

City of Havre de Grace, Maryland

**Financial Statements
(With Supplementary Information)
and Independent Auditor's Report
June 30, 2021**

City of Havre de Grace, Maryland
For the Fiscal Year Ended June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Havre de Grace, Maryland

Report on the Financial Statements

We have audited the accompanying 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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2021, 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.



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Adoption of New GASB's

As described in Note 1 to the financial statements, in 2021 the City adopted the provisions of Governmental Accounting Standards Board's ("GASB") Statement No. 84, "Fiduciary Activities", GASB Statement No. 90, "Majority Equity Interests", and GASB Statement No. 93, "Replacement of Interbank Offered Rates". Our opinion is not modified with respect to this matter.

Other Matters

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 56-63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other 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.



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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2021, 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 to 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 Axlerod LLC

ZELENKOFSCHE AXELROD LLC

Harrisburg, Pennsylvania

October 21, 2021

City of Havre de Grace, Maryland
Management's Discussion and Analysis (continued)
June 30, 2021

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, 2021. 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 \$49.5 million (net position). Of this amount, \$49.0 million is invested in capital assets, net of related debt.
- The City's overall net position increased by \$3.1 million during the fiscal year. Net position for government activities increased by \$2.2 million while those for business-type activities increased \$800 thousand.
- Operationally, revenues increased \$130 thousand during the fiscal year. The City experienced a \$639 thousand increase in property taxes and a \$236 thousand increase in service fees as a result of continued growth and development. Capital grants and contributions totaled \$490 thousand less than in the prior year primarily as a result of the prior year grants including State and County storm water management grants. Operating grants also declined \$220 thousand as a result of a one-time grant from the Maryland Department of the Environment made in fiscal 2020.
- At the close of the fiscal year, the City of Havre de Grace's governmental funds reported combined ending fund balances of \$8.2 million, an increase of \$1.9 million. The fund balance available for use in future year budgeting was \$6.16 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 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 intends to borrow the remaining \$5.32 million once these funds are exhausted.
- The City expects to receive an estimated \$13.8 million from the Federal Government as a result of the American Rescue Plan Act. The City is required to use these funds by December 2026, primarily on Water & Sewer infrastructure as allowed by the Act. The City received one-half of its estimated proceeds in July 2021, and expects to receive the remaining funds approximately 1 year later.

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** and **other supplemental information** is provided to show details about the City's individual funds, budget and actual information, and additional information on the City's OPEB and Pension Plans.

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, 2021

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 63 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.

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, 2021

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 in the Notes to Financial Statements beginning on page 56 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, 2021, with comparative information for the previous year.

Statement of Net Assets

- City assets exceeded liabilities by \$49.5 million as of June 30, 2021. However, the largest portion (\$49.0 million or 99%) 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				% Change
	Activities		Activities		Total		
	2021	2020	2021	2020	2021	2020	
Current Assets	\$10,102,304	\$ 7,906,353	\$11,845,065	\$ 2,630,555	\$21,947,369	\$10,536,908	108.6%
Internal Balances	635,186	-	(635,186)	-	-	-	0%
Capital Assets	17,092,224	17,061,253	51,630,839	51,771,222	68,723,063	68,832,475	(0.2%)
Net Pension Asset	406,179	-	182,175	-	588,354	-	(100.0%)
Total Assets	28,235,893	24,967,606	63,022,893	54,401,777	91,258,786	79,369,383	14.9%
Deferred outflow of resources	3,263,392	2,085,474	355,527	215,755	3,618,919	2,301,229	57.3%
Current Liabilities	2,067,832	1,426,454	3,394,221	2,725,901	5,462,053	4,152,355	31.5%
Noncurrent Liabilities	14,647,369	14,739,407	22,588,199	15,833,898	37,235,568	30,573,305	21.8%
Total Liabilities	16,715,201	16,165,861	25,982,420	18,559,799	42,697,621	34,725,660	22.9%
Deferred Inflow of resources	2,100,450	390,732	571,836	74,439	2,672,286	465,171	474.5%
Net Assets:							
Net Investment in Capital							
Assets	12,383,252	12,478,209	36,639,965	35,119,625	49,023,217	47,597,834	3.0%
Restricted	570,502	542,858	-	-	570,502	542,858	5.1%
Unrestricted	(270,120)	(2,524,580)	184,199	863,669	(85,921)	(1,660,911)	(94.8%)
Total Net Position	\$12,683,634	\$10,496,487	\$36,824,164	\$35,983,294	\$49,507,798	\$46,479,781	6.5%

City of Havre de Grace, Maryland
Management's Discussion and Analysis (continued)
June 30, 2021

The City's overall net position increased by \$3.1 million during the fiscal year. Net position for government activities increased by \$2.2 million while those for business-type activities increased \$800 thousand.

Revenues increased by \$130 thousand during the fiscal year, primarily due to property taxes increasing \$639 thousand and service fees increasing \$236 thousand. These increases were partially offset by capital contributions and grants decreasing \$490 thousand and operating grants decreasing \$220 thousand.

Expenditures decreased \$500 thousand during the fiscal year. Spending by the City's enterprise funds increased \$169 thousand while government program spending decreased \$670 thousand.

City of Havre de Grace Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total		%
	2021	2020	2021	2020	2021	2020	Change
Program Revenues:							
Charges for Services	\$ 550,464	\$ 421,248	\$ 8,456,927	\$ 8,349,653	\$ 9,007,391	\$ 8,770,901	2.7%
Operating Grants and Contributions	1,602,994	1,472,528	90,900	440,900	1,693,894	1,913,428	(11.5%)
Capital Grants and Contributions	1,139,282	2,019,789	1,459,318	1,068,610	2,598,600	3,088,399	(15.9%)
General Revenues:							
Taxes	12,396,153	11,757,420	-	-	12,396,153	11,757,420	5.4%
Investment Earnings	13,221	99,698	1,035	11,606	14,256	111,304	(87.2%)
Other	171,229	198,634	106,257	17,736	277,486	216,370	28.2%
Total Revenues	15,873,343	15,969,317	10,114,437	9,888,505	25,987,780	25,857,822	0.5%
Expenses							
General Government	3,204,878	3,133,055	-	-	3,215,943	3,133,055	2.6%
Public Safety	5,392,018	5,773,368	-	-	5,394,779	5,773,368	(6.6%)
Public Works	4,178,002	4,251,304	-	-	4,164,176	4,251,304	(2.1%)
Parks, Recreation, and Culture	408,230	416,752	-	-	408,230	416,752	(2.0%)
Economic Development and Culture	259,919	457,264	-	-	259,919	457,264	(43.2%)
Miscellaneous	106,488	134,315	-	-	106,488	134,315	(20.7%)
Special Item	-	50,000	-	-	-	50,000	(100.0%)
Interest on Long-Term Debt	101,759	104,872	-	-	101,759	104,872	(3.0%)
Total Government Activities	13,651,294	14,320,930	-	-	13,651,294	14,320,930	(4.7%)
Water and Sewer	-	-	8,574,155	8,392,264	8,574,155	8,392,264	2.2%
Dockage	-	-	699,412	712,047	699,412	712,047	(1.8%)
Total Expenses	13,651,294	14,320,930	9,273,567	9,104,311	22,924,861	23,425,241	(2.1%)
Change in Position	2,222,049	1,648,387	840,870	784,194	3,062,919	2,432,581	25.9%
Net Assets, Beginning, as restated	10,461,585	8,848,100	35,983,294	35,199,100	46,444,879	44,047,200	5.4%
Net Assets, Ending	\$12,683,634	\$10,496,487	\$36,824,164	\$35,983,294	\$49,507,798	\$46,479,781	6.5%

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 \$7.6 million. The City's total governmental funds reported a combined ending fund balance of \$8.2 million, an increase of \$1.9 million from the prior year. The portion of the general fund balance available for inclusion in future fiscal year taxation and spending budgets was \$6.16 million at year-end, an increase of \$1.9 million compared to that available for the prior year.

The entire fund balance is restricted, committed or in a nonspendable form. These amounts include \$571 thousand 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 \$840 thousand. Unrestricted net position decreased \$680 thousand; while net investment in capital assets of enterprise funds increased by \$1.52 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, 2021 was \$68.7 million (net of accumulated depreciation.) These assets include land, buildings, water and sewer facilities, park facilities, machinery and equipment, and vehicles. The City spent \$4.4 million during 2021 for capital improvements.

City of Havre de Grace, Maryland
Management's Discussion and Analysis (continued)
June 30, 2021

Capital Assets City of Havre de Grace

	Governmental Activities		Business-Type Activities		Total		%
	2021	2020	2021	2020	2021	2020	Change
Land	\$ 3,548,139	\$ 3,548,139	\$ 37,811	\$ 37,811	\$ 3,585,950	\$ 3,585,950	0.0%
Buildings	12,189,109	11,959,220	72,786,297	72,674,519	84,975,406	84,633,739	0.4%
Improvements Other Than Buildings	8,221,451	7,969,286	18,188,514	18,188,514	26,409,965	26,157,800	1.0%
Machinery and Equipment	5,105,754	4,365,166	4,089,502	4,004,320	9,195,256	8,369,486	9.9%
Infrastructure	8,501,042	8,165,785	-	-	8,501,042	8,165,785	4.1%
Construction in Progress	446,488	386,206	5,042,572	2,587,626	5,489,060	2,973,832	84.6%
Less Accumulated Depreciation	(20,919,759)	(19,332,549)	(48,513,857)	(45,721,568)	(69,433,616)	(65,054,117)	6.7%
Total Capital Assets	\$17,092,224	\$17,061,253	\$51,630,839	\$51,771,222	\$68,723,063	\$68,832,475	(0.2%)

Long-Term Debt

- As of June 30, 2021, the City of Havre de Grace had total general obligation debt and capital leases outstanding of \$28.8 million, an increase of \$7.6 million from the prior year. In addition, the City has a postemployment benefit obligations totaling \$6.9 million, a compensated absences liability totaling \$3.3 million, and a net pension liability of \$970 thousand.
- The City's residents authorized the City to borrow \$15 million over the next 5 years to improve the City's water and wastewater infrastructure. The City participated in an August 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 intends to borrow the remaining \$5.32 million once these funds are exhausted.

City of Havre de Grace Outstanding Debt

	Governmental Activities		Business-Type Activities		Total		%
	2021	2020	2021	2020	2021	2020	Change
General Obligation Bonds	\$ 2,239,633	\$ 2,597,133	\$23,958,211	\$16,415,533	\$26,197,844	\$19,012,666	37.8%
Notes and Loans Payable	1,892,933	1,985,911	-	-	1,892,933	1,985,911	(4.6%)
Capital Lease Payable	576,407	-	160,866	236,064	737,273	236,064	212.3%
Compensated Absences	2,660,031	2,458,528	617,644	629,968	3,277,675	3,088,496	6.1%
Postemployment Benefits	6,887,620	5,862,620	-	-	6,887,620	5,862,620	17.5%
Net Pension Liability	967,628	2,285,693	-	411,921	967,628	2,697,614	(64.1%)
Total	\$15,224,252	\$15,189,885	\$24,736,721	\$17,693,486	\$39,960,973	\$32,883,371	21.5%

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, 2021

	Governmental Activities	Business - Type Activities	Total
Current Assets:			
Cash and cash equivalents	\$ 8,357,341	\$ 1,355,316	\$ 9,712,657
Receivables, net of allowance for uncollectibles	243,745	1,346,524	1,590,269
Due from other governments	1,378,186	9,128,203	10,506,389
Notes receivable, net of allowance for uncollectibles	43,204	-	43,204
Internal Balances	635,186	(635,186)	-
Inventory of fuel	18,387	15,022	33,409
Prepaid expenses and deposits	61,441	-	61,441
Total Current Assets	10,737,490	11,209,879	21,947,369
Noncurrent Assets:			
Capital assets			
Land	3,548,139	37,811	3,585,950
Construction in progress	446,488	5,042,572	5,489,060
Infrastructure	8,501,042	-	8,501,042
Buildings	12,189,109	72,786,297	84,975,406
Improvements other than buildings	8,221,451	18,188,514	26,409,965
Equipment	5,105,754	4,089,502	9,195,256
Less accumulated depreciation	(20,919,759)	(48,513,857)	(69,433,616)
Total Capital Assets	17,092,224	51,630,839	68,723,063
Net Pension Asset	406,179	182,175	588,354
Total Assets	28,235,893	63,022,893	91,258,786
Deferred Outflows of Resources			
OPEB	1,035,186	-	1,035,186
Pensions	2,228,206	355,527	2,583,733
Total Deferred Outflows of Resources	3,263,392	355,527	3,618,919
Current Liabilities			
Accounts payable	890,838	967,511	1,858,349
Accrued expenses	600,112	278,188	878,300
Due to Other Funds	-	-	-
Capital leases - current	110,751	78,636	189,387
Notes and loans payable - current	94,498	-	94,498
General obligation bonds - current	371,633	2,069,886	2,441,519
Total Current Liabilities	2,067,832	3,394,221	5,462,053
Noncurrent Liabilities			
Compensated absences	2,660,031	617,644	3,277,675
Capital leases	465,655	82,230	547,885
Notes and loans payable	1,798,435	-	1,798,435
General obligation bonds	1,868,000	21,888,325	23,756,325
OPEB liability	6,887,620	-	6,887,620
Net pension liability	967,628	-	967,628
Total Noncurrent Liabilities	14,647,369	22,588,199	37,235,568
Total Liabilities	16,715,201	25,982,420	42,697,621
Deferred Inflows of Resources:			
OPEB	155,787	-	155,787
Pensions	1,944,663	571,836	2,516,499
Total Deferred Inflows of Resources	2,100,450	571,836	2,672,286
Net Position:			
Net Investment in Capital Assets	12,383,252	36,639,965	49,023,217
Restricted	570,502	-	570,502
Unrestricted	(270,120)	184,199	(85,921)
Total Net Position	\$ 12,683,634	\$ 36,824,164	\$ 49,507,798

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, 2021

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	\$ 3,204,878	\$ 332,184	\$ 5,088	\$ -	\$ (2,867,606)	\$ -	\$ (2,867,606)
Public safety	5,392,018	1,105	1,597,906	57,373	(3,735,634)	-	(3,735,634)
Public works	4,178,002	193,682	-	887,429	(3,096,891)	-	(3,096,891)
Parks, recreation, and culture	408,230	23,493	-	-	(384,737)	-	(384,737)
Economic development and opportunity	259,919	-	-	194,480	(65,439)	-	(65,439)
Miscellaneous	106,488	-	-	-	(106,488)	-	(106,488)
Interest expense	101,759	-	-	-	(101,759)	-	(101,759)
Total Governmental Activities	13,651,294	550,464	1,602,994	1,139,282	(10,358,554)	-	(10,358,554)
Business - Type Activities:							
Water and sewer	8,574,155	7,769,616	90,900	1,459,318	-	745,679	745,679
Dockage	699,412	687,311	-	-	-	(12,101)	(12,101)
Total business-type activities	9,273,567	8,456,927	90,900	1,459,318	-	733,578	733,578
Total Government	\$ 22,924,861	\$ 9,007,391	\$ 1,693,894	\$ 2,598,600	(10,358,554)	733,578	(9,624,976)
General Revenues and Special Item:							
Property taxes					9,291,097	-	9,291,097
Income taxes					2,829,172	-	2,829,172
Other taxes					275,884	-	275,884
Unrestricted investment earnings					13,221	1,035	14,256
Miscellaneous					171,229	106,257	277,486
Total General Revenues and Special Item					12,580,603	107,292	12,687,895
Change in Net Position					2,222,049	840,870	3,062,919
Net position at beginning of year, as restated (Note 19)					10,461,585	35,983,294	46,444,879
Net position at end of year					\$ 12,683,634	\$ 36,824,164	\$ 49,507,798

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, 2021

	General	Nonmajor Governmental Funds	Total Governmental Funds
Assets:			
Cash and cash equivalents	\$ 7,784,872	\$ 572,469	\$ 8,357,341
Receivables, net of allowance for uncollectibles	241,081	2,664	243,745
Due from other governments	1,378,186	-	1,378,186
Notes receivable, net of allowance for uncollectibles	-	43,204	43,204
Inventory of fuel	18,387	-	18,387
Prepaid expenses and deposits	61,441	-	61,441
Due from other funds	669,189	-	669,189
Total Assets	<u>10,153,156</u>	<u>618,337</u>	<u>10,771,493</u>
Liabilities:			
Accounts payable	888,644	2,194	890,838
Accrued expenses	589,832	10,280	600,112
Due to other funds	-	34,003	34,003
Total Liabilities	<u>1,478,476</u>	<u>46,477</u>	<u>1,524,953</u>
Deferred Inflows of Resources:			
Unavailable revenue - property taxes	241,354	-	241,354
Unavailable revenue - income taxes	812,672	-	812,672
Total Deferred Inflows of Resources	<u>1,054,026</u>	<u>-</u>	<u>1,054,026</u>
Fund balances:			
Nonspendable:			
RAD loans	-	43,204	43,204
Inventory	18,387	-	18,387
Prepaid items and deposits	61,441	-	61,441
Restricted:			
Community Development Block Grant	-	83,192	83,192
Promenade Repair	-	22,443	22,443
Critical Area	-	242,724	242,724
Slip Users	-	147,153	147,153
Local Law Enforcement Block Grant	-	74,256	74,256
Forest Conservation	-	734	734
Unassigned:			
Community Center	-	(41,846)	(41,846)
Committed:			
Subsequent year funding commitments	6,163,096	-	6,163,096
Emergency reserve	1,377,730	-	1,377,730
Total fund balances	<u>7,620,654</u>	<u>571,860</u>	<u>8,192,514</u>
Total Liabilities Deferred Inflows of Resources and Fund Balances	<u>\$ 10,153,156</u>	<u>\$ 618,337</u>	<u>\$ 10,771,493</u>

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, 2021

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

Total fund balances - governmental funds	\$ 8,192,514
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Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds:

Capital assets	17,092,224
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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	241,354
Unavailable revenue - income taxes	812,672

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	(2,660,031)
OPEB Liability	(6,887,620)
Notes and loans payable	(1,892,933)
General obligation bonds	(2,239,633)
Capital Lease	(576,406)
Net pension asset	406,179
Net pension liability	(967,628)
Deferred outflows of resources	3,263,392
Deferred inflows of resources	(2,100,450)

Net position of governmental activities	<u>\$ 12,683,634</u>
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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, 2021

	General	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 11,972,449	\$ -	\$ 11,972,449
Licenses and permits	366,200	7,600	373,800
Intergovernmental	1,330,942	-	1,330,942
Fines and forfeitures	3,732	-	3,732
Fees	-	77,365	77,365
Interest	7,768	5,453	13,221
Charges for services	95,567	-	95,567
Grants	1,411,334	-	1,411,334
Miscellaneous	162,876	8,353	171,229
Total Revenues	15,350,868	98,771	15,449,639
Expenditures:			
Current operations:			
General government	3,259,610	-	3,259,610
Public safety	5,384,931	-	5,384,931
Public works	3,652,434	-	3,652,434
Parks, recreation, and culture	377,793	30,437	408,230
Economic development and opportunity	326,061	-	326,061
Miscellaneous	106,488	-	106,488
Capital outlay:			
General government	116,932	-	116,932
Public safety	492,377	-	492,377
Public works	745,751	-	745,751
Parks, recreation, and culture	365,233	-	365,233
Debt service:			
Principal	465,417	-	465,417
Interest	101,759	-	101,759
Distributed expenses and administrative fees charged to other funds	(1,311,600)	-	(1,311,600)
Total Expenditures	14,083,186	30,437	14,113,623
Revenues Over (Under) Expenditures	1,267,682	68,334	1,336,016
Other Financing Sources (Uses)			
Capital Lease Proceeds	591,345	-	591,345
Transfers in	10,990	-	10,990
Transfers out	-	(10,990)	(10,990)
Total Other Financing Sources (Uses)	602,335	(10,990)	591,345
Special Item:			
Return of funds to State of Maryland	-	-	-
Net Changes in Fund Balances	1,870,017	57,344	1,927,361
Fund Balances:			
Beginning of year, as restated (Note 19)	5,750,637	514,516	6,265,153
End of year	\$ 7,620,654	\$ 571,860	\$ 8,192,514

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, 2021

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

Net change in fund balances - total governmental funds	\$ 1,927,361
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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	1,720,293
Depreciation expense	(1,689,322)

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	(3,467)
Income taxes	427,171

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	450,478
Proceeds from capital lease	(591,345)
Principal payments on capital lease	14,939

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	(253,560)
Pension Expense	421,004
Change in accrued compensated absences	(201,503)

Change in net position of governmental activities	\$ <u>2,222,049</u>
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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, 2021

	Water and Sewer	Dockage	Total Business- Type Activities
Current Assets:			
Cash and cash equivalents	\$ 299,302	\$ 1,056,014	\$ 1,355,316
Receivables, net of allowance for uncollectibles	1,346,524	-	1,346,524
Due from other governments	9,128,203	-	9,128,203
Inventory of fuel	-	15,022	15,022
	<u>10,774,029</u>	<u>1,071,036</u>	<u>11,845,065</u>
Total Current Assets			
Noncurrent Assets:			
Capital assets			
Land	37,811	-	37,811
Construction in progress	4,981,987	60,585	5,042,572
Buildings	72,786,297	-	72,786,297
Improvements other than buildings	13,725,667	4,462,847	18,188,514
Equipment	3,985,196	104,306	4,089,502
Less accumulated depreciation	(44,726,684)	(3,787,173)	(48,513,857)
Total Capital Assets	50,790,274	840,565	51,630,839
Net Pension Asset	173,714	8,461	182,175
	<u>61,738,017</u>	<u>1,920,062</u>	<u>63,658,079</u>
Total Assets			
Deferred Outflows of Resources			
Pensions	339,015	16,512	355,527
	<u>339,015</u>	<u>16,512</u>	<u>355,527</u>
Current Liabilities			
Accounts payable	930,358	37,153	967,511
Accrued expenses	253,200	24,988	278,188
Due to other funds	635,186	-	635,186
Capital leases - current	78,636	-	78,636
General obligation bonds - current	2,069,886	-	2,069,886
	<u>3,967,266</u>	<u>62,141</u>	<u>4,029,407</u>
Total Current Liabilities			
Noncurrent Liabilities			
Compensated absences	564,844	52,800	617,644
Capital leases	82,230	-	82,230
General obligation bonds	21,888,325	-	21,888,325
	<u>22,535,399</u>	<u>52,800</u>	<u>22,588,199</u>
Total Noncurrent Liabilities			
Total Liabilities	26,502,665	114,941	26,617,606
	<u>26,502,665</u>	<u>114,941</u>	<u>26,617,606</u>
Deferred Inflows of Resources:			
Pensions	545,278	26,558	571,836
	<u>545,278</u>	<u>26,558</u>	<u>571,836</u>
Net Position:			
Net Investment in Capital Assets	35,799,400	840,565	36,639,965
Unrestricted	(770,311)	954,510	184,199
	<u>\$ 35,029,089</u>	<u>\$ 1,795,075</u>	<u>\$ 36,824,164</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, Expenditures, and Changes in Net Position - Proprietary Funds
For the Year Ended June 30, 2021

	Water and Sewer	Dockage	Total Business- Type Activities
Operating Revenues:			
Charges for services and sales	\$ 7,769,616	\$ 480,883	\$ 8,250,499
Fuel sales	-	193,047	193,047
Miscellaneous	-	13,381	13,381
Total Operating Revenues	<u>7,769,616</u>	<u>687,311</u>	<u>8,456,927</u>
Operating Expenses:			
Personnel services	2,032,563	160,309	2,192,872
Chemicals and supplies	902,828	-	902,828
Utilities	496,528	37,976	534,504
Repairs and maintenance	240,179	15,570	255,749
Depreciation	2,620,425	216,468	2,836,893
Distributed expenses and administrative fees	1,244,400	67,200	1,311,600
Other operating expenses	290,508	49,316	339,824
Cost of fuel sold	-	152,573	152,573
Total Operating Expenses	<u>7,827,431</u>	<u>699,412</u>	<u>8,526,843</u>
Operating (Loss)/Income	<u>(57,815)</u>	<u>(12,101)</u>	<u>(69,916)</u>
Nonoperating Revenues (Expenses):			
Bad debts	12,100	(4,100)	8,000
Interest income	332	703	1,035
Penalties and miscellaneous revenues	98,257	-	98,257
Tap Fees	45,965	-	45,965
Interest charges	(598,440)	-	(598,440)
Bond Issuance	(194,249)	-	(194,249)
Grant proceeds	90,900	-	90,900
Capital recovery charges	1,459,318	-	1,459,318
Total Nonoperating Revenues (Expenses)	<u>914,183</u>	<u>(3,397)</u>	<u>910,786</u>
Increase (Decrease) in Net Position Before Capital Contributions	856,368	(15,498)	840,870
Capital Contributions			
Grant proceeds	-	-	-
Total Capital Contributions	-	-	-
Increase (Decrease) in Net Position	856,368	(15,498)	840,870
Net position at beginning of year	<u>34,172,721</u>	<u>1,810,573</u>	<u>35,983,294</u>
Net position at end of year	<u>\$ 35,029,089</u>	<u>\$ 1,795,075</u>	<u>\$ 36,824,164</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, 2021

	Water and Sewer	Dockage	Total Business- Type Activities
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 7,845,479	\$ 674,287	\$ 8,519,766
Payments to employees for services	(1,530,888)	(110,859)	(1,641,747)
Payments of benefits on behalf of employees	(746,919)	(53,001)	(799,920)
Payments to suppliers for goods and services	(2,802,365)	(317,896)	(3,120,261)
Other operating receipts	156,322	13,382	169,704
Net Cash Provided by Operating Activities	<u>2,921,629</u>	<u>205,913</u>	<u>3,127,542</u>
Cash Flows from Noncapital Financing Activities			
Noncapital grant proceeds	90,900	-	90,900
Transfers from/(to) other funds	635,186	-	635,186
Net Cash Provided by/(Used in) Noncapital Financing Activities	<u>726,086</u>	<u>-</u>	<u>726,086</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets	(2,635,925)	(60,585)	(2,696,510)
Principal paid on bonds, notes, and capital leases	(2,069,205)	-	(2,069,205)
Interest paid on bonds, notes, and capital leases	(741,003)	-	(741,003)
Payment of Bond Issuance Costs	(194,249)	-	(194,249)
Proceeds from bonds and notes	551,045	-	551,045
Capital contributions	1,459,318	-	1,459,318
Net Cash Provided by/(Used In) Capital and Related Financing Activities	<u>(3,630,019)</u>	<u>(60,585)</u>	<u>(3,690,604)</u>
Cash Flows from Investing Activities			
Interest	332	703	1,035
Net Cash Provided by Investing Activities	<u>332</u>	<u>703</u>	<u>1,035</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	18,028	146,031	164,059
Cash and Cash Equivalents, Beginning of Year	281,274	909,983	1,191,257
Cash and Cash Equivalents, End of Year	<u>\$ 299,302</u>	<u>\$ 1,056,014</u>	<u>\$ 1,355,316</u>
Reconciliation of Operating Income/(Loss) To Net Cash Provided By Operating Activities			
Operating income/(loss)	\$ (57,815)	\$ (12,101)	\$ (69,916)
Adjustments to reconcile operating income/(loss) to net cash provided by operating activities			
Depreciation	2,620,425	216,468	2,836,893
Penalties and miscellaneous source revenue received	144,222	-	144,222
Bad debt (expense)/recovery	12,100	(4,100)	8,000
Changes in assets and liabilities			
(Increase)/decrease in accounts receivable	75,863	4,458	80,321
(Increase)/decrease in fuel inventory	-	(2,467)	(2,467)
(Increase)/decrease in deferred outflows pensions	(132,502)	(7,270)	(139,772)
Increase/(decrease) in accounts payable	328,878	9,114	337,992
Increase/(decrease) in accrued operating expenses	43,200	(1,908)	41,292
Increase/(decrease) in compensated absences	(18,780)	6,456	(12,324)
Increase/(decrease) in net pension liability	(567,990)	(26,106)	(594,096)
Increase/(decrease) in deferred inflows pensions	474,028	23,369	497,397
Net Cash Provided by Operating Activities	<u>\$ 2,921,629</u>	<u>\$ 205,913</u>	<u>\$ 3,127,542</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, 2021

	<u>Component Unit</u>
	<u>Pension Trust Funds</u>
Assets:	
Cash and cash equivalents	\$ 355,507
Investments, at fair value:	
Mutual funds - equity	12,905,071
Mutual funds - fixed income	5,703,274
Other receivables	<u>53,309</u>
Total Assets	<u>19,017,161</u>
Net Position	
Net position restricted for pensions	<u>\$ 19,017,161</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, 2021

	<u>Component Unit</u> <u>Pension Trust</u> <u>Funds</u>
Additions:	
Contributions:	
Employer	\$ 997,700
Employee	315,092
Net investment income	4,390,319
Rental Income	<u>-</u>
Total Additions	<u>5,703,111</u>
Deductions	
Benefit payments	<u>1,956,852</u>
Total Deductions	<u>1,956,852</u>
Change in net position	3,746,259
Net position at beginning of year	<u>15,270,902</u>
Net position at end of year	<u><u>\$ 19,017,161</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, 2021

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, 2021

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.

Nonmajor Funds

All Special Revenue Funds 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 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, 2021

1. Summary of significant accounting policies (continued):

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, 2021

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, 2021

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. None of the Special Revenue Funds met the criteria to be considered a major fund; 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, 2021

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.

City of Havre de Grace, Maryland
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

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. 84 "Fiduciary Activities". The adoption of this statement resulted in the restatement of previously reported amounts and reclassification of fund types (see Note 19).

The City adopted the provisions of GASB Statement No. 90 "Majority Equity Interest – An Amendment of GASB Statements No. 14 and No. 61". The adoption of this statement had no effect on previously reported amounts.

The City adopted the provisions of GASB Statement No. 93, "Replacement of Interbank Offered Rates". The adoption of this statement had no effect on previously reported amounts.

Pending Changes in Accounting Principles

In June 2017, the GASB issued Statement No. 87, "*Leases*". The City is required to adopt statement No. 87 for its fiscal year 2022 financial statements.

In June 2018, the GASB issued Statement No. 89, "*Accounting for Interest Cost Incurred before the End of a Construction Period*". The City is required to adopt statement No. 89 for its fiscal year 2022 financial statements.

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 January 2020, the GASB issued Statement No. 92, "*Omnibus 2020*". The City is required to adopt statement No. 92 for its fiscal year 2022 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.

City of Havre de Grace, Maryland
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

1. Summary of significant accounting policies (continued):

Pending Changes in Accounting Principles (continued):

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.

In June 2020, the GASB issued 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 City is required to adopt the remaining provisions of Statement No. 97 for its fiscal year 2022 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, 2021, the reserve for emergency was \$1,377,730.

3. Cash and Investments

Deposits

At year-end, the carrying amount of the City's deposits was \$1,140,717 and the bank balance was \$1,041,701. 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, 2021, 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, 2021

3. Cash and Investments (continued)

The City's investments in the local government investment pool of \$8,571,940 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, 2021, 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	\$ 5,703,274	\$ -	\$ 1,057,216	\$ 4,646,058	\$ -
Total	<u>\$ 5,703,274</u>	<u>\$ -</u>	<u>\$ 1,057,216</u>	<u>\$ 4,646,058</u>	<u>\$ -</u>

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, 2021, 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, 2021 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 \$8,927,447 are valued using quoted market prices (Level 1 inputs), as of June 30, 2021.

The pension trust funds investments in mutual funds of \$18,608,345 are valued using quoted market prices (Level 1 inputs), as of June 30, 2021.

City of Havre de Grace, Maryland
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

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 2021 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 2021.

All receivables are reported at gross value and, where appropriate, reduced by the estimate considered to be uncollectible. At June 30, 2021 all property taxes were considered collectible.

5. Due from Other Governments

Amounts due from other governments totaling \$10,506,389 at June 30, 2021, 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, 2021, the outstanding balance of notes receivable were as follows:

Loan receivable	\$	101,419
Allowance for loan losses		(58,215)
Balance, end of year	\$	<u>43,204</u>

City of Havre de Grace, Maryland
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

7. Cell Tower Lease

The City entered into a cellular phone tower agreement on June 4, 2013, which allows for the placement of cellular antennas and panels at 100 Largaret Lane. Beginning in fiscal year 2014, monthly rent is due in the amount of \$3,000. Rent shall increase on September 1 of each year, thereafter, by an amount equal to three percent over the rent paid during the then-previous twelve-month period. This agreement will expire on August 31, 2041.

During 2021, the City earned \$44,276 from the cell tower lease. The following schedule presents a summary of the minimum future cell tower lease income over the next five fiscal years:

Fiscal Year	Tower Lease Income
2022	45,604
2023	46,972
2024	48,381
2025	49,833
2026	51,328

8. Capital Assets

A summary of changes in capital assets for governmental activities for the year ended June 30, 2021 is as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Capital Assets, Not Being Depreciated				
Land	\$ 3,548,139	\$ -	\$ -	\$ 3,548,139
Construction-in-progress	386,206	195,707	(135,425)	446,488
Total Capital Assets, Not Being Depreciated	<u>3,934,345</u>	<u>195,707</u>	<u>(135,425)</u>	<u>3,994,627</u>
Capital Assets, Being Depreciated				
Infrastructure	8,165,785	335,257	-	8,501,042
Buildings	11,959,220	229,889	-	12,189,109
Improvements other than buildings	7,969,286	252,165	-	8,221,451
Equipment	4,365,166	842,700	(102,112)	5,105,754
Total Capital Assets, Being Depreciated	<u>32,459,457</u>	<u>1,660,011</u>	<u>(102,112)</u>	<u>34,017,356</u>
Less Accumulated Depreciation for:				
Infrastructure	5,329,363	552,584	-	5,881,947
Buildings	5,928,295	444,152	-	6,372,447
Improvements other than buildings	4,548,130	447,145	-	4,995,275
Equipment	3,526,761	245,441	(102,112)	3,670,090
Total Accumulated Depreciation	<u>19,332,549</u>	<u>1,689,322</u>	<u>(102,112)</u>	<u>20,919,759</u>
Total Capital Assets, Being Depreciated, Net	<u>13,126,908</u>	<u>(29,311)</u>	<u>-</u>	<u>13,097,597</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 17,061,253</u>	<u>\$ 166,396</u>	<u>\$ (135,425)</u>	<u>\$ 17,092,224</u>

City of Havre de Grace, Maryland
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

8. Capital Assets (continued)

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

Governmental Activities

General Government	\$ 458,095
Public Safety	114,525
Public Works	<u>1,116,702</u>
 Total Depreciation Expense, Governmental Activities	 <u>\$ 1,689,322</u>

A summary of changes in capital assets for business-type activities for the year ended June 30, 2021 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Not Being Depreciated				
Land	\$ 37,811	\$ -	\$ -	\$ 37,811
Construction In Progress	2,587,626	2,514,778	(59,832)	5,042,572
Total Capital Assets, Not Being Depreciated	<u>2,625,437</u>	<u>2,514,778</u>	<u>(59,832)</u>	<u>5,080,383</u>
Capital Assets, Being Depreciated				
Buildings	72,674,519	111,778	-	72,786,297
Improvements other than buildings	18,188,514	-	-	18,188,514
Equipment	4,004,320	129,786	(44,604)	4,089,502
Total Capital Assets, Being Depreciated	<u>94,867,353</u>	<u>241,564</u>	<u>(44,604)</u>	<u>95,064,313</u>
Less Accumulated Depreciation for:				
Buildings	29,662,487	1,806,677	-	31,469,164
Improvements other than buildings	13,527,236	779,532	-	14,306,768
Equipment	2,531,845	250,684	(44,604)	2,737,925
Total Accumulated Depreciation	<u>45,721,568</u>	<u>2,836,893</u>	<u>(44,604)</u>	<u>48,513,857</u>
Total Capital Assets, Being Depreciated, Net	<u>49,145,785</u>	<u>(2,595,329)</u>	<u>-</u>	<u>46,550,456</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 51,771,222</u>	<u>\$ (80,551)</u>	<u>\$ (59,832)</u>	<u>\$ 51,630,839</u>

City of Havre de Grace, Maryland
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

9. 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, 2021, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds payable	\$ 2,597,133	\$ -	\$ 357,500	\$ 2,239,633	\$ 371,633
Notes and loans payable	1,985,911	-	92,978	1,892,933	94,498
Capital Lease Payable	-	591,345	14,939	576,406	110,751
Compensated absences	2,458,528	239,864	38,361	2,660,031	-
Total OPEB liability	5,862,620	1,241,326	216,326	6,887,620	-
Net pension liability	2,285,693	-	1,318,065	967,628	-
	<u>\$ 15,189,885</u>	<u>\$ 2,072,535</u>	<u>\$ 2,038,169</u>	<u>\$ 15,224,251</u>	<u>\$ 576,882</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, 2021 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds payable	\$ 16,415,533	\$ 8,082,618	\$ 1,994,007	\$ 22,504,144	\$ 1,932,510
Premium on general obligation bonds	-	1,596,630	142,563	1,454,067	137,376
Capital Lease Payable	236,064	-	75,198	160,866	78,636
Compensated absences	629,968	36,171	48,495	617,644	-
Net pension liability	411,921	-	411,921	-	-
	<u>\$ 17,693,486</u>	<u>\$ 9,715,419</u>	<u>\$ 2,672,184</u>	<u>\$ 24,736,721</u>	<u>\$ 2,148,522</u>

City of Havre de Grace, Maryland
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

9. Long-Term Liabilities (continued)

Governmental Activities bonds, notes, and loans payable at June 30, 2021 are comprised of the following:

	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Long-Term Debt - Bonds Payable			
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.	\$ 24,500	\$ 106,500	\$ 131,000
Refunding Bonds, 2013 Series - Bonds dated May 31, 2013 in the amount of 3,383,000 (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.	211,800	417,500	629,300
2016 Sereis 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>135,333</u>	<u>1,344,000</u>	<u>1,479,333</u>
Total long-term debt - bonds payable	<u>371,633</u>	<u>1,868,000</u>	<u>2,239,633</u>
Long-Term Debt - Notes and Loan Payable			
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.	39,498	973,435	1,012,933
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>825,000</u>	<u>880,000</u>
Total notes and loans payable	94,498	1,798,435	1,892,933
Total governmental activities - long-term debt	<u>\$ 466,131</u>	<u>\$ 3,666,435</u>	<u>\$ 4,132,566</u>

City of Havre de Grace, Maryland
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

9. Long-Term Liabilities (continued)

Business-type activities bonds payable at June 30, 2021 are comprised of the following:

	Current	Long-Term	Total
Water and Sewer Fund - Bonds Payable			
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.	1,435,143	11,134,634	12,569,777
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.	62,200	308,500	370,700
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.	154,667	1,536,000	1,690,667
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. Semi annual interest payments are due on the first day of October and April. The bond matures on April 1, 2040.	280,500	7,592,500	7,873,000
Total water and sewer fund - bonds payable	1,932,510	20,571,634	22,504,144
Total business-type activities - long-term debt	\$ 1,932,510	\$ 20,571,634	\$ 22,504,144

City of Havre de Grace, Maryland
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

9. 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, 2021, assuming current interest rates remain the same:

Maturity, years ending June 30	Long-Term Debt - Governmental Activities General Obligation Bonds Payable		
	Principal	Interest	Total
2022	\$ 371,633	\$ 51,242	\$ 422,875
2023	312,967	43,964	356,931
2024	322,100	37,634	359,734
2025	280,433	30,899	311,332
2026	173,167	24,754	197,921
2027-2031	779,333	65,432	844,765
Total	<u>\$ 2,239,633</u>	<u>\$ 253,925</u>	<u>\$ 2,493,558</u>

Maturity, years ending June 30	Notes and Loans Payable		
	Principal	Interest	Total
2022	\$ 94,498	\$ 40,517	\$ 135,015
2023	96,078	38,937	135,015
2024	97,721	37,294	135,015
2025	99,429	35,586	135,015
2026	101,207	33,808	135,015
2027-2031	535,281	139,794	675,075
2032-2036	591,671	83,404	675,075
2037-2040	277,048	17,996	295,044
Total	<u>\$ 1,892,933</u>	<u>\$ 427,336</u>	<u>\$ 2,320,269</u>

The following table shows the annual debt service requirements for Business-Type Activities general obligation bonds outstanding for the year ended June 30, 2021, assuming current interest rates remain the same:

City of Havre de Grace, Maryland
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

9. Long-Term Liabilities (continued)

Maturity, years ending June 30	Long-Term Debt - Business-Type Activities General Obligation Bonds Payable		
	Principal	Interest	Total
2022	\$ 1,932,510	\$ 717,229	\$ 2,649,739
2023	1,976,314	671,845	2,648,159
2024	2,021,451	625,086	2,646,537
2025	2,071,536	576,889	2,648,425
2026	2,120,878	527,164	2,648,042
2027-2031	7,898,455	1,578,067	9,476,522
2032-2036	2,287,000	771,442	3,058,442
2037-2041	2,196,000	250,389	2,446,389
Total	<u>\$ 22,504,144</u>	<u>\$ 5,718,111</u>	<u>\$ 28,222,255</u>

10. Capital Lease Obligations

The City acquired a sewer truck under the provisions of long-term leases. For financial reporting purposes, minimum lease payments relating to the equipment have been capitalized. The lease expires during 2023.

During 2021, the City entered into a lease agreements with Enterprise for 21 vehicles. For financial reporting purposes minimum lease payments relating to the vehicles have been capitalized. The leases expire during 2026.

The cost and depreciation of equipment under the capital leases are as follows:

	Governmental	Business-Type	Total
Cost	\$ 726,092	\$ 392,491	\$ 1,118,583
Accumulated Depreciation	(18,536)	(109,252)	(127,788)
Total	<u>\$ 707,556</u>	<u>\$ 283,239</u>	<u>\$ 990,795</u>

The future minimum lease payments under the capital leases and the net present value of future minimum capital lease payments at June 30, 2021 are as follows:

Year Ending June 30,	Governmental	Business-Type	Total
2022	\$ 132,248	\$ 85,988	\$ 218,236
2023	132,248	85,988	218,236
2024	132,248	-	132,248
2025	132,248	-	132,248
2026	112,810	-	112,810
Total Minimum Lease Payments	641,802	171,976	813,778
Less: Amount Representing Interest	65,396	11,110	76,506
Present Value of Minimum Lease Payments	<u>\$ 576,406</u>	<u>\$ 160,866</u>	<u>\$ 737,272</u>

City of Havre de Grace, Maryland
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

10. Capital Lease Obligations (continued)

The following table summarizes the capital lease liabilities:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Due within one year
Governmental capital lease	\$ -	\$591,345	\$ (14,939)	\$ 576,406	\$ 110,751
Business-Type capital lease	236,064	-	(75,198)	160,866	78,636

11. 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 1/36th 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 30.25% for the year ended June 30, 2021. 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, 2021

11. Defined Benefit Pension Plans (continued)

Plan Membership

As of July 1, 2020, the Civilian Plan's membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	24
Inactive plan members entitled to but not yet receiving benefits	7
Active plan members	70
	<u>101</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, 2021 were \$516,817 and \$650,975, 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, 2021:

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, 2021

11. 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, 2021 were as follows:

	Governmental Activities	Business-Type Activities		Total
		Water and Sewer	Dockage	
Total pension liability	\$ 8,970,719	\$ 3,836,583	\$ 186,866	\$ 12,994,168
Plan fiduciary net position	9,376,898	4,010,297	195,327	13,582,522
City's net pension liability/(asset)	\$ (406,179)	\$ (173,714)	\$ (8,461)	\$ (588,354)

Plan fiduciary net position as a percentage of the total pension liability 104.53%

Actuarial Assumptions

The annual required contribution for the current year was determined as part of the actuarial valuation on July 1, 2020 rolled forward to June 30, 2021. The City's net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was based on an actuarial valuation as of July 1, 2020. The actuary utilized update procedures to roll forward the total pension liability in the July 1, 2020 actuarial valuation to the June 30, 2021 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-2020.
- Disabled lives: PubT/G-2010 Disabled Mortality Table projected with Improvement Scale MP-2020.

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, 2021

11. 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, 2020 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 (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
City's net pension liability	\$462,124	\$(588,354)	\$(1,503,014)

Changes in the City's net pension liability for the year ended June 30, 2021 were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/20	\$ 12,380,707	\$ 11,057,111	\$ 1,323,596
Changes for the year:			
Service cost	249,893	-	249,893
Interest	951,995	-	951,995
Changes of benefits	-	-	-
Changes of assumptions	897,804	-	897,804
Differences between expected and actual experience	3,765	-	3,765
Contributions - employer	-	650,975	(650,975)
Contributions - member	-	177,558	(177,558)
Net investment income	-	3,186,874	(3,186,874)
Benefit payments, including refunds of employee contributions	(1,489,996)	(1,489,996)	-
Administrative expense	-	-	-
Net changes	613,461	2,525,411	(1,911,950)
Balances at 6/30/21	<u>\$ 12,994,168</u>	<u>\$ 13,582,522</u>	<u>\$ (588,354)</u>

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

City of Havre de Grace, Maryland
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

11. 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 1/36th 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 28.42% for the year ended June 30, 2021. 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, 2021

11. Defined Benefit Pension Plans (continued)

Police Plan Membership

As of July 1, 2020, 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	5
Active plan members	31
	<u>41</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, 2021 were \$449,777 and \$346,725, 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, 2021:

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, 2021

11. Defined Benefit Pension Plans (continued)

Net Pension Liability

The components of the net pension liability of the Police Plan at June 30, 2021 were as follows:

	<u>Governmental Activities</u>
Total net pension liability	\$ 6,402,267
Plan fiduciary net position	<u>5,434,639</u>
City's net pension liability	<u>\$ 967,628</u>
Plan fiduciary net position as a percentage of the total pension liability	84.89%

Actuarial Assumptions

The annual required contribution for the current year was determined as part of the actuarial valuation on July 1, 2020 rolled forward to June 30, 2021. The City's net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was based on an actuarial valuation as of July 1, 2020. The actuary utilized update procedures to roll forward the total pension liability in the July 1, 2020 actuarial valuation to the June 30, 2021 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 at 3%, 2.4%, 2.25%, 2.40%, 2% and 2% per annum for grades Officer, PFC, Corporal, Sergeant, Lieutenant, and Captain, respectively.

Mortality rates are based on the following:

- Healthy lives: PubS-2010 (BM) Mortality Tables projected with Improvement Scale MP-2020.
- Disabled lives: PubS-2010 Disabled Mortality Table projected with Improvement Scale MP-2020.

City of Havre de Grace, Maryland
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

11. 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 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, 2020 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% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
City's net pension liability	\$1,565,573	\$967,628	\$448,467

City of Havre de Grace, Maryland
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

11. Defined Benefit Pension Plans (continued)

Changes in the Police Plan's net pension liability for the year ended June 30, 2021 were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/19	\$ 5,587,809	\$ 4,213,791	\$ 1,374,018
Changes for the year:			
Service cost	189,161	-	189,161
Interest	443,843	-	443,843
Changes of benefits	-	-	-
Changes of assumptions	515,344	-	515,344
Differences between expected and actual experience	132,966	-	132,966
Contributions - employer	-	346,725	(346,725)
Contributions - member	-	137,534	(137,534)
Net investment income	-	1,203,445	(1,203,445)
Benefit payments, including refunds of employee contributions	(466,856)	(466,856)	-
Administrative expense	-	-	-
Net changes	814,458	1,220,848	(406,390)
Balances at 6/30/20	\$ 6,402,267	\$ 5,434,639	\$ 967,628

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

For the year ended June 30, 2021, the City recognized pension expense of \$(108,300) for the Civilian employees and \$448,525 for the Police Plan. Pension expense of \$373,954, \$(32,302), and \$(1,427) was recognized in governmental activities, the sewer and water fund, and the dockage fund, respectively.

At June 30, 2021, 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	\$ 1,055,071	\$ (17,528)	\$ 602,230	\$ (32,529)	\$ 1,657,301	\$ (50,057)
Net difference between expected and actual experience	93,140	(98,214)	833,292	-	926,432	(98,214)
Net difference between projected and actual earnings on pension plan investments	-	(1,731,063)	-	(637,165)	-	(2,368,228)
	<u>\$ 1,148,211</u>	<u>\$ (1,846,805)</u>	<u>\$ 1,435,522</u>	<u>\$ (669,694)</u>	<u>\$ 2,583,733</u>	<u>\$ (2,516,499)</u>

At June 30, 2021, 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	\$ (1,944,663)	\$ (545,278)	\$ (26,558)	\$ (2,516,499)
Deferred outflows	2,228,206	339,015	16,512	2,583,733

City of Havre de Grace, Maryland
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

11. 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
2022	\$ (112,318)	\$ 184,418	\$ 72,100
2023	(242,192)	198,797	(43,395)
2024	(221,354)	83,874	(137,480)
2025	(272,989)	35,019	(237,970)
2026	150,259	171,106	321,365
Thereafter	-	92,614	92,614
	<u>\$ (698,594)</u>	<u>\$ 765,828</u>	<u>\$ 67,234</u>

12. 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, 2021

12. Other Post-Employment Benefits (OPEB) (continued)

Plan Membership

As of June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	16
Active employees	115
	<hr/> 131 <hr/>

Total OPEB Liability

The City's total OPEB liability of \$6,887,620 was measured as of June 30, 2020, and was determined by an actuarial valuation as of June 30, 2020.

Actuarial Assumptions

The total OPEB liability at June 30, 2020 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 2.0% per annum for Non-Contract Civilian Employees 3.0% - 2.0% for Sworn Officers depending on position
Discount Rate	2.66% for June 30, 2019
Healthcare cost trend rates	7.5% for 2021, decreasing by .25% per year to an ultimate rate of 4.5% for 2028 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-2020 Mortality Improvement Scale.

The actuarial assumptions used in the June 30, 2020 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, 2021

12. Other Post-Employment Benefits (OPEB) (continued)

Changes in Total OPEB Liability

	Total OPEB Liability
Balances at 7/1/19, beginning of year	\$ 5,862,620
Changes for the year:	
Service cost	240,111
Interest	167,269
Change of benefit terms	-
Differences between expected and actual experience	663,578
Change in assumptions or other inputs	170,368
Benefit payments	(216,326)
Net changes	<u>1,025,000</u>
Balances at 6/30/20, end of year	<u>\$ 6,887,620</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.79% for June 30, 2019 to 2.66% for June 30, 2020, updated mortality rates, and healthcare cost trends.

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 (1.79 percent) or 1-percentage-point higher (3.79 percent) than the current discount rate:

	1% Decrease (1.66%)	Current Discount Rate (2.66%)	1% Increase (3.66%)
City's total OPEB liability	\$7,799,940	\$6,887,620	\$6,102,201

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:

	1% Decrease (6.5% decreasing to 3.5%)	Healthcare Cost Trend Rates (7.5% decreasing to 4.5%)	1% Increase (8.5% decreasing to 5.5%)
City's total OPEB liability	\$5,990,349	\$6,887,620	\$7,966,901

City of Havre de Grace, Maryland
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

12. 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, 2021, the City recognized OPEB expense of \$486,557. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions or other inputs	\$ 216,679	\$ 154,306
Net difference between actual and experience	585,510	1,481
Contributions subsequent to measurement date	232,997	-
Total	<u>\$ 1,035,186</u>	<u>\$ 155,787</u>

The \$232,997 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, 2021, 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:	
2022	\$ 79,177
2023	79,177
2024	79,177
2025	79,177
2026	79,177
Thereafter	250,517

13. Interfund Receivables, Payables and Transfers

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

	Transfers In	Transfers Out
General Fund	\$ 10,990	\$ -
Nonmajor Governmental Funds	-	10,990
	<u>\$ 10,990</u>	<u>\$ 10,990</u>

The transfers between the funds were for interfund goods and services provided during the year.

City of Havre de Grace, Maryland
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

13. Interfund Receivables, Payables and Transfers (continued)

Individual fund "due from other funds" and due to other funds" balances at June 30, 2021, are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 669,189	\$ -
Water & Sewer	-	635,186
Community Center	-	34,003
Total	<u>\$ 669,189</u>	<u>\$ 669,189</u>

The outstanding balance between the funds resulted from the time lag between the date that that interfund goods and services were provided, and the date that payment was made between the funds.

14. Excess of Expenditures Over Appropriations in the General Fund

The City had excess expenditures over appropriations in the following general fund departments: General government (\$89,108), Public safety (\$424), Public works (\$35,418) and Debt Service (\$16,877). The excess expenditures were funded by greater than anticipated revenues and prior year fund balances.

15. 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, 2021, the City participated in the following pools:

	<u>Maximum Coverage Per Claim</u>	<u>Premiums Paid June 30, 2021</u>
Liability pool	\$ 1,000,000	\$ 15,355
Law enforcement liability pool	1,000,000	27,429
Public official liability pool	1,000,000	11,790
Excess liability pool	4,000,000	3,059
Automobile pool	1,000,000	35,803
Property pool (including boiler and machinery)	91,504,605	67,230
		<u>\$ 160,666</u>

City of Havre de Grace, Maryland
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

15. Risk Management (continued)

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, 2021, the Trust was not in a deficit position.

16. 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.

Grant Audit

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.

17. 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, 2021

17. 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.

18. Risks and Uncertainties

As the effects of the Coronavirus pandemic continue to evolve and are dependent upon future developments, the impact of the Coronavirus on the City's operations and financial results are uncertain at this time.

City of Havre de Grace, Maryland
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

19. Restatement of Fund Balance/Net Position

The following restatement was necessary to reflect the adoption of the provisions of GASB Statement No. 84, "Fiduciary Activities." The City has changed its manner of accounting for its fiduciary funds. The City's Community Center fund no longer met the criteria to be classified as a fiduciary activity and accordingly, the City accounts for the activity in the governmental funds. This change for governmental and fiduciary activities is reported as a change in accounting principle and is reflected as a restatement of beginning fund balance/Net Position in the governmental and fiduciary fund financial statements.

	Governmental Activities	Non Major Govnermental Funds
Net Position/Fund Balance 7/1/2020	\$ 10,496,487	\$ 549,418
Understatement (Overstatement) of Fund Balance/Net Position due to the adoption of GASB 84	<u>(34,902)</u>	<u>(34,902)</u>
Restated Net Position/Fund Balance 7/1/2020	<u>\$ 10,461,585</u>	<u>\$ 514,516</u>

20. Subsequent Events

In July 2021, the City learned they would be the recipient of approximately \$13,800,000 in federal aid from the American Rescue Plan Act which will be used primarily on Water and Sewer infrastructure. The City received one-half of its proceeds in July 2021, and expects to receive the remaining funds approximately one year later.

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through October 21, 2021, 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

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability								
Service cost	\$ 249,893	\$ 266,036	\$ 244,174	\$ 233,456	\$ 249,284	\$ 259,856	\$ 239,300	\$ 280,556
Interest	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	3,765	99,037	18,141	44,733	(316,185)	(55,130)	56,466	-
Changes of assumptions	897,804	155,368	(17,011)	(27,066)	109,958	1,203,353	(441,417)	16,853
Benefit payments, including refunds of employee contributions	(1,489,996)	(919,151)	(593,137)	(737,755)	(927,940)	(565,571)	(298,308)	(1,077,588)
Net change in total pension liability	613,461	534,232	783,277	359,405	(41,704)	1,574,767	275,132	(81,770)
Total pension liability - beginning	12,380,707	11,846,475	11,063,198	10,703,793	10,745,497	9,170,730	8,885,536	8,967,306
Total pension liability - ending (a)	\$ 12,994,168	\$ 12,380,707	\$ 11,846,475	\$ 11,063,198	\$ 10,703,793	\$ 10,745,497	\$ 9,160,668	\$ 8,885,536
Plan fiduciary net position								
Contributions - employer	\$ 650,975	\$ 561,650	\$ 246,650	\$ 252,200	\$ 216,175	\$ 233,375	\$ 504,625	\$ 546,050
Contributions - employee	177,558	180,755	180,286	175,671	157,141	165,270	171,376	147,500
Net investment income	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	(1,489,996)	(919,151)	(593,137)	(737,755)	(927,940)	(565,571)	(298,307)	(1,077,588)
Net change in plan fiduciary position	2,525,411	410,774	602,425	603,950	659,534	(179,152)	729,507	833,323
Plan fiduciary net position - beginning	11,057,111	10,646,337	10,043,912	9,439,962	8,780,428	8,959,580	8,219,991	7,386,668
Plan fiduciary net position - ending (b)	13,582,522	11,057,111	10,646,337	10,043,912	9,439,962	8,780,428	8,949,498	8,219,991
City's net pension liability - ending (a) - (b)	\$ (588,354)	\$ 1,323,596	\$ 1,200,138	\$ 1,019,286	\$ 1,263,831	\$ 1,965,069	\$ 211,170	\$ 665,545
Plan fiduciary net position as a percentage of the total pension liability	104.53%	89.31%	89.87%	90.79%	88.19%	81.71%	97.69%	92.51%
Covered payroll	\$ 4,355,945	\$ 4,813,732	\$ 4,596,919	\$ 4,636,019	\$ 4,401,498	\$ 4,802,568	\$ 4,661,409	\$ 4,657,717
City net pension liability as a percentage of covered payroll	-13.51%	27.50%	26.11%	21.99%	28.71%	40.92%	4.53%	14.29%

Notes to schedule

The City adopted GASB 67 on a prospective basis in 2014; therefore only eight years are presented in the above 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.

City of Havre de Grace, Maryland
Schedule of Employer Contributions - Last 10 Years
Civilian Employees' Pension Plan

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined employer contributions	\$ 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	650,975	561,650	246,650	252,200	216,175	233,375	504,625	546,060		
Employer contributions deficiency (excess)	<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	\$ 4,355,945	\$ 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	14.94%	11.67%	5.37%	5.44%	4.91%	4.86%	10.83%	11.72%		

* Information for years 2013 and prior is not available.

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-2020. 2) Disabled lives: PubT/G-2010 Disabled Mortality Table projected with Improvement Scale MP-2020.

City of Havre de Grace, Maryland
Schedule of Investment Returns - Civilian Employees' Pension Plan

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

Notes to Schedule

The City adopted GASB 67 on a prospective basis in 2014; therefore only eight years are presented in the above schedule.

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

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability								
Service cost	\$ 189,161	\$ 191,777	\$ 152,530	\$ 155,054	\$ 184,553	\$ 163,762	\$ 150,691	\$ 129,092
Interest	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	132,966	268,523	364,322	307,316	208,128	272,442	547,966	-
Changes of assumptions	515,344	(30,442)	(8,529)	(10,910)	8,466	629,333	412,208	6,519
Benefit payments, including refunds of employee contributions	(466,856)	(193,713)	(780,797)	(1,084,340)	(119,692)	(730,824)	(1,936,042)	(1,042,456)
Net change in total pension liability	814,458	639,734	115,552	(255,938)	646,852	624,511	(540,468)	(545,193)
Total pension liability - beginning	5,587,809	4,948,075	4,832,523	5,088,461	4,441,609	3,817,098	4,357,567	4,902,760
Total pension liability - ending (a)	\$ 6,402,267	\$ 5,587,809	\$ 4,948,075	\$ 4,832,523	\$ 5,088,461	\$ 4,441,609	\$ 3,817,099	\$ 4,357,567
Plan fiduciary net position								
Contributions - employer	\$ 346,725	\$ 443,100	\$ 649,100	\$ 666,475	\$ 816,700	\$ 607,175	\$ 306,400	\$ 327,700
Contributions - employee	137,534	147,990	136,313	140,083	140,432	133,306	131,038	150,324
Net investment income	1,203,445	196,308	257,774	325,788	355,875	14,062	93,470	529,028
Benefit payments, including refunds of employee contributions	(466,856)	(193,713)	(780,797)	(1,084,340)	(119,692)	(730,824)	(1,936,042)	(1,042,456)
Net change in plan fiduciary position	1,220,848	593,685	262,390	48,006	1,193,315	23,719	(1,405,134)	(35,404)
Plan fiduciary net position - beginning	4,213,791	3,620,106	3,357,716	3,309,710	2,116,395	2,092,676	3,497,811	3,533,215
Plan fiduciary net position - ending (b)	5,434,639	4,213,791	3,620,106	3,357,716	3,309,710	2,116,395	2,092,677	3,497,811
City's net pension liability - ending (a) - (b)	\$ 967,628	\$ 1,374,018	\$ 1,327,969	\$ 1,474,807	\$ 1,778,751	\$ 2,325,214	\$ 1,724,422	\$ 859,756
Plan fiduciary net position as a percentage of the total pension liability	84.89%	75.41%	73.16%	69.48%	65.04%	47.65%	54.82%	80.27%
Covered payroll	\$ 2,107,251	\$ 2,118,097	\$ 1,904,093	\$ 2,038,102	\$ 2,075,507	\$ 1,867,549	\$ 1,993,618	\$ 2,130,502
City net pension liability as a percentage of covered payroll	45.92%	64.87%	69.74%	72.36%	85.70%	124.51%	86.50%	40.35%

Notes to schedule

The City adopted GASB 67 on a prospective basis in 2014; therefore only eight years are presented in the above 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.

City of Havre de Grace, Maryland
Schedule of Employer Contributions - Last 10 Years
Sworn Officers' Pension Plan

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined employer contributions	\$ 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	346,725	443,100	649,100	666,475	816,700	607,175	306,400	327,700		
Employer contributions deficiency (excess)	<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	\$ 2,107,251	\$ 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	16.45%	20.92%	34.09%	32.70%	39.35%	32.51%	15.37%	15.38%		

* Information for years 2013 and prior is not available.

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	3.00%, 2.40%, 2.25%, 2.40%, 2.00%, and 2.00% per annum for Officer, PFC, Corporal, Sergeant, Lieutenant, and Captain, respectively.
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-2020. 2) Disabled lives: PubS-2010 disabled Mortality Table projected with Improvement Scale MP-2020.

City of Havre de Grace, Maryland
Schedule of Investment Returns - Sworn Officers' Pension Plan

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

Notes to Schedule

The City adopted GASB 67 on a prospective basis in 2014; therefore only seven years are presented in the above schedule.

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

	2021	2020	2019	2018
Total OPEB liability				
Service cost	\$ 240,111	\$ 230,118	\$ 250,061	\$ 264,863
Interest	167,269	172,585	172,188	150,974
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	663,578	-	(2,291)	-
Changes of assumptions	170,368	7,977	93,281	(276,770)
Benefit payments	(216,326)	(217,179)	(189,059)	(199,175)
Net change in total OPEB liability	1,025,000	193,501	324,180	(60,108)
Total OPEB liability - beginning	5,862,620	5,669,119	5,344,939	5,405,047
Total pension OPEB - ending	\$ 6,887,620	\$ 5,862,620	\$ 5,669,119	\$ 5,344,939
 Covered payroll	 \$ 6,931,829	 \$ 6,501,012	 \$ 6,674,121	 \$ 6,477,005
 City total OPEB liability as a percentage of covered payroll	 99.36%	 90.18%	 84.94%	 82.52%

Notes to schedule

The City adopted GASB 75 on a prospective basis in 2018; therefore only four 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.

City of Havre de Grace, Maryland
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2021

	General Fund			
	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Revenues				
Taxes	11,304,000	\$ 11,344,500	\$ 11,972,449	\$ 627,949
Licenses and permits	273,100	273,100	366,200	93,100
Intergovernmental	908,300	1,247,100	1,330,942	83,842
Fines and forfeitures	4,400	4,400	3,732	(668)
Charges for services	111,900	111,900	95,567	(16,333)
Grants	5,275,700	5,379,600	1,411,334	(3,968,266)
Miscellaneous	576,000	576,000	170,644	(405,356)
Total revenues	18,453,400	18,936,600	15,350,868	(3,585,732)
Expenditures				
Current:				
General government:				
Legislative	87,800	87,800	87,595	205
Executive	43,500	43,500	39,582	3,918
Finance	853,600	853,600	734,442	119,158
Elections	5,500	5,500	3,225	2,275
Legal	105,000	105,000	121,984	(16,984)
Planning and zoning	626,300	626,300	659,433	(33,133)
General services	1,558,200	1,586,600	1,351,542	235,058
Information technology	328,500	328,500	367,491	(38,991)
Public safety:				
Police	5,650,800	5,650,800	5,313,146	337,654
Legal	1,000	1,000	1,424	(424)
Ambulance	99,500	99,500	98,600	900
Fire	406,600	467,200	464,138	3,062
Public works:				
Public works	7,969,500	8,693,800	3,889,977	4,803,823
Shop operations	533,000	362,000	351,415	10,585
Sanitation	600,000	599,300	634,718	(35,418)
Parks, recreation, and culture:				
Civic and cultural contributions	289,900	300,600	265,100	35,500
Commissions	21,000	21,000	11,248	9,752
Economic development and opportunity				
Economic development	229,500	229,500	141,655	87,845
Tourism	256,700	256,700	184,406	72,294
Miscellaneous				
Insurance	129,100	129,100	106,488	22,612
Other	1,000	1,000	-	1,000
Debt Service				
Principal reduction	450,500	450,500	465,417	(14,917)
Interest charges	99,800	99,800	101,760	(1,960)
Sub-total expenditures	20,346,300	20,998,600	15,394,786	5,603,814
Distributed expenses and administrative fees charged to other funds	(1,311,600)	(1,311,600)	(1,311,600)	-
Total expenditures	19,034,700	19,687,000	14,083,186	5,603,814
Excess of Revenues Over (Under) Expenditures	(581,300)	(750,400)	1,267,682	2,018,082
Other Financing Sources (Uses)				
Proceeds from capital lease	-	-	591,345	591,345
Transfers in (out)	(28,300)	85,100	10,990	(74,110)
Total Other Financing Sources (Uses)	(28,300)	85,100	602,335	517,235
Net Change in Fund Balance	\$ (609,600)	\$ (665,300)	\$ 1,870,017	\$ 2,535,317

OTHER SUPPLEMENTARY INFORMATION

City of Havre de Grace, Maryland
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2021

	Community Development Block Grant Fund	Promenade Repair Fund	Critical Area Fund	Slip User Fund	Local Law Enforcement Restricted Fund	Forest Conservation Fund	Community Center Fund	Total Nonmajor Governmental Funds
Assets:								
Cash and cash equivalents	\$ 80,528	\$ 22,443	\$ 242,724	\$ 147,153	\$ 74,256	\$ 734	\$ 4,631	\$ 572,469
Receivables	2,664	-	-	-	-	-	-	2,664
Notes receivable, net of allowance for uncollectibles	43,204	-	-	-	-	-	-	43,204
Due from other funds	-	-	-	-	-	-	-	-
Total Assets	126,396	22,443	242,724	147,153	74,256	734	4,631	618,337
Liabilities:								
Accounts Payable	-	-	-	-	-	-	2,194	2,194
Other Liabilities	-	-	-	-	-	-	10,280	10,280
Due to other funds	-	-	-	-	-	-	34,003	34,003
Total Liabilities	-	-	-	-	-	-	46,477	46,477
Fund balances:								
Nonspendable								
Long-term portion of RAD loans	43,204	-	-	-	-	-	-	43,204
Restricted:								
Community Development Block Grant	83,192	-	-	-	-	-	-	83,192
Promenade Repair	-	22,443	-	-	-	-	-	22,443
Critical Area	-	-	242,724	-	-	-	-	242,724
Slip Users	-	-	-	147,153	-	-	-	147,153
Local Law Enforcement Block Grant	-	-	-	-	74,256	-	-	74,256
Forest Conservation	-	-	-	-	-	734	-	734
Unassigned:								
Community Center	-	-	-	-	-	-	(41,846)	(41,846)
Total fund balances	126,396	22,443	242,724	147,153	74,256	734	(41,846)	571,860
Total liabilities and fund balances	\$ 126,396	\$ 22,443	\$ 242,724	\$ 147,153	\$ 74,256	\$ 734	\$ 4,631	\$ 618,337

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, 2021

	Community Development Block Grant Fund	Promenade Repair Fund	Critical Area Fund	Slip User Fund	Local Law Enforcement Restricted Fund	Forest Conservation Fund	Community Center Fund	Total Nonmajor Governmental Funds
Revenues:								
Licenses and permits	\$ -	\$ 7,600	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,600
Intergovernmental	-	-	-	-	-	-	-	-
Fees	-	-	-	53,872	-	-	23,493	77,365
Interest	5,453	-	-	-	-	-	-	5,453
Miscellaneous	8,100	-	-	-	253	-	-	8,353
Total Revenues	13,553	7,600	-	53,872	253	-	23,493	98,771
Expenditures:								
Parks, recreation, and culture	-	-	-	-	-	-	30,437	30,437
Total Expenditures	-	-	-	-	-	-	30,437	30,437
Revenues over (under expenditures)	13,553	7,600	-	53,872	253	-	(6,944)	68,334
Other Financing Sources/(Uses)								
Transfers In/Out	-	-	1,426	(12,416)	-	-	-	(10,990)
Total Other Financing Uses	-	-	1,426	(12,416)	-	-	-	(10,990)
Special Item:								
Return of funds to State of Maryland	-	-	-	-	-	-	-	-
Net Changes In Fund Balances	13,553	7,600	1,426	41,456	253	-	(6,944)	57,344
Fund Balances:								
Beginning of Year, as restated (Note 19)	112,843	14,843	241,298	105,697	74,003	734	(34,902)	514,516
End of Year	<u>\$ 126,396</u>	<u>\$ 22,443</u>	<u>\$ 242,724</u>	<u>\$ 147,153</u>	<u>\$ 74,256</u>	<u>\$ 734</u>	<u>\$ (41,846)</u>	<u>\$ 571,860</u>

City of Havre de Grace, Maryland
Combining Statement of Fiduciary Net Position - Pension Trust Funds
June 30, 2021

	Civilian Employees	Sworn Officers Employees	Total
Assets:			
Cash and cash equivalents	\$ 168,347	\$ 187,160	\$ 355,507
Investments, at fair value:			
Mutual funds - equity	9,295,356	3,609,715	12,905,071
Mutual funds - fixed income	4,077,210	1,626,064	5,703,274
Other receivables	41,609	11,700	53,309
Total Assets	13,582,522	5,434,639	19,017,161
Net Position			
Net position restricted for pensions	\$ 13,582,522	\$ 5,434,639	\$ 19,017,161

City of Havre de Grace, Maryland
Combining Statement of Changes in Fiduciary Net Position - Pension Trust Funds
For the Year Ended June 30, 2021

	<u>Civilian Employees</u>	<u>Sworn Officers Employees</u>	<u>Total</u>
Additions:			
Contributions:			
Employer	\$ 650,975	\$ 346,725	\$ 997,700
Employee	177,558	137,534	315,092
Net investment income	<u>3,186,874</u>	<u>1,203,445</u>	<u>4,390,319</u>
Total Additions	4,015,407	1,687,704	5,703,111
Deductions			
Benefit payments	<u>1,489,996</u>	<u>466,856</u>	<u>1,956,852</u>
Total Deductions	<u>1,489,996</u>	<u>466,856</u>	<u>1,956,852</u>
Change in net position	2,525,411	1,220,848	3,746,259
Net position at beginning of year	<u>11,057,111</u>	<u>4,213,791</u>	<u>15,270,902</u>
Net position at end of year	<u><u>\$ 13,582,522</u></u>	<u><u>\$ 5,434,639</u></u>	<u><u>\$ 19,017,161</u></u>



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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, 2021, 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 21, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) 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*.



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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 21, 2021