

**POCOMOKE CITY, MARYLAND**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2024**

# POCOMOKE CITY, MARYLAND

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## INDEPENDENT AUDITORS' REPORT

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To the Mayor and Council and City Manager  
Pocomoke City, Maryland

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pocomoke City, Maryland, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Pocomoke City, Maryland's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pocomoke City, Maryland, as of June 30, 2024, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

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

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

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

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

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

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

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

In performing an audit in accordance with GAAS, we:

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

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

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information on pages 4 through 13 and pages 46 through 50 be presented to supplement the basic financial statements.

***Required Supplementary Information (continued)***

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2025 on our consideration of Pocomoke City, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pocomoke City, Maryland's internal control over financial reporting and compliance.

**CERTIFIED PUBLIC ACCOUNTANTS**

Salisbury, Maryland  
February 28, 2025

**POCOMOKE CITY, MARYLAND**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2024**

This section of Pocomoke City, Maryland’s (the “City”) annual report presents our discussion and analysis of the City’s financial performance during the fiscal year that ended on June 30, 2024. Please read it in conjunction with the City’s financial statements, which follow this section.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of four financial parts – *management’s discussion and analysis* (this section), the *basic financial statements, required supplementary information*, and an optional section that presents schedules of revenues and expenses. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City’s overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the City, reporting the City’s operations in more detail than the Government-wide financial statements.
  - The *governmental funds* statements tell how general government services like general government, public safety, public works, parks, recreation and culture, and urban development and housing were financed in the *short-term* as well as what remains for future spending.
  - *Proprietary fund* statements offer *short-* and *long-term* financial information about the activities the government operates *like businesses*, such as the water and sewer system and the ambulance service.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. In addition to these required elements, we have included schedules of general fund revenues and expenditures.

Government-wide financial statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

**POCOMOKE CITY, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2024**

Government-wide financial statements (continued)

The two government-wide statements report the City's *net position* and how it has changed. Net position – the difference between the City's assets and liabilities – is one way to measure the City's financial health, or position. Also, to assess the overall health of the City you need to consider additional non-financial factors such as changes in the property tax base and the condition of the City's roads and water and sewer systems.

The government-wide financial statements are divided into two categories:

- *Governmental activities* – Most of the City's basic services are included here, such as the legislative and executive government, finance administration, police, fire, public works, parks, golf course and urban development and housing. Property taxes, user fees, income taxes, and intergovernmental transfers finance most of these activities.
- *Business-type activities* – The City charges fees to customers to help it cover the costs of certain services it provides. The City's water and sewer departments and ambulance department are included here.

Fund financial statements

The fund financial statements provide more detailed information about the City's most significant *funds* – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

The City has two kinds of funds:

- *Governmental funds* – Most of the City's basic services are included in governmental funds which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- *Proprietary funds* – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide financial statements, provide both long- and short-term financial information. In fact, the City's *proprietary funds* are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

**POCOMOKE CITY, MARYLAND**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2024**

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

The City’s combined net position on June 30, 2024 was \$17,851,613. Of this total, \$16,925,358 is invested in capital assets leaving an unrestricted balance of \$926,255.

The City’s net position increased \$2,414,280 from June 30, 2023 to June 30, 2024.

Of the total revenues of \$12,381,211, property taxes made up 32%, charges for services were 31%, and grants and contributions were 29%.

Total expenses were \$9,966,931, made up of 10% for general government, 24% for the water/sewer fund, 25% for public safety, 17% for public works, 17% for ambulance fund, and 7% for other departments.

The table below compares key financial information in a condensed format for the current year and the prior year.

Table 1  
Pocomoke City, Maryland's Net Position  
*(in thousands of dollars)*

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 2,662	\$ 2,518	\$ 3,642	\$ 3,968	\$ 6,304	\$ 6,486
Capital assets	5,661	5,802	17,055	15,043	22,716	20,845
Total assets	<u>8,323</u>	<u>8,320</u>	<u>20,697</u>	<u>19,011</u>	<u>29,020</u>	<u>27,331</u>
Deferred outflows of resources	2,336	1,948	465	285	2,801	2,233
Long-term liabilities	4,809	3,760	5,359	4,197	10,168	7,957
Other liabilities	82	249	623	1,515	705	1,764
Total liabilities	<u>4,891</u>	<u>4,009</u>	<u>5,982</u>	<u>5,712</u>	<u>10,873</u>	<u>9,721</u>
Deferred inflows of resources	<u>1,699</u>	<u>2,391</u>	<u>1,397</u>	<u>2,015</u>	<u>3,096</u>	<u>4,406</u>
Net position						
Net investment in capital assets	4,599	4,698	12,327	10,757	16,926	15,455
Unrestricted (deficit)	(530)	(830)	1,456	812	926	(18)
Total net position	<u>\$ 4,069</u>	<u>\$ 3,868</u>	<u>\$ 13,783</u>	<u>\$ 11,569</u>	<u>\$ 17,852</u>	<u>\$ 15,437</u>

**POCOMOKE CITY, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2024**

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

Table 2 and the narrative that follows considers the operations of governmental and business-type activities separately.

Table 2  
Change in Pocomoke City, Maryland's Net Position  
*(in thousands of dollars)*

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
<b>Revenues</b>						
Program services						
Charges for services	\$ 603	\$ 615	\$ 3,254	\$ 2,894	\$ 3,857	\$ 3,509
Operating grants and contributions	491	561	809	771	1,300	1,332
Capital grants and contributions	279	271	2,041	1,535	2,320	1,806
General revenues						
Property taxes	4,024	3,701			4,024	3,701
Other taxes and fees	511	533			511	533
Grants	465	465			465	465
Other	(333)	90	239	10	(94)	100
Total revenues	<u>6,040</u>	<u>6,236</u>	<u>6,343</u>	<u>5,210</u>	<u>12,383</u>	<u>11,446</u>
<b>Expenses</b>						
General government	1,012	928			1,012	928
Public safety	2,485	2,241			2,485	2,241
Public works	1,647	1,511			1,647	1,511
Parks, recreation and culture	214	216			214	216
Housing and urban development	268	266			268	266
Economic development	147	112			147	112
Interest on long-term debt	66	60			66	60
Water and sewer			2,388	2,141	2,388	2,141
Ambulance			1,741	1,242	1,741	1,242
Total expenses	<u>5,839</u>	<u>5,334</u>	<u>4,129</u>	<u>3,383</u>	<u>9,968</u>	<u>8,717</u>
Change in net position	<u>\$ 201</u>	<u>\$ 902</u>	<u>\$ 2,214</u>	<u>\$ 1,827</u>	<u>\$ 2,415</u>	<u>\$ 2,729</u>

**POCOMOKE CITY, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2024**

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

Governmental activities

Net position for the City's governmental activities increased \$200,671 during the fiscal year. See the detailed discussion below regarding the general fund.

Business-type activities

During the fiscal year, the City's net position for business-type activities increased \$2,213,609. See the detailed discussion below regarding the water and sewer and ambulance funds.

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

General fund

For the year ended June 30, 2024, the City's general fund reported an increase of \$313,002 resulting in a fund balance at year-end of \$1,822,301. This represents approximately 111 days of operating expenditures. This is an improvement over the prior year's fund balance of 95 days.

Total revenues for the year were \$6,448,818 which is an increase of \$141,006 or 2% over the prior year. Significant changes from the prior year include the following:

- Real and personal property taxes increased \$237,832 due to increases in the assessed value of properties.
- Local income taxes increased \$7,239 over the prior year.
- Investment earnings increased decreased \$37,924 over prior year.

Total expenditures were \$5,895,816, an increase of \$233,787 over the prior year. Significant changes from the prior year included:

- General government expenditures increased \$38,803 due to increase in salary expense.
- Police department expenditures increased \$122,803 due to increase in salary expense.
- Public works expenditures increased \$92,247 due to increase in salary expense.
- Capital outlay expenditures decreased \$15,612. Significant purchases this year included three police vehicles, a public works truck, and Willow Street land improvements.

Refer to pages 52 through 54 of the financial statements for a schedule of revenues and expenditures – general fund with comparable totals for the prior two fiscal years.

**POCOMOKE CITY, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2024**

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

Water and sewer fund

For the year ended June 30, 2024, the water and sewer fund had operating income of \$353,863 compared to operating income of \$422,286 in 2023.

Operating revenues for the year ended June 30, 2024 were \$2,583,627, an increase of \$184,924 from the prior year.

Operating expenses for the year ended June 30, 2024 were \$2,229,764, an increase of \$253,347 from the prior year. Notable changes from the prior year were as follows:

- Salaries and wages were \$341,251, an increase of \$36,085 over the prior year. This is due to two new employees in the sewer department and a pay increase.
- Facility maintenance costs were \$183,518, which is an increase of \$54,704 over the prior year. This increase is primarily due to equipment repairs.
- Contract labor costs were \$206,518, which is an increase of \$82,507 over the prior year. This increase is primarily due to services on the City's two water towers.

Net position for the water and sewer fund increased \$1,846,435. Net position on June 30, 2024, was \$12,855,150. Of this amount, \$11,339,050 is invested in capital assets, net of related debt, and \$1,516,100 is unrestricted.

The pump station upgrade project was completed in the current year. The total project cost was \$1,766,557 and was financed through a USDA loan of \$1,056,000, American Rescue Plan Act funding of \$705,000, and a Maryland Rural Council grant of \$150,000.

The water meter replacement project was also completed during the year. The total project cost was \$750,037 and was financed using ARPA funds.

The water tank mixer project is proceeding. This project is estimated to cost \$1,631,830 and is being financed through a Maryland Department of the Environment (MDE) grants of \$1,090,068, ARPA funds of \$78,000, and a USDA loan of \$463,000. Costs incurred through June 30, 2024, were \$1,359,621.

The water line improvement project is proceeding and is estimated to cost \$2,256,650. The project is being funded through CDBG and MDE grants. Costs incurred through June 30, 2024 were \$498,709.

Refer to page 55 of the financial statements for a three-year comparison of revenues, expenses, and changes in net position.

**POCOMOKE CITY, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2024**

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

Ambulance fund

For the year ended June 30, 2024, the Ambulance Fund had an operating loss of \$260,136.

Operating revenues were \$1,478,552, which is an increase from the prior year of \$211,750, or 17%.

Operating expenses were \$1,738,688, which is an increase of \$501,168, or 40%, from the prior year due to an increases in salaries and wages, employee benefits, and material and supplies.

Net position at June 30, 2024 was \$927,938. Of this amount, \$987,706 is invested in capital assets net of related debt which leaves an unrestricted deficit of \$59,768.

During the year, the City purchased a new ambulance financed by a USDA grant.

Refer to page 56 of the financial statements for a three-year comparison of revenues, expenses, and changes in net position.

**BUDGETARY HIGHLIGHTS – GENERAL FUND**

General fund revenues were \$6,393,752, which exceeded the budgeted revenue by \$574,602.

General fund expenditures of \$5,895,816 exceeded the budgeted expenditures by \$167,761. Significant variances were as follows:

- Employee benefit costs were under the amount budgeted by \$254,957.
- Public safety expenses were over the amount budgeted by \$110,973.
- Capital outlay expenses were over the amount budgeted by \$462,217. See the detailed discussion below regarding capital assets purchased in the general fund.

See the Budgetary Comparison Schedule – General Fund on page 46 for more detailed information.

**POCOMOKE CITY, MARYLAND**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2024**

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

Capital assets

At the end of the fiscal year, the City had \$22,715,588 (net of depreciation) invested in a broad range of capital assets. This represents a 9% increase from the prior year.

The following table represents the City’s capital assets and accumulation depreciation.

Table 3  
Pocomoke City, Maryland's Capital Assets  
*(in thousands of dollars)*

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2024	2023	2024	2023	2024	2023	
Land	\$ 1,503	\$ 1,477	\$ 56	\$ 56	\$ 1,559	\$ 1,533	2%
Buildings and improvements	4,761	4,949	229	229	4,990	5,178	-4%
Furniture and equipment	2,128	2,472	1,938	1,985	4,066	4,457	-9%
Automobiles and vehicles	1,491	1,610	1,279	993	2,770	2,603	6%
Infrastructure	1,025	1,044	22,987	20,392	24,012	21,436	12%
Construction in progress	64		1,865	2,068	1,929	2,068	0%
Leased equipment	51	51			51	51	0%
Subscription assets	21	21			21	21	0%
Accumulated depreciation	(5,383)	(5,823)	(11,299)	(10,680)	(16,682)	(16,503)	1%
Total	\$ 5,661	\$ 5,801	\$ 17,055	\$ 15,043	\$ 22,716	\$ 20,844	9%

Major capital additions included:

*Governmental activities*

1. Three 2023 Dodge Durango’s – police
2. 2023 Super Duty F250 – public works
3. Willow Street building demolitions
4. Discovery Center construction in progress
5. NVR camera system

**POCOMOKE CITY, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2024**

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

Capital assets (continued)

*Business-type activities*

1. Pump Station project completed
2. Water meter replacement project completed
3. Water meter software
4. 5<sup>th</sup> Street sewer line replacement
5. 2023 Ford 550 Ambulance

Long-term debt

At the end of the fiscal year, the City had \$5,790,230 in long-term loans and leases payable. This represents a 7% increase over last year.

The City obtained a line of credit of \$1,056,000 for use during the construction of the pump station upgrade. Draws of \$754,250 were made through June 30, 2024. The line of credit was paid off during the year using the USDA loan at the end of the project of \$873,706.

Additional information on the City's debt can be found on pages 32 – 36 of the notes to the financial statements.

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

The City has been awarded a grant from the American Rescue Plan Act of 2020 Coronavirus Local Fiscal Recovery Fund of \$4,029,248. As of June 30, 2024, the City has used \$2,572,566 and obligated the remaining funds.

The City is in the process of a multi-phased water line improvement project. The estimated cost of the project is \$3,300,956. The project will be funded using a Community Development Block Grants of \$835,727 and Maryland Department of the Environment grants totaling \$2,465,229.

**POCOMOKE CITY, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2024**

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Director, Pocomoke City, Maryland, PO Box 29, Pocomoke City, Maryland 21851.

**POCOMOKE CITY, MARYLAND**

**STATEMENT OF NET POSITION**

**JUNE 30, 2024**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash and equivalents	\$ 2,151,329	\$ 2,683,856	\$ 4,835,185
Accounts receivable, net	342,578	240,769	583,347
Lease receivable	45,402		45,402
Due from other governments	91,005	702,328	793,333
Prepaid expenses		15,218	15,218
Note receivable	19,345		19,345
Total current assets	<u>2,649,659</u>	<u>3,642,171</u>	<u>6,291,830</u>
Noncurrent assets			
Lease receivable, noncurrent portion	11,901		11,901
Net capital assets	5,660,913	17,054,675	22,715,588
Total noncurrent asset	<u>5,672,814</u>	<u>17,054,675</u>	<u>22,727,489</u>
Total assets	<u>8,322,473</u>	<u>20,696,846</u>	<u>29,019,319</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred financing outflows - retirement & OPEB	2,336,226	465,016	2,801,242
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	82,164	622,630	704,794
Long-term liabilities			
Due within one year			
Notes and leases payable	38,746	296,086	334,832
Compensated absences	147,599	55,680	203,279
Due in more than one year			
Notes and leases payable	1,023,565	4,431,833	5,455,398
Compensated absences	63,448	19,227	82,675
Net pension liability	3,290,310	510,989	3,801,299
Net other post-employment benefit liability	245,120	44,963	290,083
Total liabilities	<u>4,890,952</u>	<u>5,981,408</u>	<u>10,872,360</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred financing inflows - retirement & OPEB	1,175,088	288,176	1,463,264
Deferred leases	51,641		51,641
Deferred grants	472,493	1,109,190	1,581,683
Total deferred inflows of resources	<u>1,699,222</u>	<u>1,397,366</u>	<u>3,096,588</u>
<b>NET POSITION</b>			
Net investment in capital assets	4,598,602	12,326,756	16,925,358
Unrestricted (deficit)	<u>(530,077)</u>	<u>1,456,332</u>	<u>926,255</u>
Total net position	<u>\$ 4,068,525</u>	<u>\$ 13,783,088</u>	<u>\$ 17,851,613</u>

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

**POCOMOKE CITY, MARYLAND**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2024**

FUNCTION/PROGRAMS	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>GOVERNMENTAL ACTIVITIES</b>							
General government	\$ 1,011,881	\$ 216,068	\$ 7,863	16,558	(771,392)	\$	\$ (771,392)
Public safety	2,484,676	29,302	140,870		(2,314,504)		(2,314,504)
Public works	1,646,934	285,260	278,374	219,472	(863,828)		(863,828)
Parks, recreation and culture	213,942	1,806	27,055	43,251	(141,830)		(141,830)
Housing and urban development	267,641	3	37,291		(230,347)		(230,347)
Economic development	147,070	70,251			(76,819)		(76,819)
Interest on long-term debt	66,164				(66,164)		(66,164)
Total governmental activities	<u>5,838,308</u>	<u>602,690</u>	<u>491,453</u>	<u>279,281</u>	<u>(4,464,884)</u>		<u>(4,464,884)</u>
<b>BUSINESS-TYPE ACTIVITIES</b>							
Water and sewer	2,387,369	2,577,788	5,839	1,650,177		1,846,435	1,846,435
Ambulance	1,741,254	675,805	802,747	390,454		127,752	127,752
Total business-type activities	<u>4,128,623</u>	<u>3,253,593</u>	<u>808,586</u>	<u>2,040,631</u>		<u>1,974,187</u>	<u>1,974,187</u>
Total	<u>\$ 9,966,931</u>	<u>\$ 3,856,283</u>	<u>\$ 1,300,039</u>	<u>\$ 2,319,912</u>	<u>(4,464,884)</u>	<u>1,974,187</u>	<u>(2,490,697)</u>
<b>GENERAL REVENUES</b>							
Taxes							
Property taxes, levied for general purposes					4,023,775		4,023,775
State income taxes					310,280		310,280
Public service taxes					155,517		155,517
Franchise fees					44,600		44,600
Grants and contributions not restricted to specific programs					465,000		465,000
Unrestricted investment earnings					48,399		48,399
Loss on sale of property					(142,016)	(578)	(142,594)
Transfers					(240,000)	240,000	
Total general revenues					<u>4,665,555</u>	<u>239,422</u>	<u>4,904,977</u>
Change in net position					200,671	2,213,609	2,414,280
<b>NET POSITION, BEGINNING OF YEAR</b>					<u>3,867,854</u>	<u>11,569,479</u>	<u>15,437,333</u>
<b>NET POSITION, END OF YEAR</b>					<u>\$ 4,068,525</u>	<u>\$ 13,783,088</u>	<u>\$ 17,851,613</u>

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

**POCOMOKE CITY, MARYLAND**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

	General Fund	Special Revenue	Total Governmental Funds
Cash and equivalents	\$ 2,130,190	\$ 21,139	\$ 2,151,329
Taxes receivable, net	239,595		239,595
Leases receivable, net	57,303		57,303
Accounts and notes receivable, other, net	122,328		122,328
Due from other funds	42,248		42,248
Due from other governments	91,005		91,005
	<u>\$ 2,682,669</u>	<u>\$ 21,139</u>	<u>\$ 2,703,808</u>
Total assets	<u>\$ 2,682,669</u>	<u>\$ 21,139</u>	<u>\$ 2,703,808</u>

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

**LIABILITIES**

Accounts payable	\$ 57,772	\$	\$ 57,772
Accrued expenses	171,691		171,691
Due to other funds		42,248	42,248
	<u>229,463</u>	<u>42,248</u>	<u>271,711</u>
Total liabilities	<u>229,463</u>	<u>42,248</u>	<u>271,711</u>

**DEFERRED INFLOWS OF RESOURCES**

Deferred grants	472,493		472,493
Deferred taxes	106,771		106,771
Deferred leases	51,641		51,641
	<u>630,905</u>		<u>630,905</u>
Total deferred inflows of resources	<u>630,905</u>		<u>630,905</u>

**FUND BALANCES**

Assigned	35,490		35,490
Unassigned (deficit)	1,786,811	(21,109)	1,765,702
	<u>1,822,301</u>	<u>(21,109)</u>	<u>1,801,192</u>
Total fund balances (deficit)	<u>1,822,301</u>	<u>(21,109)</u>	<u>1,801,192</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,682,669</u>	<u>\$ 21,139</u>	<u>\$ 2,703,808</u>

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

**POCOMOKE CITY, MARYLAND**

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

**JUNE 30, 2024**

Total fund balance, governmental funds	\$ 1,801,192
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.	5,660,913
Certain expenditures that reduce current financial resources are reported as expenditures in the fund financial statements, but are reported as deferred outflows of resources in the governmental activities of the Statement of Net Position.	2,336,226
Certain revenues that do not provide current financial resources are reported as deferred inflows of resources in the fund financial statements, but are reported as revenue in the governmental activities of the Statement of Net Position:	
Deferred taxes	106,771
Some liabilities are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Position:	
Notes and leases payable	(1,062,311)
Accrued interest payable	(300)
Compensated absences	(63,448)
Deferred financing inflows - retirement	(1,175,088)
Net pension liability	(3,290,310)
Net other post-employment benefit liability	(245,120)
Net position, governmental activities	<u>\$ 4,068,525</u>

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

**POCOMOKE CITY, MARYLAND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2024**

	General Fund	Special Revenue	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 4,273,727	\$	\$ 4,273,727
Licenses and permits	148,229		148,229
Intergovernmental	1,387,772		1,387,772
Charges for services	304,834		304,834
Fines and forfeitures	30,102		30,102
Investment earnings	48,399		48,399
Miscellaneous	200,689	3	200,692
Total revenues	6,393,752	3	6,393,755
<b>EXPENDITURES</b>			
Current			
General government	686,584		686,584
Public safety	1,779,836		1,779,836
Public works	1,281,018		1,281,018
Parks, recreation and culture	73,448		73,448
Housing and urban development	223,297		223,297
Economic development	106,757		106,757
Employee benefits	1,055,320		1,055,320
Miscellaneous	143,138		143,138
Debt service	78,001		78,001
Capital outlay	468,417		468,417
Total expenditures	5,895,816		5,895,816
Revenues over expenditures	497,936	3	497,939
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of assets	55,066		55,066
Transfers out	(240,000)		(240,000)
Net other financing sources	(184,934)		(184,934)
Net change in fund balances	313,002	3	313,005
<b>FUND BALANCES (DEFICIT), BEGINNING OF YEAR</b>	1,509,299	(21,112)	1,488,187
<b>FUND BALANCES (DEFICIT), END OF YEAR</b>	\$ 1,822,301	\$ (21,109)	\$ 1,801,192

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

**POCOMOKE CITY, 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, 2024**

Net change in fund balances, total governmental funds:	\$ 313,005
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. However, in the statement of activities, the cost of these assets is allocated over their estimated lives and reported as depreciation expense:	
This is the amount by which capital outlay (\$468,417) was greater than depreciation expense (\$411,871) in the current period.	56,546
In the Statement of Activities, the gain or loss on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by the book value of the assets sold.	(197,082)
Some expenditures reported in the governmental funds require the use of current financial resources and these are not reported as expenses in the Statement of Activities: Change in deferred financing outflows - retirement	388,206
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned:	
Change in deferred taxes	63,805
Governmental funds report repayment of note principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities.	41,112
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:	
Change in accrued interest payable	(26)
Change in long-term compensated absences	(3,008)
Change in deferred financing inflows - retirement	435,348
Change in net pension liability	(848,413)
Change in net other post-employment benefit liability	(48,822)
	<hr/>
Change in net position, governmental activities	<u>\$ 200,671</u>

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

**POCOMOKE CITY, MARYLAND**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS**

**JUNE 30, 2024**

	Enterprise Funds		
	Water and Sewer Fund	Ambulance Fund	Total
<b>ASSETS</b>			
Current assets			
Cash and equivalents	\$ 2,680,876	\$ 2,980	\$ 2,683,856
Accounts receivable, net	198,564	42,205	240,769
Due from other governments	431,328	271,000	702,328
Prepaid expenses	15,218		15,218
Total current assets	<u>3,325,986</u>	<u>316,185</u>	<u>3,642,171</u>
Non-current assets			
Capital assets, at cost	26,609,695	1,744,412	28,354,107
Less accumulated depreciation	<u>(10,607,563)</u>	<u>(691,869)</u>	<u>(11,299,432)</u>
Total non-current assets	<u>16,002,132</u>	<u>1,052,543</u>	<u>17,054,675</u>
Total assets	<u>19,328,118</u>	<u>1,368,728</u>	<u>20,696,846</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred financing outflows - retirement & OPEB	<u>142,407</u>	<u>322,609</u>	<u>465,016</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued expenses	543,603	61,586	605,189
Compensated absences	13,991	41,689	55,680
Accrued interest payable	17,441		17,441
Notes payable	246,926	49,160	296,086
Total current liabilities	<u>821,961</u>	<u>152,435</u>	<u>974,396</u>
Non-current liabilities			
Compensated absences	5,341	13,886	19,227
Notes payable, less current portion	4,416,156	15,677	4,431,833
Net pension liability	154,678	356,311	510,989
Net other post-employment benefit liability	17,405	27,558	44,963
Total non-current liabilities	<u>4,593,580</u>	<u>413,432</u>	<u>5,007,012</u>
Total liabilities	<u>5,415,541</u>	<u>565,867</u>	<u>5,981,408</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred financing inflows - retirement & OPEB	90,644	197,532	288,176
Deferred grants	1,109,190		1,109,190
Total deferred inflows of resources	<u>1,199,834</u>	<u>197,532</u>	<u>1,397,366</u>
<b>NET POSITION</b>			
Net investment in capital assets	11,339,050	987,706	12,326,756
Unrestricted (deficit)	<u>1,516,100</u>	<u>(59,768)</u>	<u>1,456,332</u>
Total net position	<u>\$ 12,855,150</u>	<u>\$ 927,938</u>	<u>\$ 13,783,088</u>

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

**POCOMOKE CITY, MARYLAND**

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

**FOR THE YEAR ENDED JUNE 30, 2024**

	Enterprise Funds		
	Water and Sewer Fund	Ambulance Fund	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$ 1,722,959	\$ 675,805	\$ 2,398,764
Sewage haulers	765,923		765,923
Operating grants and donations	5,839	802,747	808,586
Miscellaneous and late charges	88,906		88,906
Total operating revenues	<u>2,583,627</u>	<u>1,478,552</u>	<u>4,062,179</u>
<b>OPERATING EXPENSES</b>			
Salaries and wages	341,251	989,609	1,330,860
Employee benefits	230,976	279,759	510,735
Contract labor	206,518	4,943	211,461
Insurance	41,762	6,995	48,757
Materials and supplies	244,524	112,065	356,589
Heat, light and power (net of rebates)	303,088	5,440	308,528
Facility maintenance	183,518	8,363	191,881
Vehicle operating expenses	18,081	73,145	91,226
Telephone	7,688	6,387	14,075
Bad debt expense	23,761	65,108	88,869
Depreciation	628,597	186,874	815,471
Total operating expenses	<u>2,229,764</u>	<u>1,738,688</u>	<u>3,968,452</u>
Operating income (loss)	<u>353,863</u>	<u>(260,136)</u>	<u>93,727</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Capital grants	1,650,177	390,454	2,040,631
Interest expense	(157,605)	(2,566)	(160,171)
Loss on disposal of assets		(578)	(578)
Net non-operating revenues	<u>1,492,572</u>	<u>387,310</u>	<u>1,879,882</u>
Income before transfers	1,846,435	127,174	1,973,609
Transfers in		<u>240,000</u>	<u>240,000</u>
Change in net position	1,846,435	367,174	2,213,609
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>11,008,715</u>	<u>560,764</u>	<u>11,569,479</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 12,855,150</u>	<u>\$ 927,938</u>	<u>\$ 13,783,088</u>

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

**POCOMOKE CITY, MARYLAND**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2024**

	Enterprise Funds		
	Water and Sewer Fund	Ambulance Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 2,482,762	\$ 628,741	\$ 3,111,503
Other operating receipts	94,745	802,747	897,492
Payments to suppliers	(1,168,990)	(617,231)	(1,786,221)
Payments to employees	(248,755)	(758,193)	(1,006,948)
Net cash provided by operating activities	<u>1,159,762</u>	<u>56,064</u>	<u>1,215,826</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Payments for acquisition of capital assets	(3,164,518)	(397,616)	(3,562,134)
Proceeds from capital grants	869,017	79,089	948,106
Principal paid on long-term debt	(1,074,699)	(61,375)	(1,136,074)
Proceeds from issuance of long-term debt	1,577,655		1,577,655
Interest paid on long-term debt	(157,048)	(2,566)	(159,614)
Net cash used by capital and related financing activities	<u>(1,949,594)</u>	<u>(382,468)</u>	<u>(2,332,062)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Transfer from general fund		240,000	240,000
Net decrease in cash	(789,831)	(86,404)	(876,235)
<b>CASH, BEGINNING OF YEAR</b>	3,470,707	89,384	3,560,091
<b>CASH, END OF YEAR</b>	<u>\$ 2,680,876</u>	<u>\$ 2,980</u>	<u>\$ 2,683,856</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 353,863	\$ (260,136)	\$ 93,727
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	628,597	186,874	815,471
Change in allowance for bad debts	9,881	65,108	74,989
Deferred financing outflows - retirement	(49,692)	(129,928)	(179,620)
Deferred financing inflows - retirement & OPEB	56,275	(43,140)	13,135
(Increase) decrease in assets:			
Accounts receivable	(16,001)	(47,063)	(63,064)
Prepaid expenses	(15,218)		(15,218)
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	192,057	284,349	476,406
Net cash provided by operating activities	<u>\$ 1,159,762</u>	<u>\$ 56,064</u>	<u>\$ 1,215,826</u>

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

**POCOMOKE CITY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2024**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Pocomoke City, Maryland (the “City”) conform to generally accepted accounting principles applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing government accounting and financial reporting standards. The following is a summary of the City's significant accounting policies.

Reporting entity

The basic criteria for including component units in the City’s financial statements are the exercise of oversight responsibility over such units by the City’s elected officials. In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. Based upon criteria set forth by the Governmental Accounting Standards Board, Pocomoke City has no component units.

Basis of presentation

*Government-wide statements:* The statement of net position and the statement of activities display information about the City. These statements include the financial activities of the overall government. These statements distinguish between the governmental and business-type activities of the City. For the most part, the effect on interfund activity has been removed from these statements. Governmental activities are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and revenues for the different business-type activities of the City and for each function of the City’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund financial statements:* The fund financial statements provide information about the City’s funds. Separate statements for each fund category—governmental and proprietary—are presented. The emphasis of fund financial statements is on major governmental and proprietary funds, each displayed in a separate column. Any remaining governmental and proprietary funds are aggregated and reported as nonmajor funds.

**POCOMOKE CITY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2024**

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

Basis of presentation (continued)

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as grants and investment earnings, result from nonexchange transactions.

The City reports the following major funds:

General Fund (Governmental fund)—This is the primary operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Water and Sewer Fund (Proprietary fund)—This fund accounts for the operation and management of the water and sewer departments.

Ambulance Fund (Proprietary fund)—This fund accounts for the operation and management of the ambulance service.

The City reports the following non-major funds:

Special Revenue Fund (Governmental fund)—This fund accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Measurement focus, basis of accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all the eligibility requirements have been satisfied.

The governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year end. Property taxes, charges for services, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured.

**POCOMOKE CITY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2024**

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

Measurement focus, basis of accounting (continued)

General capital acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Budgets and budgetary accounting

The City Council adopts an annual budget as set forth in the City Charter. The annual budget for the general fund is prepared in accordance with the basis of accounting utilized by those funds. No budget is prepared for the special revenue fund. The budgets for all other funds are adopted under a basis consistent with GAAP, except that depreciation is not considered. All budget transfers must be approved by the Council before becoming effective. All appropriations lapse at the end of the budget year.

Cash and cash equivalents

The City considers cash and cash equivalents in proprietary funds to be all investments with a maturity of three months or less.

Allowance for uncollectible accounts

Provision is made for estimated uncollectible personal property and ordinary business corporation property taxes, water and sewer charges, ambulance services and other receivables based upon the City's determination of individual accounts not likely to be collected. Allowances for uncollectible accounts as of June 30, 2024 are as follows:

Taxes	\$	79,328
Water and sewer charges	\$	81,812
Sewage haulers	\$	36,594
Ambulance services	\$	123,223
Other receivables	\$	181,862

Deferred inflows of resources

The City may report a separate section for deferred inflows of resources. This separate financial element reflects an increase in net assets that applies to a future period. The following types of items qualify for reporting in this category: deferred property taxes which are not recognized until available (collected not later than 60 days after the end of the City's fiscal year), deferred operating leases which are recognized over the life of the lease, deferred inflows retirement, deferred inflows OPEB, and deferred grants which is not recognized until a future event occurs.

Deferred outflows of resources

The City may report decreases in net assets that relate to a future period as deferred outflows of resources in a separate section of its government-wide and proprietary statements of net position or the governmental funds balance sheet. The City has two items that qualify for reporting in this category: deferred outflows retirement contributions and deferred outflows OPEB.

**POCOMOKE CITY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2024**

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Maryland State Retirement and Pension System (MSRPS), and additions to/deductions from MSRPS's fiduciary net position have been determined on the same basis as they are reported by MSRPS.

Accounting for compensated absences

The City has recorded its liability for amounts due to employees in the future for unused vacation pay in the government-wide and proprietary fund statements. Sick pay days are not included because the right to collect these unused paydays does not vest with the employees of the City.

Property taxes

Property taxes are levied on July 1 and attach an enforceable lien on the property immediately. Taxes are payable upon receipt of bill. Worcester County, Maryland bills and collects the City's property taxes, which it then remits to the City on a monthly basis. After accumulation of two years taxes in arrears, the County will force collection by tax sales.

Government-wide and proprietary net position

Government-wide and proprietary net position are divided into three major categories:

- *Net investment in capital assets*—consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- *Restricted*—consists of assets that are restricted by the City's creditors, enabling legislation, grantors, or other contributors.
- *Unrestricted*—all other not reported in the above categories.

When an expense is incurred that can be paid using either restricted or unrestricted net positions, the City's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

Governmental fund balances

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

- *Nonspendable fund balance*—amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.

**POCOMOKE CITY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2024**

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

Governmental fund balances (continued)

- *Restricted fund balance*—amounts that can be spent only for specific purposes because of the City charter, state or federal laws, or externally imposed conditions by grantors or creditors.
- *Committed fund balance*—amounts that can be spent only for specific purposes determined by a formal action of the City Council ordinance or resolution.
- *Assigned fund balance*—amounts that are designated by the Mayor and Council for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval by the City Council. As of June 30, 2024, assigned fund balance includes the carryover of surplus funds to fiscal year 2025.
- *Unassigned fund balance*—all amounts not included in other spendable classifications.

In governmental funds, the City’s policy is to first apply the expenditure toward restricted fund balance and then to other, less restrictive classifications (committed and then assigned fund balances) before using unassigned fund balances.

**CASH AND CASH EQUIVALENTS**

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

Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. As of June 30, 2024, a portion of the City’s deposits were exposed to custodial credit risk as follows:

Uninsured but collateralized by irrevocable standby line of credit up to \$5,000,000	\$ <u>2,895,517</u>
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**POCOMOKE CITY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2024**

**LEASES RECEIVABLE**

The City entered into lease agreement with Dockside, LLC for restaurant property owned by the City expiring in 2026. The leases receivable and deferred inflows of resources are recorded at the present value of the lease payments. The deferred inflows of resources are being amortized over the life of the lease. Amortization is included in rental income in the general fund.

As of June 30, 2024, the balance of the lease receivable was \$57,303.

**CAPITAL ASSETS**

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at acquisition value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' useful lives are not capitalized. General infrastructure assets, such as streets, curbs, gutters, storm drains, traffic lighting systems and similar assets, acquired after June 30, 2003 are capitalized in the government-wide financial statements.

Capital assets are depreciated using the straight-line method over the following estimated useful lives. Leased equipment is amortized over the life of the lease and subscription assets are amortized over the life of the subscription arrangement.

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	40
Equipment and vehicles	5 – 20
Improvements and infrastructure	8 – 60
Leased equipment	Life of the lease
Subscription assets	Life of agreement

**POCOMOKE CITY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2024**

**CAPITAL ASSETS (Continued)**

Capital asset activity for the year ended June 30, 2024 was as follows:

Governmental activities:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated</i>				
Land	\$ 1,476,491	\$ 128,548	\$ 102,196	\$ 1,502,843
Construction in progress		63,702		63,702
Total capital assets not being depreciated	<u>1,476,491</u>	<u>192,250</u>	<u>102,196</u>	<u>1,566,545</u>
<i>Capital assets being depreciated</i>				
Buildings and improvements	4,949,121		187,587	4,761,534
Furniture and equipment	2,472,401	43,493	388,013	2,127,881
Automobiles and vehicles	1,610,263	232,674	352,023	1,490,914
Infrastructure	1,044,366		18,924	1,025,442
Leased equipment	50,658			50,658
Subscription assets	21,283			21,283
Total capital assets being depreciated	<u>10,148,092</u>	<u>276,167</u>	<u>946,547</u>	<u>9,477,712</u>
Less accumulated depreciation for:				
Buildings and improvements	2,053,601	124,070	92,701	2,084,970
Furniture and equipment	1,926,316	133,209	388,013	1,671,512
Automobiles and vehicles	1,126,760	121,707	352,023	896,444
Infrastructure	694,842	18,496	18,924	694,414
Leased equipment	17,358	10,132		27,490
Subscription assets	4,257	4,257		8,514
Total accumulated depreciation	<u>5,823,134</u>	<u>411,871</u>	<u>851,661</u>	<u>5,383,344</u>
Total capital assets being depreciated, net	<u>4,324,958</u>	<u>(135,704)</u>	<u>94,886</u>	<u>4,094,368</u>
Governmental activities, capital assets, net	<u>\$ 5,801,449</u>	<u>\$ 56,546</u>	<u>\$ 197,082</u>	<u>\$ 5,660,913</u>

**POCOMOKE CITY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2024**

**CAPITAL ASSETS (Continued)**

Business-type activities

	Beginning Balance	Increases	Decreases	Ending Balance
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Water and Sewer:</b>				
<i>Capital assets not being depreciated</i>				
Land	\$ 56,517	\$	\$	\$ 56,517
Construction in progress	<u>2,068,389</u>	<u>2,306,535</u>	<u>2,516,594</u>	<u>1,858,330</u>
Total capital assets not being depreciated	<u>2,124,906</u>	<u>2,306,535</u>	<u>2,516,594</u>	<u>1,914,847</u>
<i>Capital assets being depreciated</i>				
Buildings	89,001			89,001
Infrastructure	20,391,665	2,595,755		22,987,420
Equipment	<u>1,593,459</u>	<u>44,072</u>	<u>19,104</u>	<u>1,618,427</u>
Total capital assets being depreciated	<u>22,074,125</u>	<u>2,639,827</u>	<u>19,104</u>	<u>24,694,848</u>
Less accumulated depreciation for:				
Buildings	30,004	2,669		32,673
Infrastructure	8,887,868	523,039		9,410,907
Equipment	<u>1,080,198</u>	<u>102,889</u>	<u>19,104</u>	<u>1,163,983</u>
Total accumulated depreciation	<u>9,998,070</u>	<u>628,597</u>	<u>19,104</u>	<u>10,607,563</u>
Total capital assets being depreciated, net	<u>12,076,055</u>	<u>2,011,230</u>		<u>14,087,285</u>
Water and sewer, capital assets, net	<u>14,200,961</u>	<u>4,317,765</u>	<u>2,516,594</u>	<u>16,002,132</u>
<b>Ambulance:</b>				
<i>Capital assets not being depreciated</i>				
Construction in progress		<u>7,161</u>		<u>7,161</u>
<i>Capital assets being depreciated</i>				
Buildings	139,734			139,734
Equipment	391,603	19,999	92,625	318,977
Automobiles and vehicles	<u>993,030</u>	<u>370,456</u>	<u>84,946</u>	<u>1,278,540</u>
Total capital assets being depreciated	<u>1,524,367</u>	<u>390,455</u>	<u>177,571</u>	<u>1,737,251</u>
Less accumulated depreciation for:				
Buildings	37,824	4,318		42,142
Equipment	211,743	40,239	92,047	159,935
Automobiles and vehicles	<u>432,421</u>	<u>142,317</u>	<u>84,946</u>	<u>489,792</u>
Total accumulated depreciation	<u>681,988</u>	<u>186,874</u>	<u>176,993</u>	<u>691,869</u>
Total capital assets being depreciated, net	<u>842,379</u>	<u>203,581</u>	<u>578</u>	<u>1,045,382</u>
Ambulance, capital assets, net	<u>842,379</u>	<u>210,742</u>	<u>578</u>	<u>1,052,543</u>
Business-type activities, capital assets, net	<u>\$ 15,043,340</u>	<u>\$ 4,528,507</u>	<u>\$ 2,517,172</u>	<u>\$ 17,054,675</u>

**POCOMOKE CITY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2024**

**CAPITAL ASSETS (Continued)**

Depreciation expense of governmental activities was charged to functions as follows:

General government	\$	37,349
Public safety		166,758
Public works		104,843
Parks, recreation and culture		64,126
Housing and urban development		3,074
Economic development		35,721
		\$ 411,871

Construction in progress

Construction in progress as of June 30, 2024 in the general fund includes \$63,702 of improvements to the Delmarva Discovery Center building. Total cost of the project is \$95,555 and work was completed in fiscal year 2025.

The following projects are included in construction in progress as of June 30, 2024 in the water and sewer fund:

The water tank mixer project was completed after year end. The project was funded with a MDE grant of \$1,010,000, ARPA funding of \$78,000, and a USDA loan of \$463,000. Cost incurred through June 30, 2024 were \$1,359,621.

The water line improvements project is estimated to cost \$2,256,700. Phase I of the project will be funded through a CDBG grant of \$835,727 and MDE funding of \$1,621,306. Phase II of the project will be funded through MDE funding of \$843,923. Costs incurred for this project through June 30, 2024 were \$498,709.

Construction in progress as of June 30, 2024 in the ambulance fund includes \$7,161 for the EMS bunkroom renovation project.

**LINE OF CREDIT**

The City has an available line of credit of \$300,000. Interest is due in quarterly payments at a variable interest rate. The City did not borrow on the line of credit during the year.

**POCOMOKE CITY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2024**

**INTERNAL BALANCES/TRANSFERS**

Balances due to/from other funds at June 30, 2024, consist of the following:

Due to the general fund from the special revenue fund \$ 42,248

The balance due to the general fund from the special revenue fund is not expected to be repaid within one year.

**LONG-TERM DEBT**

Changes in long-term liabilities for the year ended June 30, 2024 are as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
Notes payable	\$ 1,056,181	\$	\$ (29,225)	\$ 1,026,956
Leases payable	32,267		(8,401)	23,866
Subscription payable	14,976		(3,487)	11,489
	<u>\$ 1,103,424</u>	<u>\$</u>	<u>\$ (41,113)</u>	<u>\$ 1,062,311</u>
<b>Business-type activities:</b>				
<b>Water and sewer</b>				
Notes payable	\$ 4,160,126	\$ 1,577,655	\$ (1,074,699)	\$ 4,663,082
<b>Ambulance</b>				
Notes payable	126,211		(61,374)	64,837
	<u>\$ 4,286,337</u>	<u>\$ 1,577,655</u>	<u>\$ (1,136,073)</u>	<u>\$ 4,727,919</u>

Notes payable consists of the following:

Governmental activities

**United States Department of Agriculture.** For refinance of mortgage on police building and improvements to the building. Original obligation is dated March 25, 2016 for \$1,110,000 and is secured by a lien on the property. Payable in 160 quarterly installments of \$12,668 including interest at 3.375% through March 26, 2053. \$ 921,086

**POCOMOKE CITY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2024**

**LONG-TERM DEBT (Continued)**

Governmental activities (continued)

**Calvin B. Taylor Bank.** For purchase of restaurant equipment secured by the equipment purchased. Original obligation of \$200,000 is dated February 22, 2013 and is payable in monthly installments of \$1,209 with interest at 3.125%. Maturity date is March 9, 2031.

	105,870
	\$ 1,026,956

Business-type activities

**Rural Economic and Community Development.** For reconstruction of the City's water system. Original obligation is dated May 23, 1996 for \$3,605,800. Payable in 160 equal installments of principal and interest at 4.5% beginning August 2, 1996. Maturity date is May 23, 2036.

\$ 1,792,841

**Laurel Mountain Leasing and Financial Services, Inc.** For purchase of a new ambulance and is secured by a lien on the ambulance. Original obligation is dated January 8, 2020 for \$243,561. Payments are due in 59 monthly installments of \$4,563 including interest of 3.5% with a maturity date of May 1, 2025.

40,874

**Stryker.** For cardiac monitors. Original obligation is dated January 1, 2022 with an amount available of \$76,013. Payable in one installment of \$42,863 on date of obligation and four annual installments with imputed interest at 3.5% with a maturity date of July 9, 2026.

23,963

**Hebron Savings Bank.** For water line upgrades in the Pocomoke Heights area. Amended obligation is dated February 2, 2021 with an amount available of \$781,871. Payments are due in 40 quarterly installments including interest at 4.5% with a maturity date of February 2, 2031.

558,681

**POCOMOKE CITY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2024**

**LONG-TERM DEBT (Continued)**

Business-type activities (continued)

<p><b>Hebron Savings Bank.</b> For upgrades to the Water Treatment Plant. Original obligation is dated February 5, 2019 for \$298,450. Payments are due in 240 monthly installments of \$1,923 including interest of 4.712% with a maturity date of February 25, 2039.</p>	239,414
<p><b>United States Department of Agriculture.</b> For pump station upgrades. Original obligation is dated March 29, 2021 for \$1,056,000. Payments are due in 160 equal quarterly installments of \$9,198 including interest at 1.750% with a maturity date of November 9, 2063.</p>	862,869
<p><b>United States Department of Agriculture.</b> For water line upgrades in the Pocomoke Heights area. Original obligations are dated May 28, 2019 for \$966,000 and \$368,000. Payments are due in 160 equal quarterly installments of principal and interest at 1.375% and 2.125%, respectively, with a maturity date of May 28, 2059.</p>	1,209,277
<p style="padding-left: 20px;">Total notes payable</p>	<u>\$ 4,727,919</u>

Leases payable

The City is leasing various copiers, printers, and police tasers and body-cameras with a balance of \$23,866 expiring in 2027. The asset and liability are recorded at the present value of the future lease payments of \$50,658. The assets are amortized over the life of the lease. Amortization of the assets under leases is included in depreciation expense.

Subscriptions payable

The City is leasing software in the police department with a balance of \$11,489 expiring in 2027. The asset and liability are recorded at the present value of the future lease payments of \$21,283. The assets are amortized over the life of the lease. Amortization of the assets is included in depreciation expense.

Interest expense

Interest incurred in the general fund was \$66,164 and in the enterprise funds was \$160,171 during the year. The full amount was charged to expense.

**POCOMOKE CITY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2024**

**LONG-TERM DEBT (Continued)**

Debt service requirements

Debt service requirements on long-term debt at June 30, 2024 are as follows:

	Governmental Activities					
	Notes payable		Leases payable		Subscriptions	
	Principal	Interest	Principal	Interest	Principal	Interest
Year(s) ending June 30,						
2025	\$ 29,960	\$ 35,860	\$ 8,786	\$ 1,117	\$ 3,653	\$ 547
2026	31,148	34,671	7,635	714	3,827	373
2027	32,385	33,434	7,445	354	4,009	191
2028	33,673	32,147				
2029	35,014	30,805				
2030-2034	175,044	132,597				
2035-2039	148,315	105,054				
2040-2044	175,455	77,914				
2045-2049	207,561	45,808				
2050-2054	158,401	9,818				
	<u>\$ 1,026,956</u>	<u>\$ 538,108</u>	<u>\$ 23,866</u>	<u>\$ 2,185</u>	<u>\$ 11,489</u>	<u>\$ 1,111</u>

	Business-type Activities	
	Notes payable	
	Principal	Interest
Year(s) ending June 30,		
2025	\$ 296,086	\$ 149,957
2026	265,335	139,239
2027	274,146	128,653
2028	277,751	117,636
2029	288,992	106,395
2030-2034	1,100,395	368,960
2035-2039	723,829	163,216
2040-2044	295,877	113,821
2045-2049	321,337	88,323
2050-2054	349,087	60,613
2055-2059	377,707	30,426
2060-2064	157,377	6,572
	<u>\$ 4,727,919</u>	<u>\$ 1,473,811</u>

**POCOMOKE CITY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2024**

**RETIREMENT AND PENSION PLANS**

General information about the pension plan

*Plan description.* Certain employees of the City are covered by the Pension System for Employees of the State of Maryland, the Employees' Retirement System of the State of Maryland, or the Law Enforcement Officer's Pension System (LEOPS). These systems are part of the Maryland State Retirement and Pension System (MSRPS), and are cost-sharing multiple-employer public employee retirement systems. The plans are administered by the State Retirement Agency (the Agency). Responsibility for the administration and operation of the MSRPS is vested in a 15-member Board of Trustees. The MSRPS was established by the State Personnel and Pensions Article of the Annotated Code of Maryland. The Agency issued a publicly available financial report that includes basic financial statements and required supplementary information for the MSRPS. This report can be found at [sra.maryland.gov/annual-financial-reports](http://sra.maryland.gov/annual-financial-reports).

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

*Covered members.* On October 1, 1941, the Employees' Retirement System was established to provide retirement allowances and other benefits to State employees, elected and appointed officials and the employees of participating governmental units. Effective January 1, 1980, the Employees' Retirement System was essentially closed to new members and the Employees' Pension system was established.

As a result, State employees (other than correctional officers) and employees of participating governmental units hired after December 31, 1979, became members of the Employees' Pension System as a condition of employment. On or after January 1, 2005, an individual who is a member of the Employees' Retirement System may not transfer membership to the Employees' Pension System.

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

**POCOMOKE CITY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2024**

**RETIREMENT AND PENSION PLANS**

General information about the pension plan (continued)

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

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

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

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

**POCOMOKE CITY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2024**

**RETIREMENT AND PENSION PLANS (Continued)**

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

At June 30, 2024, the City reported a liability of \$3,801,299 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental units, actuarially determined. At June 30, 2023, the City's proportion was .0095% for the general employees' plan and .0070% for the police officers' plan.

For the year ended June 30, 2024, the City recognized pension expense of \$457,926. At June 30, 2024, the City reported deferred outflows of resources or deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 246,841	\$ 19,084
Net difference between projected and actual earnings on pension plan investments	943,981	639,895
Difference between actual and expected experience	133,604	153,450
Changes in proportion	934,913	389,959
Contributions subsequent to measurement date	416,137	
	\$ 2,675,476	\$ 1,202,388

The City's contribution subsequent to the measurement date of \$416,137, reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ended June 30, 2025.

Deferred financial inflows and outflows are made up of changes in actuarial assumptions, differences in actual and expected experience, and net difference in the projected and actual investment earnings. The deferred outflows and inflows related to non-investment activity are being amortized over the remaining service life ranging from 5.44 to 5.72 years. The net difference in investment earnings are being amortized over a closed five-year period.

**POCOMOKE CITY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2024**

**RETIREMENT AND PENSION PLANS (Continued)**

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

The following table shows the amortization of these balances:

Year Ending June 30	
2025	\$ 188,211
2026	183,713
2027	427,760
2028	196,294
2029	60,973
Total	<u><u>\$ 1,056,951</u></u>

*Actuarial assumptions.* The actuarial assumption for the Pension Plan as a whole and based on the June 30, 2023 annual actuarial valuation report for Maryland Municipal Corporation are as follows:

Inflation	2.25% general, 2.75% wage
Salary increases	2.75% to 11.25%, including wage inflation
Investment rate of return	6.80%

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

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

*Investments.* The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board of Trustees after considering input from MSRPS’s investment consultants and actuaries.

**POCOMOKE CITY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2024**

**RETIREMENT AND PENSION PLANS (Continued)**

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

For each major class that is included in the MSRPS's target asset allocation as of June 30, 2023, these best estimates are summarized in the following table:

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

For the years ended June 30, 2023 and 2022, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was 3.11% and (2.97)%, respectively. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

*Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate.* The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.80%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.80%) or 1-percentage point higher (7.80%) than the current rate:

1% Decrease (5.80%)	\$ 5,636,556
Current discount rate (6.80%)	\$ 3,801,299
1% Increase (7.80%)	\$ 2,278,352

*Pension plan fiduciary net position.* Detailed information about the plan's fiduciary net position is available in the System's separately issued financial report.

**POCOMOKE CITY, MARYLAND**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2024**

**OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

Plan description

The City administers a single-employer defined benefit healthcare plan (the “Plan”). The Plan provides group hospitalization insurance and group life insurance premiums for eligible retirees through the City’s group insurance plans, which cover both active and retired members. General employees or police officers are eligible for benefit if they retire at age 62 ½ with 25 years of service. Elected officials are eligible for benefit if they retire at age 62 ½ with 12 years of service. The Plan does not issue a publicly available financial report.

Benefits provided

*Health Insurance Benefit.* Pre-Medicare retirees can buy insurance on the market and the City will pay a percent of the premium into an HRA account to be used towards the premium. Percent of premium paid is determined by when the person retires and how many years of service they have at retirement. Anyone retiring after July 1, 2014 will have the amount paid into the HRA capped at \$5,500 for retiree and \$4,200 for spouses. In order for the spouse to be eligible for the HRA, the spouse has to be 57 ½ years old and have been enrolled for five years in the City’s health plan. Spouse benefit is only until age 65.

When a retiree turns age 65, they are eligible to re-join the City’s health plan with Medicare being primary and the City’s plan being secondary. The Prescription Drug Reimbursements are capped at \$6,000.

*Other Benefits.* The City pays for Long-Term Care insurance for the retirees. The benefit is \$1,000 a month, capped at three years. The amount paid by the City for this insurance is \$6 a month for life of the retiree.

Employees covered by benefit terms

As of June 30, 2023, a total of 57 employees were covered by the benefit terms as follows:

Retirees in pay status (pre-Medicare)	2
Retirees in pay status (post-Medicare)	11
Active employees	44

Contributions

The City has not established an irrevocable trust. The plan is funded on a pay-as-you-go basis. An actuarial valuation was performed as of June 30, 2023 to determine the unfunded actuarial accrued liability.

**POCOMOKE CITY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2024**

**OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)**

Total OPEB liability

Generally accepted accounting principles require that the reported results must pertain to liability information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	July 1, 2023
Measurement Date	June 30, 2023
Measurement Period	July 1, 2022 to June 30, 2023

Actuarial assumptions

The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement. The medical trend assumption was developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model. The model was updated in September 2019.

Inflation	2.6%
Rate of growth in real income/GDP per year	1.4%
Excess medical cost growth	0.9%
Health share of GDP in 2029	19%
Health share of GDP resistance point	17%
Year for limiting cost growth to GDP Growth	2075

Discount rate

The discount rate used to measure the total OPEB liability as of June 30, 2022 is 3.69%. The rate as of June 30, 2023 is 3.86%.

Changes in the total OPEB liability

	Total OPEB Liability
Balance as of June 30, 2022 for FYE 2023	\$ 232,305
Changes for the year:	
Service cost	10,972
Interest	8,464
Experience gains (losses)	76,400
Changes in assumptions	(28,804)
Benefit payouts	(9,254)
Net changes	57,778
Balance as of June 30, 2023 for FYE 2024	\$ 290,083

**POCOMOKE CITY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2024**

**OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)**

Sensitivity of the total OPEB liability to changes in the discount rate

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

1% Decrease (2.86%)	\$ 335,108
Current discount rate (3.86%)	\$ 290,083
1% Increase (4.86%)	\$ 253,549

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate

The following presents the total OPEB liability of the City, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare trend rate:

1% Decrease (3.04%)	\$ 249,764
Current discount rate (4.04%)	\$ 290,083
1% Increase (5.04%)	\$ 341,726

OPEB expense and deferred outflows and inflows of resources related to OPEB

Benefit payments are recognized when currently due and payable in accordance with the benefit terms. For the year ended June 30, 2024, the City recognized an OPEB expense of (\$386). At June 30, 2024, the City reported deferred outflows of resources or deferred inflows of resources related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 68,760	\$ 138,953
Changes of assumptions	57,007	121,922
Total	\$ 125,767	\$ 260,875

**POCOMOKE CITY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2024**

**OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)**

OPEB expense and deferred outflows and inflows of resources related to OPEB (continued)

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

Year Ending June 30		
2025	\$	(19,822)
2026		(19,822)
2027		(19,822)
2028		(19,822)
2029		(19,816)
Thereafter		(36,004)
Total	\$	<u>(135,108)</u>

**RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City joined with other municipalities in the State to form the Local Government Insurance Trust (LGIT), a public entity risk pool currently operating as a common risk management and insurance program for member municipalities. The City pays an annual premium to LGIT for its general insurance coverage. The Agreement for Formation of the LGIT provides that it will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for liability claims. The City continues to carry commercial insurance for its workers' compensation and some vehicle liability coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage since formation of LGIT.

**NEW ACCOUNTING PRONOUNCEMENTS**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended June 30, 2024, that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the new standards may have on the financial statements.

**POCOMOKE CITY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NEW ACCOUNTING PRONOUNCEMENTS (Continued)**

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

GASB Statement No. 103, *Financial Reporting Model Improvements*, will be effective for the Town beginning with the year ending June 30, 2026. This statement improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential in decision making and assessing a governments accountability.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, will be effective for the Town beginning with the year ending June 30, 2026. This statement requires certain information regarding capital assets to be presented by major class.

**CONTINGENT LIABILITIES**

The City is the recipient of various federal and State grants. The City may be under obligation to repay these grant funds if, upon final review by the respective granting agencies, the funds expended did not meet the established program objectives.

In 2025, the City entered into a security instrument agreement with the County Commissioners of Worcester County, Maryland (the County) to close a grant received in 2008 from the Community Development Block Grant Program to construct a restaurant. Since the restaurant owners were not able to comply with the hiring portion of the grant, the State approved to close the grant with certain caveats. The County must place a lien on the property for five years. If the restaurant is sold before the five year period ends, the City would be required to reimburse the County a portion of the sales price based on the CDBG formula as stipulated by the State at the time of sale.

**REQUIRED SUPPLEMENTARY INFORMATION**

**POCOMOKE CITY, MARYLAND**

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

**FOR THE YEAR ENDED JUNE 30, 2024**

	Budget		Actual	Variance with Budget Favorable (Unfavorable)
	Original	Final		(Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 4,193,200	\$ 4,193,200	\$ 4,273,727	\$ 80,527
Licenses and permits	146,500	146,500	148,229	1,729
Intergovernmental	1,017,000	1,017,000	1,387,772	370,772
Charges for services	301,000	301,000	304,834	3,834
Fines and forfeitures	11,400	11,400	30,102	18,702
Investment earnings	2,000	2,000	48,399	46,399
Miscellaneous	148,050	148,050	200,689	52,639
Total revenues	<u>5,819,150</u>	<u>5,819,150</u>	<u>6,393,752</u>	<u>574,602</u>
<b>EXPENDITURES</b>				
Current				
General government	708,239	708,239	686,584	21,655
Public safety	1,668,863	1,668,863	1,779,836	(110,973)
Public works	1,260,610	1,260,610	1,281,018	(20,408)
Parks, recreation and culture	86,400	86,400	73,448	12,952
Urban housing and development	288,593	288,593	223,297	65,296
Economic development	125,889	125,889	106,757	19,132
Employee benefits	1,310,277	1,310,277	1,055,320	254,957
Miscellaneous	209,633	209,633	143,138	66,495
Debt service	63,351	63,351	78,001	(14,650)
Capital outlay	6,200	6,200	468,417	(462,217)
Total expenditures	<u>5,728,055</u>	<u>5,728,055</u>	<u>5,895,816</u>	<u>(167,761)</u>
Revenues over expenditures	91,095	91,095	497,936	406,841
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of assets			55,066	55,066
Transfers out	(91,095)	(91,095)	(240,000)	(148,905)
Net other financing sources	<u>(91,095)</u>	<u>(91,095)</u>	<u>(184,934)</u>	<u>(93,839)</u>
Net change in fund balance	<u>\$</u>	<u>\$</u>	<u>\$ 313,002</u>	<u>\$ 313,002</u>

**POCOMOKE CITY, MARYLAND**

**REQUIRED SUPPLEMENTARY INFORMATION**

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

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

Fiscal year/ measurement date	City's proportion of the net pension liability	City's proportionate share of the net pension liability (asset)	City's covered payroll	City's proportionate share as a percentage of covered payroll	Plan's fiduciary net position as a percentage of total pension
<b>General Employees' Plan</b>					
2015/2014	0.008815%	\$ 1,564,326	\$ 2,174,057	71.95%	71.95%
2016/2015	0.009698%	2,015,345	2,307,186	87.35%	68.78%
2017/2016	0.009107%	2,148,635	2,271,272	94.60%	65.79%
2018/2017	0.007884%	1,704,880	2,313,992	73.68%	69.38%
2019/2018	0.005832%	1,223,672	1,656,878	73.85%	71.18%
2020/2019	0.006117%	1,261,593	1,871,611	67.41%	72.34%
2021/2020	0.007037%	1,590,356	1,904,141	83.52%	70.72%
2022/2021	0.007658%	1,148,918	2,061,011	55.75%	81.84%
2023/2022	0.009545%	1,909,841	2,122,143	90.00%	76.27%
2024/2023	0.009510%	2,190,269	2,015,103	108.69%	73.81%
<b>Law Enforcement Officers' Plan (LEOPS)</b>					
2019/2018	0.004801%	\$ 1,007,372	\$ 732,779	137.47%	71.18%
2020/2019	0.006180%	1,274,741	739,620	172.35%	72.34%
2021/2020	0.006292%	1,422,110	788,500	180.36%	70.72%
2022/2021	0.007807%	1,171,202	554,336	211.28%	81.84%
2023/2022	0.003779%	756,050	756,924	99.88%	76.27%
2024/2023	0.006995%	1,611,029	789,556	204.04%	73.81%

**POCOMOKE CITY, MARYLAND**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE CITY'S CONTRIBUTIONS**

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

<u>Fiscal Year</u>	<u>Contractually required contribution</u>	<u>Actual contribution</u>	<u>Contribution deficiency (excess)</u>	<u>City's covered payroll</u>	<u>Actual contribution as a percentage of covered payroll</u>
<b>General Employees' Plan</b>					
2015	\$ 204,401	\$ 204,401	\$	\$ 2,174,057	9.40%
2016	177,212	177,212		2,307,186	7.68%
2017	160,472	160,472		2,271,272	7.07%
2018	212,037	212,037		2,313,992	9.16%
2019	125,604	125,604		1,656,878	7.58%
2020	150,868	150,868		1,871,611	8.06%
2021	168,753	168,753		1,904,141	8.86%
2022	217,848	217,848		2,061,011	10.57%
2023	231,951	231,951		2,122,143	10.93%
2024	228,110	228,110		2,015,103	11.32%
<b>Law Enforcement Officers' Plan (LEOPS)</b>					
2019	\$ 126,914	\$ 126,914	\$	\$ 732,779	17.32%
2020	134,908	134,908		739,620	18.24%
2021	172,025	172,025		788,500	21.82%
2022	86,240	86,240		554,336	15.56%
2023	170,608	170,608		756,924	22.54%
2024	188,027	188,027		789,556	23.81%

**POCOMOKE CITY, MARYLAND**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - MSRPS  
(UNAUDITED)**

**JUNE 30, 2024**

**Changes in benefit terms:**

There were no benefit changes during the year.

**Changes in assumptions:**

There were no changes in assumptions during the year.

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

Actuarial	Entry age normal.
Remaining amortization period	25 year closed amortization period ending June 30, 2039; 15 years remaining.
Asset valuation model	Five year smoothed market (maximum 120% and minimum 80% of market value).
Inflation	2023 2.25% general; 2.75% wage 2022 2.25% general; 2.75% wage
Salary increases	2023 2.75% to 11.25%, including inflation 2022 2.75% to 11.25%, including inflation
Investment rate of return	2023 6.80% 2022 6.80%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2019 valuation pursuant to an experience study of the period July 1, 2014 to June 30, 2018.
Mortality	Public Sector 2010 Mortality Tables calibrated to MSRPS experience with generational projections using MP-2018 (2-dimensional) mortality improvement scale.

**POCOMOKE CITY, MARYLAND**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CHANGES IN THE CITY'S TOTAL  
OPEB LIABILITY AND RELATED RATIOS  
(UNAUDITED)**

	2024	2023	2022	2021	2020	2019	2018
<b>Total OPEB liability</b>							
Service cost	\$ 10,972	\$ 17,972	\$ 15,842	\$ 12,391	\$ 18,546	\$ 18,085	\$ 21,764
Interest cost	8,464	5,786	7,497	8,037	13,918	13,105	11,313
Changes in benefit terms							(12,137)
Experience losses (gains)	76,400	(2,174)	(48,450)	(126)	(174,363)	(289)	
Changes of assumptions	(28,804)	(88,069)	28,537	36,838	20,049	(2,828)	(54,078)
Benefit payments	(9,254)	(7,271)	(7,428)	(7,828)	(6,834)	(9,711)	(9,711)
Net change in total OPEB liability	57,778	(73,756)	(4,002)	49,312	(128,684)	18,362	(42,849)
Total OPEB liability, beginning of year	232,305	306,061	310,063	260,751	389,435	371,073	413,922
Total OPEB liability, end of year	<u>\$ 290,083</u>	<u>232,305</u>	<u>\$ 306,061</u>	<u>\$ 310,063</u>	<u>\$ 260,751</u>	<u>\$ 389,435</u>	<u>\$ 371,073</u>
<b>Plan fiduciary net position</b>							
Contributions employer	\$ 9,254	7,271	\$ 7,428	\$ 7,828	\$ 6,834	\$ 9,711	\$ 9,711
Benefit payments	(9,254)	(7,271)	(7,428)	(7,828)	(6,834)	(9,711)	(9,711)
Net change in fiduciary net position							
Fiduciary net position, beginning of year							
Fiduciary net position, end of year	<u>\$</u>	<u></u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>City's total OPEB liability, end of year</b>	<u>\$ 290,083</u>	<u>232,305</u>	<u>\$ 306,061</u>	<u>\$ 310,063</u>	<u>\$ 260,751</u>	<u>\$ 389,435</u>	<u>\$ 371,073</u>
Fiduciary net position as a % of total OPEB liability	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>

**Notes to schedule**

No benefit changes.

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

6/30/2022	2.45%
6/30/2023	3.69%
6/30/2024	3.86%

Because this OPEB plan does not depend on salary, no salary information is presented, Information for fiscal year 2017 and earlier is not available.

## **SUPPLEMENTARY INFORMATION**

**INDEPENDENT AUDITORS' REPORT ON  
 SUPPLEMENTARY INFORMATION**

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

To the Mayor and Council and City Manager  
 Pocomoke City, Maryland

**Report on Supplementary Information**

Our report on our audit of the financial statements that collectively comprise Pocomoke City, Maryland's basic financial statements as of June 30, 2024, appears on pages one through three. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pocomoke City, Maryland's basic financial statements. The supplementary information presented on pages 52 through 56 is presented for purposes of additional analysis and is not a required part of the financial statements.

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

**Other Matter**

The prior year comparative information has been derived from the City's 2023 and 2022 financial statements and, in our reports dated January 15, 2024 and September 30, 2022, respectively, we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

*MEMBERS OF:*

*AMERICAN INSTITUTE OF  
 CERTIFIED PUBLIC ACCOUNTANTS*

*MARYLAND ASSOCIATION OF  
 CERTIFIED PUBLIC ACCOUNTANTS*

*DELAWARE SOCIETY OF  
 CERTIFIED PUBLIC ACCOUNTANTS*

*ALLINIAL GLOBAL*

**CERTIFIED PUBLIC ACCOUNTANTS**

Salisbury, Maryland  
 February 28, 2025

**POCOMOKE CITY, MARYLAND**

**SCHEDULES OF REVENUES AND EXPENDITURES  
GENERAL FUND**

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>
<b>REVENUES</b>			
Taxes	\$ 4,273,727	\$ 4,031,981	\$ 3,854,058
Licenses and permits	148,229	169,969	101,256
Intergovernmental	1,387,772	1,452,419	1,415,528
Charges for services	304,834	356,837	371,861
Fines and forfeitures	30,102	20,025	32,271
Investment earnings	48,399	10,475	2,257
Miscellaneous	200,689	211,040	218,003
Total revenues	<u>6,393,752</u>	<u>6,252,746</u>	<u>5,995,234</u>
<b>EXPENDITURES</b>			
Current			
General government	686,584	647,781	634,860
Public safety	1,779,836	1,657,033	1,551,304
Public works	1,281,018	1,188,771	1,184,792
Parks, recreation and culture	73,448	78,996	51,501
Urban housing and development	223,297	237,734	233,120
Economic development	106,757	100,432	108,784
Employee benefits	1,055,320	1,068,714	1,100,400
Miscellaneous	143,138	116,099	113,446
Debt service	78,001	82,440	72,429
Capital outlay	468,417	484,029	586,772
Total expenditures	<u>5,895,816</u>	<u>5,662,029</u>	<u>5,637,408</u>
Revenues over expenditures	497,936	590,717	357,826
<b>OTHER FINANCING SOURCES (USES)</b>			
Loan proceeds		21,283	
Proceeds from sale of assets	55,066	79,517	8,239
Transfers out	(240,000)		(177,000)
Net other financing sources (uses)	<u>(184,934)</u>	<u>100,800</u>	<u>(168,761)</u>
Net change in fund balance	<u>\$ 313,002</u>	<u>\$ 691,517</u>	<u>\$ 189,065</u>

**POCOMOKE CITY, MARYLAND**

**SCHEDULES OF REVENUES  
GENERAL FUND**

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

	2024	2023	2022
<b>REVENUES</b>			
Taxes			
Real property	\$ 3,069,563	\$ 2,780,308	\$ 2,699,234
Personal property	876,071	927,494	892,427
Interest, discounts and credits	14,335	17,660	24,833
Local taxes	313,758	306,519	237,564
Total taxes	4,273,727	4,031,981	3,854,058
Other revenues			
Licenses and permits	148,229	169,969	101,256
Intergovernmental			
Federal Government	236,030	294,138	261,473
State of Maryland	456,840	450,351	474,423
Worcester County	694,902	707,930	679,632
Service charges for current services			
Trash removal fees	266,610	261,409	260,280
Recreation user fees	1,806	2,244	3,593
Other service charges	36,418	93,184	107,988
Fines and forfeitures	30,102	20,025	32,271
Investment earnings	48,399	10,475	2,257
Miscellaneous			
Rental income	70,252	70,922	53,926
Other	130,437	140,118	164,077
Total other revenues	2,120,025	2,220,765	2,141,176
Total revenues	6,393,752	6,252,746	5,995,234
<b>OTHER FINANCING SOURCES (USES)</b>			
Loan proceeds		21,283	
Proceeds from sale of assets	55,066	79,517	8,239
Transfers out	(240,000)		(177,000)
Net other financing sources (uses)	(184,934)	100,800	(168,761)
<b>Total revenues and other financing sources (uses)</b>	\$ 6,208,818	\$ 6,353,546	\$ 5,826,473

**POCOMOKE CITY, MARYLAND**

**SCHEDULES OF EXPENDITURES  
GENERAL FUND**

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

<b>EXPENDITURES</b>	<u>2024</u>	<u>2023</u>	<u>2022</u>
General government			
Legislative	\$ 108,848	\$ 94,119	\$ 90,942
Executive	98,645	100,904	106,711
Human resources	62,407	44,011	61,114
Financial administration	240,099	220,241	205,612
Law	50,246	78,202	57,263
General services	124,084	107,831	111,475
Other general government	2,255	2,473	1,743
Total general government	<u>686,584</u>	<u>647,781</u>	<u>634,860</u>
Public safety			
Police department	1,578,157	1,471,465	1,394,887
Fire department	200,515	185,568	156,417
Ambulance	1,164		
Total public safety	<u>1,779,836</u>	<u>1,657,033</u>	<u>1,551,304</u>
Public works			
General services	79,727	93,496	105,546
Sanitation and waste removal	541,647	461,747	417,550
Mechanic	59,134	53,467	50,558
Highways and streets	600,510	580,061	611,138
Total public works	<u>1,281,018</u>	<u>1,188,771</u>	<u>1,184,792</u>
Parks, recreation and culture			
Golf course	1,958	6,053	1,401
Parks and docks	62,735	62,255	41,963
Other	8,755	10,688	8,137
Total parks, recreation and culture	<u>73,448</u>	<u>78,996</u>	<u>51,501</u>
Housing and urban development	<u>223,297</u>	<u>237,734</u>	<u>233,120</u>
Economic development	<u>106,757</u>	<u>100,432</u>	<u>108,784</u>
Miscellaneous			
Employee benefits	1,055,320	1,068,714	1,100,400
General insurance	114,793	98,036	89,451
Other	28,345	18,063	23,995
Total miscellaneous	<u>1,198,458</u>	<u>1,184,813</u>	<u>1,213,846</u>
Debt service	<u>78,001</u>	<u>82,440</u>	<u>72,429</u>
Capital outlay	<u>468,417</u>	<u>484,029</u>	<u>586,772</u>
Total expenditures	<u>\$ 5,895,816</u>	<u>\$ 5,662,029</u>	<u>\$ 5,637,408</u>

**POCOMOKE CITY, MARYLAND**

**SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
WATER AND SEWER FUND**

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

	2024	2023	2022
<b>OPERATING REVENUES</b>			
Charges for services	\$ 1,722,959	\$ 1,632,129	\$ 1,609,572
Sewage haulers	765,923	656,535	670,849
Operating grants	5,839	48,849	66,811
Miscellaneous and late charges	88,906	61,190	67,541
Total operating revenues	2,583,627	2,398,703	2,414,773
<b>OPERATING EXPENSES</b>			
Salaries and wages	341,251	305,166	267,694
Employee benefits	230,976	222,946	248,666
Contract labor	206,518	124,011	167,560
Insurance	41,762	28,454	26,453
Materials and supplies	244,524	230,489	205,511
Heat, light and power (net of rebates)	303,088	292,979	360,769
Facility maintenance	183,518	128,814	94,118
Vehicle operating expenses	18,081	26,535	20,109
Telephone	7,688	7,383	7,321
Bad debt expense (recovery)	23,761	(1,338)	52,699
Depreciation	628,597	610,978	616,764
Total operating expenses	2,229,764	1,976,417	2,067,664
Operating income	353,863	422,286	347,109
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Capital grants	1,650,177	1,413,195	94,863
Interest expense	(157,605)	(164,296)	(150,074)
Net non-operating revenues (expenses)	1,492,572	1,248,899	(55,211)
Change in net position	\$ 1,846,435	\$ 1,671,185	\$ 291,898

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

**POCOMOKE CITY, MARYLAND**

**SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
AMBULANCE FUND**

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

	2024	2023	2022
<b>OPERATING REVENUES</b>			
Charges for services	\$ 675,805	\$ 544,346	\$ 546,644
Operating grants and donations	802,747	722,456	706,454
Total operating revenues	1,478,552	1,266,802	1,253,098
<b>OPERATING EXPENSES</b>			
Salaries and wages	989,609	884,459	884,417
Employee benefits	279,759	45,212	137,814
Contract labor	4,943	3,734	1,926
Insurance	6,995	21,318	17,194
Materials and supplies	112,065	80,478	91,673
Heat, light and power (net of rebates)	5,440	(3,997)	(9,074)
Maintenance - facility	8,363	12,109	3,290
Vehicle operating expenses	73,145	47,105	54,921
Telephone	6,387	4,359	3,258
Bad debt expense (recovery)	65,108	(16,203)	15,291
Depreciation	186,874	158,946	107,136
Total operating expenses	1,738,688	1,237,520	1,307,846
Operating income (loss)	(260,136)	29,282	(54,748)
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Capital grants	390,454	121,523	428,892
Interest expense	(2,566)	(4,417)	(7,163)
Gain (loss) on disposal of assets	(578)	10,000	
Net non-operating revenues (expenses)	387,310	127,106	421,729
Income before transfers	127,174	156,388	366,981
Transfers in	240,000		177,000
Change in net position	\$ 367,174	\$ 156,388	\$ 543,981

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

***GOVERNMENT AUDITING STANDARDS REPORT***

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

ANDREW M. HAYNIE, CPA  
 SUSAN P. KEEN, CPA  
 MICHAEL C. KLEGER, CPA  
 JAMES D. MAYBURY, CPA  
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 JOHN M. STERN, JR., CPA

To the Mayor and Council and City Manager  
 Pocomoke City, 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 Pocomoke City, Maryland (the "City"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Pocomoke City, Maryland's basic financial statements and have issued our report thereon dated February 28, 2025.

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***Report on 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 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 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.

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***Report on Internal Control over Financial Reporting (Continued)***

Our consideration of internal control was for the limited purpose described in the first preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore we did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001, that we consider to be a significant deficiency. Material weaknesses or significant deficiencies may exist that have not been identified.

***Report on 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. However, providing an opinion on compliance with these provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

**CERTIFIED PUBLIC ACCOUNTANTS**

Salisbury, Maryland  
February 28, 2025

## **UNIFORM GUIDANCE REPORTS**

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**INDEPENDENT AUDITORS' REPORT  
 ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

To the Mayor and Council and City Manager  
 Pocomoke City, Maryland

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pocomoke City, Maryland as of and for the year ended June 30, 2024, and the related notes to the financial statements that collectively comprise Pocomoke City, Maryland's basic financial statements. We have issued our report thereon dated February 28, 2025, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

**CERTIFIED PUBLIC ACCOUNTANTS**

Salisbury, Maryland  
 February 28, 2025

**POCOMOKE CITY, MARYLAND**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2024**

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Total Award	Federal Expenditures
<u>U.S. Department of the Treasury</u>				
Coronavirus State and Local Fiscal Recovery Funds	COVID-19 21.027		\$ 4,029,248	\$ 584,694
<u>U.S. Department of Agriculture</u>				
Water and waste disposal system for rural communities	10.760		1,056,000	823,405
Community facilities grant	10.766		271,000	271,000
Total U.S. Department of Agriculture			<u>1,327,000</u>	<u>1,094,405</u>
<u>U.S. Department of Housing and Urban Development</u>				
Pass through Maryland Department of Housing and Community Development Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants	14.218	MD-21-CD-6	30,000	16,558
		MD-22-CD-7	835,727	394,552
			<u>865,727</u>	<u>411,110</u>
<u>U.S. Department of the Health and Human Services</u>				
Pass through Maryland Department of Health State Actions to Improve Oral Health Outcomes	93.366	PHPA-2757	6,000	5,839
Total expenditures of federal awards			<u>\$ 6,227,975</u>	<u>\$ 2,096,048</u>

See accompanying notes to schedule of expenditures of federal awards.

## **POCOMOKE CITY, MARYLAND**

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

**JUNE 30, 2024**

#### **BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Pocomoke City, Maryland under programs of the federal government for the year ended June 30, 2024. The information presented in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in assets, or cash flows of the Town.

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

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

Pass-through entity identifying numbers are presented where available.

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

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

#### **LOANS**

For purposes of the schedule of expenditures of federal awards, the value of federal expenditures in the form of loans is calculated as the sum of the balance of loans from previous years for which the Federal Government imposes continuing compliance requirements plus the value of new loans received during the fiscal year.

The Town has been awarded a loan of \$1,056,000 from the U.S. Department of Agriculture (USDA) for upgrades to the pump station. As of June 30, 2024, outstanding Federal loans with continuing compliance requirements were \$862,869.

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

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To the Mayor and Council and City Manager  
 Pocomoke City, Maryland

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

***Opinion on Each Major Program***

We have audited Pocomoke City, Maryland's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Pocomoke City, Maryland's major federal programs for the year ended June 30, 2024. Pocomoke City, Maryland's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Pocomoke City, Maryland complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

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

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

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

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

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

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

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

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

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

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

## **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

**CERTIFIED PUBLIC ACCOUNTANTS**

Salisbury, Maryland  
February 28, 2025

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

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

There were no audit findings for Pocomoke City, Maryland for the year ended June 30, 2023.

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

There were no audit findings for Pocomoke City, Maryland for the year ended June 30, 2023.

**POCOMOKE CITY, MARYLAND**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2024**

**A. SUMMARY OF AUDITORS' RESULTS**

***Financial Statements***

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to the financial statements noted?      Yes   x   No

***Federal Awards***

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

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

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

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

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

**B: FINDINGS – FINANCIAL STATEMENT AUDIT**

**SIGNIFICANT DEFICIENCY**

**Finding: 2024-001** – The City lacked proper documentation to support certain financial transactions and decisions.

*Criteria:* Proper documentation should be maintained for all financial transactions. In addition, minutes should be taken and kept on file for all meetings of the Mayor and Council and City commissions.

*Condition:* City personnel were unable to locate copies of minutes for all Mayor and Council meeting held during the year and through the completion of our audit work. In addition, the minutes posted to the City’s website were not up-to-date. They were also unable to obtain proper supporting documentation for certain expenditures and employee expense reimbursements.

*Cause:* During the year, the City had numerous changes in accounting and other personnel including the finance director, City manager, and accounts payable clerk.

*Effect or potential effect:* Lack of policies and procedures for filing and document retention may result in lost records, failure to comply with laws, contracts, or grants, and operational inefficiency.

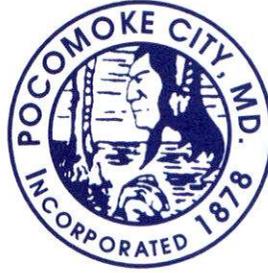
*Recommendation:* The City should establish clear policies and procedures for document retention and ensure all employees are trained on these policies. In addition, a checklist can be developed for required documents for each type of transaction.

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

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

None

# POCOMOKE CITY, MARYLAND



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

### **Audit finding reference: 2024-001**

**The City lacked proper documentation to support certain financial transactions and decisions.**

Finding summary: City personnel were unable to locate copies of minutes for all Mayor and Council meeting held during the year and through the completion of our audit work. In addition, the minutes posted to the City's website were not up-to-date. They were also unable to obtain proper supporting documentation for certain expenditures and employee expense reimbursements.

### Planned corrective action:

A new website is under development for Pocomoke City, which will allow for the audio of the Mayor and Council meetings to be immediately uploaded and available for the public viewing. Meeting minutes will be uploaded to the website once they have been approved at the next available Mayor and Council meeting. In addition to the City's website, meeting minutes will be scanned and archived into the City's electronic file cabinet ShoreScan. In fiscal year 2025, the finance department has begun using the electronic file cabinet ShoreScan to scan in all expenditures and expense reimbursements with supporting documentation. This will help alleviate misfiled and/or misplaced supporting documentation and expense reports.

### Name of contact persons:

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