |                     |                      |
|--------------------------------|---|---------------------|----------------------|
|                                | Principal   | Interest            | Total                |
| 2024                           | \$ 2,179,625  | \$ 986,299          | \$ 3,165,924         |
| 2025                           | 2,271,536   | 893,277             | 3,164,813            |
| 2026                           | 2,325,878   | 833,167             | 3,159,045            |
| 2027                           | 3,381,463   | 771,515             | 4,152,978            |
| 2028                           | 3,250,325   | 686,409             | 3,936,734            |
| 2029-2033                      | 3,896,166   | 2,293,082           | 6,189,248            |
| 2034-2038                      | 4,176,000   | 1,426,933           | 5,602,933            |
| 2039-2043                      | 3,297,500   | 443,382             | 3,740,882            |
| Total                          | <u>\$ 24,778,493</u>  | <u>\$ 8,334,064</u> | <u>\$ 33,112,557</u> |

**9. Leases**

The City leases various vehicles for its operations. Terms of each lease vary with fixed monthly payments ranging from \$464 to \$952 and yearly payments ranging from \$54,676 to \$85,987, with lease periods of 5 years. Interest rates ranged from 3.06% to 4.57%.

The future principal and interest lease payments on the City's leased vehicles as of June 20, 2023, were as follows:

| Year | Governmental Activities |                   | Business Type Activities |                  |
|------|-------------------------|-------------------|--------------------------|------------------|
|      | Principal               | Interest          | Principal                | Interest         |
| 2024 | \$ 378,582              | \$ 54,944         | \$ 36,308                | \$ 7,598         |
| 2025 | 392,276                 | 41,251            | 37,664                   | 6,243            |
| 2026 | 387,239                 | 26,265            | 39,069                   | 4,837            |
| 2027 | 168,237                 | 10,434            | 40,528                   | 3,379            |
| 2028 | 72,425                  | 2,035             | 18,212                   | 990              |
|      | <u>\$ 1,398,759</u>     | <u>\$ 134,929</u> | <u>\$ 171,781</u>        | <u>\$ 23,047</u> |

City of Havre de Grace, Maryland  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2023

## **10. Defined Benefit Pension Plans**

### **City Employees**

#### **General**

The Mayor and City Council of Havre de Grace, Maryland, established the City of Havre de Grace Civilian Employees' Pension Plan (the "Civilian Plan"), a trust-administered, single-employer, defined-benefit, contributory pension plan effective February 1, 1961, for eligible City employees. The Civilian Plan Committee, which consists of the Mayor and the Director of Administration of the City, is responsible for determining benefits under the plan.

#### **Benefits Provided**

The Civilian Plan provides retirement, disability and death benefits to plan members and their beneficiaries. Retirement benefits for normal retirements are calculated as 1.5% of Final Average Earnings times Years of Credited Service (up to 55% of Final Average Earnings as of date of termination. Final Average Earnings is 1/36<sup>th</sup> of the total of the highest 36 months out of the last 120 months worked, and shall be increased by the number of hours of unused sick leave multiplied by the rate of pay in effect at termination divided by the number of months used in final average earnings. A member is eligible for normal retirement after attainment of age 65 and completion of 5 years of service, or after 30 years of service regardless of age. The normal retirement pension is payable monthly during the member's lifetime, with payments continuing after the member's death to the surviving spouse or eligible child, equal to 50% of the amount payable to the member at the time of death.

The Civilian Plan assets may be used only for the payment of benefits to members and expenses of the plan, in accordance with the terms of the Civilian Plan. The Civilian Plan does not issue a stand-alone financial report.

#### **Basis of Accounting**

The Civilian Plan's financial statements are prepared using the accrual basis of accounting. Employer and Plan member contributions are recognized in the period the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Civilian Plan.

#### **Method Used to Value Investments**

Civilian Plan investments are reported at fair value based on quoted market prices.

The annual money-weighted rate of return was 9.62% for the year ended June 30, 2023. The money-weighted rate of return expresses the investment performance, net of investment expense, adjusted for changing amounts actually invested.

City of Havre de Grace, Maryland  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2023

**10. Defined Benefit Pension Plans** (continued)

**Plan Membership**

As of July 1, 2022, the Civilian Plan's membership consisted of the following:

|   |            |
|---|------------|
| Inactive plan members or beneficiaries currently receiving benefits | 26         |
| Inactive plan members entitled to but not yet receiving benefits    | 7          |
| Active plan members   | 67         |
|   | <u>100</u> |

**Contribution Information and Funding Policy**

The Civilian Plan covers all civilian employees with at least one year of credited service who have worked 1,000 or more hours per year, regardless of age, are eligible to participate in the Civilian Plan. Civilian Plan participants begin vesting after three years of credited service. Full vesting occurs after seven years of participation.

Article X of the City of Havre de Grace, Maryland Civilian Employees Pension Plan establishes contribution rates to the Civilian Plan. Contributions to the Civilian Plan made by the City are based on an actuarially determined rate. The actuarially determined contributions consider the normal retirement benefit (a fixed percentage of monthly compensation), years of service and the employee's age, among other factors. The actuarially required contribution and the amount paid into the Civilian Plan for the year ended June 30, 2023 were \$275,399 and \$510,325, respectively. Participants must contribute 4% of their compensation each year until the participant has earned 30 years of vesting service. Administrative costs are paid by the plan through investment earnings.

**Investment Policy**

The Civilian Plan's investment policy is to invest in a balanced portfolio that, over time, has the potential to balance the capital appreciation offered by stocks with income and relative stability of fixed income securities. The objective is to provide capital appreciation, current income and preservation of capital through a portfolio of stocks and fixed income securities. The Civilian Plan may be amended by the City Council.

The Civilian Plan's target asset allocation was as follows at June 30, 2023:

| Asset Class | Target Allocation |
|-------------|-------------------|
| Stocks      | 50% - 70%         |
| Bonds       | 30% - 50%         |
| Reserves    | 0% - 20%          |

City of Havre de Grace, Maryland  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2023

**10. Defined Benefit Pension Plans (continued)**

**Net Pension Liability**

The net pension liability was allocated amongst the funds based on the percentage of contributions made by each fund. The components of the net pension liability of the City at June 30, 2023 were as follows:

|                                      | Governmental Activities | Business-Type Activities |                  | Total               |
|--------------------------------------|-------------------------|--------------------------|------------------|---------------------|
|                                      |                         | Water and Sewer          | Dockage          |                     |
| Total pension liability              | \$ 10,216,975           | \$ 3,672,698             | \$ 223,104       | \$ 14,112,777       |
| Plan fiduciary net position          | 8,691,508               | 3,124,338                | 189,793          | 12,005,639          |
| City's net pension liability/(asset) | <u>\$ 1,525,467</u>     | <u>\$ 548,360</u>        | <u>\$ 33,311</u> | <u>\$ 2,107,138</u> |

Plan fiduciary net position as a percentage of the total pension liability

85.07%

**Actuarial Assumptions**

The annual required contribution for the current year was determined as part of the actuarial valuation on July 1, 2022 rolled forward to June 30, 2023. The City's net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was based on an actuarial valuation as of July 1, 2022. The actuary utilized update procedures to roll forward the total pension liability in the July 1, 2022 actuarial valuation to the June 30, 2023 measurement date. The actuarial assumptions applied to all periods in the measurement included (a) 7% investment rate of return (net of administrative expenses), (b) projected salary increases at 2% per annum for non-contract employees and 5% per annum for contract employees, (c) inflation of 2.5%.

Mortality rates are based on the following:

- Healthy lives: PubG-2010 Mortality Tables projected with Improvement Scale MP-2021.
- Disabled lives: PubT/G-2010 Disabled Mortality Table projected with Improvement Scale MP-2021.

**Expected long-term rate of return:**

The long-term expected rate of return on Civilian 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 inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Long-Term Expected Real Rate of Return |
|-------------|--|
| Stocks      | 5.0% - 6.5%                            |
| Bonds       | 1.0% - 3.5%                            |
| Reserves    | 0% - 1.0%                              |

City of Havre de Grace, Maryland  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2023

**10. Defined Benefit Pension Plans (continued)**

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that City contributions will continue to follow the current funding policy. Based on those assumptions, the Civilian Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Civilian Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The actuarial assumptions used in the July 1, 2022 valuation were based on past experience under the plan and reasonable future expectation which represent the best estimate of anticipated experience under the Civilian Plan. A recent actuarial experience study was not performed.

The following presents the net pension liability of the City calculated using a discount rate of 7%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6%) or 1 percentage point higher (8%) than the current rate:

|                              | 1% Decrease<br>(6.0%) | Current<br>Discount Rate<br>(7.0%) | 1% Increase<br>(8.0%) |
|------------------------------|-----------------------|------------------------------------|-----------------------|
| City's net pension liability | \$3,168,643           | \$2,107,138                        | \$1,183,122           |

Changes in the City's net pension liability for the year ended June 30, 2023 were as follows:

|  | Increase (Decrease)               |                                       |                                       |
|--|-----------------------------------|---------------------------------------|---------------------------------------|
|  | Total Pension<br>Liability<br>(a) | Plan Fiduciary Net<br>Position<br>(b) | Net Pension<br>Liability<br>(a) - (b) |
| Balances at 6/30/22  | \$ 13,101,773                     | \$ 11,054,104                         | \$ 2,047,669                          |
| Changes for the year:  |                                   |                                       |                                       |
| Service cost   | 284,634                           | -                                     | 284,634                               |
| Interest   | 909,987                           | -                                     | 909,987                               |
| Changes of benefits  | -                                 | -                                     | -                                     |
| Changes of assumptions   | -                                 | -                                     | -                                     |
| Differences between expected<br>and actual experience            | 602,877                           | -                                     | 602,877                               |
| Contributions - employer   | -                                 | 510,325                               | (510,325)                             |
| Contributions - member   | -                                 | 176,743                               | (176,743)                             |
| Net investment income  | -                                 | 1,050,961                             | (1,050,961)                           |
| Benefit payments, including refunds<br>of employee contributions | (786,494)                         | (786,494)                             | -                                     |
| Administrative expense   | -                                 | -                                     | -                                     |
| Net changes  | 1,011,004                         | 951,535                               | 59,469                                |
| Balances at 6/30/23  | \$ 14,112,777                     | \$ 12,005,639                         | \$ 2,107,138                          |

City of Havre de Grace, Maryland  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2023

**10. Defined Benefit Pension Plans** (continued)

**Police Department Employees**

**General**

The Mayor and City Council of Havre de Grace, Maryland, established the City of Havre de Grace Sworn Officers' Pension Plan (the "Police Plan"), a trust-administered, single-employer, defined-benefit, contributory pension plan effective February 1, 1961, for eligible police department employees. The Police Plan Committee, which consists of the Mayor and the Director of Administration of the City, is responsible for determining benefits under the Police Plan.

**Benefits Provided**

The Police Plan provides retirement, disability and death benefits to plan members and their beneficiaries. Retirement benefits for normal retirements after June 30, 2014 are calculated as 2.0% of Final Average Earnings times Years of Credited Service to a maximum of 25 years, plus 1% of Final Average Earnings multiplied by Years of Credited Service in excess of 25 years to a maximum of 5 years. Final Average Earnings is 1/36<sup>th</sup> of the total of the highest 36 months out of the last 120 months worked, and shall be increased by the number of hours of unused sick leave multiplied by the rate of pay in effect at termination divided by the number of months used in final average earnings. A member is eligible for normal retirement after attainment of age 62 and completion of 10 years of service, or after 25 years of service regardless of age. The normal retirement pension is payable monthly during the member's lifetime, with payments continuing after the member's death to the surviving spouse or eligible child, equal to 50% of the amount payable to the member at the time of death.

The Police Plan assets may be used only for the payment of benefits to members and expenses of the Police Plan, in accordance with the terms of the Police Plan. The Police Plan does not issue a stand-alone financial report.

**Basis of Accounting**

The Police Plan's financial statements are prepared using the accrual basis of accounting. Employer and Police Plan member contributions are recognized in the period the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Police Plan.

**Method Used to Value Investments**

Police Plan investments are reported at fair value based on quoted market prices.

The annual money-weighted rate of return was 8.87% for the year ended June 30, 2023. The money-weighted rate of return expresses the investment performance, net of investment expense, adjusted for changing amounts actually invested.

City of Havre de Grace, Maryland  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2023

**10. Defined Benefit Pension Plans** (continued)

**Police Plan Membership**

As of July 1, 2022, the Police Plan's membership consisted of the following:

|   |           |
|---|-----------|
| Inactive plan members or beneficiaries currently receiving benefits | 5         |
| Inactive plan members entitled to but not yet receiving benefits    | 4         |
| Active plan members   | 29        |
|   | <u>38</u> |

**Contribution Information and Funding Policy**

The Police Plan covers all police employees with at least one year of credited service who have worked 1,000 or more hours per year, regardless of age, are eligible to participate in the Police Plan. Police Plan participants begin vesting after three years of credited service. Full vesting occurs after seven years of participation.

Article X of the City of Havre de Grace, Maryland Sworn Officers Pension Plan establishes contribution rates to the Police Plan. Contributions to the Police Plan made by the City are based on an actuarially determined rate. The actuarially determined contributions consider the normal retirement benefit (a fixed percentage of monthly compensation), years of service and the employee's age, among other factors. The actuarially required contribution and the amount paid into the Police Plan for the year ended June 30, 2023 were \$431,665 and \$479,000, respectively. Participants must contribute 7% of his or her compensation each year until the participant has earned 30 years of vesting service. Administrative costs are financed through investment earnings.

**Investment Policy**

The Police Plan investment policy is to invest in a balanced portfolio that, over time, has the potential to balance the capital appreciation offered by stocks with income and relative stability of fixed income securities. The objective is to provide capital appreciation, current income and preservation of capital through a portfolio of stocks and fixed income securities. The Police Plan may be amended by the City Council.

The Police Plan's target asset allocation was as follows at June 30, 2023:

| Asset Class | Target Allocation |
|-------------|-------------------|
| Stocks      | 50% - 70%         |
| Bonds       | 30% - 50%         |
| Reserves    | 0% - 20%          |

City of Havre de Grace, Maryland  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2023

**10. Defined Benefit Pension Plans (continued)**

**Net Pension Liability**

The components of the net pension liability of the Police Plan at June 30, 2023 were as follows:

|  | <u>Governmental Activities</u> |
|--|--------------------------------|
| Total net pension liability  | \$ 7,047,898                   |
| Plan fiduciary net position  | <u>4,717,992</u>               |
| City's net pension liability   | <u><u>\$ 2,329,906</u></u>     |
| Plan fiduciary net position as a percentage of the total pension liability | 66.94%                         |

**Actuarial Assumptions**

The annual required contribution for the current year was determined as part of the actuarial valuation on July 1, 2022 rolled forward to June 30, 2023. The City's net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was based on an actuarial valuation as of July 1, 2022. The actuary utilized update procedures to roll forward the total pension liability in the July 1, 2022 actuarial valuation to the June 30, 2023 measurement date. The actuarial assumptions applied to all periods in the measurement included (a) 7% investment rate of return (net of administrative expenses), and (b) projected salary increases of 2.50% per annum for years of service less than 25 and 1.00% per annum for years of service greater than or equal to 25.

Mortality rates are based on the following:

- Healthy lives: PubS-2010 (BM) Mortality Tables projected with Improvement Scale MP-2021.
- Disabled lives: PubS-2010 Disabled Mortality Table projected with Improvement Scale MP-2021.

City of Havre de Grace, Maryland  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2023

**10. Defined Benefit Pension Plans** (continued)

**Expected long-term rate of return:**

The long-term expected rate of return on Police 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 inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Long-Term Expected Real<br>Rate of Return |
|-------------|---|
| Stocks      | 5.0% - 6.5%                               |
| Bonds       | 1.0% - 3.5%                               |
| Reserves    | 0% - 1.0%                                 |

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that City contributions will continue to follow the current funding policy. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Police Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The actuarial assumptions used in the July 1, 2022 valuation were based on past experience under the Police Plan and reasonable future expectation which represent the best estimate of anticipated experience under the Plan. A recent actuarial experience study was not performed.

The following presents the net pension liability of the City calculated using a discount rate of 7%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6%) or 1 percentage point higher (8%) than the current rate:

|                              | 1%<br>Decrease<br>(6.0%) | Current<br>Discount Rate<br>(7.0%) | 1%<br>Increase<br>(8.0%) |
|------------------------------|--------------------------|------------------------------------|--------------------------|
| City's net pension liability | \$2,963,074              | \$2,329,906                        | \$1,776,888              |

City of Havre de Grace, Maryland  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2023

**10. Defined Benefit Pension Plans (continued)**

Changes in the Police Plan's net pension liability for the year ended June 30, 2023 were as follows:

|   | Increase (Decrease)            |                                    |                                    |
|---|--------------------------------|------------------------------------|------------------------------------|
|   | Total Pension Liability<br>(a) | Plan Fiduciary Net Position<br>(b) | Net Pension Liability<br>(a) - (b) |
| Balances at 6/30/22   | \$ 6,836,753                   | \$ 4,830,526                       | \$ 2,006,227                       |
| Changes for the year:   |                                |                                    |                                    |
| Service cost  | 231,278                        | -                                  | 231,278                            |
| Interest  | 454,093                        | -                                  | 454,093                            |
| Changes of benefits   | -                              | -                                  | -                                  |
| Changes of assumptions  | (18,801)                       | -                                  | (18,801)                           |
| Differences between expected and actual experience            | 726,537                        | -                                  | 726,537                            |
| Contributions - employer                                      | -                              | 479,000                            | (479,000)                          |
| Contributions - member  | -                              | 153,525                            | (153,525)                          |
| Net investment income   | -                              | 436,903                            | (436,903)                          |
| Benefit payments, including refunds of employee contributions | (1,181,962)                    | (1,181,962)                        | -                                  |
| Administrative expense  | -                              | -                                  | -                                  |
| Net changes   | 211,145                        | (112,534)                          | 323,679                            |
| Balances at 6/30/23   | <u>\$ 7,047,898</u>            | <u>\$ 4,717,992</u>                | <u>\$ 2,329,906</u>                |

The city had a change in assumptions related to salary increases in the July 1, 2022 actuarial valuation as compared to previous valuations.

For the year ended June 30, 2023, the City recognized pension expense of \$698,923 for the Civilian employees and \$772,170 for the Police Plan. Pension expense of \$1,290,876, \$168,714, and \$11,503 was recognized in governmental activities, the sewer and water fund, and the dockage fund, respectively.

At June 30, 2023, the City reported deferred outflows and deferred inflows of resources from the following sources:

|  | Civilian Plan       |                     | Sworn Officers Plan |                    | Total               |                     |
|--|---------------------|---------------------|---------------------|--------------------|---------------------|---------------------|
|  | Deferred outflows   | Deferred inflows    | Deferred outflows   | Deferred inflows   | Deferred outflows   | Deferred inflows    |
| Changes of assumptions   | \$ 504,643          | \$ (2,836)          | \$ 298,488          | \$ (34,638)        | \$ 803,131          | \$ (37,474)         |
| Difference between expected and actual experience                                | 520,217             | (143,813)           | 1,035,975           | (20,699)           | 1,556,192           | (164,512)           |
| Net difference between projected and actual earnings on pension plan investments | 888,004             | -                   | 391,040             | -                  | 1,279,044           | -                   |
|  | <u>\$ 1,912,864</u> | <u>\$ (146,649)</u> | <u>\$ 1,725,503</u> | <u>\$ (55,337)</u> | <u>\$ 3,638,367</u> | <u>\$ (201,986)</u> |

At June 30, 2023, the City reported deferred outflows and deferred inflows of resources in governmental and business-type activities as follows:

|                   | Governmental Activities | Business-Type Activities |            | Total        |
|-------------------|-------------------------|--------------------------|------------|--------------|
|                   |                         | Sewer and Water          | Dockage    |              |
| Deferred inflows  | \$ (161,505)            | \$ (38,163)              | \$ (2,318) | \$ (201,986) |
| Deferred outflows | 3,110,325               | 497,802                  | 30,240     | 3,638,367    |

City of Havre de Grace, Maryland  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2023

**10. Defined Benefit Pension Plans** (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows over the next six years:

|            | Civilian Plan       | Sworn Officer Plan  | Total               |
|------------|---------------------|---------------------|---------------------|
| 2024       | \$ 472,249          | \$ 444,633          | \$ 916,882          |
| 2025       | 420,614             | 395,778             | 816,392             |
| 2026       | 843,862             | 531,863             | 1,375,725           |
| 2027       | 29,490              | 183,484             | 212,974             |
| 2028       | -                   | 114,408             | 114,408             |
| Thereafter | -                   | -                   | -                   |
|            | <u>\$ 1,766,215</u> | <u>\$ 1,670,166</u> | <u>\$ 3,436,381</u> |

**11. Other Post-Employment Benefits (OPEB)**

**General**

The Mayor and City Council of Havre de Grace, Maryland established the City of Havre de Grace OPEB Plan (the "Plan"). The Plan provides postemployment healthcare benefits to all eligible employees who retire from the City. The Plan is a single-employer defined benefit OPEB plan administered by the City. The City Charter grants the authority to establish and amend the benefit terms and financing requirements to City Council and the Mayor. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

**Benefits Provided**

The Plan provides postemployment healthcare benefits to all eligible employees who retire from the City. In order to be eligible, the retiree must have a minimum of 25 or more years of City service, and immediately preceding retirement, been enrolled in a medical, vision or prescription drug insurance plan offered to active employees of the City. A retiree of the Civilian plan with 25 to 29 years of service pays 25% of the cost and the City pays 75% of the cost. A retiree of the Civilian plan with more than 30 years of service pays 10% of the cost and the City pays 90% of the cost. A retiree of the Sworn Officers' Pension Plan with 25 or more years of service pays 10% of the cost and the City pays 90% of the cost. The coverage is available until the retiree is eligible for Medicare. The employee's spouse is also eligible for this coverage. City Council and the Mayor have the authority to establish or amend benefits provided.

City of Havre de Grace, Maryland  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2023

**11. Other Post-Employment Benefits (OPEB) (continued)**

**Plan Membership**

As of June 30, 2022, the following employees were covered by the benefit terms:

|  |            |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefit payments | 10         |
| Active employees   | 109        |
|  | <u>119</u> |

**Total OPEB Liability**

The City's total OPEB liability of \$6,786,807 was measured as of June 30, 2022, and was determined by an actuarial valuation as of June 30, 2022.

**Actuarial Assumptions**

The total OPEB liability at June 30, 2022 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

|  |   |
|--|---|
| Inflation                                | 3.0%  |
| Salary Increases                         | 5.0% per annum for Contract Civilian Employees<br>2.0% per annum for Non-Contract Civilian Employees<br>2.5% per annum 0-24 years of service<br>1.0% per annum 25+ years of service |
| Discount Rate                            | 4.09%   |
| Healthcare cost trend rates              | 7.5% for 2023 and 2024, decreasing by .25% per year to an ultimate rate of 4.5% for 2036 and later years  |
| Retirees' share of benefit-related costs | See Benefits Provided Section   |

The discount rate was based on the S&P Municipal Bond 20 Year High Grade Rate Index.

The mortality rates were based on the Pub-2010 Public Retirement Plans Mortality Tables, projected forward on a fully-generational basis with the MP-2021 Mortality Improvement Scale.

The actuarial assumptions used in the June 30, 2022 valuation were based on past experience under the plan and reasonable future expectation which represents the best estimate of anticipated experience under the plan. A recent actuarial experience study was not performed.

City of Havre de Grace, Maryland  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2023

**11. Other Post-Employment Benefits (OPEB) (continued)**

**Changes in Total OPEB Liability**

|  | <u>Total OPEB<br/>Liability</u> |
|--|---------------------------------|
| Balances at 7/1/21, beginning of year              | \$ 7,560,896                    |
| Changes for the year:                              |                                 |
| Service cost                                       | 334,985                         |
| Interest   | 169,549                         |
| Change of benefit terms                            | -                               |
| Differences between expected and actual experience | (248,000)                       |
| Change in assumptions or other inputs              | (792,544)                       |
| Benefit payments                                   | (238,079)                       |
| Net changes  | <u>(774,089)</u>                |
| Balances at 6/30/22, end of year                   | <u>\$ 6,786,807</u>             |

Changes of assumptions and other inputs reflect a change in the discount rate, and healthcare cost trend rates.

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.09 percent) or 1-percentage-point higher (5.09 percent) than the current discount rate:

|                             | <u>1%<br/>Decrease<br/>(3.09%)</u> | <u>Current<br/>Discount Rate<br/>(4.09%)</u> | <u>1%<br/>Increase<br/>(5.09%)</u> |
|-----------------------------|------------------------------------|--|------------------------------------|
| City's total OPEB liability | \$7,647,825                        | \$6,786,807                                  | \$6,041,207                        |

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.5 percent decreasing to 3.5 percent) or 1-percentage-point higher (8.5 percent decreasing to 5.5 percent) than the current discount rate:

|                             | <u>1%<br/>Decrease<br/>(6.5%<br/>decreasing<br/>to 3.5%)</u> | <u>Healthcare<br/>Cost Trend<br/>Rates (7.5%<br/>decreasing to<br/>4.5%)</u> | <u>1%<br/>Increase<br/>(8.5%<br/>decreasing<br/>to 5.5%)</u> |
|-----------------------------|--|--|--|
| City's total OPEB liability | \$5,955,782  | \$6,786,807  | \$7,772,245  |

City of Havre de Grace, Maryland  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2023

**11. Other Post-Employment Benefits (OPEB) (continued)**

**OPEB Expense Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2023, the City recognized OPEB expense of \$512,213. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Changes of assumptions or other inputs       | \$ 483,658                        | \$ 792,378                       |
| Net difference between actual and experience | 429,374                           | 219,765                          |
| Contributions subsequent to measurement date | 190,179                           | -                                |
| Total  | <u>\$ 1,103,211</u>               | <u>\$ 1,012,143</u>              |

The \$238,079 reported as deferred outflows of resources related to OPEB resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2022, other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

|                     |           |
|---------------------|-----------|
| Year ended June 30: |           |
| 2023                | \$ 7,679  |
| 2024                | 7,679     |
| 2025                | 7,679     |
| 2026                | 31,489    |
| 2027                | 26,974    |
| Thereafter          | (180,611) |

**12. Interfund Receivables, Payables and Transfers**

Individual funds "transfers in" and "transfers out" were as follows:

|                             | Transfers In        | Transfers Out       |
|-----------------------------|---------------------|---------------------|
| General Fund                | \$ 1,357,579        | \$ -                |
| American Rescue Plan Fund   | -                   | 3,301,442           |
| Water and Sewer Fund        | 2,033,258           | -                   |
| Nonmajor Governmental Funds | -                   | 89,395              |
|                             | <u>\$ 3,390,837</u> | <u>\$ 3,390,837</u> |

The transfers between the funds were for interfund goods and services provided during the year as well as transfers of funds for eligible grant expenditures.

City of Havre de Grace, Maryland  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2023

**13. Excess of Expenditures Over Appropriations in the General Fund**

The City had excess expenditures over appropriations in the following general fund departments: Public Safety (\$9,769), Miscellaneous (\$34,235) and Debt Service (\$301,633). The excess expenditures were funded by greater than anticipated revenues and prior year fund balances.

**14. Risk Management**

The City is a member of the Local Government Insurance Trust (the Trust). The Trust is a consortium of Maryland local governments created July 1, 1987, to provide an alternative to the diminishing availability of insurance coverages to municipal governments and the increasing premium costs in the municipal insurance market. The Trust is owned and directed by the local governments (participants) that subscribe to its insurance coverages. The Trust's objectives are to (1) offer broader insurance coverages and, in certain cases, coverages not otherwise available from commercial insurance providers; (2) provide coverages to members at competitive rates; and (3) develop programs and provide specific loss control and risk management assistance to local governments.

The Trust is managed by a Board of Trustees and a contract administration company. The Trustees are elected by a majority vote of the participants with each participant having one vote. The City does not exercise any control over the Trust's operations.

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. At June 30, 2023, the City participated in the following pools:

|  | Maximum Coverage<br>Per Claim | Premiums Paid<br>June 30, 2023 |
|--|-------------------------------|--------------------------------|
| Liability pool                                 | \$ 1,000,000                  | \$ 36,600                      |
| Law enforcement liability pool                 | 1,000,000                     | 47,794                         |
| Public official liability pool                 | 1,000,000                     | 8,530                          |
| Excess liability pool                          | 4,000,000                     | 5,268                          |
| Automobile pool                                | 1,000,000                     | 71,295                         |
| Property pool (including boiler and machinery) | 108,053,006                   | 137,382                        |
|  |                               | <u>\$ 306,869</u>              |

Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past three fiscal years.

The Trust assesses premiums based on the amount of coverage obtained and a capital contribution determined by the Trust. The Trust allocates earnings on the Trust assets to reduce annual premiums. In addition, the Trust has the right to assess its members an amount up to twice their annual premium, if the Trust experiences a deficit. At June 30, 2023, the Trust was not in a deficit position.

City of Havre de Grace, Maryland  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2023

**15. Commitments and Contingencies**

The City receives federal, state, and county funding for specific purposes that are subject to review and audit by these agencies. Such audits could result in a request for reimbursement by the grantor agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of the City's management, such disallowances, if any, would not be significant.

**Revitalizing and Development Revolving Loan Fund**

The City was awarded a \$392,500 grant from the Maryland Department of Housing and Community Development, known as the 1990 Bay City Market Block Grant. The purpose of this grant was to loan these funds to entrepreneurs for commercial revitalization activities. Under the terms of the original grant agreement, all principal and interest payments (project income) on these loans were to be remitted to the State. During the year ended June 30, 1991, the City established a revolving loan fund in compliance with Community Development Block Grant regulations. With the implementation of this revolving loan fund, the City was relieved from their liability to repay the State provided they comply with the terms of this new agreement. Upon receipt of the project, the City will offer fixed rate, flexible term, and low interest loans for economic development projects to eligible applicants. Transactions related to these activities are recorded in the Community Development Block Grant Fund.

**Litigation**

Certain claims, suits and complaints arising in the ordinary course of business have been filed or are pending against the City. In the opinion of management and legal counsel, all such matters are adequately covered by insurance, or if not so covered, are without merit or are of such kind or involve such amounts as would not have a significant effect on the financial position or results of operations of the City, if disposed of unfavorably.

**16. Net Position and Fund Balance Classifications**

**Government-Wide Statements**

Net position is displayed in three components:

- a. Net Investment in capital assets – Consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets.
- b. Restricted net position – Consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

City of Havre de Grace, Maryland  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2023

**16. Net Position and Fund Balance Classifications** (continued)

In accordance with Government Accounting Standards Board Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City classifies governmental fund balances as follows:

Nonspendable Fund Balance includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual agreements.

**Spendable Fund Balance**

- **Restricted** - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.
- **Committed** - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. The City's original budget legislation begins with the Fiscal Office combining historical data, assessment of needs for the upcoming year and the Mayor's platform to review and/or make changes to each department's budget. In May, a Budgetary Committee will meet again with each department for final review and approval of a preliminary budget. The budget is then formally presented to City Council at the first Council Meeting in June for its review, revisions, and final approval by June 30th, at which time the budget becomes law. All subsequent budget requests made during the year, after Council's approval, must be presented on a Budget Transfer (BT) and again receive approval by Council. City Council may also amend the budget outside of the BT process.
- **Assigned** - includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Director of Finance.
- **Unassigned** - includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The City spends restricted amounts first when both restricted and unrestricted fund balance or net position is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made, with the exception of the emergency reserve established by the City Council. Under normal circumstances, the City would first elect to utilize the Operating Reserve (unassigned fund balance in the General Fund) before considering use of its Emergency Reserve.

As noted in note 2, the City has established an emergency reserve policy and fund. The emergency reserve is contained as a separate subfund within the General Fund and is included in each annual budget. The emergency reserve will be classified as committed fund balance.

**17. Subsequent Events**

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through October 27, 2023, the date the financial statements were available to be issued, and has determined that no additional material subsequent events exist that require disclosure.

## **REQUIRED SUPPLEMENTARY INFORMATION**

City of Havre de Grace, Maryland  
Schedule of Changes in The Net Pension Liability  
and Related Ratios - Civilian Employees Pension Plan

|   | 2023                 | 2022                 | 2021                 | 2020                 | 2019                 | 2018                 | 2017                 | 2016                 | 2015                | 2014                |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|---------------------|
| <b>Total pension liability</b>  |                      |                      |                      |                      |                      |                      |                      |                      |                     |                     |
| Service cost  | \$ 284,634           | \$ 276,999           | \$ 249,893           | \$ 266,036           | \$ 244,174           | \$ 233,456           | \$ 249,284           | \$ 259,856           | \$ 239,300          | \$ 280,556          |
| Interest  | 909,987              | 899,424              | 951,995              | 932,942              | 881,321              | 846,037              | 843,179              | 732,259              | 719,091             | 698,409             |
| Changes of benefit terms  | -                    | -                    | -                    | -                    | 249,789              | -                    | -                    | -                    | -                   | -                   |
| Differences between expected and actual experience                                | 602,877              | (215,719)            | 3,765                | 99,037               | 18,141               | 44,733               | (316,185)            | (55,130)             | 56,466              | -                   |
| Changes of assumptions  | -                    | 5,931                | 897,804              | 155,368              | (17,011)             | (27,066)             | 109,958              | 1,203,353            | (441,417)           | 16,853              |
| Benefit payments, including refunds of employee contributions                     | (786,494)            | (859,030)            | (1,489,996)          | (919,151)            | (593,137)            | (737,755)            | (927,940)            | (565,571)            | (298,308)           | (1,077,588)         |
| <b>Net change in total pension liability</b>                                      | 1,011,004            | 107,605              | 613,461              | 534,232              | 783,277              | 359,405              | (41,704)             | 1,574,767            | 275,132             | (81,770)            |
| <b>Total pension liability - beginning</b>  | 13,101,773           | 12,994,168           | 12,380,707           | 11,846,475           | 11,063,198           | 10,703,793           | 10,745,497           | 9,170,730            | 8,885,536           | 8,967,306           |
| <b>Total pension liability - ending (a)</b>                                       | <u>\$ 14,112,777</u> | <u>\$ 13,101,773</u> | <u>\$ 12,994,168</u> | <u>\$ 12,380,707</u> | <u>\$ 11,846,475</u> | <u>\$ 11,063,198</u> | <u>\$ 10,703,793</u> | <u>\$ 10,745,497</u> | <u>\$ 9,160,668</u> | <u>\$ 8,885,536</u> |
| <b>Plan fiduciary net position</b>  |                      |                      |                      |                      |                      |                      |                      |                      |                     |                     |
| Contributions - employer  | \$ 510,325           | \$ 534,500           | \$ 650,975           | \$ 561,650           | \$ 246,650           | \$ 252,200           | \$ 216,175           | \$ 233,375           | \$ 504,625          | \$ 546,050          |
| Contributions - employee  | 176,743              | 171,167              | 177,558              | 180,755              | 180,286              | 175,671              | 157,141              | 165,270              | 171,376             | 147,500             |
| Net investment income   | 1,050,961            | (2,375,055)          | 3,186,874            | 587,520              | 768,626              | 913,834              | 1,214,158            | (12,226)             | 351,813             | 1,217,361           |
| Benefit payments, including refunds of employee contributions                     | (786,494)            | (859,030)            | (1,489,996)          | (919,151)            | (593,137)            | (737,755)            | (927,940)            | (565,571)            | (298,307)           | (1,077,588)         |
| <b>Net change in plan fiduciary position</b>                                      | 951,535              | (2,528,418)          | 2,525,411            | 410,774              | 602,425              | 603,950              | 659,534              | (179,152)            | 729,507             | 833,323             |
| <b>Plan fiduciary net position - beginning</b>                                    | 11,054,104           | 13,582,522           | 11,057,111           | 10,646,337           | 10,043,912           | 9,439,962            | 8,780,428            | 8,959,580            | 8,219,991           | 7,386,668           |
| <b>Plan fiduciary net position - ending (b)</b>                                   | <u>12,005,639</u>    | <u>11,054,104</u>    | <u>13,582,522</u>    | <u>11,057,111</u>    | <u>10,646,337</u>    | <u>10,043,912</u>    | <u>9,439,962</u>     | <u>8,780,428</u>     | <u>8,949,498</u>    | <u>8,219,991</u>    |
| <b>City's net pension liability - ending (a) - (b)</b>                            | <u>\$ 2,107,138</u>  | <u>\$ 2,047,669</u>  | <u>\$ (588,354)</u>  | <u>\$ 1,323,596</u>  | <u>\$ 1,200,138</u>  | <u>\$ 1,019,286</u>  | <u>\$ 1,263,831</u>  | <u>\$ 1,965,069</u>  | <u>\$ 211,170</u>   | <u>\$ 665,545</u>   |
| <b>Plan fiduciary net position as a percentage of the total pension liability</b> | 85.07%               | 84.37%               | 104.53%              | 89.31%               | 89.87%               | 90.79%               | 88.19%               | 81.71%               | 97.69%              | 92.51%              |
| <b>Covered payroll</b>  | \$ 4,507,704         | \$ 4,309,668         | \$ 4,355,945         | \$ 4,813,732         | \$ 4,596,919         | \$ 4,636,019         | \$ 4,401,498         | \$ 4,802,568         | \$ 4,661,409        | \$ 4,657,717        |
| <b>City net pension liability as a percentage of covered payroll</b>              | 46.75%               | 47.51%               | -13.51%              | 27.50%               | 26.11%               | 21.99%               | 28.71%               | 40.92%               | 4.53%               | 14.29%              |

**Notes to schedule**

The City had a change in assumption related to accumulated sick leave in the July, 1, 2015 actuarial valuation as compared to previous valuations.

The City had a change in assumptions related to assumed mortality in the July 1, 2016 actuarial valuation as compared to previous valuations.

The City had a change in assumptions related to assumed mortality and salary scale in the July 1, 2017 actuarial valuation as compared to previous valuations.

The City had a change in assumptions related to assumed mortality in the July 1, 2018 actuarial valuation as compared to previous valuations.

The City had a change in assumptions related to assumed mortality in the July 1, 2019 actuarial valuation as compared to previous valuations.

The City had a change in assumptions related to assumed mortality and interest rate in the July 1, 2020 actuarial valuation as compared to previous valuations.

The City had a change in assumptions related to assumed mortality in the July 1, 2021 actuarial valuation as compared to previous valuations.

City of Havre de Grace, Maryland  
Schedule of Changes in The Net Pension Liability  
and Related Ratios - Civilian Employees Pension Plan

|   | 2023                | 2022               | 2021                | 2020              | 2019              | 2018              | 2017             | 2016            | 2015                | 2014               |
|---|---------------------|--------------------|---------------------|-------------------|-------------------|-------------------|------------------|-----------------|---------------------|--------------------|
| Actuarially determined employer contributions                                 | \$ 275,399          | \$ 516,817         | \$ 516,817          | \$ 703,199        | \$ 552,714        | \$ 245,954        | \$ 237,717       | \$ 242,783      | \$ 228,183          | \$ 498,993         |
| Contributions in relation to the actuarially determined employer contribution | 510,325             | 534,500            | 650,975             | 561,650           | 246,650           | 252,200           | 216,175          | 233,375         | 504,625             | 546,060            |
| Employer contributions deficiency (excess)                                    | <u>\$ (234,926)</u> | <u>\$ (17,683)</u> | <u>\$ (134,158)</u> | <u>\$ 141,549</u> | <u>\$ 306,064</u> | <u>\$ (6,246)</u> | <u>\$ 21,542</u> | <u>\$ 9,408</u> | <u>\$ (276,442)</u> | <u>\$ (47,067)</u> |
| Covered payroll   | \$ 4,507,704        | \$ 4,309,668       | \$ 4,355,945        | \$ 4,813,732      | \$ 4,596,919      | \$ 4,636,019      | \$ 4,401,498     | \$ 4,802,568    | \$ 4,661,409        | \$ 4,657,717       |
| Employer contributions as a percentage of covered payroll                     | 11.32%              | 12.40%             | 14.94%              | 11.67%            | 5.37%             | 5.44%             | 4.91%            | 4.86%           | 10.83%              | 11.72%             |

**Notes to Schedule**

Valuation date: Actuarially determined contribution amounts are calculated as of the beginning of the fiscal year (July 1) for the year immediately following the fiscal year. Actuarial valuations are performed every year.

Methods and assumptions used to determine contribution rates:

|                           |  |
|---------------------------|--|
| Actuarial cost method     | Projected Unit Credit  |
| Amortization method       | Level dollar, fixed period   |
| Amortization period       | Period ending June 30, 2025 for unfunded liability due to implementing sick leave assumptions.   |
| Asset valuation method    | 5 - year smoothed market value   |
| Salary increases          | 2% per annum for non-contract employees and 5% per annum for contract employees.   |
| Investment rate of return | 7.00%  |
| Retirement age            | An age-related assumption is used for participants not yet receiving payments.   |
| Mortality                 | Mortality rates are based on the following: 1) Healthy lives: PubG-2010 Mortality Tables projected with Improvement Scale MP-2021. 2) Disabled lives: PubT/G-2010 Disabled Mortality Table projected with Improvement Scale MP-2021. |

City of Havre de Grace, Maryland  
Schedule of Changes in The Net Pension Liability  
and Related Ratios - Civilian Employees Pension Plan

|   | 2023  | 2022    | 2021   | 2020  | 2019  | 2018  | 2017   | 2016   | 2015  | 2014   |
|---|-------|---------|--------|-------|-------|-------|--------|--------|-------|--------|
| Annual money-weighted rate of return, net of investment expense | 9.62% | -17.45% | 30.25% | 5.17% | 7.83% | 9.52% | 14.41% | -0.03% | 4.20% | 17.02% |

City of Havre de Grace, Maryland  
Schedule of Changes in The Net Pension Liability  
and Related Ratios - Sworn Officers' Pension Plan

|   | 2023                | 2022                | 2021                | 2020                | 2019                | 2018                | 2017                | 2016                | 2015                | 2014                |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Total pension liability</b>  |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Service cost  | \$ 231,278          | \$ 210,478          | \$ 189,161          | \$ 191,777          | \$ 152,530          | \$ 155,054          | \$ 184,553          | \$ 163,762          | \$ 150,691          | \$ 129,092          |
| Interest  | 454,093             | 455,773             | 443,843             | 403,589             | 368,173             | 376,942             | 365,397             | 289,798             | 284,709             | 361,652             |
| Changes of benefit terms  | -                   | -                   | -                   | -                   | 19,853              | -                   | -                   | -                   | -                   | -                   |
| Differences between expected and actual experience                                | 726,537             | (28,979)            | 132,966             | 268,523             | 364,322             | 307,316             | 208,128             | 272,442             | 547,966             | -                   |
| Changes of assumptions  | (18,801)            | 4,125               | 515,344             | (30,442)            | (8,529)             | (10,910)            | 8,466               | 629,333             | 412,208             | 6,519               |
| Benefit payments, including refunds of employee contributions                     | (1,181,962)         | (206,911)           | (466,856)           | (193,713)           | (780,797)           | (1,084,340)         | (119,692)           | (730,824)           | (1,936,042)         | (1,042,456)         |
| <b>Net change in total pension liability</b>                                      | <b>211,145</b>      | <b>434,486</b>      | <b>814,458</b>      | <b>639,734</b>      | <b>115,552</b>      | <b>(255,938)</b>    | <b>646,852</b>      | <b>624,511</b>      | <b>(540,468)</b>    | <b>(545,193)</b>    |
| <b>Total pension liability - beginning</b>  | <b>6,836,753</b>    | <b>6,402,267</b>    | <b>5,587,809</b>    | <b>4,948,075</b>    | <b>4,832,523</b>    | <b>5,088,461</b>    | <b>4,441,609</b>    | <b>3,817,098</b>    | <b>4,357,567</b>    | <b>4,902,760</b>    |
| <b>Total pension liability - ending (a)</b>                                       | <b>\$ 7,047,898</b> | <b>\$ 6,836,753</b> | <b>\$ 6,402,267</b> | <b>\$ 5,587,809</b> | <b>\$ 4,948,075</b> | <b>\$ 4,832,523</b> | <b>\$ 5,088,461</b> | <b>\$ 4,441,609</b> | <b>\$ 3,817,099</b> | <b>\$ 4,357,567</b> |
| <b>Plan fiduciary net position</b>  |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Contributions - employer  | \$ 479,000          | \$ 422,650          | \$ 346,725          | \$ 443,100          | \$ 649,100          | \$ 666,475          | \$ 816,700          | \$ 607,175          | \$ 306,400          | \$ 327,700          |
| Contributions - employee  | 153,525             | 137,023             | 137,534             | 147,990             | 136,313             | 140,083             | 140,432             | 133,306             | 131,038             | 150,324             |
| Net investment income   | 436,903             | (956,875)           | 1,203,445           | 196,308             | 257,774             | 325,788             | 355,875             | 14,062              | 93,470              | 529,028             |
| Benefit payments, including refunds of employee contributions                     | (1,181,962)         | (206,911)           | (466,856)           | (193,713)           | (780,797)           | (1,084,340)         | (119,692)           | (730,824)           | (1,936,042)         | (1,042,456)         |
| <b>Net change in plan fiduciary position</b>                                      | <b>(112,534)</b>    | <b>(604,113)</b>    | <b>1,220,848</b>    | <b>593,685</b>      | <b>262,390</b>      | <b>48,006</b>       | <b>1,193,315</b>    | <b>23,719</b>       | <b>(1,405,134)</b>  | <b>(35,404)</b>     |
| <b>Plan fiduciary net position - beginning</b>                                    | <b>4,830,526</b>    | <b>5,434,639</b>    | <b>4,213,791</b>    | <b>3,620,106</b>    | <b>3,357,716</b>    | <b>3,309,710</b>    | <b>2,116,395</b>    | <b>2,092,676</b>    | <b>3,497,811</b>    | <b>3,533,215</b>    |
| <b>Plan fiduciary net position - ending (b)</b>                                   | <b>4,717,992</b>    | <b>4,830,526</b>    | <b>5,434,639</b>    | <b>4,213,791</b>    | <b>3,620,106</b>    | <b>3,357,716</b>    | <b>3,309,710</b>    | <b>2,116,395</b>    | <b>2,092,677</b>    | <b>3,497,811</b>    |
| <b>City's net pension liability - ending (a) - (b)</b>                            | <b>\$ 2,329,906</b> | <b>\$ 2,006,227</b> | <b>\$ 967,628</b>   | <b>\$ 1,374,018</b> | <b>\$ 1,327,969</b> | <b>\$ 1,474,807</b> | <b>\$ 1,778,751</b> | <b>\$ 2,325,214</b> | <b>\$ 1,724,422</b> | <b>\$ 859,756</b>   |
| <b>Plan fiduciary net position as a percentage of the total pension liability</b> | <b>66.94%</b>       | <b>70.66%</b>       | <b>84.89%</b>       | <b>75.41%</b>       | <b>73.16%</b>       | <b>69.48%</b>       | <b>65.04%</b>       | <b>47.65%</b>       | <b>54.82%</b>       | <b>80.27%</b>       |
| <b>Covered payroll</b>  | <b>\$ 2,279,848</b> | <b>\$ 2,006,421</b> | <b>\$ 2,107,251</b> | <b>\$ 2,118,097</b> | <b>\$ 1,904,093</b> | <b>\$ 2,038,102</b> | <b>\$ 2,075,507</b> | <b>\$ 1,867,549</b> | <b>\$ 1,993,618</b> | <b>\$ 2,130,502</b> |
| <b>City net pension liability as a percentage of covered payroll</b>              | <b>102.20%</b>      | <b>99.99%</b>       | <b>45.92%</b>       | <b>64.87%</b>       | <b>69.74%</b>       | <b>72.36%</b>       | <b>85.70%</b>       | <b>124.51%</b>      | <b>86.50%</b>       | <b>40.35%</b>       |

**Notes to schedule**

The City had a change in assumption related to accumulated sick leave in the July 1, 2015 actuarial valuation as compared to previous valuations.

The City had a change in assumptions related to assumed mortality in the July 1, 2016 actuarial valuation as compared to previous valuations.

The City had a change in assumptions related to assumed mortality and salary scale in the July 1, 2017 actuarial valuation as compared to previous valuations.

The City had a change in assumptions related to assumed mortality in the July 1, 2018 actuarial valuation as compared to previous valuations.

The City had a change in benefit terms related to compensated absences in the July 1, 2018 actuarial valuation as compared to previous valuations.

The City had a change in assumptions related to assumed mortality in the July 1, 2019 actuarial valuation as compared to previous valuations.

The City had a change in assumptions related to assumed mortality and interest rate in the July 1, 2020 actuarial valuation as compared to previous valuations.

The City had a change in assumptions related to assumed mortality in the July 1, 2021 actuarial valuation as compared to previous valuations.

The City had a change in assumptions related to assumed salary increases in the July 1, 2022 actuarial valuation as compared to previous valuations.

City of Havre de Grace, Maryland  
Schedule of Changes in The Net Pension Liability  
and Related Ratios - Sworn Officers' Pension Plan

|   | 2023               | 2022             | 2021              | 2020               | 2019                | 2018             | 2017                | 2016              | 2015              | 2014             |
|---|--------------------|------------------|-------------------|--------------------|---------------------|------------------|---------------------|-------------------|-------------------|------------------|
| Actuarially determined employer contributions                                 | \$ 431,665         | \$ 449,777       | \$ 449,777        | \$ 368,489         | \$ 401,604          | \$ 684,522       | \$ 685,068          | \$ 755,644        | \$ 648,377        | \$ 350,877       |
| Contributions in relation to the actuarially determined employer contribution | 479,000            | 422,650          | 346,725           | 443,100            | 649,100             | 666,475          | 816,700             | 607,175           | 306,400           | 327,700          |
| Employer contributions deficiency (excess)                                    | <u>\$ (47,335)</u> | <u>\$ 27,127</u> | <u>\$ 103,052</u> | <u>\$ (74,611)</u> | <u>\$ (247,496)</u> | <u>\$ 18,047</u> | <u>\$ (131,632)</u> | <u>\$ 148,469</u> | <u>\$ 341,977</u> | <u>\$ 23,177</u> |
| Covered payroll   | \$ 2,279,848       | \$ 2,006,421     | \$ 2,107,251      | \$ 2,118,097       | \$ 1,904,093        | \$ 2,038,102     | \$ 2,075,507        | \$ 1,867,549      | \$ 1,993,618      | \$ 2,130,502     |
| Employer contributions as a percentage of covered payroll                     | 21.01%             | 21.06%           | 16.45%            | 20.92%             | 34.09%              | 32.70%           | 39.35%              | 32.51%            | 15.37%            | 15.38%           |

**Notes to Schedule**

Valuation date: Actuarially determined contribution amounts are calculated as of the beginning of the fiscal year (July 1) for the year immediately following the fiscal year. Actuarial valuations are performed every year.

Methods and assumptions used to determine contribution rates:

|                           |   |
|---------------------------|---|
| Actuarial cost method     | Projected Unit Credit   |
| Amortization method       | Level dollar, fixed period  |
| Amortization period       | Period ending June 30, 2025 for unfunded liability due to implementing sick leave assumption.   |
| Asset valuation method    | 5 - year smoothed market value  |
| Salary increases          | 2.50% per annum for years of service less than 25, 1.00% per annum for years of service greater than or equal to 25.  |
| Investment rate of return | 7.00%   |
| Retirement age            | An age-related assumption is used for participants not yet receiving payments.  |
| Mortality                 | Mortality rates are based on the following: 1) Healthy lives: PubS-2010 (Below Median) Mortality Tables projected with Improvement Scale MP-2021. 2) Disabled lives: PubS-2010 Disabled Mortality Table projected with Improvement Scale MP-2021. |

City of Havre de Grace, Maryland  
Schedule of Changes in The Net Pension Liability  
and Related Ratios - Sworn Officers' Pension Plan

|   | 2023  | 2022    | 2021   | 2020  | 2019  | 2018  | 2017   | 2016  | 2015  | 2014   |
|---|-------|---------|--------|-------|-------|-------|--------|-------|-------|--------|
| Annual money-weighted rate of return, net of investment expense | 8.87% | -16.70% | 28.42% | 4.82% | 7.68% | 8.90% | 13.91% | 0.01% | 2.93% | 16.70% |

City of Havre de Grace, Maryland  
Schedule of Changes in the Total OPEB Liability and Related Ratios - Last 10 Years

|   | 2023                | 2022                | 2021                | 2020                | 2019                | 2018                |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Total OPEB liability</b>   |                     |                     |                     |                     |                     |                     |
| Service cost  | \$ 334,985          | \$ 285,735          | \$ 240,111          | \$ 230,118          | \$ 250,061          | \$ 264,863          |
| Interest  | 169,549             | 187,733             | 167,269             | 172,585             | 172,188             | 150,974             |
| Changes of benefit terms  | -                   | -                   | -                   | -                   | -                   | -                   |
| Differences between expected and actual experience                      | (248,000)           | -                   | 663,578             | -                   | (2,291)             | -                   |
| Changes of assumptions  | (792,544)           | 432,805             | 170,368             | 7,977               | 93,281              | (276,770)           |
| Benefit payments  | (238,079)           | (232,997)           | (216,326)           | (217,179)           | (189,059)           | (199,175)           |
| <b>Net change in total OPEB liability</b>                               | <b>(774,089)</b>    | <b>673,276</b>      | <b>1,025,000</b>    | <b>193,501</b>      | <b>324,180</b>      | <b>(60,108)</b>     |
| <b>Total OPEB liability - beginning</b>                                 | <b>7,560,896</b>    | <b>6,887,620</b>    | <b>5,862,620</b>    | <b>5,669,119</b>    | <b>5,344,939</b>    | <b>5,405,047</b>    |
| <b>Total pension OPEB - ending</b>                                      | <b>\$ 6,786,807</b> | <b>\$ 7,560,896</b> | <b>\$ 6,887,620</b> | <b>\$ 5,862,620</b> | <b>\$ 5,669,119</b> | <b>\$ 5,344,939</b> |
| <br><b>Covered payroll</b>  | <br>\$ 6,316,089    | <br>\$ 6,463,196    | <br>\$ 6,931,829    | <br>\$ 6,501,012    | <br>\$ 6,674,121    | <br>\$ 6,477,005    |
| <br><b>City total OPEB liability as a percentage of covered payroll</b> | <br>107.45%         | <br>116.98%         | <br>99.36%          | <br>90.18%          | <br>84.94%          | <br>82.52%          |

**Notes to schedule**

The City adopted GASB 75 on a prospective basis in 2018; therefore only six years are presented in the above schedule.

The City has not accumulated assets in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75 to pay OPEB benefits.

The City had a change in assumptions related to the discount rate from the measurement date of June 30, 2016 to the measurement date of June 30, 2017.

The City had a change in assumptions related to the discount rate and assumed mortality from the measurement date of June 30, 2017 to June 30, 2018.

The City had a change in assumptions related to the discount rate, tax provisions of the plan, and assumed mortality from the measurement date of June 30, 2018 to June 30, 2019.

The City had a change in assumptions related to the discount rate, per capita cost assumptions, and assumed mortality from the measurement date of June 30, 2020 to June 30, 2021.

The City had a change in assumptions related to the discount rate, and healthcare cost trend rates from the measurement date of June 30, 2021 to June 30, 2022.

City of Havre de Grace, Maryland  
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2023

|   | General Fund     |                |                   |                                    |
|---|------------------|----------------|-------------------|------------------------------------|
|   | Budgeted Amounts |                | Actual<br>Amounts | Variance<br>Positive<br>(Negative) |
|   | Original         | Final          |                   |                                    |
| Revenues  |                  |                |                   |                                    |
| Taxes   | 11,472,500       | \$ 11,748,600  | \$ 13,267,567     | \$ 1,518,967                       |
| Licenses and permits  | 323,400          | 323,400        | 351,117           | 27,717                             |
| Intergovernmental   | 1,209,600        | 1,306,200      | 1,306,458         | 258                                |
| Fines and forfeitures   | 4,600            | 4,600          | 5,765             | 1,165                              |
| Charges for services  | 121,100          | 129,200        | 268,823           | 139,623                            |
| Grants  | 2,643,500        | 3,312,700      | 3,381,787         | 69,087                             |
| Miscellaneous   | 286,400          | 850,600        | 693,860           | (156,740)                          |
| Total revenues  | 16,061,100       | 17,675,300     | 19,275,377        | 1,600,077                          |
| Expenditures  |                  |                |                   |                                    |
| Current:  |                  |                |                   |                                    |
| General government:   |                  |                |                   |                                    |
| Legislative   | 90,000           | 90,000         | 99,886            | (9,886)                            |
| Executive   | 51,800           | 51,800         | 54,510            | (2,710)                            |
| Finance   | 814,600          | 814,600        | 772,422           | 42,178                             |
| Elections   | 4,200            | 4,200          | 5,858             | (1,658)                            |
| Legal   | 200,000          | 200,000        | 134,117           | 65,883                             |
| Planning and zoning   | 858,900          | 858,900        | 777,962           | 80,938                             |
| General services  | 2,869,200        | 3,469,000      | 2,989,430         | 479,570                            |
| Information technology  | 478,800          | 478,800        | 524,500           | (45,700)                           |
| Public safety:  |                  |                |                   |                                    |
| Police  | 6,217,800        | 6,371,400      | 6,328,042         | 43,358                             |
| Legal   | -                | -              | 360               | (360)                              |
| Ambulance   | 105,500          | 105,500        | 105,500           | -                                  |
| Fire  | 426,600          | 426,600        | 479,367           | (52,767)                           |
| Public works:   |                  |                |                   |                                    |
| Public works  | 13,002,200       | 13,838,000     | 6,264,099         | 7,573,901                          |
| Shop operations   | 445,400          | 445,400        | 404,963           | 40,437                             |
| Sanitation  | 890,000          | 890,000        | 935,554           | (45,554)                           |
| Parks, recreation, and culture:                                     |                  |                |                   |                                    |
| Civic and cultural contributions                                    | 413,200          | 413,200        | 388,984           | 24,216                             |
| Commissions   | 18,500           | 18,500         | 17,500            | 1,000                              |
| Economic development and opportunity                                |                  |                |                   |                                    |
| Economic development  | 306,200          | 311,200        | 269,263           | 41,937                             |
| Tourism   | 215,100          | 238,100        | 185,410           | 52,690                             |
| Miscellaneous   |                  |                |                   |                                    |
| Insurance   | 172,400          | 172,400        | 207,135           | (34,735)                           |
| Other   | 500              | 500            | -                 | 500                                |
| Debt Service  |                  |                |                   |                                    |
| Principal reduction   | 457,600          | 457,600        | 714,114           | (256,514)                          |
| Interest charges  | 89,100           | 89,100         | 134,219           | (45,119)                           |
| Sub-total expenditures  | 28,127,600       | 29,744,800     | 21,793,195        | 7,951,605                          |
| Distributed expenses and administrative fees charged to other funds | (1,840,500)      | (1,840,500)    | (1,840,500)       | -                                  |
| Total expenditures  | 26,287,100       | 27,904,300     | 19,952,695        | 7,951,605                          |
| Excess of Revenues Over (Under) Expenditures                        | (10,226,000)     | (10,229,000)   | (677,318)         | 9,551,682                          |
| Other Financing Sources (Uses)                                      |                  |                |                   |                                    |
| Proceeds from capital lease   | -                | -              | 740,563           | 740,563                            |
| Transfers in (out)  | 7,855,400        | 8,078,300      | 1,357,579         | (6,720,721)                        |
| Total Other Financing Sources (Uses)                                | 7,855,400        | 8,078,300      | 2,098,142         | (5,980,158)                        |
| Net Change in Fund Balance  | \$ (2,370,600)   | \$ (2,150,700) | \$ 1,420,824      | \$ 3,571,524                       |

## OTHER SUPPLEMENTARY INFORMATION

City of Havre de Grace, Maryland  
Combining Balance Sheet - Nonmajor Governmental Funds  
June 30, 2023

|  | Community<br>Development<br>Block Grant<br>Fund | Promenade<br>Repair Fund | Critical Area<br>Fund | Slip User Fund    | Local Law<br>Enforcement<br>Restricted Fund | Forest<br>Conservation<br>Fund | Community<br>Center Fund | Opioid Fund      | Total Nonmajor<br>Governmental<br>Funds |
|--|---|--------------------------|-----------------------|-------------------|---|--------------------------------|--------------------------|------------------|---|
| <b>Assets:</b>   |   |                          |                       |                   |   |                                |                          |                  |   |
| Cash and cash equivalents                                | \$ 63,323                                       | \$ 39,643                | \$ 251,430            | \$ 138,328        | \$ 101,765                                  | \$ 734                         | \$ 1,883                 | \$ 16,568        | \$ 613,674                              |
| Receivables  | 1,400   | -                        | -                     | -                 | -   | -                              | -                        | -                | 1,400                                   |
| Notes receivable, net of allowance<br>for uncollectibles | 39,927  | -                        | -                     | -                 | -   | -                              | -                        | -                | 39,927                                  |
| Due from other funds                                     | -   | -                        | -                     | -                 | -   | -                              | -                        | -                | -                                       |
| <b>Total Assets</b>                                      | <b>104,650</b>                                  | <b>39,643</b>            | <b>251,430</b>        | <b>138,328</b>    | <b>101,765</b>                              | <b>734</b>                     | <b>1,883</b>             | <b>16,568</b>    | <b>655,001</b>                          |
| <b>Liabilities:</b>                                      |   |                          |                       |                   |   |                                |                          |                  |   |
| Accounts Payable   | -   | -                        | -                     | -                 | -   | -                              | 1,633                    | -                | 1,633                                   |
| Other Liabilities  | -   | -                        | -                     | -                 | -   | -                              | 20,456                   | -                | 20,456                                  |
| Due to other funds                                       | -   | -                        | -                     | -                 | -   | -                              | -                        | -                | -                                       |
| <b>Total Liabilities</b>                                 | <b>-</b>  | <b>-</b>                 | <b>-</b>              | <b>-</b>          | <b>-</b>                                    | <b>-</b>                       | <b>22,089</b>            | <b>-</b>         | <b>22,089</b>                           |
| <b>Fund balances:</b>                                    |   |                          |                       |                   |   |                                |                          |                  |   |
| Nonspendable   |   |                          |                       |                   |   |                                |                          |                  |   |
| Long-term portion of RAD loans                           | 39,927  | -                        | -                     | -                 | -   | -                              | -                        | -                | 39,927                                  |
| Restricted:  |   |                          |                       |                   |   |                                |                          |                  |   |
| Community Development Block Grant                        | 64,723  | -                        | -                     | -                 | -   | -                              | -                        | -                | 64,723                                  |
| Promenade Repair   | -   | 39,643                   | -                     | -                 | -   | -                              | -                        | -                | 39,643                                  |
| Critical Area  | -   | -                        | 251,430               | -                 | -   | -                              | -                        | -                | 251,430                                 |
| Slip Users   | -   | -                        | -                     | 138,328           | -   | -                              | -                        | -                | 138,328                                 |
| Local Law Enforcement Block Grant                        | -   | -                        | -                     | -                 | 101,765                                     | -                              | -                        | -                | 101,765                                 |
| Forest Conservation                                      | -   | -                        | -                     | -                 | -   | 734                            | -                        | -                | 734                                     |
| Opioid   | -   | -                        | -                     | -                 | -   | -                              | -                        | 16,568           | 16,568                                  |
| Unassigned:  |   |                          |                       |                   |   |                                |                          |                  |   |
| Community Center   | -   | -                        | -                     | -                 | -   | -                              | (20,206)                 | -                | (20,206)                                |
| <b>Total fund balances</b>                               | <b>104,650</b>                                  | <b>39,643</b>            | <b>251,430</b>        | <b>138,328</b>    | <b>101,765</b>                              | <b>734</b>                     | <b>(20,206)</b>          | <b>16,568</b>    | <b>632,912</b>                          |
| <b>Total liabilities and fund balances</b>               | <b>\$ 104,650</b>                               | <b>\$ 39,643</b>         | <b>\$ 251,430</b>     | <b>\$ 138,328</b> | <b>\$ 101,765</b>                           | <b>\$ 734</b>                  | <b>\$ 1,883</b>          | <b>\$ 16,568</b> | <b>\$ 655,001</b>                       |

City of Havre de Grace, Maryland  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds  
For the Year Ended June 30, 2023

|                                      | Community<br>Development<br>Block Grant<br>Fund | Promenade<br>Repair Fund | Critical Area<br>Fund | Slip User Fund    | Local Law<br>Enforcement<br>Restricted Fund | Forest<br>Conservation<br>Fund | Community<br>Center Fund | Opioid Fund      | Total Nonmajor<br>Governmental<br>Funds |
|--------------------------------------|---|--------------------------|-----------------------|-------------------|---|--------------------------------|--------------------------|------------------|---|
| Revenues:                            |   |                          |                       |                   |   |                                |                          |                  |   |
| Licenses and permits                 | \$ -  | \$ 9,600                 | \$ -                  | \$ -              | \$ -  | \$ -                           | \$ -                     | \$ -             | \$ 9,600                                |
| Intergovernmental                    | -   | -                        | -                     | -                 | -   | -                              | -                        | 16,568           | 16,568                                  |
| Fees                                 | -   | -                        | -                     | 59,559            | -   | -                              | 48,703                   | -                | 108,262                                 |
| Interest                             | 2,114   | -                        | -                     | -                 | -   | -                              | -                        | -                | 2,114                                   |
| Miscellaneous                        | -   | -                        | -                     | -                 | -   | -                              | -                        | -                | -                                       |
| Total Revenues                       | 2,114   | 9,600                    | -                     | 59,559            | -   | -                              | 48,703                   | 16,568           | 136,544                                 |
| Expenditures:                        |   |                          |                       |                   |   |                                |                          |                  |   |
| Parks, recreation, and culture       | -   | -                        | -                     | -                 | -   | -                              | 40,671                   | -                | 40,671                                  |
| Total Expenditures                   | -   | -                        | -                     | -                 | -   | -                              | 40,671                   | -                | 40,671                                  |
| Revenues over (under expenditures)   | 2,114   | 9,600                    | -                     | 59,559            | -   | -                              | 8,032                    | 16,568           | 95,873                                  |
| Other Financing Sources/(Uses)       |   |                          |                       |                   |   |                                |                          |                  |   |
| Transfers In/(Out)                   | -   | -                        | (35,795)              | -                 | (53,600)                                    | -                              | -                        | -                | (89,395)                                |
| Total Other Financing Uses           | -   | -                        | (35,795)              | -                 | (53,600)                                    | -                              | -                        | -                | (89,395)                                |
| Special Item:                        |   |                          |                       |                   |   |                                |                          |                  |   |
| Return of funds to State of Maryland | (8,482)   | -                        | -                     | -                 | -   | -                              | -                        | -                | (8,482)                                 |
| Net Changes In Fund Balances         | (6,368)   | 9,600                    | (35,795)              | 59,559            | (53,600)                                    | -                              | 8,032                    | 16,568           | (2,004)                                 |
| Fund Balances:                       |   |                          |                       |                   |   |                                |                          |                  |   |
| Beginning of Year                    | 111,018   | 30,043                   | 287,225               | 78,769            | 155,365                                     | 734                            | (28,238)                 | -                | 634,916                                 |
| End of Year                          | <u>\$ 104,650</u>                               | <u>\$ 39,643</u>         | <u>\$ 251,430</u>     | <u>\$ 138,328</u> | <u>\$ 101,765</u>                           | <u>\$ 734</u>                  | <u>\$ (20,206)</u>       | <u>\$ 16,568</u> | <u>\$ 632,912</u>                       |

City of Havre de Grace, Maryland  
Combining Statement of Fiduciary Net Position - Pension Trust Funds  
June 30, 2023

|                                      | Civilian<br>Employees | Sworn Officers<br>Employees | Total                 |
|--------------------------------------|-----------------------|-----------------------------|-----------------------|
| Assets:                              |                       |                             |                       |
| Cash and cash equivalents            | \$ 99,602             | \$ 46,502                   | \$ 146,104            |
| Investments, at fair value:          |                       |                             |                       |
| Mutual funds - equity                | 8,037,888             | 3,059,051                   | 11,096,939            |
| Mutual funds - fixed income          | 3,818,797             | 1,600,739                   | 5,419,536             |
| Other receivables                    | <u>49,352</u>         | <u>11,700</u>               | <u>61,052</u>         |
| <br>Total Assets                     | <br><u>12,005,639</u> | <br><u>4,717,992</u>        | <br><u>16,723,631</u> |
| Net Position                         |                       |                             |                       |
| Net position restricted for pensions | <u>\$ 12,005,639</u>  | <u>\$ 4,717,992</u>         | <u>\$ 16,723,631</u>  |

City of Havre de Grace, Maryland  
Combining Statement of Changes in Fiduciary Net Position - Pension Trust Funds  
For the Year Ended June 30, 2023

|                                   | <u>Civilian<br/>Employees</u> | <u>Sworn Officers<br/>Employees</u> | <u>Total</u>                |
|-----------------------------------|-------------------------------|-------------------------------------|-----------------------------|
| Additions:                        |                               |                                     |                             |
| Contributions:                    |                               |                                     |                             |
| Employer                          | \$ 510,325                    | \$ 479,000                          | \$ 989,325                  |
| Employee                          | 176,743                       | 153,525                             | 330,268                     |
| Net investment income             | <u>1,050,961</u>              | <u>436,903</u>                      | <u>1,487,864</u>            |
| Total Additions                   | 1,738,029                     | 1,069,428                           | 2,807,457                   |
| Deductions                        |                               |                                     |                             |
| Benefit payments                  | <u>786,494</u>                | <u>1,181,962</u>                    | <u>1,968,456</u>            |
| Total Deductions                  | <u>786,494</u>                | <u>1,181,962</u>                    | <u>1,968,456</u>            |
| Change in net position            | 951,535                       | (112,534)                           | 839,001                     |
| Net position at beginning of year | <u>11,054,104</u>             | <u>4,830,526</u>                    | <u>15,884,630</u>           |
| Net position at end of year       | <u><u>\$ 12,005,639</u></u>   | <u><u>\$ 4,717,992</u></u>          | <u><u>\$ 16,723,631</u></u> |



# *Zelenkofske Axelrod LLC*

**CERTIFIED PUBLIC ACCOUNTANTS**

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

## 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

### INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Havre de Grace, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Havre de Grace, Maryland (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 27, 2023.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements 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*.



# *Zelenkofske Axelrod LLC*

**CERTIFIED PUBLIC ACCOUNTANTS**

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

## **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.

*Zelenkofske Axelrod LLC*

ZELENKOFSCHE AXELROD LLC

Harrisburg, Pennsylvania

October 27, 2023