

**CITY OF FRUITLAND, MARYLAND**

**FINANCIAL REPORT**

**JUNE 30, 2024**

**CITY OF FRUITLAND, MARYLAND**

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**Wigglesworth, Layton, Moyers & Chance, PC.**

**Certified Public Accountants**

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INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Fruitland, Maryland

**Report on the Financial Statements**

*Opinions*

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fruitland, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Fruitland, Maryland and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

*Responsibilities of Management for the Financial Statements*

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

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

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

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

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

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

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, schedule of proportionate share of net pension liability and schedule of pension contribution information on pages 5–11 and 38–42 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2024, on our consideration of the City of Fruitland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Fruitland's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Fruitland's internal control over financial reporting and compliance.

*Wiggleworth, Layton, Moyus + Chance, P.C.*

Salisbury, Maryland  
October 31, 2024

**CITY OF FRUITLAND, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the City of Fruitland's financial performance provides an overview of the City's financial activities for the year ended June 30, 2024. Please read it in conjunction with the City's financial statements, which begin on page 12.

**Financial Highlights**

**Net Position** - The City's net position decreased by \$265,925 in total during the year ended June 30, 2024. By type of activity, the City's net position increased by \$347,937 for governmental activities, which is an approximate 3.63% increase over the previous year. The City's net position decreased by \$613,862 for business-type activities, which is an approximate 2.76% decrease from the previous year.

**Table 1  
Comparative Net Position**

	Governmental Activities		Business-type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 8,918,360	\$ 9,537,368	\$ 7,232,374	\$ 7,430,753	\$16,150,734	\$16,968,121
Capital assets (net)	6,076,376	5,814,618	19,821,972	20,726,096	25,898,348	26,540,714
Total assets	14,994,736	15,351,986	27,054,346	28,156,849	42,049,082	43,508,835
Deferred outflows of resources	2,007,008	1,855,797	272,607	239,109	2,279,615	2,094,906
Total deferred outflows of resources	2,007,008	1,855,797	272,607	239,109	2,279,615	2,094,906
Total assets and deferred outflows of resources	<u>17,001,744</u>	<u>17,207,783</u>	<u>27,326,953</u>	<u>28,395,958</u>	<u>44,328,697</u>	<u>45,603,741</u>
Current liabilities	353,410	199,343	209,840	540,840	563,250	740,183
Long-term debt	4,556,973	4,175,888	2,646,766	2,745,775	7,203,739	6,921,663
Total liabilities	4,910,383	4,375,231	2,856,606	3,286,615	7,766,989	7,661,846
Deferred inflows of resources	2,162,400	3,251,528	2,843,418	2,868,552	5,005,818	6,120,080
Total deferred inflows of resources	2,162,400	3,251,528	2,843,418	2,868,552	5,005,818	6,120,080
Net position:						
Invested in capital assets, net of related debt	4,872,214	4,567,507	15,279,440	16,015,973	20,151,654	20,583,480
Restricted - highway user funds	241,145	-	-	-	241,145	-
Restricted - revolving loan	187,323	187,323	-	-	187,323	187,323
Restricted - Comm. Ctr. Bldg.	26,858	26,844	-	-	26,858	26,844
Restricted - replacement reserve	-	-	2,121,305	2,128,548	2,121,305	2,128,548
Restricted - impact fees	-	-	1,821,091	1,377,787	1,821,091	1,377,787
Restricted donations	453,892	437,939	-	-	453,892	437,939
Unrestricted	4,147,529	4,361,411	2,405,093	2,718,483	6,552,622	7,079,894
Total net position	<u>9,928,961</u>	<u>9,581,024</u>	<u>21,626,929</u>	<u>22,240,791</u>	<u>31,555,890</u>	<u>31,821,815</u>
Total liabilities, deferred inflows of resources and net position	<u>\$17,001,744</u>	<u>\$17,207,783</u>	<u>\$27,326,953</u>	<u>\$28,395,958</u>	<u>\$44,328,697</u>	<u>\$45,603,741</u>

**Revenues and Expenditures – Changes in Net Position**

**Governmental Programs**

The increase of \$347,937 in Net Position of the City's governmental programs was due to total revenues of \$6,325,917 less total expenses of \$5,977,980.

Property tax revenues increased by \$304,336. The increase was due to an increase in assessed property value in the current year. Non-property taxes increased by \$65,109 as compared to the prior year.

Charges for services decreased by \$304,145 primarily due to a decrease in forfeited funds.

Governmental grants decreased by \$562,874 due to decreases in state grants and a lower amount of American Rescue Plan funds recognized as revenue, to the extent of which the funds were spent on approved, governmental program purposes in the current year.

There were other revenue increases and decreases that were insignificant.

**CITY OF FRUITLAND, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Proprietary Fund**

The decrease of \$613,862 in Net Position of the City's proprietary fund was due to total revenues of \$3,877,356 less total expenses of \$4,491,218.

The City's proprietary fund total revenues decreased by \$570,091 from the prior year. Grants and capital contribution revenues decreased by \$874,159 primarily due to a lower amount of American Rescue Plan funds recognized as revenue, to the extent of which the funds were spent on approved, business-type purposes in the current year. Impact fees increased by \$300,200 primarily due to a new hotel construction project in the City in the current year. There were insignificant increases in other accounts.

Expenses for the proprietary fund increased by \$85,740 from the prior year primarily due to current increases in personnel and related salaries and benefits. There were insignificant increases and decreases in other expense accounts.

Information for changes in net position is shown in Table 2 on the following page.

**Using This Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 12 - 13) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 14. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

**Government-wide Statements: Reporting the City as a Whole**

**The Statement of Net Position and the Statement of Activities**

The statements for our discussion of the City as a whole begin on page 12. The Statement of Net Position and the Statement of Activities report information about its activities to determine whether the City is better off financially, worse off financially, or the same financially as it was in the previous year. These statements are prepared on the accrual basis of accounting and incorporate all assets and liabilities into the information in the same way used by for-profit companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position reports the financial position, or wealth, of the City. By comparing the Net Position of the current year to the Net Position of the prior year, you can determine whether the City has increased or decreased its wealth. The Statement of Activities reports revenues and expenses of the current year. If revenues exceed expenses, wealth has increased. If expenses exceed revenues, wealth has decreased. Other non-financial factors, such as changes in tax rates and/or the condition of the roads will need to be considered in assessing the overall health of the City.

In the Statement of Net Position and the Statement of Activities, the City is divided into two types of activities:

- Governmental activities – Most of the City's basic services are reported here, including the police, streets, parks, and general administration. These activities are financed from property taxes, income taxes, franchise fees, licenses and permits, fines, and county, state, and federal grants.
- Business-type activities – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water, sewer and sanitation departments are reported here.

**CITY OF FRUITLAND, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Table 2  
Comparative Changes in Net Position**

	Governmental Activities		Business-type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Revenues						
Program revenues:						
Charges for services	\$ 288,437	\$ 592,582	\$ 2,685,293	\$ 2,684,464	\$ 2,973,730	\$ 3,277,046
Gov't grants and contr.	862,141	1,425,015	657,050	1,531,209	1,519,191	2,956,224
General revenue						
Property taxes	4,100,884	3,796,548	-	-	4,100,884	3,796,548
Other taxes	814,181	749,072	-	-	814,181	749,072
Other general revenues	260,274	257,982	535,013	231,774	795,287	489,756
Total revenues	6,325,917	6,821,199	3,877,356	4,447,447	10,203,273	11,268,646
Program expenses						
General government	759,623	702,271	-	-	759,623	702,271
Public safety	4,242,324	3,516,731	-	-	4,242,324	3,516,731
Public works	938,306	900,758	-	-	938,306	900,758
Recreation	37,727	42,954	-	-	37,727	42,954
Water	-	-	1,438,472	1,302,289	1,438,472	1,302,289
Sewer	-	-	2,681,561	2,759,897	2,681,561	2,759,897
Sanitation	-	-	371,185	343,292	371,185	343,292
Total expenses	5,977,980	5,162,714	4,491,218	4,405,478	10,469,198	9,568,192
Increase (decrease) in net position	347,937	1,658,485	(613,862)	41,969	(265,925)	1,700,454
Net position, beginning	9,581,024	7,922,539	22,240,791	22,198,822	31,821,815	30,121,361
Net position, ending	<u>\$ 9,928,961</u>	<u>\$ 9,581,024</u>	<u>\$ 21,626,929</u>	<u>\$ 22,240,791</u>	<u>\$ 31,555,890</u>	<u>\$ 31,821,815</u>

**Reporting the City's Most Significant Funds**

**Fund Financial Statements**

The fund financial statements begin on page 14 and provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law. Others are established to control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money designated for specified purposes. The City's two kinds of funds – governmental and proprietary – use different accounting approaches.

- Governmental funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation following each of the fund statements.
- Proprietary funds – Proprietary funds are operated the same way as business-type activities. The utility (water, sewer and sanitation) fund is the single proprietary fund. It is reported in the same way as it was reported in the government-wide statements but provides more detail and additional information, such as cash flows.



**CITY OF FRUITLAND, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Capital Assets**

At the end of the June 30, 2024 fiscal year, the City had \$25,898,348 invested in a broad range of capital assets including police equipment, buildings, park facilities, and water and sewer systems. (See Table 3 below.) This amount represents a net decrease (including additions and deductions) of \$642,366 or approximately 2.42%, from last year. Please note that these numbers are shown net of depreciation.

A detailed summary of additions, deletions and depreciation is shown in Note 4 to the financial statements.

**Table 3  
Capital Assets at Year-end  
(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Land and improvements	\$ 544,433	\$ 544,433	\$ 66,398	\$ 66,398	\$ 610,831	\$ 610,831
CIP	201,795	158,119	-	107,486	201,795	265,605
Bldgs. and equip.	3,333,134	3,070,100	12,340,706	12,642,884	15,673,840	15,712,984
Infrastructure	1,942,775	1,968,714	-	-	1,942,775	1,968,714
Other	54,239	73,252	12,331	14,358	66,570	87,610
Water/sewer system	-	-	7,402,537	7,894,970	7,402,537	7,894,970
<b>Totals</b>	<b>\$ 6,076,376</b>	<b>\$ 5,814,618</b>	<b>\$ 19,821,972</b>	<b>\$ 20,726,096</b>	<b>\$ 25,898,348</b>	<b>\$ 26,540,714</b>

This year's additions were:

<u>Government Funds</u>	
Construction in process	\$ 74,256
Equipment	140,347
Improvements	215,039
Infrastructure	142,634
Vehicles	237,323
Total additions - governmental funds	<u>\$ 809,599</u>
<u>Utility Fund</u>	
Buildings and equipment	\$ 240,432
Water tower and pump station upgrades	51,945
Total additions - utility fund	<u>\$ 292,377</u>

All assets of the City, including infrastructure, are capitalized and depreciated over their life expectancies. Expenses as shown on the Government-wide Statement of Activities include depreciation expense in governmental activities and business-type activities.

**CITY OF FRUITLAND, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Debt**

At year-end, the City had \$3,076,009 in bonds and notes payable versus \$3,286,548 last year – a decrease of \$210,539 or approximately 6.41% – as shown in Table 4.

**Table 4  
Outstanding Debt at Year-end**

	Governmental Activities		Business-type Activities		Totals	
	2024	2023	2024	2023	2024	2023
General obligation bonds	\$ 1,164,858	\$ 1,251,609	\$ 1,867,348	\$ 2,034,939	\$ 3,032,206	\$ 3,286,548
Financing agreement	43,803	-	-	-	43,803	-
<b>Totals</b>	<b>\$ 1,208,661</b>	<b>\$ 1,251,609</b>	<b>\$ 1,867,348</b>	<b>\$ 2,034,939</b>	<b>\$ 3,076,009</b>	<b>\$ 3,286,548</b>

Principal balances of the General Fund decreased by \$42,948 and the Utility Fund principal balances decreased by \$167,591.

**Economic Factors and Next Year's Budgets and Rates**

The City's General Operating Budget as approved for the year 2024 - 2025 is \$8,159,196 and the Utilities Operations Budget is \$3,798,274. American Rescue Plan recognized revenue and expenses are both expected to decrease as the remaining liability continues to decrease. Our potable water and sanitary sewer system continue to operate within compliance of state and federal environmental regulations. We are in the process of improving the drainage infrastructure on Tuxent Branch Lane. This project is expected to be funded by the Maryland Department of the Environment by a combination of loan and forgiveness loan deferred inflow. Significant funding is expected to be initiated in fiscal year 2025 through a reimbursement-based forgiveness loan program.

**Water and Sewer Rates**

The rate structure for the year 2024 - 2025 will remain the same as last year with tiered billing for residents who use less than 8,000 gallons per quarter. Water rates will start at \$25 per quarter for the first 1,000 gallons of water, \$33.33 if more than 1,000 but less than 3,000, and \$45 if more than 3,000 but less than 8,000. The rate per 1,000 gallons used over the base amount of 8,000 gallons will be \$3 per 1,000 gallons for residential and \$4.50 per 1,000 gallons for non-residential.

Sewer charges will change slightly from last year with tiered billing for residents who use less than 8,000 gallons per quarter. Sewer rates will start at \$56 per quarter for the first 1,000 gallons, \$72.67 if more than 1,000 but less than 3,000, and \$101 if more than 3,000 but less than 8,000. The rate per 1,000 gallons over the base amount of 8,000 gallons will be \$5 per 1,000 gallons for residential and \$8 per 1,000 gallons for non-residential.

For non-residents in the Morris Mill Urban Service District, the same tiered water billing structure will be used at a rate equal to 150% of the residential rate structure, except for the more than 3,000 but less than 8,000 tier, which remains the same as in the prior year at \$75.

**Tax Rates and Fees**

The real estate tax rate will increase to \$0.9400 per \$100 of assessed value in 2024 – 2025.

The personal property tax rates will remain \$2.30 per \$100 of assessed value in 2024 – 2025.

The sanitation fee will remain \$49.25 per quarter for residential and \$147.75 per quarter for commercial. The operation of our sanitation division is funded entirely by our sanitation fee. No tax dollars are allocated to the service. The services are outsourced with Chesapeake Waste Industries, LLC. Research of commercial hauling rates has found that our rates are still competitive.

**CITY OF FRUITLAND, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Police Department

Specific functions and duties of the police department include proactive community policing, criminal and narcotics investigation, traffic enforcement as well as a variety of crime prevention programs. The police department receives funding from federal and State of Maryland grants. The department also collects small amounts in fees for police reports and fingerprinting and the sales of surplus properties.

The police department currently employs 21 full time sworn officers, 5 communications operators, 2 part time sworn officers and a volunteer chaplain. Some of the services our police department offers and initiatives in which we are a partner include:

- Watch/Operation ID
- Wicomico County Task Force
- Maryland Criminal Intelligence Network
- Well Connected Communities
- Crime Prevention Programs
- Crime Solvers
- Bicycle Registrations
- Christmas For Kids
- National Night Out

The City is the head of the Wicomico County Task Force, which is further described in Note 2 to the financial statements.

We employ a full-time code enforcement officer responsible for seeing that all construction codes as well as property upkeep and livability codes are followed according to a State-mandated Housing and Livability Code which establishes minimum requirements for all dwellings, whether owner-occupied or leased. In fiscal year 2014 - 2015 the city implemented landlord registration and licensing fees which were implemented in order to benefit the large population of renters in the City.

Snow Removal

During the winter months, snow removal on all streets and salting of major streets and intersections are conducted when necessary.

Recreation

Fruitland's recreation program is a division of the Public Works Department and is managed by the City manager and the Public Works Director. The City currently supports a 21 acre recreational park fronting on South Brown Street and South Division Street. Baseball, softball, soccer and basketball facilities are available as well as a playground for the kids, a covered picnic pavilion and paved walkways. Park improvements are funded by government grants and private donations.

Final Thoughts from Management

We at City Hall greatly appreciate the opportunity to serve the citizens of Fruitland. We continually strive to be responsive, efficient and progressive for you. We welcome your thoughts, suggestions, and comments to help us reach these goals.

**Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's finance office at 401 East Main Street, Fruitland, Maryland 21826, call (410) 548-2800.

**CITY OF FRUITLAND, MARYLAND**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2024**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 7,746,981	\$ 6,689,538	\$ 14,436,519
Investment pool	30,977	33,984	64,961
Receivables (net)	610,528	508,852	1,119,380
Inventories	13,424	-	13,424
Prepaid expenses	7,445	-	7,445
Leased capital asset	509,005	-	509,005
Capital assets:			
Land, improvements, and CIP	746,228	66,398	812,626
Depreciable assets (net)	5,330,148	19,755,574	25,085,722
<b>TOTAL ASSETS</b>	<b>14,994,736</b>	<b>27,054,346</b>	<b>42,049,082</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension	2,007,008	272,607	2,279,615
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>2,007,008</b>	<b>272,607</b>	<b>2,279,615</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 17,001,744</b>	<b>\$ 27,326,953</b>	<b>\$ 44,328,697</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 244,834	\$ 150,378	\$ 395,212
Accrued expenses	108,576	59,462	168,038
Long-term liabilities, due within one year			
Bonds and notes payable	98,340	109,207	207,547
Lease liability	57,415	-	57,415
Long-term liabilities, due in more than one year			
Bonds and notes payable	1,110,321	1,758,141	2,868,462
Lease liability	447,091	-	447,091
Compensated absences	184,410	27,812	212,222
Net pension liability	2,659,396	751,606	3,411,002
<b>TOTAL LIABILITIES</b>	<b>4,910,383</b>	<b>2,856,606</b>	<b>7,766,989</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Customer deposits	-	15,761	15,761
MDE forgiveness loans	-	2,675,184	2,675,184
American Rescue Plan funds	1,246,131	-	1,246,131
Pension	916,269	152,473	1,068,742
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>2,162,400</b>	<b>2,843,418</b>	<b>5,005,818</b>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	4,872,214	15,279,440	20,151,654
Restricted for highway user funds	241,145	-	241,145
Restricted for revolving loan	187,323	-	187,323
Restricted for Community Center building	26,858	-	26,858
Restricted impact fees	-	1,821,091	1,821,091
Restricted for police programs	453,892	-	453,892
Restricted for replacement reserve	-	2,121,305	2,121,305
Unrestricted	4,147,529	2,405,093	6,552,622
<b>TOTAL NET POSITION</b>	<b>9,928,961</b>	<b>21,626,929</b>	<b>31,555,890</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 17,001,744</b>	<b>\$ 27,326,953</b>	<b>\$ 44,328,697</b>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF FRUITLAND, MARYLAND**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2024**

Functions / Programs	Program Revenues				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>PRIMARY GOVERNMENT:</b>							
<b>Governmental Activities:</b>							
General government	\$ 759,623	\$ -	\$ -	\$ 212,227	\$ (547,396)	\$ -	\$ (547,396)
Public safety	4,242,324	283,471	284,080	-	(3,674,773)	-	(3,674,773)
Public works	938,306	1,621	364,647	-	(572,038)	-	(572,038)
Recreation	37,727	3,345	1,187	-	(33,195)	-	(33,195)
<b>TOTAL GOVERNMENT ACTIVITIES</b>	<b>5,977,980</b>	<b>288,437</b>	<b>649,914</b>	<b>212,227</b>	<b>(4,827,402)</b>	<b>-</b>	<b>(4,827,402)</b>
<b>Business-type activities:</b>							
Water	1,438,472	987,355	-	292,848	-	(158,269)	(158,269)
Sewer	2,681,561	1,294,112	-	364,202	-	(1,023,247)	(1,023,247)
Sanitation	371,185	403,826	-	-	-	32,641	32,641
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>4,491,218</b>	<b>2,685,293</b>	<b>-</b>	<b>657,050</b>	<b>-</b>	<b>(1,148,875)</b>	<b>(1,148,875)</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 10,469,198</b>	<b>\$ 2,973,730</b>	<b>\$ 649,914</b>	<b>\$ 869,277</b>	<b>(4,827,402)</b>	<b>(1,148,875)</b>	<b>(5,976,277)</b>
<b>General revenues:</b>							
Taxes:							
Real estate					3,464,184	-	3,464,184
Personal property					636,700	-	636,700
Income					728,929	-	728,929
Other					85,252	-	85,252
Franchise fees					52,132	-	52,132
Impact fees					-	518,900	518,900
Interest and discounts on taxes					34,275	-	34,275
Licenses and permits					98,889	-	98,889
Miscellaneous					18,772	-	18,772
Unrestricted interest earnings					43,965	-	43,965
Restricted interest earnings					-	8,463	8,463
Disposal of capital asset					12,241	7,650	19,891
<b>TOTAL GENERAL REVENUES</b>					<b>5,175,339</b>	<b>535,013</b>	<b>5,710,352</b>
<b>CHANGE IN NET POSITION</b>					<b>347,937</b>	<b>(613,862)</b>	<b>(265,925)</b>
<b>NET POSITION, BEGINNING OF YEAR</b>					<b>9,581,024</b>	<b>22,240,791</b>	<b>31,821,815</b>
<b>NET POSITION, END OF YEAR</b>					<b>\$ 9,928,961</b>	<b>\$ 21,626,929</b>	<b>\$ 31,555,890</b>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF FRUITLAND, MARYLAND  
BALANCE SHEET  
GOVERNMENT FUNDS  
JUNE 30, 2024**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Government Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 7,482,979	\$ 264,002	\$ 7,746,981
Investment pool	30,977	-	30,977
Taxes receivable	305,322	-	305,322
Other receivables	278,214	26,992	305,206
Inventory	13,424	-	13,424
Prepaid expenses	7,445	-	7,445
Other assets	-	4,499	4,499
	<b>TOTAL ASSETS</b>	<b>\$ 295,493</b>	<b>\$ 8,413,854</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 244,834	\$ -	\$ 244,834
Accrued expenses	108,576	-	108,576
	<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>353,410</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - American Rescue Plan funds	1,246,131	-	1,246,131
Unavailable revenue - taxes	327,444	-	327,444
	<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>1,573,575</b>
<b>FUND BALANCES</b>			
Nonspendable	20,869	4,499	25,368
Restricted	909,218	-	909,218
Assigned	442,699	290,994	733,693
Unassigned	4,818,590	-	4,818,590
	<b>TOTAL FUND BALANCES</b>	<b>295,493</b>	<b>6,486,869</b>
	<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 295,493</b>	<b>\$ 8,413,854</b>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF FRUITLAND, MARYLAND  
RECONCILIATION OF GOVERNMENT FUNDS BALANCE SHEET  
TO STATEMENT OF NET POSITION  
JUNE 30, 2024**

<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ 6,486,869</b>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	6,076,376
Leased capital assets used in governmental activities, net of any security deposits included in fund other assets, are not financial resources and are not reported in the funds	504,506
Some liabilities, including compensated absences and notes and bonds payable are not reported in the funds.	(1,393,071)
Net Pension Liability and Lease Liability are long-term liabilities and are not reported in the funds.	(3,163,902)
Deferred outflows of resources related to pensions is made up of changes in actuarial assumptions and do not require the use of current resources and are not reported in the funds.	2,007,008
Deferred inflows of resources related to pensions is made up of differences in the projected and actual investment earnings and do not require the use of current resources and are not reported in the funds.	(916,269)
Deferred inflows related to unavailable tax revenues are reported as a liability in the fund statements, but are not reported on the government wide statements.	327,444
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u><u>\$ 9,928,961</u></u></b>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF FRUITLAND, MARYLAND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENT FUNDS**  
**YEAR ENDED JUNE 30, 2024**

	<b>General Fund</b>	<b>Other Governmental Fund</b>	<b>Total Government Funds</b>
<b>REVENUES</b>			
Property taxes	\$ 4,135,159	\$ -	\$ 4,135,159
Deferred taxes	(100,328)	-	(100,328)
Non property taxes	814,181	-	814,181
Fees and services	250,373	35,219	285,592
Franchise fees	52,132	-	52,132
Licenses and permits	98,889	-	98,889
Intergovernmental	791,847	40,353	832,200
Contributions	29,941	-	29,941
Interest earnings	43,853	112	43,965
Miscellaneous revenues	15,502	2,771	18,273
Recreation charges	3,345	-	3,345
	<hr/>	<hr/>	<hr/>
<b>TOTAL REVENUES</b>	6,134,894	78,455	6,213,349
<b>EXPENDITURES</b>			
Current			
General government	714,167	-	714,167
Public safety	3,705,153	170,759	3,875,912
Public works	672,315	-	672,315
Culture and recreation	17,877	-	17,877
Debt service			
Principal	121,751	-	121,751
Interest	41,153	-	41,153
Capital outlay	809,599	-	809,599
	<hr/>	<hr/>	<hr/>
<b>TOTAL EXPENDITURES</b>	6,082,015	170,759	6,252,774
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	52,879	(92,304)	(39,425)
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of capital assets	12,240	-	12,240
Debt proceeds	78,803	-	78,803
	<hr/>	<hr/>	<hr/>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	91,043	-	91,043
<b>NET CHANGE IN FUND BALANCES</b>	143,922	(92,304)	51,618
<b>FUND BALANCES - BEGINNING OF YEAR</b>	6,047,454	387,797	6,435,251
	<hr/>	<hr/>	<hr/>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 6,191,376</u>	<u>\$ 295,493</u>	<u>\$ 6,486,869</u>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF FRUITLAND, MARYLAND**  
**RECONCILIATION OF CHANGES IN THE FUND BALANCE OF GOVERNMENTAL**  
**FUNDS TO CHANGES IN NET POSITION OF THE GOVERNMENT-WIDE**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2024**

<b>NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$</b>	<b>51,618</b>
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds are reported on a modified accrual basis. However, in the Statement of Activities for Government-wide Statements, a full accrual basis is used. This is the decrease in Deferred Taxes as reported on the Governmental Funds.		100,328
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.		261,757
Governmental funds report payments on debt principal as expenditures. However, in the Statement of Activities, only the interest portion is reported as an expense. The principal portion reduces the liability account. This is the amount of the payments on debt principal in the current period.		121,751
Proceeds from the issuance of long-term liabilities are reported in the governmental fund as a source of financing. On the other hand, these types of proceeds are not revenues in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Position.		(78,803)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the net change to pension expense related to deferred inflows and deferred outflows of resources and do not require the use of current resources and are not reported in the funds.		(81,474)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the increase in the amount of wages accrued in the statement of activities for compensated absences.		(27,240)
<b>CHANGE IN NET POSITION OF GOVERNMENT-WIDE STATEMENT OF ACTIVITIES</b>	<b>\$</b>	<b><u>347,937</u></b>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF FRUITLAND, MARYLAND**  
**STATEMENT OF NET POSITION PROPRIETARY FUND**  
**WATER AND SEWER**  
**JUNE 30, 2024**

<b>ASSETS</b>	<u><b>Total</b></u>
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 6,689,538
Investment pool	33,984
Receivables - water & sewer, net	<u>508,852</u>
<b>TOTAL CURRENT ASSETS</b>	7,232,374
<b>NONCURRENT ASSETS</b>	
Capital assets	
Land and improvements	66,398
Distribution and collection systems	18,674,738
Buildings	18,546,564
Equipment	2,035,597
Intangibles	<u>95,715</u>
Total cost	39,419,012
Less: accumulated depreciation	<u>19,597,040</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>19,821,972</u>
	<b>TOTAL ASSETS</b> 27,054,346
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pensions	<u>272,607</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>272,607</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u><u>\$ 27,326,953</u></u>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 150,378
Accrued expenses	59,462
Bonds, notes, and loans payable	<u>109,207</u>
<b>TOTAL CURRENT LIABILITIES</b>	319,047
<b>NONCURRENT LIABILITIES</b>	
Compensated absences	27,812
Bonds, notes, and loans payable	1,758,141
Net pension liability	<u>751,606</u>
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>2,537,559</u>
	<b>TOTAL LIABILITIES</b> 2,856,606
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Customer deposits	15,761
MDE forgiveness loans	2,675,184
Pensions	<u>152,473</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	2,843,418
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	15,279,440
Restricted impact fees	1,821,091
Restricted for replacement reserve	2,121,305
Unrestricted	<u>2,405,093</u>
<b>TOTAL NET POSITION</b>	<u>21,626,929</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u><u>\$ 27,326,953</u></u>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF FRUITLAND, MARYLAND**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUND - WATER AND SEWER**  
**YEAR ENDED JUNE 30, 2024**

	<b>Total</b>
<b>OPERATING REVENUES</b>	
User charges	\$ 1,847,850
Sanitation charges	403,826
Replacement reserve	273,867
Meter reading	41,320
Miscellaneous	27,020
Turn off/on fees	15,325
Tapping charges	24,600
Administrative charges	51,485
	<b>TOTAL OPERATING REVENUES</b>
	2,685,293
<b>OPERATING EXPENSES</b>	
Advertising	3,302
Auditing	16,750
Chemicals	166,157
Computer programs and support	45,119
Continuing education	4,152
Depreciation	1,196,501
Dues and subscriptions	2,775
Employee benefits	319,531
Equipment and supplies	73,366
Fees and permits	7,388
Gasoline, diesel, and oil	43,843
Insurance	24,644
Legal fees	4,505
Office supplies and postage	19,135
Physicals and screenings	1,199
Repairs and maintenance	1,058,815
Salaries	793,255
Sanitation services	290,956
Telephone and fax	12,062
Testing	56,349
Tipping fees	20,463
Travel	6
Uniforms	7,366
Utilities - electric and gas	237,527
Water meters	61,131
	<b>TOTAL OPERATING EXPENSES</b>
	4,466,297
	<b>OPERATING INCOME (LOSS)</b>
	(1,781,004)
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Governmental grants	657,050
Impact fees	518,900
Interest income	8,463
Sale of capital assets	7,650
Interest expense	(15,189)
Loan administrative fees	(9,732)
	<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>
	1,167,142
	<b>CHANGE IN NET POSITION</b>
	(613,862)
	<b>NET POSITION, BEGINNING OF YEAR</b>
	22,240,791
	<b>NET POSITION, ENDING OF YEAR</b>
	\$ 21,626,929

The accompanying notes are an integral part of the basic financial statements.

**CITY OF FRUITLAND, MARYLAND**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND - WATER AND SEWER**  
**JUNE 30, 2024**

	<b>Totals</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 2,250,704
Payments to suppliers	(2,496,192)
Payments to employees	(785,629)
Payments for employee benefits	(308,888)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>(1,340,005)</b>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
State capital grants	657,050
Impact fees	518,900
Interest and fees paid on general obligation bonds and notes	(24,921)
Principal paid on general obligation bonds and notes, net of proceeds received	(167,591)
<b>NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>983,438</b>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Acquisition of capital assets, net of disposals	(284,727)
Interest income	8,463
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(276,264)</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(632,831)</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>7,356,353</b>
<b>CASH AT END OF YEAR</b>	<b>\$ 6,723,522</b>
 <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating income	\$ (1,781,004)
Adjustments to reconcile operating gain to net cash provided by operating activities	
Depreciation	1,196,501
Non-cash pension expense increase (decrease)	10,216
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(434,452)
Increase (decrease) in accounts and other payables	(331,266)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ (1,340,005)</b>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF FRUITLAND, MARYLAND  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF THE CITY OF FRUITLAND**

The City of Fruitland, Maryland (the "City") was incorporated in 1947 under the provisions of the State of Maryland. The population according to the 2020 federal census is 5,534. The City operates under a Council/Manager form of government. The City's major operations include police protection, public works, a recreation park and general administrative services. In addition, the City owns and operates a water and sewer system.

**Financial Reporting Entity**

The City is a municipal corporation with a five member City Council elected at large by the voters of the City. The Council elects the officers. The current Council members are as follows:

<u>Name</u>	<u>Title</u>	<u>Expiration Date</u>
Mark Miciotto	President	October 2028
Joseph Kerr	Treasurer	October 2028
Roland Palmer	Councilman	October 2026
Richard Lee Outen Jr.	Councilman	October 2026
Michael Hammond	Councilman	October 2026

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

The City of Fruitland does not have any component units according to the criteria set forth in the GASB standards related to component units.

**A. Basis of Presentation**

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds.). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's police protection, recreation parks, public works (streets), and general administrative services are classified as governmental activities. The City's water, sewer and sanitation services are classified as business-type activities.

*Government-wide Financial Statements*

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's Statement of Net Position presents the financial condition of the governmental and business type activities of the City at year end. The City's net position is reported in three parts - invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The City does not have a written policy concerning which resources to use first, but in practice the City first utilizes restricted resources to finance an expense when both restricted and unrestricted net positions are available.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (police, public works, etc.). The functions are also supported by general government revenues (property and income taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (police, public works, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenues (property or income taxes, intergovernmental revenues, interest income, etc.).

Non-operating revenues of proprietary funds are those restricted for capital outlay and debt retirement by ordinance. All other revenues are operating revenues.

The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

**CITY OF FRUITLAND, MARYLAND  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**A. Basis of Presentation** (continued)

*Fund Financial Statements:*

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund balances, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the City:

**Governmental Fund**

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of the financial resources) rather than upon net income. The following is a description of the governmental fund of the City.

- **General Fund** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund includes activities of the following departments: (City Manager and Council, Finance, General Services for Municipal Property, Police, Building and Zoning Code Enforcement, Road Maintenance, Street Lighting, Economic Development, and a Recreation Park.)
- **Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The Special Revenue Fund includes the City's Wicomico County Task Force activities. The Task Force was formed in 2022 and is made up of Officers from the Fruitland Police Department, the Maryland State Police, and the Wicomico County State's Attorney's Office. The City is the owner of the bank accounts and is the tenant on the lease that is described in Note 5.

**Proprietary Fund**

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:

- **Enterprise Funds** are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. The Enterprise Fund includes the City's water treatment and distribution system, wastewater collection and treatment system and sanitation collection.

**B. Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

**a. Accrual**

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

**b. Modified Accrual**

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, including leases, if any, is recognized when due.

**CITY OF FRUITLAND, MARYLAND  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Financial Statement Amounts**

**Cash and Cash Equivalents**

The City has defined cash and cash equivalents to include cash on hand, demand deposits, certificates of deposits (CDs) and cash with fiscal agent. The City primarily has IntraFi Cash Service (ICS) and Certificate of Deposit Account Registry Service (CDARS) accounts, which spread the funds among many different CDs and banks that are all 100% FDIC insured. Separate accounts are maintained for the Special Revenue Fund. Additionally, each fund's equity in the City's investment pool is treated as a cash equivalent because the City can deposit or effectively withdraw cash at any time without prior notice or penalty. Earnings from the pooled cash equivalents are allocated monthly to each participating fund based on each fund's average balance in the pool.

At year-end, the book amount of the City's deposits was \$14,501,480 and the bank balance was \$14,464,114. The difference between the City's book balance and the Bank's balance was due to deposits in transit at year-end of \$293,207, outstanding checks of \$256,141 and \$300 in cash at year-end. The Federal Depository Insurance Corporation insured \$250,000 at each of the banks, and U.S. Treasury notes held by the savings institutions collateralized the remainder over \$250,000.

Cash as shown on the financial statements is \$14,501,480 which is made up of \$14,436,519 deposited in the bank and CDARS accounts, \$64,961 held in an investment pool and \$300 of cash on hand.

The table presented below is designed to disclose the level of custody credit risk assumed by the City based upon how its deposits were insured or secured with collateral at June 30, 2024. The categories of credit risk are defined as follows:

Category 1 – Insured by FDIC or collateralized with securities held by the City (or public trust) or by its agent in its name.

Category 2 – Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3 – Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name; or collateralized with no written or approved collateral agreement.

**Cash - Custody Credit Risk**

Type of Deposits	Bank Balance	Category 1	Category 2	Category 3	Total Carrying Value
Bank 1 - ICS Demand Deposits	\$ 3,156,906	\$ 3,156,906	\$ -	\$ -	\$ 3,156,906
Bank 1 - CDARS Accounts	11,242,247	11,242,247	-	-	11,242,247
Investment Pool	64,961	-	-	64,961	64,961
	\$ 14,464,114	\$ 14,399,153	\$ -	\$ 64,961	14,464,114
				Cash on Hand	300
				Plus: Outstanding Deposits	293,207
				Less: Outstanding Checks	(256,141)
					\$ 14,501,480
Reconciliation to Government-wide Statement of Net Position:					
Restricted cash					\$ 4,851,614
Unrestricted cash					9,649,866
				Total Cash - Government-wide Statements	\$ 14,501,480

**Investment pool**

The City participates in MLGIP, which provides local government units of the State a safe investment vehicle for short-term investment of excess funds. The State Legislature created MLGIP with the passage of Article 95 22G of the Annotated Code of Maryland. Under the administrative control of the State Treasurer, the MLGIP is managed by PNC Capital Advisors, LLC, and an Advisory Committee comprised of current participants reviews the activities of the fund on a quarterly basis to provide suggestions to enhance the pool.

**CITY OF FRUITLAND, MARYLAND  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**C. Financial Statement Amounts** (continued)

**Investment pool** (continued)

The MLGIP acts like a money market mutual fund and maintains a net asset value of \$1 per share and, while not registered with the Securities and Exchange Commission or subject to regulatory oversight, the MLGIP is rated by a nationally recognized statistical investment rating organization and is subject to an annual independent audit. These investment pools are recorded at amortized cost, which approximates fair value of the pool as determined by the pool's share price. As of June 30, 2024 the City had \$64,961 invested in MLGIP.

**Inventories**

Inventories in the General Fund consist only of gasoline and diesel fuels held for the City's use and are carried at cost using the first-in, first-out method.

Inventories of parts and supplies are not maintained by the City due to limited storage facilities.

**Capital Assets**

Capital assets purchased or acquired with an original cost of \$2,500 or more are reported at historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20 – 39 years
Building improvements	20 – 39 years
Water and sewer systems	20 – 50 years
Machinery and equipment	5 – 10 years
Vehicles	5 – 7 years
Other improvements	5 – 20 years

GASBS No. 34 requires the City to report and depreciate new infrastructure assets. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, street lights, etc. These infrastructure assets are likely to be the largest asset class of the City. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The City elected to implement the general provisions of GASBS No. 34 in the year ended June 30, 2003. The retroactive reporting of infrastructure is subject to an extended implementation period. However, because the City has base year annual revenues less than \$10 million, retroactive general infrastructure reporting is encouraged, but not required. The City has chosen not to report general infrastructure retroactively.

General infrastructure assets acquired prior to July 1, 2002, are not reported in the basic financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to July 1, 2002.

Capital asset activity is presented in detail for the current year for both the governmental activities and business-type activities on pages 29 – 30.

**Deferred Outflows of Resources & Deferred Inflows of Resources**

In addition to assets, the statement of financial position may report a separate section for deferred outflows of resources, which represents a use of net position that applies to a future period or periods, therefore will not be recognized as an outflow of resources until that time. The City only has deferred outflows of resources related to pensions. See Note 3 for information regarding deferred outflows of resources related to pensions.

In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources, which represents an acquisition of net position that applies to a future period or periods, therefore will not be recognized as an inflow of resources until that time. The City has four types of deferred inflows of resources that are not related to pensions (see Note 3 for information regarding deferred inflows of resources related to pensions);

*Unavailable revenue* – under a modified accrual basis of accounting, unavailable revenue is deferred and recognized when the amounts become available.

*Unearned revenue* – the City occasionally receives prepayments or excess payments from taxpayers and customers. These amounts will be recognized in future periods once earned.

*MDE forgiveness loans* – the City has two notes payable with the Maryland Department of the Environment that include debt forgiveness instruments in which the amount of the deferred inflow will be forgiven on July 30, 2024 and May 28, 2030, respectively, if all obligations of the loans are deemed to have been performed by the City.



**CITY OF FRUITLAND, MARYLAND  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - PENSION PLAN** (continued)

Benefits are vested after ten years of eligible service. Pension provisions include death and disability benefits. Upon death of a vested employee, the surviving spouse may receive death benefits under several options.

The City makes annual contributions to the Pension Plan in the amount required by state statutes. Statutes are controlled and amended under the authority of the Board of Trustees for the Maryland State Retirement and Pension System. In addition to the normal contributions, the City elected the Benefit Enhanced Plan of the pension system.

The rate for the contributions for the fiscal year 2024 was made up of three parts as shown below.

	General Employees	Police Officers
Employer Rate - Retirement and Pension System	7.79%	36.91%
Contributory Pension Benefit (CPB) Surcharge	2.42%	0.00%
Alternate Contributory Pension Selection (ACPS) Surcharge	1.11%	0.00%
	11.32%	36.91%

**Employer's Payroll and Contributions Under the Plan**

The following is a three year history of contributions to the Plan:

General Governmental Employees				
	2024	2023	2022	
Total Payroll	\$ 1,685,766	\$ 1,305,657	\$ 1,261,358	
Payroll Covered under Plan	1,552,992	1,278,151	1,185,338	
Contributions Paid by City	\$ 164,972	\$ 145,539	\$ 125,290	
Total Employees	35	33	36	
Covered Employees	31	30	27	
Police Officers				
	2024	2023	2022	
Total Payroll	\$ 1,773,071	\$ 1,673,320	\$ 1,700,527	
Payroll Covered under Plan	1,036,569	1,069,028	973,240	
Contributions Paid by City	\$ 251,809	\$ 215,687	\$ 204,334	
Total Employees	25	25	22	
Covered Employees	19	20	17	

The City has paid 100% of its benefits' obligations for the current and prior years.

The actuary company was *Gabriel, Roeder, Smith & Company (GRS)*.

Historical trend information for the prior ten years showing the accumulation of sufficient assets to pay benefits was presented in the aggregate for all systems sponsored by the Maryland State Retirement and Pension System in its Comprehensive Annual Financial Report for the year ended June 30, 2023. Questions concerning any of the information provided in the report or requests for additional financial information should be addressed to:

State Retirement and Pension System of Maryland  
Attn: Melody Countess, CPA, CGMA  
120 E. Baltimore Street, Suite 1660  
Baltimore, Maryland 21202

The Comprehensive Annual Financial Report for Maryland State Retirement and Pension System of Maryland can also be found on the internet at <http://www.sra.state.md.us/Agency/Downloads/CAFR/Default.aspx>.

**CITY OF FRUITLAND, MARYLAND  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - PENSION PLAN** (continued)

**Actuarial Methods and Assumptions**

The total pension liability for each of the defined benefit cost-sharing plans was determined by an actuarial valuation as of June 30, 2023, using the entry age normal actuarial cost method. Inflation is assumed to be 2.25% for general and 2.75% for wage. The discount rate and long-term expected rate of return on pension plan investments used in the determination of the total pension liability is 6.80%. Mortality rate assumptions were determined using the Society of Actuaries Mortality Improvement Scale MP-2018 and were adjusted based on a study of experience during the period from June 30, 2014, through June 30, 2018.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions**

At fiscal year-end, the government reported the following liabilities for its proportionate share of the net pension liabilities. The net pension liabilities were measured as of June 30, 2023, and the total pension liability used to calculate the net pension liabilities were determined by an actuarial valuation as of June 30, 2023 and rolled forward to June 30, 2024 using the actuarial methods and assumptions described in the Actuarial Methods and Assumptions section of this note. The City's proportion of the net pension liabilities was based on the City's portion of actual employer contributions billed for the year ending June 30, 2023 as compared to total actual employer contributions for all participating employers in the plan. This information was provided by the Maryland State Retirement and Pension System through their Schedule of Employer Allocations which can be found at <https://sra.maryland.gov/gasb-no-68>. At June 30, 2024, the City reported the following change in proportionate share of net pension liability to its 0.014811% total proportion measured at June 30, 2023.

	Governmental Activities Government-wide	Business-type Activities	Total
Proportionate share of net pension liability as of June 30, 2023	\$ 2,206,860	\$ 682,895	\$ 2,889,755
Proportionate share of net pension liability as of June 30, 2024	2,659,396	751,606	3,411,002
Net Change	\$ 452,536	\$ 68,711	\$ 521,247
% Change	20.51%	10.06%	18.04%

For the year ended June 30, 2024, the City recognized the following pension expenses:

	Governmental Activities Government-wide	Business-type Activities	Total
Total pension expense	\$ 457,171	\$ 51,298	\$ 508,469

The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 1,068,742
Changes in proportion and differences between contributions and proportionate share of contributions	1,862,834	-
City contributions subsequent to the measurement date	416,781	-
	\$ 2,279,615	\$ 1,068,742

**CITY OF FRUITLAND, MARYLAND  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - PENSION PLAN** (continued)

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions**  
(continued)

The amount reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2025	\$ 441,914	\$ 266,292
2026	441,914	266,292
2027	441,914	266,292
2028	441,914	266,292
2029	95,178	3,574
	\$ 1,862,834	\$ 1,068,742

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The City's net pension liability sensitivity to changes in the single discount rate is as follows:

	1% Decrease 5.80%	Current Discount Rate 6.80%	1% Increase 7.80%
City's proportionate share:			
General governmental plan	\$ 2,037,825	\$ 1,374,303	\$ 823,709
LEOPS	3,020,027	2,036,699	1,220,725
	\$ 5,057,852	\$ 3,411,002	\$ 2,044,434

**CITY OF FRUITLAND, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - CAPITAL ASSETS**

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

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land and improvements	\$ 544,433	\$ -	\$ -	\$ 544,433
Construction in progress	158,119	74,256	30,580	201,795
Total capital assets not being depreciated	702,552	74,256	30,580	746,228
Capital assets that are being depreciated:				
Buildings and improvements	3,137,296	215,039	-	3,352,335
Improvements other than buildings	720,878	-	-	720,878
Infrastructure: Street drainage	274,583	-	-	274,583
Infrastructure: Street paving	3,728,406	142,634	-	3,871,040
Equipment	1,878,424	140,347	1,417	2,017,354
Vehicles	1,661,007	267,903	42,271	1,886,639
Other	207,657	-	-	207,657
Total capital assets	12,310,803	840,179	74,268	13,076,714
Less accumulated depreciation for:				
Buildings and improvements	1,167,310	83,823	-	1,251,133
Improvements other than buildings	556,683	17,186	-	573,869
Infrastructure: Street drainage	243,214	4,920	-	248,134
Infrastructure: Street paving	1,791,061	163,653	-	1,954,714
Equipment	1,462,788	102,537	1,418	1,563,907
Vehicles	1,140,724	156,710	42,271	1,255,163
Other	134,405	19,013	-	153,418
Total accumulated depreciation	6,496,185	547,842	43,689	7,000,338
Governmental activities capital assets, net	<u>\$ 5,814,618</u>	<u>\$ 292,337</u>	<u>\$ 30,579</u>	<u>\$ 6,076,376</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land and improvements	\$ 66,398	\$ -	\$ -	\$ 66,398
Construction in progress	107,486	-	107,486	-
Total capital assets not being depreciated	173,884	-	107,486	66,398
Other capital assets:				
Distribution and collection systems	18,515,307	159,431	-	18,674,738
Buildings and equipment	20,422,525	240,432	80,796	20,582,161
Intangibles	95,715	-	-	95,715
Total capital assets at historical cost	39,207,431	399,863	188,282	39,419,012
Less: accumulated depreciation for:				
Distribution and collection systems	10,620,337	651,864	-	11,272,201
Buildings and equipment	7,779,641	542,610	80,796	8,241,455
Intangibles	81,357	2,027	-	83,384
Total accumulated depreciation	18,481,335	1,196,501	80,796	19,597,040
Other capital assets, net				
Business-type activities capital assets, net	<u>\$ 20,726,096</u>	<u>\$ (796,638)</u>	<u>\$ 107,486</u>	<u>\$ 19,821,972</u>

**CITY OF FRUITLAND, MARYLAND  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - CAPITAL ASSETS** (continued)

The City's policy is to capitalize assets exceeding \$2,500 and to expense smaller items.

**Depreciation:**

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$	34,854
Public safety		233,318
Public works		259,820
Recreation		<u>19,850</u>
Total governmental activities depreciation expense	\$	<u><u>547,842</u></u>

Business-type activities:

Water	\$	398,774
Sewer		795,503
Sanitation		<u>2,224</u>
Total business-type activities depreciation expense	\$	<u><u>1,196,501</u></u>

**NOTE 5 - LEASES**

**Long-Term Lease Agreements**

*Leased Capital Assets*

In June 2022, the City entered into a lease agreement expiring in 2032 with Salisbury Northgate Limited Partnership, LLLP for the use of buildings and improvements located on Naylor Mill Road in Salisbury, MD. The leased building and improvements are being used for joint Task Force operations. The lease's initial term expires in 2027, but the City intends to extend the lease through the end of the first five-year extension term, which extends the lease to 2032. Total lease payments for the year ended June 30, 2024 were \$55,742.

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

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
<b>Governmental activities:</b>				
Leased capital assets, net of amortization:				
Leased buildings and improvements	\$ 564,747	\$ -	\$ 55,742	\$ 509,005
Governmental activities leased capital assets, net	\$ 564,747	\$ -	\$ 55,742	\$ 509,005

Amortization in the amount of \$55,742 was recognized as rent expense in the current year.

**CITY OF FRUITLAND, MARYLAND  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - LEASES** (continued)

**Long-Term Lease Agreements** (continued)

*Lease Liability*

Future lease payments to be made are as follows:

	Year ended June 30,	Total Payment
2025		\$ 57,415
2026		59,137
2027		60,911
2028		62,739
2029		64,621
2030-2034		199,683
		\$ 504,506

**NOTE 6 - LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2024, was as follows:

	Beginning Balance 6/30/23	Additions	Reductions	Ending Balance 6/30/24	Amounts Due within One Year
<b>Governmental Activities:</b>					
Bonds and notes payable:					
General obligation bond	\$ 1,251,609	\$ -	\$ 86,751	\$ 1,164,858	\$ 89,579
Financing agreement	-	78,803	35,000	43,803	8,761
Total bonds and notes payable	1,251,609	78,803	121,751	1,208,661	98,340
Lease liability	560,249	-	55,743	504,506	57,415
Net pension liability	2,206,860	452,536	-	2,659,396	-
Compensated absences	157,170	27,240	-	184,410	-
Governmental activities long-term liabilities	\$ 4,175,888	\$ 558,579	\$ 177,494	\$ 4,556,973	\$ 155,755
<b>Business-type Activities:</b>					
Bonds and notes payable:					
Water debt	\$ 1,129,404	\$ -	\$ 67,630	\$ 1,061,774	\$ 38,182
Sewer debt	905,535	-	99,961	805,574	71,025
Total bonds and notes payable	2,034,939	-	167,591	1,867,348	109,207
Net pension liability	682,895	68,711	-	751,606	-
Compensated absences	27,941	-	129	27,812	-
Business-type activities long-term liabilities	\$ 2,745,775	\$ 68,711	\$ 167,720	\$ 2,646,766	\$ 109,207

**CITY OF FRUITLAND, MARYLAND  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - LONG-TERM LIABILITIES** (continued)

**Description of Debt - Governmental Activities**

Governmental Activities long-term debt as of June 30, 2024, was as follows:

1 \$2,800,000 General Obligation Bond, for new police building, secured by the full faith and credit of the City of Fruitland, due in quarterly installments of \$31,976 at 3.375% for a term of 40 years.	\$ 1,164,858
1 \$78,803 Financing Agreement, for new police tasers, secured by the full faith and credit of the City of Fruitland, initial payment of \$35,000 due in February 2024, then annual installments of \$8,760.50 for 5 years.	43,803
<b>Total Government Activities Long-term Debt</b>	<b>\$ 1,208,661</b>

**Description of Debt - Business-type Activities**

Business-type Activities long-term debt as of June 30, 2024, was as follows:

1 \$1,175,184 Maryland Water Quality Bond, Series 2020A, with varying payments due from August 1, 2021, through February 1, 2024. Thereafter annual payments of \$43,491 are due on February 1 of each year for the rest of the 30 year loan term at .50% interest, plus an annual administration fee of \$2,040.	\$ 1,061,774
2 \$1,349,037 Maryland Water Quality Bond, Series 2014A, the first payment of \$1,000 due on August 1, 2016, thereafter annual payments of \$79,081 due on February 1 of each year for 20 years at 1% interest, plus an annual administration fee of \$3,731.	805,574
<b>Total Business-type Long-term Debt</b>	<b>\$ 1,867,348</b>

**CITY OF FRUITLAND, MARYLAND  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - LONG-TERM LIABILITIES** (continued)

**Debt Maturity**

Debt service requirements at June 30, 2024, were as follows:

<b>Governmental Activities - General Obligation Bonds</b>						
Year Ended June 30,	Police Building - USDA		Financing Agreement		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 89,579	\$ 38,325	\$ 8,761	\$ -	\$ 98,340	\$ 38,325
2026	92,644	35,260	8,760	-	101,404	35,260
2027	95,815	32,089	8,761	-	104,576	32,089
2028	99,094	28,810	8,760	-	107,854	28,810
2029	102,485	25,419	8,761	-	111,246	25,419
Subtotal	479,617	159,903	43,803	-	523,420	159,903
2030-2034	567,493	72,027	-	-	567,493	72,027
2035-2039	117,748	4,980	-	-	117,748	4,980
Totals	<u>\$ 1,164,858</u>	<u>\$ 236,910</u>	<u>\$ 43,803</u>	<u>\$ -</u>	<u>\$ 1,208,661</u>	<u>\$ 236,910</u>

  

<b>Business-type Activities</b>						
Year Ended June 30,	Water		Sewer		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 38,182	\$ 5,309	\$ 71,025	\$ 8,056	\$ 109,207	\$ 13,365
2026	38,373	5,118	71,736	7,345	110,109	12,463
2027	38,565	4,926	72,453	6,628	111,018	11,554
2028	38,758	4,733	73,177	5,904	111,935	10,637
2029	38,952	4,539	73,909	5,172	112,861	9,711
Subtotal	192,830	24,625	362,300	33,105	555,130	57,730
2030-2034	197,699	19,756	380,781	14,624	578,480	34,380
2035-2039	202,691	14,764	62,493	625	265,184	15,389
2040-2044	207,809	9,646	-	-	207,809	9,646
2045-2049	213,057	4,399	-	-	213,057	4,399
2050-2054	47,688	261	-	-	47,688	261
Totals	<u>\$ 1,061,774</u>	<u>\$ 73,451</u>	<u>\$ 805,574</u>	<u>\$ 48,354</u>	<u>\$ 1,867,348</u>	<u>\$ 121,805</u>

There were no bonds or notes with variable - rates interest.

**CITY OF FRUITLAND, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - SEGMENT INFORMATION**

The City has three departments in the proprietary fund and are accounted for in a single fund, but management relies on the cost of operating each department in order to set user fees. Summary financial information for each department is presented below. The City receives separate grants and loans to finance its water, sewer and sanitation departments.

	Water Department	Sewer Department	Sanitation Department	Totals
<b>Condensed Statement of Net Position</b>				
<b>Assets:</b>				
Current assets	\$ 4,349,728	\$ 2,586,068	\$ 296,578	\$ 7,232,374
Noncurrent assets	5,872,718	13,940,868	8,386	19,821,972
Deferred Outflows-pension	119,274	130,824	22,509	272,607
<b>Total assets</b>	<u>10,341,720</u>	<u>16,657,760</u>	<u>327,473</u>	<u>27,326,953</u>
<b>Liabilities:</b>				
Current liabilities	111,646	199,714	7,687	319,047
Noncurrent liabilities	1,351,459	1,104,760	81,340	2,537,559
Deferred Inflows	1,247,563	1,581,203	14,652	2,843,418
<b>Total liabilities</b>	2,710,668	2,885,677	103,679	5,700,024
<b>Net position:</b>				
Invested in capital assets, net of related debt	3,635,760	11,635,294	8,386	15,279,440
Impact fee restrictions	1,638,314	182,777	-	1,821,091
Restricted for replacement reserve	939,208	1,182,097	-	2,121,305
Unrestricted	1,417,770	771,915	215,408	2,405,093
<b>Total net position</b>	<u>7,631,052</u>	<u>13,772,083</u>	<u>223,794</u>	<u>21,626,929</u>
<b>Total liabilities and net position</b>	<u>\$ 10,341,720</u>	<u>\$ 16,657,760</u>	<u>\$ 327,473</u>	<u>\$ 27,326,953</u>
<b>Condensed Statement of Revenues, Expenses, and Changes in Net Position</b>				
Operating revenues	\$ 987,355	\$ 1,294,112	\$ 403,826	\$ 2,685,293
Depreciation expense	(398,774)	(795,503)	(2,224)	(1,196,501)
Other operating expenses	(1,029,367)	(1,871,468)	(368,961)	(3,269,796)
<b>Operating income (loss)</b>	(440,786)	(1,372,859)	32,641	(1,781,004)
<b>Nonoperating revenues (expenses):</b>				
Governmental grants	292,848	364,202	-	657,050
Impact fees	238,265	280,635	-	518,900
Interest income	5,243	3,220	-	8,463
Interest and fees expense	(10,331)	(14,590)	-	(24,921)
Intersegment transfer	141,521	(141,039)	(482)	-
Sale of fixed assets	-	-	7,650	7,650
<b>Change in net position</b>	226,760	(880,431)	39,809	(613,862)
<b>Beginning net position</b>	7,404,292	14,652,514	183,985	22,240,791
<b>Ending net position</b>	<u>\$ 7,631,052</u>	<u>\$ 13,772,083</u>	<u>\$ 223,794</u>	<u>\$ 21,626,929</u>
<b>Condensed Statement of Cash Flows</b>				
<b>Net cash provided (used) by:</b>				
Operating activities	\$ (193,465)	\$ (1,186,969)	\$ 40,429	\$ (1,340,005)
Financing activities - non-capital	141,521	(141,039)	(482)	-
Financing activities - capital	453,152	530,286	-	983,438
Investing activities	(74,596)	(209,318)	7,650	(276,264)
<b>Net increase (decrease)</b>	326,612	(1,007,040)	47,597	(632,831)
<b>Beginning cash and cash equivalents</b>	3,799,554	3,320,185	236,614	7,356,353
<b>Ending cash and cash equivalents</b>	<u>\$ 4,126,166</u>	<u>\$ 2,313,145</u>	<u>\$ 284,211</u>	<u>\$ 6,723,522</u>

**CITY OF FRUITLAND, MARYLAND  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - RISK MANAGEMENT**

The City maintains commercial insurance policies for property and liability, employee dishonesty, worker's compensation, and employee's health. The property and liability policy carries a \$1,000 deductible. There has been no significant reduction in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current or prior three years.

The City does not participate in a risk pool.

The City's property and liability coverage does not include damages arising out of pollution. The City does not record an estimated liability for any future claims.

**NOTE 9 - OTHER ASSETS**

**Revolving Loan Fund**

The City received Federal Grants from the Rural Business Cooperative Service, Department of Agriculture. Under the grants, the proceeds are loaned to Private Business Enterprises within the City. These funds are not available for the general expenses of the City. The balance shown is the amount due on notes receivable from those enterprises. When an enterprise repays its respective loan in full, a new loan is made to another qualified Private Business Enterprise. There was no activity or outstanding revolving loans during the current year. A designated Fund Balance is maintained, which is comprised of the funds available to be loaned as of June 30, 2024.

**NOTE 10 - IMPACT FEES**

Impact fees are collected in the Enterprise Fund (Water and Sewer) when a customer applies for a new hook up. These fees are set aside to pay for new infrastructure and related loan payments. The restricted impact fees are kept in a separate bank account.

**NOTE 11 - NET POSITION**

Net position represents the difference between assets and liabilities. The equity portion of the balance sheet on the Government-wide Financial statements is reported in three parts (1) invested in capital assets, net of related debt, (2) restricted, and (3) unrestricted. Invested in capital assets is the original cost of capital assets, including leased capital assets, less accumulated depreciation or amortization and less the remaining debt associated to the asset. It is not a financial resource for the City to use on other projects. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by grantors, creditors or laws or regulations of other governments. Unrestricted net position is the equity of the City that can be used freely.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**NOTE 12 - REPORTING GOVERNMENTAL FUND BALANCES**

The term *fund balance* is used to describe the difference between current assets and current liabilities in the Governmental Funds balance sheet. In certain circumstances the fund balance resources may not be available for spending.

The Governmental Accounting Standards Board (GASB) adopted Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions*. The Board established five components of fund balance reporting.

- *Nonspendable Fund Balance* – Nonspendable fund balances are either in nonspendable form, or they are legally or contractually required to be maintained intact.
- *Restricted Fund Balance* – Restricted fund balances are defined by the same criteria used in reporting government-wide net assets. (Fund balances legally or contractually required to be maintained intact are the exception, which are reported as *nonspendable* as discussed above.)
- *Committed Fund Balance* – Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by formal action of the government's highest level of decision-making authority. Constraints on committed amounts can only be removed through the same type of formal action.
- *Assigned Fund Balance* – Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The government must define and disclose how it expresses its intent for purposes of making assignments. This can be done through a Resolution of the Council, or by actions of the finance or budget committee. Assigned fund balances are always positive balances.

**CITY OF FRUITLAND, MARYLAND  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 12 - REPORTING GOVERNMENTAL FUND BALANCES (continued)**

- *Unassigned Fund Balance* – The unassigned fund balance is the residual classification for the General Fund. This balance can be either positive or negative.

The five components above present more clearly the government’s intent on the use of its fund balance and the extent of constraints, both internally and externally, on how the fund balance can be spent. The City of Fruitland’s fund balances for governmental funds consisted of four of the above components.

- Prepaid expenses and lease security deposits, shown as other assets, are considered a *nonspendable fund balance* because the amounts have already been spent. Both items are shown as a nonspendable fund balance on the Governmental Fund balance sheet in the amount of \$7,445 for the General Fund and \$4,499 for the Non-major Governmental Fund.
- Inventory is considered a *nonspendable fund balance* because it cannot be spent. Inventory for fuel purchases is shown as a nonspendable fund balance on the Governmental Fund balance sheet in the amount of \$13,424.
- *Assigned fund balance* consists of funds assigned by the City. The General Fund assigned balance of \$442,699 consists of insurance expenses, including premiums and claims, and the Non-major Governmental Fund assigned balance consists of the Wicomico County Task Force spendable fund balance of \$290,994.
- *Restricted fund balances* are defined in the same manner as for restricted government-wide net assets. Restricted fund balances consist of the following.

Restricted for highway user funds	\$ 241,145
Restricted for revolving loan	187,323
Restricted for Community Building	26,858
Restricted police programs	<u>453,892</u>
Total restricted fund balances	<u>\$ 909,218</u>

**NOTE 13 - SUBSEQUENT EVENTS**

The City has evaluated all subsequent events through October 31, 2024, the date the financial statements were available to be issued. In October 2024, the City purchased two new trucks for the Police Department, costing \$52,000 each. The changes in capital outlay will be accurately accounted for in the financial statements for fiscal year ending June 30, 2025. Additionally, the City was approved for a forgivable loan by MDE under the Drinking Water State Revolving Fund for an ongoing infrastructure project. The approved amount was approximately \$5.3 million, however, the final figure could change based on changes in project costs, which are expected to begin during fiscal year ending June 30, 2025.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF FRUITLAND, MARYLAND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2024**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Budgetary Basis</b>			
	<b>Original</b>	<b>Final</b>	<b>Basis</b>	<b>Positive(Negative)</b>
<b>Resources (inflows):</b>				
<b>Taxes</b>				
Admissions and amusements	\$ 10,000	\$ 10,000	\$ 18,461	\$ 8,461
Cable television franchise fee	60,000	60,000	52,132	(7,868)
Income taxes	550,000	550,000	728,929	178,929
Mobile home tax	55,000	55,000	66,791	11,791
Interest and discounts	-	-	34,275	34,275
Personal property taxes	626,234	626,234	636,700	10,466
Real estate taxes	3,256,862	3,256,862	3,464,184	207,322
Deferred taxes	-	-	(100,328)	(100,328)
Subtotal - Taxes	4,558,096	4,558,096	4,901,144	343,048
<b>Licenses and permits</b>				
Building permits	33,000	33,000	25,028	(7,972)
Business licenses and permits	72,400	72,400	73,861	1,461
<b>Government grants</b>				
Federal grants - police	2,500	2,500	10,730	8,230
Federal grants - miscellaneous	20,000	20,000	-	(20,000)
Miscellaneous	30,000	30,000	212,227	182,227
State highway aid	294,000	294,000	364,647	70,647
State police aid	110,000	110,000	133,035	23,035
State grants - police miscellaneous	10,000	10,000	70,021	60,021
State grants - recreation	-	-	1,187	1,187
State grants - MDE Tuxent branch	945,000	945,000	-	(945,000)
<b>Other revenue sources</b>				
Miscellaneous	3,500	3,500	16,002	12,502
Planning and zoning - fees and services	1,000	1,000	1,621	621
Police - contributions	6,500	8,600	29,941	21,341
Police - fees and services	133,700	139,700	248,252	108,552
Interest income	25,000	25,000	43,853	18,853
Recreation park fees	1,500	1,500	3,345	1,845
Recreation park fundraisers	1,000	1,000	-	(1,000)
Sales of surplus property	-	-	12,240	12,240
Debt proceeds	545,700	545,700	78,803	(466,897)
Prior year surplus	825,000	869,375	-	(869,375)
<b>Total resources received</b>	7,617,896	7,670,371	6,225,937	(1,444,434)
<b>Total charges</b>	7,623,796	7,712,271	6,082,015	1,630,256
<b>Budgetary fund balance, June 30, 2024</b>	<u>\$ (5,900)</u>	<u>\$ (41,900)</u>	<u>\$ 143,922</u>	<u>\$ 185,822</u>

**CITY OF FRUITLAND, MARYLAND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2024**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Budgetary Basis</b>			
	<b>Original</b>	<b>Final</b>	<b>Basis</b>	<b>Positive(Negative)</b>
<b>Charges (outflows):</b>				
General government				
Legal	\$ 48,200	\$ 48,200	\$ 62,496	\$ (14,296)
Council and administration	483,924	483,924	405,630	78,294
Finance department	305,776	305,776	274,226	31,550
Municipal building	23,260	37,560	42,395	(4,835)
Public safety				
Police department	3,417,900	3,478,954	3,904,958	(426,004)
Volunteer fire department	59,500	64,700	64,591	109
Code enforcement	98,037	134,037	112,927	21,110
Public works				
Highway division	2,871,172	2,871,172	872,795	1,998,377
Garage division	102,237	102,237	-	102,237
Culture and recreation	8,400	8,400	179,093	(170,693)
Debt retirement	128,000	128,000	162,904	(34,904)
Transfers between funds	12,768	12,768	-	12,768
Contingency	64,622	36,543	-	36,543
	<u>64,622</u>	<u>36,543</u>	<u>-</u>	<u>36,543</u>
<b>Total charges</b>	<b>\$ 7,623,796</b>	<b>\$ 7,712,271</b>	<b>\$ 6,082,015</b>	<b>\$ 1,630,256</b>

**CITY OF FRUITLAND, MARYLAND**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**JUNE 30, 2024**

Maryland State Retirement and Pension System  
Last 10 Fiscal Years

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Proportionate share of net pension liability as a percentage	0.014811%	0.014443%	0.014316%	0.011894%	0.011966%	0.011718%	0.008756%	0.009816%	0.009635%	0.009002%
Proportionate share of net pension liability	\$ 3,411,002	\$ 2,889,755	\$ 2,147,719	\$ 2,688,172	\$ 2,468,005	\$ 2,458,658	\$ 1,893,299	\$ 2,315,945	\$ 2,002,281	\$ 1,597,515
City's covered-employee payroll	\$ 2,589,561	\$ 2,347,179	\$ 2,158,578	\$ 2,093,219	\$ 2,010,605	\$ 1,982,255	\$ 1,954,781	\$ 1,694,890	\$ 1,534,673	\$ 1,642,511
Proportionate share of net pension liability as a percentage of covered-payroll	131.72%	123.12%	99.50%	128.42%	122.75%	124.03%	96.85%	136.64%	130.47%	97.26%
Plan fiduciary net position as a percentage of total pension liability	73.81%	76.27%	81.84%	70.72%	72.34%	71.18%	69.38%	65.79%	68.78%	71.87%

**CITY OF FRUITLAND, MARYLAND**  
**SCHEDULE OF PENSION CONTRIBUTIONS**  
**JUNE 30, 2024**

Maryland State Retirement and Pension System  
Last 10 Fiscal Years

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 416,781	\$ 361,226	\$ 329,624	\$ 315,455	\$ 255,013	\$ 245,801	\$ 233,669	\$ 186,887	\$ 191,221	\$ 203,075
Contributions in relation to the contractually required contribution	<u>(416,781)</u>	<u>(361,226)</u>	<u>(329,624)</u>	<u>(315,455)</u>	<u>(255,013)</u>	<u>(245,801)</u>	<u>(233,669)</u>	<u>(186,887)</u>	<u>(191,221)</u>	<u>(203,075)</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered-employee payroll	\$ 2,589,561	\$ 2,347,179	\$ 2,158,578	\$ 2,093,219	\$ 2,010,605	\$ 1,982,255	\$ 1,954,781	\$ 1,694,890	\$ 1,534,673	\$ 1,642,511
Contributions as a percentage of covered-employee payroll	16.09%	15.39%	15.27%	15.07%	12.68%	12.40%	11.95%	11.03%	12.46%	12.36%

**CITY OF FRUITLAND, MARYLAND**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULES**

**Sources/inflows of resources:**

Variances from the budgeted amounts compared to actual amounts are discussed below.

1. All tax categories are budgeted based on prior year revenues. Income tax and real estate taxes received were higher than expected. Deferred taxes are not a budgeted revenue item.	\$ 343,048
2. Licenses and permits has a net negative variance primarily due to lower building permits than expected.	(6,511)
3. Government grants has a net negative difference primarily due to an expected MDE grant that has not yet been received. Miscellaneous grants include recognized revenue from American Rescue Plan funds that was higher than expected, and state grants for police were higher than expected. Other government grants have insignificant positive and negative variances.	(619,653)
4. The recreation park has an insignificant positive variance.	845
5. Other revenue sources, including fees, fines and penalties has a net positive variance primarily due to receiving more revenues from speed cameras.	174,109
6. Majority of expected debt proceeds have not yet been received.	(466,897)
7. Use of prior year surplus is used for budget purposes, however no revenue is assigned directly to this category.	<u>(869,375)</u>
	<u><u>\$ (1,444,434)</u></u>

**Uses/outflows of resources:**

Variances from the budgeted amounts compared to actual amounts are discussed below.

1. General Government The General Government has a net positive variance primarily due to lower salaries and miscellaneous expenses than expected.	\$ 90,713
2. Public Safety The Public Safety has a net negative variance primarily due to more capital assets added than expected and pension contribution that are not historically budgeted.	(404,785)
3. Public Works The highway department has a significant net positive variance primarily due to large budget items for capital outlay expenditures that were not fully expensed, in addition to other miscellaneous variances. Additionally, the expenditures in the garage fund are allocated to the funds receiving its services.	2,100,614
4. Recreation Park Culture and recreation has a negative variance due to higher capital outlay expenditures than expected.	(170,693)
5. Debt retirement has a negative variance due to a new financing agreement for the purchase of tasers.	(34,904)
7. Transfers between funds were lower than expected.	12,768
8. A budget was set for a contingency, however it was not needed.	<u>36,543</u>
	<u><u>\$ 1,630,256</u></u>