

TOWN OF EASTON, MARYLAND
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2023



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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and
Members of the Town Council
Town of Easton, Maryland

Report on the Audit of 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 Town of Easton, Maryland (the Town), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town'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 Town, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof and the statement of revenues, expenditures and changes in fund balances – budget to actual for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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 Town'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.

Honorable Mayor and
Members of the Town Council
Town of Easton, Maryland

Auditors' 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 auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS 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 Town'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 Town'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.

Honorable Mayor and
Members of the Town Council
Town of Easton, Maryland

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis and required supplementary information as listed in the table of contents 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 GAAS, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual nonmajor fund financial statements and other supplementary information as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining and individual nonmajor fund financial statements and other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2024, on our consideration of the Town'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 Town'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 Town's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Baltimore, Maryland
March 12, 2024

**TOWN OF EASTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

The Management's Discussion and Analysis (MD&A) offers readers of the Town of Easton, Maryland's (the Town) financial statements a narrative overview and analysis of the Town's financial activities for the fiscal year ended June 30, 2023. Readers are encouraged to consider the information presented here in conjunction with the financial statements, summary of significant accounting policies (SSAP) and notes to the financial statements (which immediately follow this discussion).

FINANCIAL AND EVENTS HIGHLIGHTS

- As of June 30, 2023, the Town's total assets and deferred outflows of resources of the Town were \$254 million and exceeded its liabilities and deferred inflows of resources at June 30, 2023 by \$191 million.
- As of June 30, 2023, the Town's governmental funds reported an ending fund balance of \$18.9 million which is a decrease of approximately \$8.0 million (i.e., total net position).

IMPACTS OF COVID ON THE LOCAL COMMUNITY AND THE TOWN OF EASTON

In FY 2023, the Town Tax revenues continue to be in line with pre pandemic collections. There continued to be strong construction activity in FY2023. This strong construction growth continued to grow the tax base.

During FY2023, the Town of Easton received their second allotment through the funding from the American Rescue Plan. The Coronavirus State and Local Fiscal Recovery Funds are intended to provide much needed relief as part of the ongoing recovery support to the community. Funds were distributed in accordance with guidelines to aid organizations with their continued recovery from the economic impact of COVID and to improve local access to broadband resources.

The Town Council, Mayor and Town Manager continue to monitor the impacts to the local economy and Town government and the surrounding community.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Town of Easton's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and budgetary comparison, and 3) notes to the financial statements.

Government-wide Financial Statements

There are two government-wide financial statements, which are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private-sector business. Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, public works, parks and recreation, cultural, economic development and debt service. The major business-type activity is the Utilities Fund although the Town has also been involved in another enterprise fund category which is intended to provide economic development and urban redevelopment while recouping the costs involved in accomplishing those goals.

**TOWN OF EASTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-wide Financial Statements (Continued)

The Statement of Net Position presents information on all of the Town's assets, deferred outflows of resources, and liabilities, deferred inflows of resources, with the difference between the two reported as net position. This statement serves a purpose similar to that of the balance sheet of a private-sector business. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. However, this is just one indicator of the financial health of the Town. Other indicators include the condition of the Town's infrastructure systems (roads, drainage systems, etc.), changes in property tax base, and general economic conditions within the Town.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. Because it separates program revenue (revenue generated by specific programs through charges for services, grants and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it shows to what extent each program has to rely on taxes for funding. All changes in net position are reported using the accrual basis of accounting, similar to the method used by most private-sector companies. The accrual basis of accounting requires that revenues be reported when they are earned and expenses are reported when the goods and services are received, regardless of the timing of the cash flow. Items such as uncollected taxes, unpaid vendor invoices for items received as of June 30, 2023, and earned but unused vacation leave will be included in the Statement of Activities as revenues and expense, even though the cash associated with these items will not be received or distributed until after June 30, 2023.

The Town has no separately identified component units included in the government-wide financial statements.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary and fiduciary funds. Governmental Funds are used to account for most, if not all, of a government's tax supported activities. Proprietary Funds are used to account for a government's business-type activities, where all or part of the costs of activities are supported by fees and charges that are paid directly by those who benefit from the activities. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government.

Governmental Funds. The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances present separate columns of financial data for the General Fund, major funds and other funds not considered major by the Town. GASB Statement No. 34 defines a major fund as a fund whose assets, liabilities revenues or expenditures comprise 1) at least 10% of the total dollar amount of the same category within either all government or enterprise funds, as appropriate, and 2) at least 5% of the total dollar amount of all governmental and enterprise funds combined for the same category. The General Fund is always considered a major fund. The governmental funds financial statements can be found immediately following the government-wide financial statements.

**TOWN OF EASTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements (Continued)

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, use of full accrual accounting, governmental fund financial statements focus on near-term inflows and outflows of spendable resources and on balances of spendable resources available at the end of the fiscal year. Such information is useful in evaluating a government's near-term financing requirements in comparison to near-term resources available.

Because the focus of governmental fund financial statements is narrower than that of government-wide financial statements, it is useful to compare information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. In order to facilitate this comparison, the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide reconciliation to the governmental activity's column in the government-wide statements.

The Town maintains budgetary controls over its operating funds. The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. Budgets for governmental funds are established in accordance with the Town Charter and are adopted on a fund level. Personal services are budgeted by full-time positions. Capital outlays are approved on an item-by-item basis or project basis. A budgetary comparison statement is provided for the General Fund (basic financial statements) to demonstrate compliance with the budget. Non-major fund information follows the notes to the financial statements. Budgetary variances for the General Fund are discussed in some detail later in this section.

Proprietary Funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its utility functions and various rental properties.

Proprietary fund statements follow the governmental fund statements in this report. They provide the same type of information as the government-wide financial statements, only in more detail, since both apply the accrual basis of accounting. The proprietary fund financial statements provide information for the Utility Fund and the Airport Industrial Land Fund. There are no reconciling differences from the Proprietary Funds Statement of Net Assets to the business-type activity column on the Government-Wide Statement of Net Position.

Fiduciary Funds. Fiduciary funds are used to report resources held for the benefit of outside parties of the Town. The Town reports and accounts for its defined benefit plan and its other postemployment benefit plan in fiduciary funds. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements and can be found immediately following the basic financial statements in this report.

**TOWN OF EASTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's net position total \$191 million at June 30, 2023, which is an increase of approximately \$5.9 million over the June 30, 2022 net position. The following table reflects the Government-Wide Statement of Net Position for Governmental and Business-Type Activities:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Current and Other Assets	\$ 36,007,019	\$ 35,472,374	\$ 50,349,634	\$ 51,491,974	\$ 86,356,653	\$ 86,964,348
Capital Assets and Other Assets	51,305,037	42,778,864	112,014,992	108,741,749	163,320,029	151,520,613
Total Assets	<u>87,312,056</u>	<u>78,251,238</u>	<u>162,364,626</u>	<u>160,233,723</u>	<u>249,676,682</u>	<u>238,484,961</u>
Total Deferred Outflows of Resources	2,542,117	3,749,028	1,761,640	2,688,849	4,303,757	6,437,877
Current Liabilities	11,940,713	8,223,540	18,056,557	11,297,272	29,997,270	19,520,812
Long-Term Debt	19,811,853	22,909,215	8,589,032	11,789,435	28,400,885	34,698,650
Total Liabilities	<u>31,752,566</u>	<u>31,132,755</u>	<u>26,645,589</u>	<u>23,086,707</u>	<u>58,398,155</u>	<u>54,219,462</u>
Total Deferred Inflows of Resources	2,168,765	2,589,762	2,631,026	3,230,092	4,799,791	5,819,854
Net Investment in Capital Assets	36,382,678	27,363,756	98,289,656	93,700,867	134,672,334	121,064,623
Restricted	14,098,392	9,026,689	1,635,008	1,816,458	15,733,400	10,843,147
Unrestricted	5,451,772	11,887,304	34,924,987	41,088,448	40,376,759	52,975,752
Total Net Position	<u>\$ 55,932,842</u>	<u>\$ 48,277,749</u>	<u>\$ 134,849,651</u>	<u>\$ 136,605,773</u>	<u>\$ 190,782,493</u>	<u>\$ 184,883,522</u>

The Town's total assets and deferred outflows of resources were approximately \$253.9 million (compared to \$244.9 million in the prior year) as of June 30, 2023. Of this amount, \$160.4 million (compared to \$148.6 million in the prior year) is accounted for by capital assets, which includes infrastructure.

Of the remaining assets, approximately \$58.4 million is accounted for in cash and cash equivalents and investments (compared to \$63.3 million in the prior year), approximately \$17.3 million in receivables (compared to \$11.9 million in the prior year), inventory of approximately \$9.7 million (compared to \$9.8 million in the prior year), with the remainder spread among various other accounts.

Outstanding liabilities totaled approximately \$58.4 million with bonds comprising approximately \$11.8 million, loans from the State or Maryland comprising approximately \$7.7 million, PNC Bank loan of \$4.1 million, Net OPEB liability comprising approximately \$1.3 million, Net Pension liability comprising approximately \$3.8 million, approximately \$7.9 million in accounts payable and accrued expenses and other liabilities comprising approximately \$21.8 million at June 30, 2023. This compares with the June 30, 2022 amounts where the Town had outstanding liabilities of approximately \$54.2 million of which approximately \$13.6 million was bonds payable, approximately \$9.1 million was loans from the State of Maryland, PNC Bank loan of \$4.7 million, Net OPEB liability comprising approximately \$2.5 million, Net Pension Liability comprising \$4.9 million and accounts payable and accrued expenses comprising approximately \$7.2 million and other liabilities comprising approximately \$12.2 million at June 30, 2022. Of the bonds payable, approximately \$920 thousand is due within one year, with the remainder due at various dates before 2036. Refer to the notes to the financial statements for a more in-depth discussion of long-term debt.

**TOWN OF EASTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Statement of Net Position (Continued)

The largest portion of the Town's net position reflects its investment in capital assets, less any outstanding related debt used to acquire those assets. The Town's capital assets are used to provide services to citizens and customers. Consequently, net investment in capital assets is not available for future spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

At June 30, 2023, the Town had overall positive balance in net position, for the government as a whole, and for the governmental activities. Business-type activities experienced positive balances in both capital and unrestricted assets; there were no restricted assets.

Statement of Activities - Changes in Net Position

The following schedules compare the revenues and expenses for the current and preceding fiscal years.

**Changes in Net Position
Fiscal Year Ended June 30, 2023**

	Governmental Activities	Business-Type Activities	Total
Program Revenues			
Charges for Service	\$ 3,642,929	\$ 66,230,574	\$ 69,873,503
Operating Grants and Contributions	8,911,181	43,682	8,954,863
General Revenues			
Property Taxes	13,727,007	-	13,727,007
Other Local Taxes	2,257,942	(2,257,942)	-
Other	5,169,572	39,016	5,208,588
Total Revenues	33,708,631	64,055,330	97,763,961
Expenses			
General Government	4,924,839	-	4,924,839
Public Safety	10,981,863	-	10,981,863
Public Works	7,316,653	-	7,316,653
Recreation and Cultural	1,312,635	-	1,312,635
Economic Development	399,138	-	399,138
Nondepartmental	758,216	-	758,216
Interest Expense	360,194	-	360,194
Utilities Services	-	65,496,322	65,496,322
Other Services	-	315,130	315,130
Total Expenses	26,053,538	65,811,452	91,864,990
INCREASE IN NET POSITION	7,655,093	(1,756,122)	5,898,971
Net Position - Beginning of Year	48,277,749	136,605,773	184,883,522
NET POSITION - END OF YEAR	\$ 55,932,842	\$ 134,849,651	\$ 190,782,493

**TOWN OF EASTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Statement of Activities - Changes in Net Position (Continued)

**Changes in Net Position
Fiscal Year Ended June 30, 2022**

	Governmental Activities	Business-Type Activities	Total
Program Revenues			
Charges for Service	\$ 3,286,421	\$ 61,377,577	\$ 64,663,998
Operating Grants and Contributions	5,421,321	393,774	5,815,095
General Revenues			
Property Taxes	13,309,574	-	13,309,574
Other Local Taxes	2,179,229	(2,179,229)	-
Other	(389,100)	899,836	510,736
Total Revenues	<u>23,807,445</u>	<u>60,491,958</u>	<u>84,299,403</u>
Expenses			
General Government	3,482,008	-	3,482,008
Public Safety	8,210,084	-	8,210,084
Public Works	6,077,882	-	6,077,882
Recreation and Cultural	1,228,404	-	1,228,404
Economic Development	3,707,599	-	3,707,599
Nondepartmental	676,304	-	676,304
Interest Expense	426,511	-	426,511
Utilities Services	-	55,062,009	55,062,009
Other Services	-	300,146	300,146
Total Expenses	<u>23,808,792</u>	<u>55,362,155</u>	<u>79,170,947</u>
INCREASE IN NET POSITION	(1,347)	5,129,803	5,128,456
Net Position - Beginning of Year	<u>48,279,096</u>	<u>131,475,970</u>	<u>179,755,066</u>
NET POSITION - END OF YEAR	<u>\$ 48,277,749</u>	<u>\$ 136,605,773</u>	<u>\$ 184,883,522</u>

Total revenues for the Town were approximately \$97.8 million for the year ended June 30, 2023 compared to approximately \$84.3 million for the year ending June 30, 2022. Governmental activities provided revenues in 2023 of approximately \$33.7 million, and business-type activities provided \$64.1 million, primarily through charges for services.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Following are financial analysis of the Town's governmental and proprietary funds.

**TOWN OF EASTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)

Governmental Funds Revenue and Expense Analysis

The general governmental functions are contained in the General Fund. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town. As of June 30, 2023, unassigned fund balance of the General Fund was approximately \$1.4 million.

Governmental Funds	<u>2023</u>	<u>Percent to Total</u>	<u>2022</u>	<u>Percent to Total</u>
Revenues:				
General Property Taxes	\$ 13,727,007	49.70%	\$ 13,309,574	48.78%
Other Local Taxes	3,660,982	13.25%	3,128,091	11.47%
Permits and Licenses	760,679	2.75%	740,928	2.72%
Fines and Forfeitures	37,210	0.13%	53,575	0.20%
Charges for Services	2,551,086	9.24%	2,131,826	7.81%
Intergovernmental	3,343,095	12.10%	4,630,992	16.97%
Miscellaneous	3,540,743	12.82%	3,287,488	12.05%
Total Revenues	<u>\$ 27,620,802</u>	<u>100.00%</u>	<u>\$ 27,282,474</u>	<u>100.00%</u>

The following provides an explanation of revenues by source that changed significantly over the prior year.

- **Intergovernmental** – In terms of total dollars the largest change was a decrease in the Intergovernmental area. This is mainly due to less ARPA grant revenues recognized in FY2023. The Town received a second allotment in FY2023.

**TOWN OF EASTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)

Governmental Funds Revenue and Expense Analysis (Continued)

The following table represents expenditures by function.

Governmental Funds	<u>2023</u>	<u>Percent to Total</u>	<u>2022</u>	<u>Percent to Total</u>
Expenditures:				
Current Operations:				
General Government				
Administration	\$ 10,016,463	27.42%	\$ 5,868,569	19.55%
Public Safety	14,111,661	38.63%	11,146,694	37.14%
Public Works	7,653,326	20.95%	6,340,467	21.13%
Recreation and Cultural	1,990,773	5.45%	1,249,991	4.17%
Economic Development	950,214	2.60%	3,695,788	12.31%
Nondepartmental	671,723	1.84%	589,812	1.97%
Debt Service:				
Principal	776,269	2.12%	748,311	2.49%
Interest	360,194	0.99%	371,111	1.24%
Total Expenditures	<u>\$ 36,530,623</u>	<u>100.00%</u>	<u>\$ 30,010,743</u>	<u>100.00%</u>

The following provides an explanation of the expenditures by function that changed significantly over the prior year.

Largest changes –

- **General Government and Administration** – was the largest dollar increase in expenditure over prior year. This increase is due to the increased staff and higher costs of salaries and benefits.
- **Public Safety** – increases over prior year reflect these same increasing costs of salaries and benefits.
- **Economic Development** – continues to reflect large ARPA grant distributions during FY2023, although significantly less than prior year.

**TOWN OF EASTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)

Enterprise Funds Revenue and Expense Analysis

PROPRIETARY FUNDS	<u>2023</u>	<u>2022</u>
Operating Revenues		
Charges for Services	\$ 62,016,848	\$ 59,789,082
Grant Revenues		
Other Operating Revenues	4,213,726	1,588,495
Total Revenues	<u>\$ 66,230,574</u>	<u>\$ 61,377,577</u>
Operating Expenses		
Cost of Service	\$ 57,256,649	\$ 47,063,974
Depreciation	8,420,262	8,177,636
Total Operating Expenses	<u>\$ 65,676,911</u>	<u>\$ 55,241,610</u>
Other Revenues and Expenses		
Grant Revenues	\$ 43,682	\$ 393,774
Investment Earnings	853,936	68,116
Interest Expense	(134,541)	(120,545)
Gain on Sale of Property	77,097	127,374
Payment in Lieu of Taxes	(2,257,942)	(2,179,229)
Capital Charges	356,965	230,197
Miscellaneous	(365,426)	(733,602)
Transfers In (Out)	(883,556)	1,207,751
Total Other Revenues and Expenses	<u>\$ (2,309,785)</u>	<u>\$ (1,006,164)</u>

Operating Revenues: The major proprietary fund (Utility Fund) accounts for the activity of the Easton Utility Commission. The Commission's FY2023 operating revenues totaled \$66.2 million, an increase of \$4.9 million from FY2022. The Electric Department's energy revenues were up \$1.1 million, primarily due to the historically high net cost of purchased power in the first six months of FY23. The average cost of energy increased 19% in FY23 from FY22. The Gas Department base revenue's for FY23 increased \$71 thousand over prior year due to a greater number of customers despite slightly lower unit sales. Due to the rate increase in March 2022, the Water and Waste Water department revenues increased \$216 thousand. Cable and communications department revenues were \$924 thousand higher in FY23 versus FY22. Although cable TV subscribers continue to decline, the IT professional services increased 29.6% in FY23, and internet subscribers increased 9.6% in FY23.

Operating Expenses: The Commission's operating expenses totaled \$65.7 million in FY2023, which was \$10.4 million higher than FY2022. Electric's operating expenses increased \$6.5 million, with \$2.5 million attributed to an increase in purchased power costs. An additional \$2.5 million relates to an increase in generation costs. The remaining increase in expenses related to additional base operating expenses. The Gas Department's operating expenses increased \$912 thousand over the prior year, primarily due to an increase in the cost of gas purchases for customer usage. The Water and Wastewater Departments' expenses increased \$1.2 million, with \$764 thousand attributed to an increase in base operating expenses. The remaining increase in expenses primarily related to operating and maintenance expenses for both distribution and wastewater treatment operations.

**TOWN OF EASTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)

Enterprise Funds Revenue and Expense Analysis (Continued)

Operating Expenses (Continued)

The Cable and Communications operating expenses increased \$1.8 million over the prior year. The largest increase of \$485 thousand is attributable to higher internet tech support labor costs and an increase in cable modem purchases. In addition, the Internet division and Cable TV divisions both experienced higher base operating expenses of \$384 thousand and \$371 thousand, respectively, in FY23. Increases to various other expenses in other categories further contributed to the increase.

ANALYSIS OF BUDGET AND ACTUAL RESULTS

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Governmental Funds – GENERAL FUND				
Revenues				
Taxes	\$ 16,330,680	\$ 16,330,680	\$ 17,387,989	\$ 1,057,309
Licenses and Permits	1,205,835	1,205,835	760,679	(445,156)
Intergovernmental	8,921,853	8,921,853	1,790,758	(7,131,095)
Charges for Services	2,447,703	2,447,703	2,551,086	103,383
Fines and Forfeitures	54,300	54,300	37,210	(17,090)
Miscellaneous	2,878,885	2,878,885	3,199,079	320,194
Total Revenues	<u>\$ 31,839,256</u>	<u>\$ 31,839,256</u>	<u>\$ 25,726,801</u>	<u>\$ (6,112,455)</u>
Expenditures				
Current Operations:				
General Government Administration	\$ 4,719,064	\$ 4,719,064	\$ 4,566,535	\$ 152,529
Public Safety	11,454,608	11,454,608	10,897,474	557,134
Public Works	5,872,088	5,872,088	6,582,074	(709,986)
Recreation and Cultural	597,882	597,882	631,808	(33,926)
Economic Development	7,790,150	7,790,150	950,214	6,839,936
Nondepartmental	285,000	285,000	670,223	(385,223)
Debt Service:				
Principal	1,006,983	1,006,983	106,269	900,714
Interest	212,500	212,500	23,212	189,288
Other Financing (Sources) Uses:				
Transfers (net)	(99,019)	(99,019)	4,448,568	(4,547,587)
Total Expenditures and Other Uses	<u>\$ 31,839,256</u>	<u>\$ 31,839,256</u>	<u>\$ 28,876,377</u>	<u>\$ 2,962,879</u>

Regarding actual results of the governmental funds to the adopted budgets, significant variations were as follows in summary form:

- Gross actual revenues were below budgeted revenues by approximately \$6.1 million dollars or less than 19.2% of the budgeted revenue of approximately \$31.9 million. This is the net result of intergovernmental revenues being below budget, offset by tax revenue that were greater than budget, licenses and permits that were \$445 thousand less than budget and miscellaneous revenues that were \$320 thousand higher than budget with other categories balancing out the remaining difference.

**TOWN OF EASTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

ANALYSIS OF BUDGET AND ACTUAL RESULTS (CONTINUED)

- Gross budgeted expenditures and other financing uses exceeded the gross actual expenditures and other financing (sources) uses by approximately \$4.5 million or 9.3% of budgeted expenditures and other financing uses. The most significant variance related to Economic Development due to less than budgeted expenditures of the ARPA grant revenues.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Town's total investment in capital assets, including construction in progress, for its governmental and business-type activities as of June 30, 2023, amounts to \$160.4 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, recreation and park facilities, utilities properties and facilities as well as other typical capital items.

The following table schedules capital assets by category (net of accumulated depreciation) for fiscal years ending June 30, 2023 and 2022, respectively:

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 14,228,396	\$ 9,251,150	\$ 2,753,357	\$ 2,759,911	\$ 16,981,753	\$ 12,011,061
Buildings and Improvements	32,915,518	30,770,507	15,342,397	15,056,653	48,257,915	45,827,160
Plants, Mains and Other Equipment	3,536,485	2,497,823	83,217,959	80,979,823	86,754,444	83,477,646
Right-to-Use Equipment	459,386	259,384	-	-	459,386	259,384
Construction in Progress	165,252	-	7,822,011	7,054,700	7,987,263	7,054,700
Total Capital Assets	<u>\$ 51,305,037</u>	<u>\$ 42,778,864</u>	<u>\$ 109,135,724</u>	<u>\$ 105,851,087</u>	<u>\$ 160,440,761</u>	<u>\$ 148,629,951</u>

During the year ended June 30, 2023, the Town's capital assets increased by approximately \$11.8 million.

Long-Term Debt Activity

There were no new bonds issued by the Town of Easton during fiscal year 2023. Regularly scheduled principal payments were made for prior year bond debt during FY2023 totaling approximately \$670 thousand. Refer to the schedule below for balances. Refer to Footnotes to Financial Statements for details of the Bond issuance.

Changes in Long-Term Liabilities

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
General Obligation Bonds	\$ 12,855,788	\$ 13,581,188	\$ -	\$ -	\$ 12,855,788	\$ 13,581,188
Loans, Notes and Leases Payable	2,359,451	2,182,200	10,198,287	12,150,220	12,557,738	14,332,420
Compensated Absences	1,065,083	1,015,973	1,192,268	1,138,567	2,257,351	2,154,540
Total Long-Term Liabilities	<u>\$ 16,280,322</u>	<u>\$ 16,779,361</u>	<u>\$ 11,390,555</u>	<u>\$ 13,288,787</u>	<u>\$ 27,670,877</u>	<u>\$ 30,068,148</u>

**TOWN OF EASTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Manager, Town of Easton, 14 S. Harrison Street, Easton, MD 21601.

TOWN OF EASTON, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2023

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 28,735,504	\$ 11,031,568	\$ 39,767,072
Investments	13,480	16,853,640	16,867,120
Accounts Receivable, Net	7,240,347	4,373,974	11,614,321
Leases Receivable	-	117,324	117,324
Due from Other Governments	-	5,521,185	5,521,185
Collateral Deposit	-	200,000	200,000
Interest Receivable	-	88,825	88,825
Prepaid Items	17,688	772,037	789,725
Unbilled Revenue	-	1,688,997	1,688,997
Inventory, at Average Cost	-	9,702,084	9,702,084
Total Current Assets	<u>36,007,019</u>	<u>50,349,634</u>	<u>86,356,653</u>
NONCURRENT ASSETS			
Leases Receivable	-	472,590	472,590
Due from Other Governments, Long-Term	-	699,105	699,105
Net OPEB Asset	-	1,635,008	1,635,008
Unamortized Expenses	-	72,565	72,565
Capital Assets, Not Being Depreciated/ Amortized	14,393,648	10,575,368	24,969,016
Capital Assets, Net of Accumulated Depreciation/ Amortization	36,911,389	98,560,356	135,471,745
Total Noncurrent Assets	<u>51,305,037</u>	<u>112,014,992</u>	<u>163,320,029</u>
Total Assets	<u>87,312,056</u>	<u>162,364,626</u>	<u>249,676,682</u>
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized Loss on Reacquired Debt	292,880	-	292,880
Deferred Outflow - Benefit Plans	2,249,237	1,761,640	4,010,877
Total Deferred Outflows of Resources	<u>2,542,117</u>	<u>1,761,640</u>	<u>4,303,757</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	1,515,631	2,768,917	4,284,548
Accrued Liabilities	270,579	3,418,718	3,689,297
Tax Collection Payable	-	864,645	864,645
Performance Deposits	1,043,876	1,489,545	2,533,421
Unearned Revenue	7,997,194	6,217,859	14,215,053
Over-Recovered Revenue	-	92,396	92,396
Compensated Absences	-	1,192,268	1,192,268
Current Portion of Long-Term Debt	1,113,433	2,012,209	3,125,642
Total Current Liabilities	<u>11,940,713</u>	<u>18,056,557</u>	<u>29,997,270</u>
NONCURRENT LIABILITIES			
Compensated Absences	1,065,083	-	1,065,083
Long-Term Debt, Net of Current Portion	14,101,806	8,186,078	22,287,884
Net OPEB Liability	1,270,235	-	1,270,235
Net Pension Liability	3,374,729	402,954	3,777,683
Total Noncurrent Liabilities	<u>19,811,853</u>	<u>8,589,032</u>	<u>28,400,885</u>
Total Liabilities	<u>31,752,566</u>	<u>26,645,589</u>	<u>58,398,155</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows - Leases	-	687,778	687,778
Deferred Inflow - Benefit Plans	2,168,765	1,943,248	4,112,013
Total Deferred Inflows of Resources	<u>2,168,765</u>	<u>2,631,026</u>	<u>4,799,791</u>
NET POSITION			
Net Investment in Capital Assets	36,382,678	98,289,656	134,672,334
Restricted for:			
Debt Service	6,154,534	-	6,154,534
Capital Improvements	7,744,995	1,635,008	9,380,003
Law Enforcement	198,863	-	198,863
Unrestricted	5,451,772	34,924,987	40,376,759
Total Net Position	<u>\$ 55,932,842</u>	<u>\$ 134,849,651</u>	<u>\$ 190,782,493</u>

See accompanying Notes to Financial Statements.

**TOWN OF EASTON, MARYLAND
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

FUNCTIONS/PROGRAMS	Program Revenues			Net Revenue(Expense) and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary Government:						
Governmental Activities:						
General Government	\$ 4,924,839	\$ 955,911	\$ -	\$ (3,968,928)	\$ -	\$ (3,968,928)
Public Safety	10,981,863	378,938	541,701	(10,061,224)	-	(10,061,224)
Public Works	7,316,653	2,304,450	1,003,964	(4,008,239)	-	(4,008,239)
Recreation and Cultural	1,312,635	-	5,407,080	4,094,445	-	4,094,445
Economic Development	399,138	3,630	1,958,436	1,562,928	-	1,562,928
Nondepartmental	758,216	-	-	(758,216)	-	(758,216)
Interest Expense	360,194	-	-	(360,194)	-	(360,194)
Total Governmental Activities	26,053,538	3,642,929	8,911,181	(13,499,428)	-	(13,499,428)
Business-Type Activities:						
Utility	65,496,322	66,182,807	-	-	686,485	686,485
Land Enterprise	136,141	47,767	-	-	(88,374)	(88,374)
Airport Industrial	178,989	-	43,682	-	(135,307)	(135,307)
Total Business-Type Activities	65,811,452	66,230,574	43,682	-	462,804	462,804
Total Primary Government	<u>\$ 91,864,990</u>	<u>\$ 69,873,503</u>	<u>\$ 8,954,863</u>	(13,499,428)	462,804	(13,036,624)
General Revenues:						
Property Taxes				13,727,007	-	13,727,007
Payment in Lieu of Taxes				2,257,942	(2,257,942)	-
Intergovernmental, Unrestricted				3,478,301	-	3,478,301
Interest and Investment Earnings				470,522	853,936	1,324,458
Miscellaneous				337,193	68,636	405,829
Transfers net				883,556	(883,556)	-
Total General Revenues				<u>21,154,521</u>	<u>(2,218,926)</u>	<u>18,935,595</u>
CHANGE IN NET POSITION				7,655,093	(1,756,122)	5,898,971
Net Position - Beginning of Year				48,277,749	136,605,773	184,883,522
NET POSITION - END OF YEAR				<u>\$ 55,932,842</u>	<u>\$ 134,849,651</u>	<u>\$ 190,782,493</u>

See accompanying Notes to Financial Statements.

TOWN OF EASTON, MARYLAND
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2023

	General Fund	Capital Projects Fund	Infrastructure Development Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents - Pooled	\$ 13,737,024	\$ 6,189,371	\$ 2,462,999	\$ 6,346,110	\$ 28,735,504
Investments	13,480	-	-	-	13,480
Accounts Receivable, Net	7,186,317	1,858	-	52,172	7,240,347
Prepaid Items	17,688	-	-	-	17,688
Due from Other Funds	19,395	-	-	-	19,395
	<u>20,973,904</u>	<u>6,191,229</u>	<u>2,462,999</u>	<u>6,398,282</u>	<u>36,026,414</u>
Total Assets	<u>\$ 20,973,904</u>	<u>\$ 6,191,229</u>	<u>\$ 2,462,999</u>	<u>\$ 6,398,282</u>	<u>\$ 36,026,414</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 446,425	\$ 903,801	\$ -	\$ 165,405	\$ 1,515,631
Accrued Liabilities	265,147	5,432	-	-	270,579
Due to Other Funds	-	-	-	19,395	19,395
Performance Deposits	1,043,876	-	-	-	1,043,876
Unearned Revenue	7,997,194	-	-	-	7,997,194
Total Liabilities	<u>9,752,642</u>	<u>909,233</u>	<u>-</u>	<u>184,800</u>	<u>10,846,675</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Tax Revenue	1,327,120	-	-	-	1,327,120
Unavailable Grant Revenue	4,921,742	-	-	-	4,921,742
Total Deferred Inflows of Resources	<u>6,248,862</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,248,862</u>
FUND BALANCES					
Nonspendable	17,688	-	-	-	17,688
Restricted	-	5,281,996	2,462,999	6,353,397	14,098,392
Committed	3,591,260	-	-	-	3,591,260
Unassigned	1,363,452	-	-	(139,915)	1,223,537
Total Fund Balances	<u>4,972,400</u>	<u>5,281,996</u>	<u>2,462,999</u>	<u>6,213,482</u>	<u>18,930,877</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 20,973,904</u>	<u>\$ 6,191,229</u>	<u>\$ 2,462,999</u>	<u>\$ 6,398,282</u>	<u>\$ 36,026,414</u>

See accompanying Notes to Financial Statements.

**TOWN OF EASTON, MARYLAND
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2023**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS		\$ 18,930,877
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, therefore, are not reported in the governmental funds. The cost of these assets is \$94,730,358 and the accumulated depreciation is \$43,425,321		51,305,037
Net OPEB Liability		(1,270,235)
Liabilities such as bonds, notes payable, capital lease obligations and compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental funds as follows:		
General Obligation Bonds	(11,780,000)	
Notes Payable	(1,933,735)	
Leases Payable	(425,716)	
Bond Premium	(1,075,788)	
Compensated Absences	<u>(1,065,083)</u>	(16,280,322)
Net pension obligations are not due and payable in the current period, and therefore, are not reported in the funds		(3,374,729)
Deferred outflow - loss on refunding included in governmental activities		292,880
Deferred outflows and inflows of resources related to pensions and OPEB benefit plans are applicable to future periods and, therefore, are not reported in the funds. Deferred outflows of resources related to benefit plans include \$2,249,237 outflows of resources pension/OPEB expense and \$2,168,765 of Deferred inflows of resources related to pensions/OPEB.		80,472
Certain receivables are not available to pay for current period expenditures and, therefore, are deferred inflows in the governmental funds.		<u>6,248,862</u>
Total Net Position - Governmental Activities		<u><u>\$ 55,932,842</u></u>

See accompanying Notes to Financial Statements.

TOWN OF EASTON, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

	General Fund	Capital Projects Fund	Infrastructure Development Fund	Nonmajor Governmental Fund	Total Governmental Funds
REVENUES					
General Property Taxes	\$ 13,727,007	\$ -	\$ -	\$ -	\$ 13,727,007
Other Local Taxes	3,660,982	-	-	-	3,660,982
Permits and Licenses	760,679	-	-	-	760,679
Fines and Forfeitures	37,210	-	-	-	37,210
Charges for Services	2,551,086	-	-	-	2,551,086
Revenues from Other Agencies	1,790,758	1,379,240	-	173,097	3,343,095
Miscellaneous	3,199,079	28,776	155,703	157,185	3,540,743
Total Revenues	<u>25,726,801</u>	<u>1,408,016</u>	<u>155,703</u>	<u>330,282</u>	<u>27,620,802</u>
EXPENDITURES					
Current Operations:					
General Government	4,566,535	5,449,928	-	-	10,016,463
Public Safety	10,897,474	3,210,157	-	4,030	14,111,661
Public Works	6,582,074	1,071,252	-	-	7,653,326
Recreation and Cultural	631,808	1,147,851	-	211,114	1,990,773
Economic Development	950,214	-	-	-	950,214
Nondepartmental	670,223	-	-	1,500	671,723
Debt Service:					
Principal	106,269	-	-	670,000	776,269
Interest	23,212	-	-	336,982	360,194
Total Expenditures	<u>24,427,809</u>	<u>10,879,188</u>	<u>-</u>	<u>1,223,626</u>	<u>36,530,623</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,298,992	(9,471,172)	155,703	(893,344)	(8,909,821)
OTHER FINANCING SOURCES (USES)					
Transfers In	1,358,716	5,165,181	-	595,303	7,119,200
Transfers Out	<u>(5,807,284)</u>	<u>(250,000)</u>	<u>(151,680)</u>	<u>(26,680)</u>	<u>(6,235,644)</u>
Total Other Financing Sources (Uses)	<u>(4,448,568)</u>	<u>4,915,181</u>	<u>(151,680)</u>	<u>568,623</u>	<u>883,556</u>
NET CHANGES IN FUND BALANCES	(3,149,576)	(4,555,991)	4,023	(324,721)	(8,026,265)
Fund Balances - Beginning of Year	<u>8,121,976</u>	<u>9,837,987</u>	<u>2,458,976</u>	<u>6,538,203</u>	<u>26,957,142</u>
FUND BALANCES - END OF YEAR	<u>\$ 4,972,400</u>	<u>\$ 5,281,996</u>	<u>\$ 2,462,999</u>	<u>\$ 6,213,482</u>	<u>\$ 18,930,877</u>

See accompanying Notes to Financial Statements.

**TOWN OF EASTON, MARYLAND
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ (8,026,265)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense \$2,978,122 and a disposal of \$7,692 was exceeded by capital outlay \$11,511,387 in the period.	8,526,173
In the Statement of Activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for compensated absences are measured by the amount of financial resources used (essentially, the amounts actually paid or expected to be paid).	(49,110)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This amount is the net effect of these differences in the treatment of long-term debt and related items.	548,149
The effect of losses on debt refundings are reported only at the entity-wide level for governmental activities. This is the amount of the amortization of prior year loss on refunding reported as a deferred outflow on the Entity-wide statement of net assets.	(55,400)
Long-term liabilities for pension and OPEB are presented in the government-wide statements but are not in the governmental fund statements.	
Net effect of expenses for recording pension liability from employee retirement plan	731,237
Net effect of expenses for recording OPEB liability from the OPEB plan	774,654
Certain receivables are not available to pay for current period expenditures and, therefore, are deferred in government funds. This amount is the net change in current year.	<u>5,205,655</u>
Change in Net Position of Governmental Activities	<u><u>\$ 7,655,093</u></u>

See accompanying Notes to Financial Statements.

TOWN OF EASTON, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget		
REVENUES				
Taxes				
General Property Taxes:				
Real Property Taxes	\$ 12,523,700	\$ 12,523,700	\$ 12,742,525	\$ 218,825
Personal Property Taxes - Business	800,000	800,000	920,653	120,653
Personal Property Taxes - Railroad and Public Utilities	90,000	90,000	84,717	(5,283)
Abatements/Discounts	(70,000)	(70,000)	(79,698)	(9,698)
Penalties and Interest	44,700	44,700	58,810	14,110
Total General Property Taxes	<u>13,388,400</u>	<u>13,388,400</u>	<u>13,727,007</u>	<u>338,607</u>
Local Taxes:				
State Shared Income Taxes	2,000,000	2,000,000	2,651,751	651,751
State Shared Highway Taxes	940,530	940,530	1,003,964	63,434
Admission and Amusements	1,000	1,000	4,517	3,517
Franchise-Ordinary Business Corporation	750	750	750	-
Total Other Local Taxes	<u>2,942,280</u>	<u>2,942,280</u>	<u>3,660,982</u>	<u>718,702</u>
Total Taxes	<u>16,330,680</u>	<u>16,330,680</u>	<u>17,387,989</u>	<u>1,057,309</u>
Permits and Licenses				
Trader's Licenses	68,000	68,000	86,444	18,444
Building Permits	550,448	550,448	262,405	(288,043)
Alteration Permits	140,900	140,900	237,276	-
Mechanical Permits	88,093	88,093	-	-
Electrical Permits	108,500	108,500	-	-
Plumbing Permits	70,744	70,744	26,521	(44,223)
Use and Occupancy Permits	73,000	73,000	54,300	(18,700)
Rental Housing License Fees	88,000	88,000	78,840	(9,160)
Permits and Other Licenses	18,150	18,150	14,893	(3,257)
Total Permits and Licenses	<u>1,205,835</u>	<u>1,205,835</u>	<u>760,679</u>	<u>(445,156)</u>
Fines and Forfeitures	54,300	54,300	37,210	(17,090)
Charges for Services				
General Government	90,000	90,000	195,232	105,232
Public Safety	110,238	110,238	207,107	96,869
Highway and Streets	97,000	97,000	63,149	(33,851)
Sanitation and Waste Removal	2,050,465	2,050,465	2,038,649	(11,816)
Main Street and Recreation Fees	100,000	100,000	46,949	(53,051)
Total Charges for Services	<u>2,447,703</u>	<u>2,447,703</u>	<u>2,551,086</u>	<u>103,383</u>
Revenues from Other Agencies				
Federal:				
ARPA	8,212,630	8,212,630	445,862	(7,766,768)
Total Federal	<u>8,212,630</u>	<u>8,212,630</u>	<u>445,862</u>	<u>(7,766,768)</u>
State:				
Police Protection	250,000	250,000	389,875	139,875
Fire, Rescue, and Ambulance	15,000	15,000	13,611	(1,389)
Conservation and Critical Areas	3,500	3,500	3,500	-
Recreation Open Space & Other Projects	35,000	35,000	389,549	354,549
Total State	<u>303,500</u>	<u>303,500</u>	<u>796,535</u>	<u>493,035</u>
County:				
Taxes	400,000	400,000	542,638	142,638
Misc County Grant	5,723	5,723	5,723	-
Total County	<u>405,723</u>	<u>405,723</u>	<u>548,361</u>	<u>142,638</u>
Total Revenues from Other Agencies	<u>8,921,853</u>	<u>8,921,853</u>	<u>1,790,758</u>	<u>(7,131,095)</u>
Miscellaneous	<u>2,878,885</u>	<u>2,878,885</u>	<u>3,199,079</u>	<u>320,194</u>
Total Revenues	<u>31,839,256</u>	<u>31,839,256</u>	<u>25,726,801</u>	<u>(6,112,455)</u>

See accompanying Notes to Financial Statements.

TOWN OF EASTON, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)
YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget		
EXPENDITURES				
General Government				
Legislative:				
Town Council	\$ 214,035	\$ 214,035	\$ 241,584	\$ (27,549)
Town Clerk	289,344	289,344	297,729	(8,385)
Total Legislative	<u>503,379</u>	<u>503,379</u>	<u>539,313</u>	<u>(35,934)</u>
Executive Mayor	119,077	119,077	120,413	(1,336)
Town Manager	497,236	497,236	478,285	18,951
Elections	-	-	4,385	(4,385)
Information Technology	590,253	590,253	490,845	99,408
Human Resources	416,191	416,191	249,723	166,468
Financial Administration	1,344,438	1,344,438	1,389,263	(44,825)
Planning and Zoning	706,508	706,508	823,484	(116,976)
General Services	541,982	541,982	470,824	71,158
Total General Government	<u>4,719,064</u>	<u>4,719,064</u>	<u>4,566,535</u>	<u>152,529</u>
Public Safety				
Police	9,123,168	9,123,168	8,620,083	503,085
Traffic Control	52,429	52,429	53,494	(1,065)
Fire and Rescue	338,833	338,833	410,261	(71,428)
Code Enforcement	721,095	721,095	741,947	(20,852)
Rental Housing	245,296	245,296	170,226	75,070
Traffic Engineering	973,787	973,787	901,463	72,324
Total Public Safety	<u>11,454,608</u>	<u>11,454,608</u>	<u>10,897,474</u>	<u>557,134</u>
Public Works				
Administration	715,049	715,049	596,030	119,019
Sanitation and Waste Removal	2,270,395	2,270,395	2,672,203	(401,808)
Highways, Streets, and Sidewalks	2,886,644	2,886,644	3,310,814	(424,170)
Mosquito Control	-	-	3,027	(3,027)
Total Public Works	<u>5,872,088</u>	<u>5,872,088</u>	<u>6,582,074</u>	<u>(709,986)</u>
Parks, Recreation, and Cultural				
Parks and Recreation Administration	597,882	597,882	624,943	(27,061)
Participation Recreation	-	-	910	(910)
Municipal Parks	-	-	5,955	(5,955)
Total Parks, Recreation, and Cultural	<u>597,882</u>	<u>597,882</u>	<u>631,808</u>	<u>(33,926)</u>
Economic Development/Main Street	7,790,150	7,790,150	950,214	6,839,936
Nondepartmental	285,000	285,000	670,223	(385,223)
Debt Service				
Principal	1,006,983	1,006,983	106,269	900,714
Interest	212,500	212,500	23,212	189,288
Total Debt Service	<u>1,219,483</u>	<u>1,219,483</u>	<u>129,481</u>	<u>1,090,002</u>
Total Expenditures	31,938,275	31,938,275	24,427,809	7,510,466
Excess of Revenues Over Expenditures	(99,019)	(99,019)	1,298,992	1,398,011

See accompanying Notes to Financial Statements.

TOWN OF EASTON, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)
YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget		
OTHER FINANCING SOURCES (USES)				
Transfers (Net):				
Debt Service	\$ 1,235,000	\$ 1,235,000	\$ (595,303)	\$ (1,830,303)
Law Enforcement	80,000	80,000	26,680	(53,320)
Capital Projects	(4,415,181)	(4,415,181)	(4,915,181)	(500,000)
Impact Fee	455,000	455,000	151,680	(303,320)
Land Enterprise	44,200	44,200	(16,464)	(60,664)
Airport Industrial	2,700,000	2,700,000	900,020	(1,799,980)
General Fund	-	-	-	-
Total Other Financing Uses	<u>99,019</u>	<u>99,019</u>	<u>(4,448,568)</u>	<u>(4,547,587)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,149,576)</u>	<u>\$ (3,149,576)</u>

See accompanying Notes to Financial Statements.

TOWN OF EASTON, MARYLAND
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2023

	Business-Type Activities - Enterprise Funds		
	Utility	Nonmajor	Totals
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 9,186,999	\$ 1,844,569	\$ 11,031,568
Investments	16,853,640	-	16,853,640
Collateral Deposit	200,000	-	200,000
Accounts Receivable, Net	4,312,372	61,602	4,373,974
Leases Receivable	-	117,324	117,324
Due from Other Governments, Short-Term	5,521,185	-	5,521,185
Unrecovered Fuel and Gas Costs	-	-	-
Interest Receivable	88,825	-	88,825
Prepaid Items	772,037	-	772,037
Unbilled Revenue	1,688,997	-	1,688,997
Inventory	9,702,084	-	9,702,084
Total Current Assets	<u>48,326,139</u>	<u>2,023,495</u>	<u>50,349,634</u>
NONCURRENT ASSETS			
Leases Receivable	-	472,590	472,590
Due from Other Governments, Long-Term	699,105	-	699,105
Net OPEB Asset	1,635,008	-	1,635,008
Unamortized Expenses	72,565	-	72,565
Capital Assets, Not Being Depreciated	10,390,914	184,454	10,575,368
Capital Assets, Net of Accumulated Depreciation	<u>94,040,496</u>	<u>4,519,860</u>	<u>98,560,356</u>
Total Noncurrent Assets	<u>106,838,088</u>	<u>5,176,904</u>	<u>112,014,992</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow - Pension and OPEB	1,761,640	-	1,761,640
Total Deferred Outflows of Resources	<u>1,761,640</u>	<u>-</u>	<u>1,761,640</u>
Total Assets and Deferred Outflows	<u>\$ 156,925,867</u>	<u>\$ 7,200,399</u>	<u>\$ 164,126,266</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
CURRENT LIABILITIES			
Accounts Payable	\$ 2,765,019	\$ 3,898	\$ 2,768,917
Accrued Liabilities	2,036,634	1,382,084	3,418,718
Compensated Absences	1,192,268	-	1,192,268
Over-Recovered Fuel and Gas Costs	-	-	-
Tax Collection Payable	864,645	-	864,645
Performance Deposits	1,488,045	1,500	1,489,545
Over-Recovered Fuel and Gas Costs	92,396	-	92,396
Unearned Revenue	6,217,859	-	6,217,859
Current Portion of Long-Term Debt	<u>2,012,209</u>	<u>-</u>	<u>2,012,209</u>
Total Current Liabilities	<u>16,669,075</u>	<u>1,387,482</u>	<u>18,056,557</u>
NONCURRENT LIABILITIES			
Net Pension Liability	402,954	-	402,954
Long-Term Debt, Net of Current Portion	<u>8,186,078</u>	<u>-</u>	<u>8,186,078</u>
Total Noncurrent Liabilities	<u>8,589,032</u>	<u>-</u>	<u>8,589,032</u>
Total Liabilities	<u>25,258,107</u>	<u>1,387,482</u>	<u>26,645,589</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows - Leases	-	687,778	687,778
Deferred Inflow - Pension and OPEB	<u>1,943,248</u>	<u>-</u>	<u>1,943,248</u>
Total Deferred Inflows of Resources	<u>1,943,248</u>	<u>687,778</u>	<u>2,631,026</u>
NET POSITION			
Net Investment in Capital Assets	93,585,342	4,704,314	98,289,656
Restricted for OPEB Trust	1,635,008	-	1,635,008
Unrestricted	<u>34,504,162</u>	<u>420,825</u>	<u>34,924,987</u>
Total Net Position	<u>129,724,512</u>	<u>5,125,139</u>	<u>134,849,651</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 156,925,867</u>	<u>\$ 7,200,399</u>	<u>\$ 164,126,266</u>

See accompanying Notes to Financial Statements.

TOWN OF EASTON, MARYLAND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION – PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2023

	Business-Type Activities - Enterprise Funds		
	Utility	Nonmajor	Total
OPERATING REVENUES			
Charges for Services	\$ 61,989,754	\$ 27,094	\$ 62,016,848
Other Operating Revenues	4,193,053	20,673	4,213,726
Total Operating Revenues	<u>66,182,807</u>	<u>47,767</u>	<u>66,230,574</u>
OPERATING EXPENSES			
Cost of Service	57,184,448	72,201	57,256,649
Depreciation	8,177,333	242,929	8,420,262
Total Operating Expenses	<u>65,361,781</u>	<u>315,130</u>	<u>65,676,911</u>
OPERATING INCOME (LOSS)	821,026	(267,363)	553,663
NONOPERATING REVENUES (EXPENSES)			
Grant Revenues	-	43,682	43,682
Investment Earnings	853,936	-	853,936
Interest Expense	(134,541)	-	(134,541)
Gain on Sale of Property	36,332	40,765	77,097
Payment in Lieu of Taxes	(2,257,942)	-	(2,257,942)
Capital Charges	356,965	-	356,965
Miscellaneous	(365,426)	-	(365,426)
Transfers In (Out)	-	(883,556)	(883,556)
Total Nonoperating Revenues (Expenses)	<u>(1,510,676)</u>	<u>(799,109)</u>	<u>(2,309,785)</u>
CHANGES IN FUND NET POSITION	(689,650)	(1,066,472)	(1,756,122)
Total Net Position - Beginning of Year	<u>130,414,162</u>	<u>6,191,611</u>	<u>136,605,773</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 129,724,512</u>	<u>\$ 5,125,139</u>	<u>\$ 134,849,651</u>

See accompanying Notes to Financial Statements.

TOWN OF EASTON, MARYLAND
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2023

	Business-Type Activities - Enterprise Funds		
	Utility	Nonmajor	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received for Services	\$ 71,418,673	\$ 128,061	\$ 71,546,734
Cash Paid to Suppliers for Goods and Services	(42,320,743)	(64,946)	(42,385,689)
Cash Paid to Employees for Services	(16,101,636)	-	(16,101,636)
Net Cash Provided by Operating Activities	<u>12,996,294</u>	<u>63,115</u>	<u>13,059,409</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES			
Cash Paid in Lieu of Taxes	(2,257,942)	-	(2,257,942)
Grant Proceeds	-	43,682	43,682
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>(2,257,942)</u>	<u>43,682</u>	<u>(2,214,260)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from Disposition of Assets	34,740	-	34,740
Proceeds from Capital Charges	356,965	-	356,965
Purchases/Construction of Capital Assets	(12,111,351)	33,915	(12,077,436)
Interfund Transfer Net	-	(1,207,102)	(1,207,102)
Interfund Loan	-	1,179,884	1,179,884
Payment of Debt	(1,951,933)	-	(1,951,933)
Interest Paid on loan Indebtedness	(224,973)	-	(224,973)
Other Interest Paid	(23,901)	-	(23,901)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(13,920,453)</u>	<u>6,697</u>	<u>(13,913,756)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on Cash Deposits and Investments	782,024	-	782,024
Sales of Investments	15,939,958	-	15,939,958
Purchases of Investments	(15,132,261)	-	(15,132,261)
Net Cash Provided (Used) by Investing Activities	<u>1,589,721</u>	<u>-</u>	<u>1,589,721</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(1,592,380)</u>	<u>113,494</u>	<u>(1,478,886)</u>
Cash and Cash Equivalents - Beginning of Year	<u>10,779,379</u>	<u>1,731,075</u>	<u>12,510,454</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 9,186,999</u>	<u>\$ 1,844,569</u>	<u>\$ 11,031,568</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income	\$ 821,026	\$ (267,363)	\$ 553,663
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	8,177,333	242,929	8,420,262
Amortization	36,244	-	36,244
Other Miscellaneous Nonoperating Revenue	32,332	-	32,332
Effects of Changes in Operating Assets, Deferred Outflows, Liabilities, and Deferred Inflows:			
Accounts Receivable, Net	3,107,378	(12,024)	3,095,354
Leases Receivable	-	(589,914)	(589,914)
Inventory	58,413	-	58,413
Under-Recovered Energy Costs, Net	1,459,841	-	1,459,841
Prepaid, and Other Assets	(1,056,304)	-	(1,056,304)
Deferred Inflows/Outflows - Pension and OPEB	328,143	-	328,143
Asset Sold, Net	-	-	-
Accounts Payable and Accrued Liabilities	31,888	1,709	33,597
Deferred Inflows - Leases	-	687,778	687,778
Total Adjustments	<u>12,175,268</u>	<u>330,478</u>	<u>12,505,746</u>
Net Cash Provided by Operating Activities	<u>\$ 12,996,294</u>	<u>\$ 63,115</u>	<u>\$ 13,059,409</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Contributions of Capital Assets	<u>\$ 580,595</u>	<u>\$ -</u>	<u>\$ 580,595</u>
Capital Assessts Reported in Accounts Payable and Retainage	<u>\$ 647,782</u>	<u>\$ -</u>	<u>\$ 647,782</u>

See accompanying Notes to Financial Statements.

TOWN OF EASTON, MARYLAND
STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS
JUNE 30, 2023

	Benefits Trust Funds
ASSETS	
Cash and Cash Equivalents	\$ 356,393
Investments, at Fair Value	67,401,574
Total Assets	\$ 67,757,967
 NET POSITION	
Restricted - Held in Trust for Pension Benefits	45,403,997
Restricted - Held in Trust for OPEB	22,353,970
Total Net Position	\$ 67,757,967

See accompanying Notes to Financial Statements.

TOWN OF EASTON, MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2023

	<u>Benefits Trust Funds</u>
ADDITIONS	
Contributions:	
Employer	\$ 2,722,529
Employees	<u>281,657</u>
Total Contributions	3,004,186
Investment Earnings:	
Net Decrease in Fair Value of Plan Investments	<u>5,392,262</u>
Total Investment Earnings	5,392,262
Less: Investment Expense	<u>-</u>
Net Investment Earnings	<u>5,392,262</u>
Total Additions	8,396,448
DEDUCTIONS	
Benefit Payments	3,330,137
Administrative Expenses	<u>213,838</u>
NET CHANGE	4,852,473
Net Position - Beginning of Year	<u>62,905,494</u>
NET POSITION - END OF YEAR	<u><u>\$ 67,757,967</u></u>

See accompanying Notes to Financial Statements.

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Easton, Maryland (the Town) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to local governments. A summary of significant accounting policies followed by the Town are presented below.

Reporting Entity

The Town is a municipal corporation governed by an elected mayor and five-member council. The Town is to be construed to mean both the Town and its inhabitants. The Town operates under the Council-Mayor form of government.

The Easton Utilities Commission (Utility Fund/ Commission) provides electric, gas, water, wastewater and cable and communications services to all of the citizens of the Town and surrounding communities. The Commission is considered a blended component unit and is shown as the Utility Fund of the primary government. The Utility Fund is governed by a commission comprised of appointees by Mayor and approved by the Town Council. Water, wastewater, and cable and communications rates are approved by the Town Council. The electric and gas rates are approved by the Town Council and are regulated by the Maryland Public Service Commission. The legal liability for the general obligation portion of the Utility Fund's debt remains with the Town. Separate financial statements for the Utility Fund may be obtained from The Easton Utilities Commission.

For financial reporting purposes, in conformance with accounting principles generally accepted in the United States of America, the reporting entity includes the Mayor and Town Council, the primary government, its proprietary funds and fiduciary fund.

Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Changes in Net Position report information on all of the nonfiduciary activities of the Town. Eliminations have been made to remove the effect of inter-fund activity from these statements. Governmental activities, which are supported by taxes and intergovernmental activities, are reported separately from business-type activities that are supported by customer service charges.

The Statement of Activities presents a comparison between direct expenses and program revenues for each of the business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those specifically associated with a program or function. Program revenues include charges to customers and grants and contributions restricted to the capital or operational requirements of particular programs. Revenues that are not classified as program revenues, such as taxes, are reported as general revenues.

Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year of levy. Grants are recognized as revenue when all eligibility requirements are met. For pension trust funds, employee and employer contributions are recognized as revenues in the period in which employee services are performed.

Governmental fund statements are presented using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collected within 60 days of year-end. Expenditures are recorded when the related liability is incurred as under accrual accounting. Principal and interest on general long-term debt and expenditures for compensated absences are recorded when the payments are due.

Those revenues susceptible to accrual are property taxes, taxes collected by the state and county on behalf of the Town, franchise taxes, special assessments, revenue from other agencies, interest revenue, and charges for services. Fines and forfeitures, licenses, permits, penalties and interest (on property taxes) and other revenues become measurable and available when cash is received by the Town and are recognized as revenue at that time.

The Town reports three major governmental funds: the General Fund, Capital Projects Fund, and Infrastructure Development Fund. The General Fund is used to account for all activities of the government not accounted for in some other fund. It accounts for the normal recurring activities of the Town such as police, public works, parks and recreation, and general government, etc. These activities are financed primarily by property taxes, other taxes, service charges, and grants from other governmental units. The Capital Projects fund is an accumulation of revenues and expenses related to depreciable capital assets within the Town of Easton. This account is primarily funded through transfers from the General Fund with some additional funds via grants, contribution aid and other revenues. The Infrastructure Development Funds are a collection of Impact Fees resulting from new construction within the Town of Easton.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds distinguish operating revenues and expenses from nonoperating items.

TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

Operating revenues and expenses result from providing services and delivering goods in connection with the fund's principal ongoing operations, such as charges to customers for sales and services and expenses such as salaries, product costs, administrative expenses, and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town reports one major proprietary fund: the Utility Fund. The Utility Fund accounts for the operations of the electric, water, wastewater and cable and communication services for the Town of Easton.

The Town reports two benefit plans as Benefit Trust Funds, the Town of Easton, Maryland - Defined Benefit Plan (a pension fund) and the Town of Easton, Maryland – Other Post Employment Benefit Plan (an OPEB fund). These fiduciary funds are used to account for assets held on behalf of outside parties under the terms of formal trust agreements.

The effect of inter-fund activity has been eliminated from the government-wide financial statements except for charges between the Utility Fund and the General Fund for direct services. Elimination of these charges would distort the direct costs and program revenues reported for the various services. Amounts reported as program revenues include charges to customers for goods and services, operating grants and contributions and capital grants. Internally dedicated resources are reported as general revenues rather than program revenues. General revenues include all taxes.

The utility rates of the Town are subject to the approval of the Town Council. In addition, the electric and gas departments are under regulation by the Public Service Commission of Maryland. As such, the Town maintains accounting records in accordance with the Uniform System of Accounts by the Federal Energy Regulatory Commission, except where Governmental Accounting Standards Board (GASB) pronouncements specifically exclude their use.

The Town's Utility Fund gas and electric departments are regulated and are subject to the requirements of GASB Statement Number 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, provide that certain costs that would otherwise be charged to expense should be deferred as regulatory assets, based on the expected recovery from customers in future rates. Utility plant assets donated by developers or constructed with grants received from other agencies are recorded as capital assets to the extent that the depreciation of such costs will be included in rates charged by the utility fund in future years. However, when it becomes probable that part of the cost of an asset will be disallowed for rate-making purposes and a reasonable estimate of the amount of the disallowance can be made, the estimated amount of the probable disallowance is deducted from the reported cost of the plant and recognized as a loss.

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Cash, Cash Equivalents, and Investments

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months at the time of purchase. Cash deposits of the Town are made in accordance with the Annotated Code of Maryland (the Code), which requires depositories to give security in the form of collateral as provided for in the Code, for the safekeeping and forthcoming, when required, of these deposits.

Excess funds are permitted to be invested either in bonds or other obligations for the payment of principal and interest, of which the full faith and credit of the United States of America are pledged, obligations of federal government agencies issued pursuant to acts of Congress, or in the local government investment pool created by the state of Maryland (MLGIP).

Cash resources of each of the individual funds, except the pension fund and cash held by fiscal agents or required to be segregated by law or policy, are combined to form a pool of cash and investments to maximize interest earnings. Income from pooled cash and investments is allocated to funds on the basis of their equity in pooled cash.

Receivables and Payables

Property taxes are reported at their estimated collectible value. The following summarizes the property tax calendar:

	<u>Real</u>	<u>Personal and Corporate</u>
Assessment Roll Validated	December 31	January 1
Tax Rate Ordinance Approved	June 30	June 30
Beginning of Fiscal Year for Tax Levy	July 1	July 1
Tax Bills Rendered and Due	July 1	State Notification
Owner-Occupied Residential	July 1/Jan. 1	State Notification
Property Taxes Payable:		
Delinquent	Oct. 1, Feb. 1	After 30 Days
Terms	90 days	30 Days
Delinquent Interest/Penalty Rate (Annual)	18%	18%

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and Payables (Continued)

Information presented is for “full year” levy. “Half year” levy dates are each six months later, and relate to new construction in the first six months of the calendar year. Property taxes are levied on July 1 and are payable by September 30. Simple interest and penalties totaling 1½% accrue per month beginning October 1. All taxes attach as an enforceable lien on the property as of July 1. The property tax rates for real and corporate personal property were \$.52 and \$1.30 per \$100 of assessed value, respectively.

All trade and property tax receivables are shown net of an allowance for uncollectible. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. Real property taxes are generally fully collectible.

Capital Assets

Capital assets, including land, plant, equipment, and infrastructure such as roads, storm drains, and pipe systems, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Town defines capital assets as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of one year. The costs of normal maintenance and repairs that do not add to the value of the asset or extend asset lives are not capitalized.

Expenditures for major assets and improvements in governmental funds are capitalized as projects are constructed or the asset is placed in service. Interest on debt during construction of enterprise fund capital assets is capitalized. The amount of interest to be capitalized is offset by any interest income earned on invested proceeds over the same period. Exhaustible capital assets of the general fund and proprietary funds are depreciated as an expense against related operations. The corresponding accumulated depreciation is reported in the statement of net position.

Capital assets of the Utility Fund’s regulated gas and electric departments are carried at net cost, whereby capitalized costs are reduced by any amounts received from customers or through governmental grants. Capital assets of other departments and other enterprise funds are carried at gross cost for assets purchased or constructed and at estimated cost for assets contributed by developers. The Utility Fund’s policy is to record all additions that individually exceed \$2,000 and with a useful life greater than one year to the respective asset account in the year in which the project is completed and to charge the cost of minor repairs and maintenance to operations. As required by the Public Service Commission of Maryland, the cost of major repairs incurred by the gas and electric departments is amortized over a period of five years. Land rights represent right of way easements that have an indefinite life and are not depreciated.

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives of the assets:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Buildings and Improvements (Including Infrastructure)	7 to 50 Years	15 to 50 Years
Improvements Other Than Buildings	20 to 30 Years	10 to 30 Years
Machinery and Equipment	3 to 15 Years	5 to 15 Years
Right-to-Use Equipment	5 to 15 Years	N/A

Unbilled Revenue

Customers of the Utility Fund’s electric, gas and cable departments are billed in arrears on one of four monthly cycles. As a result of the cycles, in arrears billing, a portion of June’s usage is not yet billed at year-end. A provision for revenue is recorded based on the actual billings in July and the days unbilled in each cycle at the end of June. Customers of the Commission’s Water and Wastewater Department are billed quarterly. As such, a provision for revenue is recorded representing actual customer billings in July and the days unbilled in each cycle at the end of June. The balance at June 30, 2023, is \$1,688,997.

Unrecovered and Over-recovered Fuel and Gas Costs

The Utility Fund recognizes the effects of purchased power and gas costs that have not been recovered from customers by way of fuel cost adjustment and purchased gas adjustment revenues. Unrecovered fuel and gas costs represent purchased power and gas costs that have been incurred by the Utility Fund, but which have not yet been billed to customers. Over-recovered fuel and gas costs represent purchased power and gas costs that have been billed to customers, but which have not yet been incurred by the Utility Fund. As of June 30, 2023, the Commission had net over-recovered energy costs of \$92,396.

In accordance with the tariff for the Utility Fund’s electric department, purchased power costs are recovered by the use of a formula that averages costs over a three-month period. These costs are billed to customers in future periods.

In accordance with the tariff for the Utility Fund’s gas department, gas costs are recovered by the use of a calculation that projects costs and unit sales for the billing month.

Inventory

The Utility Fund’s inventory, consisting of natural gas, materials, fuels and supplies, is recorded at cost. It is carried and charged as used in the operations of the fund at average cost. Inventory totaled \$9,702,084 at June 30, 2023.

TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Permanent full-time and permanent part-time employees are granted vacation benefits in varying amounts up to specified maximums depending on tenure with the Town. The estimated current portion of the liability for vested vacation benefits attributable to the Town's governmental funds is recorded as an expenditure and liability in the General Fund. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

Long-Term Obligations

In the government-wide financial statements and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the governmental fund financial statements, the face amount of the debt issued is reported as other financing sources.

Performance Deposits

The performance deposits balance which represents amounts held on behalf of customers. The balance at June 30, 2023, is \$1,043,876.

Unearned Revenues

During FY2023 the Town received additional American Rescue Plan Fund (ARP) grant monies in relation to the COVID-19 pandemic recovery efforts. As of June 30, 2023 there remained a balance of \$7,823,914 in unspent grant monies. The grant funds must be obligated by December 2024 and fully expended by December 31, 2026. The \$173 thousand represents monies collected from a developer for the expansion of the Rails to Trails system.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The Town has two items that qualify for reporting in this category, actuarially identified future pension costs and other postemployment benefit costs, and unamortized loss or reacquired debt which are reported on the Statement of Net position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Town has three items that qualifies for reporting in this category, the actuarially identified future pension costs and other postemployment benefit costs, and future lease revenues which are all reported on the statement of net position, and unavailable tax revenues, which is reported on the governmental fund balance sheet.

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions; pension expense; information about the fiduciary net position of the Town of Easton Employee's Pension Plans (the Pension Plan); and additions to/deductions from the Pension Plan's fiduciary net position, have all been determined on the same basis as they are reported by the Pension Plan. Consequently, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Town of Easton Other Postemployment Benefits Plan (the OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participant interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Net Position/Fund Equity

The government-wide and business-type activities fund financial statements utilize a net position presentation to display equity. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

- *Net Investment in Capital Assets* – This category groups all capital assets including infrastructure into one component of net position. Accumulated depreciation and the outstanding balances of debt attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* – This category presents external restrictions imposed by creditors, grantors, or laws and regulations of other governments.
- *Unrestricted Net Position* – This category presents the net position of the Town, not restricted for any purpose.

Governmental Fund Balances

The Town records its governmental fund balances in accordance with GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position/Fund Equity (Continued)

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

- *Nonspendable Fund Balance* – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact. This generally includes long-term receivables and prepaid expenses.
- *Restricted Fund Balance* – Amounts that can be spent only for specific purposes because of restrictions imposed externally by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by the Town Charter, Town Code or enabling legislation.
- *Committed Fund Balance* – Amounts that can be used only for specific purposes determined by a formal action by the Town Council, the Town's highest level of decision-making authority, and can only be changed by a formal action by the Town Council, ordinance, or resolution.
- *Assigned Fund Balance* – Amounts that are constrained by the Town's intent that they will be used for specific purposes but are neither restricted nor committed. Pursuant to the Town Charter, the Town Manager and the Town Council are authorized to assign amounts for specific purposes.
- *Unassigned Fund Balance* – Represents the residual amount for the general fund that is not contained in the other classifications. The general fund is the only fund that reports a positive unassigned fund balance. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

The Town considers restricted fund balances to be spent for governmental expenditures first when both restricted and unrestricted resources are available. The Town also considers committed fund balances to be spent first when other unrestricted fund balance classifications are available for use, followed by assigned and unassigned amounts.

Stabilization Arrangement

The Town Council adopted a Resolution to establish the Stabilization Arrangement which must total a minimum of two months, and a maximum of four months of the following fiscal year adopted general fund expenditure budget. Requests for appropriations from the Stabilization Arrangement shall occur only after exhausting current year's budgetary flexibility and spending of the current year's appropriated contingencies. The funds can be spent if an event occurs that creates a significant financial difficulty for the Town and are in excess of the current year appropriated contingencies. A qualifying event is considered to be: a) Declaration of a State of Emergency by the Governor of Maryland; b) Unanticipated expenditures as a result of legislative changes from State/Federal governments in the current fiscal year; or c) Acts of nature, which are infrequent in occurrence and unusual in nature. The balance of this arrangement is classified as Committed, as defined above.

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Stewardship, Compliance, and Accountability

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

1. The Mayor submits a proposed operating budget to the Town Council at least 40 days before the beginning of the fiscal year. The operating budget includes proposed expenditures, the means of financing them, and the use of federal and/or state grants. Public hearings are held for citizen input.

Prior to June 30, the budget is passed by vote of the Town Council and requires approval by the Mayor. Formal budgetary integration is employed as a management control device during the year for the general fund. Budgets are adopted according to procedures set by the Mayor and Town Council.

2. Monthly statements are provided by the Town Manager and budget review is executed by the Mayor and Town Council periodically. The Town Council legally adopts an annual budget for the General Fund and the Capital Project Fund. The Town has no legally adopted annual budget for the nonmajor governmental funds or any enterprise funds. However, a budget is used as a management tool for these funds.

Expenditures may not exceed appropriations at the fund level without approval from the Council.

The budget is prepared on a basis consistent with generally accepted accounting principles (GAAP) except that short-term and interfund debt is considered other financing sources for budgetary purposes.

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Compensation and Defined Contribution Plans

457 Deferred Compensation Plan

All employees of the Town may participate in the deferred compensation plan organized under the Internal Revenue Code Section 457, and administered by Securian Financial effective May 1, 2019. Previously the 457 Plan was administered by John Hancock. Under the terms of the plan, participating employees may have a portion of their salaries withheld, subject to limitations imposed by the IRS, and invested in the plan. All taxes are deferred on these contributions and related earnings until the participant terminates from the plan. The Town is in compliance with the Internal Revenue Code Section 457(g) requiring all assets and income of the plan to be held in trust for the exclusive benefit of participants and their beneficiaries.

Management's involvement with the plan is limited to transferring amounts withheld from payroll to the 457 Plan administrators. Management has little administrative involvement and does not perform the investing function. Accordingly, the fair values of the 457 Plan assets are not reflected in the Town's basic financial statements.

Pension Plan

The Town of Easton, Maryland Employee's Retirement Plan is a defined benefit pension plan established to provide benefits to virtually all employees hired prior to July 1, 2008. This plan is still the primary plan utilized for the sworn officers. Plan provisions and contribution requirements are established and may be amended by the Town Council. The Town's contribution to the plan for the year ended June 30, 2023 was \$949,519. The plan administrator is Empower.

Adoption of New Accounting Standards:

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This standard defines a subscription-based information technology arrangement (SBITA); establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA.

The Town adopted the requirements of the guidance effective July 1, 2022, and has applied the provisions of this standard to the beginning of the period of adoption.

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits

At the end of the year, the carrying amount of the Town deposits (including cash on hand of \$1,200) was \$39,767,072 and the bank balance was \$38,904,579. Custodial credit risk is the risk that in the event of a bank institution failure, the Town would not be able to recover the value of its deposits or collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institutions, or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the Town's name. The Town does not have a deposit policy for custodial credit risk. However, the deposits of the Town were not exposed to custodial credit risk at June 30, 2023.

Investments- Maryland Local Government Investment Pool

Town

Town investment policy permits investments in the following types of investments as authorized by the state of Maryland: direct U.S. agency obligations, repurchase agreements, bankers' acceptances, municipal securities, commercial paper, money market mutual funds and the MLGIP. The Town is a participant of the Maryland Local Government Investment Pool (MLGIP), which provides all local government units of the State a safe investment vehicle for the short-term investment of funds. The State Legislature created MLGIP with the passage of Article 95 22G, of the Annotated Code of Maryland. The MLGIP, under the administrative control of the State Treasurer, has been managed by a single Baltimore-based financial institution, PNC Bank. An MLGIP Advisory Committee of current participants was formed to review, on a quarterly basis, the activities of the Fund and to provide suggestions to enhance the pool. The fair value of the pool is the same as the value of the pooled shares. At June 30, 2023, the Town had \$16,867,120 invested in this Pool. The Pool is rated AAA by Standard & Poor's, their highest rating for money market mutual funds. The MLGIP seeks to maintain a constant value of \$1.00 per unit. Unit value is computed using the amortized cost method. In addition, the net asset value of the pool, marked to market, is calculated and maintained on a weekly basis to ensure a \$1.00 per unit constant value.

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments- Maryland Local Government Investment Pool (Continued)

Pension Plan and OPEB Plan

Investments held by the Defined Benefit Pension Plan include mutual funds and a guaranteed account held by Prudential Financial. A summary of these investments are as follows:

Guaranteed Account	\$ 5,014,282
Variable Earnings Investments:	
Dryden S&P 500 Index	4,468,181
Mid Cap Growth/Waddell & Reed	4,485,634
Mid Cap Value / QMA Fund	1,727,520
SCG I (managed by Brown)	1,605,361
Small Cap Value/Kennedy Capit	2,186,354
T. Rowe Price Eqty Inc Stgy	1,993,277
T. Rowe Price Growth Stk Stgy	4,380,155
EmrgMrkEq / QMA*	1,429,598
International Blend/Wellington*	3,713,855
Core Plus Bond PGIM Fund	12,245,106
Real Estate / Am Century Fund	2,154,674
Total	<u>\$ 45,403,997</u>

*-Foreign Investment

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments- Maryland Local Government Investment Pool (Continued)

Pension Plan and OPEB Plan (Continued)

Guaranteed account income is recorded based on contractual interest of the investment contract in force during the period. Mutual fund investment income consists of dividends earned and realized and unrealized gains and losses attributable to the mutual funds.

Investments held by the OPEB Plan include mutual funds held by Davenport & Company LLC. A summary of these investments are as follows:

Mutual Funds:	
Capital Services	\$ 1,562,406
Schwab Small Cap	417,143
Lord Abbett Short Duration Income Fund	2,460,023
Vanguard - Intermediate Term Trust	3,015,939
Vanguard - Whitehall FDS	2,155,236
Vanguard - Short Term	1,932,969
Vanguard - Mid Cap Index	2,652,339
Total Mutual Funds	<u>14,196,055</u>
Common Stock:	
Communication Services	887,980
Consumer Cyclical	919,460
Consumer Defense	341,617
Energy	299,485
Financials	962,308
Health Care	874,253
Industrials	377,590
Information Technology	2,462,230
Materials	567,505
Real Estate Investment Trusts	109,094
Total Common Stock	<u>7,801,522</u>
Cash and Alternatives	356,393
Total	<u><u>\$ 22,353,970</u></u>

*-Foreign Investment

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the Benefit Plan or OPEB Plan (Plans) will not be able to recover all or a portion of the value of its deposits, investments, or collateral securities that are in the possession of an outside party. The Plans' investment custodial credit risk policy requires all investments to be insured or registered, or for which the securities are held by the Plan or their agent in the respective Plans' name or be invested in MLGIP. All investments of the Plans are held on behalf of the Plans by Prudential Financial and Davenport and are therefore not exposed to custodial credit risk.

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk

Fair value fluctuates with interest rates and increasing interest rates could cause fair value to decline below original cost. To limit the Town's exposure to fair value losses arising from increasing interest rates, the Town's investment policy limits the term of investment maturities. The Town management believes the liquidity of the portfolio is adequate to meet cash flows requirements and to preclude the Town from having to sell investments below original cost for that purpose. The investments at June 30, 2023 met the Town's investment policy.

	<u>Valuation</u>	<u>Weighted Average Maturity (Yrs)</u>
Defined Benefit Pension Plan:		
Guaranteed Account	\$ 5,014,282	3.7
Core Plus Bond/PIMCO	12,245,106	7.84
Total	<u>\$ 17,259,388</u>	
OPEB Plan:		
Lord Abbett Short Duration Income Fund	\$ 2,460,023	2.19
Vanguard - Intermediate Term Trust	3,015,939	7.30
Vanguard Short Term Investment Grade	1,932,969	2.90
Total	<u>\$ 7,408,931</u>	

Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of the investment securities will occur in the near term and those changes could materially affect the amount reported in the statements of net position available for plan benefits.

Credit Risk

Credit risk is the risk that the Plans or the Town will lose money because of the default of the security of the issuer or investment counterparty. The Plans' guaranteed accounts and mutual funds are unrated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Plan's or Town's investment in a single issuer. The Plan's investments are managed by several fund managers. The Town's investment policy does not allow for an investment in any one issuer that is in excess of 5% of the Town's total investments. At June 30, 2023, the Town held no investments investment in any one issuer that was in excess of 5% of the Town's total investments.

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Foreign Currency Risk

Foreign currency risk is the risk that changes in the exchange rates will adversely affect the fair value of an investment. The Town does not allow for investments with foreign currency. The Plans allow the option of investments in mutual funds that invest in securities in countries outside the U.S.; however, these funds do not require disclosure of the individual assets within the funds. The fair value of these funds was \$5,142,453 at June 30, 2023. The individual funds are identified above.

NOTE 3 RECEIVABLES, DEFERRED INFLOWS, AND UNEARNED REVENUES

Receivables as of year-end for the government's major and nonmajor funds, in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities		Business-Type Activities		Total
	General	Other	Utility	Other	
Taxes	\$ 529,754	\$ -	\$ -	\$ -	\$ 529,754
Accounts	296,054	7,636	4,312,372	61,602	4,677,664
Due from Other Governments	6,956,708	46,394	6,220,290	-	13,223,392
Interest	-	-	88,825	-	88,825
Allowance for Uncollectibles	(596,199)	-	-	-	(596,199)
Net Receivables	<u>\$ 7,186,317</u>	<u>\$ 54,030</u>	<u>\$ 10,621,487</u>	<u>\$ 61,602</u>	<u>\$ 17,923,436</u>

The June 30, 2023 balance of due from other governments is as follows:

Federal Government	\$ 5,171,632
State of Maryland:	
Income Taxes	1,654,280
Highway User	225,860
Grant	4,988,278
Capital Projects	1,858
Talbot County	1,181,484
Total Due from Other Governments	<u>\$ 13,223,392</u>

Governmental funds report deferred inflows of resources in relation to receivables for revenues that are not considered to be available to liquidate liabilities of the current period such as property taxes not collected within 60 days after fiscal year-end. Unearned revenue at year-end consists of rental and program advances, franchise fees and similar prepayments received by the Town, grant revenue received prior to the incurrence of qualifying expenditures and governmental fund nonexchange contributions.

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 3 RECEIVABLES, DEFERRED INFLOWS, AND UNEARNED REVENUES (CONTINUED)

Deferred inflows of resources and unearned revenue reported in the Governmental Fund Balance Sheet for the General Fund at June 30, 2023 is summarized as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Income Taxes	\$ 1,246,769	\$ -	\$ 1,246,769
Property Taxes	80,351	-	80,351
Grant Revenue	4,921,742	7,823,914	7,823,914
Miscellaneous	-	173,280	173,280
Total	<u>\$ 1,327,120</u>	<u>\$ 7,997,194</u>	<u>\$ 9,324,314</u>

NOTE 4 INTER-FUND PAYABLES AND TRANSFERS

Due to/from other funds at June 30, 2023 was as follows:

	<u>Payable Fund</u>	<u>Total</u>
	Community Dev	
Receivable Fund:		
General Fund	<u>\$ 19,395</u>	<u>\$ 19,395</u>

Inter-fund transfer activity for the year ended June 30, 2023 was as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Funds:		
General Fund	\$ 1,358,716	\$ 5,807,284
Capital Projects Fund	5,165,181	250,000
Infrastructure Development Fund	-	151,680
Nonmajor Governmental Funds	595,303	26,680
Nonmajor Proprietary Funds	46,800	930,356
Total	<u>\$ 7,166,000</u>	<u>\$ 7,166,000</u>

Transfers are used to (1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, (2) move restricted amounts from borrowings to the debt service fund to establish a mandatory reserve account, (3) move revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 9,251,150	\$ 4,977,246	\$ -	\$ 14,228,396
Construction in Progress	-	165,252	-	165,252
Total Capital Assets, Not Being Depreciated	9,251,150	5,142,498	-	14,393,648
Capital Assets, Being Depreciated and Amortized:				
Buildings and Improvements	54,314,811	4,138,797	-	58,453,608
Equipment	19,586,196	1,925,227	(323,574)	21,187,849
Right-to-Use Equipment	390,388	304,865	-	695,253
Total Capital Assets, Being Depreciated and Amortized	74,291,395	6,368,889	(323,574)	80,336,710
Less Accumulated Depreciation and Amortization:				
Buildings and Improvements	23,544,304	1,993,786	-	25,538,090
Equipment	17,088,373	879,473	(316,482)	17,651,364
Right-to-Use Equipment	131,004	104,863	-	235,867
Total Accumulated Depreciation and Amortization	40,763,681	2,978,122	(316,482)	43,425,321
Net Capital Assets, Being Depreciated and Amortized	33,527,714	3,390,767	(7,092)	36,911,389
Governmental Activities Capital Assets, Net	<u>\$ 42,778,864</u>	<u>\$ 8,533,265</u>	<u>\$ (7,092)</u>	<u>\$ 51,305,037</u>
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 2,759,911	\$ -	\$ (6,554)	\$ 2,753,357
Construction in Progress	7,054,700	11,833,771	(11,066,460)	7,822,011
Total Capital Assets, Not Being Depreciated	9,814,611	11,833,771	(11,073,014)	10,575,368
Capital Assets, Being Depreciated:				
Buildings and Improvements	33,018,731	1,309,637	(443,367)	33,885,001
Equipment and Other	205,364,862	9,945,519	(1,250,792)	214,059,589
Less: Amount Disallowed for Regulation	(1,719,785)	-	-	(1,719,785)
Total Capital Assets, Being Depreciated	236,663,808	11,255,156	(1,694,159)	246,224,805
Less Accumulated Depreciation:				
Buildings and Improvements	17,962,078	827,551	(247,025)	18,542,604
Equipment and Other	122,665,254	7,705,682	(1,249,091)	129,121,845
Total Accumulated Depreciation	140,627,332	8,533,233	(1,496,116)	147,664,449
Net Capital Assets, Being Depreciated	96,036,476	2,721,923	(198,043)	98,560,356
Business-Type Activities Capital Assets, Net	<u>\$ 105,851,087</u>	<u>\$ 14,555,694</u>	<u>\$ (11,271,057)</u>	<u>\$ 109,135,724</u>

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 5 CAPITAL ASSETS (CONTINUED)

Depreciation and amortization expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 152,921
Public Safety	924,955
Public Works	1,327,423
Recreation and Cultural	473,015
Economic Development	13,315
Nondepartmental	86,493
Total Governmental Activities	<u>\$ 2,978,122</u>
Business-Type Activities:	
Utility	\$ 8,331,591
Other	242,929
Total Business-Type Activities	<u>\$ 8,574,520</u>

NOTE 6 LEASES

Lessor - District Court

The Entity, acting as lessor, leases a building to the Judiciary of Maryland, District Court under long-term, non-cancelable lease agreements. The lease expired February 2023 and provide for renewal options ranging of five years. During the year ended June 30, 2023, the Entity recognized \$123,184 and \$30,006 in lease revenue and interest revenue, respectively, pursuant to these contracts.

Total future minimum lease payments to be received under lease agreements are as follows:

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2024	117,324	21,000
2025	122,104	16,220
2026	127,079	11,245
2027	132,256	6,068
2028	91,151	1,065
Total minimum lease payments	<u>\$ 589,914</u>	<u>\$ 55,598</u>

TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6 LEASES (CONTINUED)

Lessee

The Entity leases vehicles for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2029.

Total future minimum lease payments under lease agreements are as follows:

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 132,235	\$ 13,398
2025	120,291	8,755
2026	73,667	5,166
2027	65,377	2,661
2028	34,146	502
Total minimum lease payments	<u>\$ 425,716</u>	<u>\$ 30,482</u>

Right-to-use assets acquired through outstanding leases are shown below, by underlying asset class.

	<u>Governmental Activities</u>
Vehicles	\$ 695,253
Less: Accumulated Amortization	235,867
	<u>\$ 459,386</u>

NOTE 7 LONG-TERM LIABILITIES

The long-term liabilities consist of the following at June 30, 2023:

	<u>6/30/2022 Beginning Balance</u>	<u>Additions</u>	<u>Principal Repayments & Reductions</u>	<u>6/30/2023 Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
General Obligation Bonds	\$ 12,450,000	\$ -	\$ 670,000	\$ 11,780,000	\$ 920,000
Unamortized Premium on Bonds	1,131,188	-	55,400	1,075,788	55,400
DHCD Loan Payable	1,672,124	-	-	1,672,124	-
Leases Payable	242,670	282,138	99,092	425,716	132,235
Note Payable – USDA	267,406	-	5,795	261,611	5,798
Total Long-Term Debt	<u>15,763,388</u>	<u>282,138</u>	<u>830,287</u>	<u>15,215,239</u>	<u>1,113,433</u>
Compensated Absences	1,015,973	49,110	-	1,065,083	-
Governmental Activities Long-Term Liabilities	<u>\$ 16,779,361</u>	<u>\$ 331,248</u>	<u>\$ 830,287</u>	<u>\$ 16,280,322</u>	<u>\$ 1,113,433</u>

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

	Beginning Balance	Additions	Principal Repayments & Reductions	Ending Balance	Due Within One Year
Business-Type Activities					
Loan – MDE	\$ 724,695	\$ -	\$ 81,710	\$ 642,985	\$ 83,181
Loan – State of Maryland	6,670,037	-	1,251,915	5,418,122	1,292,961
Node+0 Project Loan	4,755,488	-	618,308	4,137,180	636,067
Total Long-Term Debt	12,150,220	-	1,951,933	10,198,287	2,012,209
Compensated Absences	1,138,567	53,701	-	1,192,268	1,192,268
Business-Type Activities Long-Term Liabilities	<u>\$ 13,288,787</u>	<u>\$ 53,701</u>	<u>\$ 1,951,933</u>	<u>\$ 11,390,555</u>	<u>\$ 3,204,477</u>

Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the Town. These bonds generally are issued as 20-year serial bonds, except for refunding issues or issues less than \$5 million dollars. All interest is paid semi-annually. General obligation bonds currently outstanding are as follows:

<u>Bond Issue</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Balance at 6/30/2023</u>
Public Facilities Bonds 2015	2036	2.00 – 4.00%	\$ 4,950,000
Public Facilities Bonds 2020	2043	2.00 – 4.00%	6,830,000
Total General Obligation Bonds			<u>\$ 11,780,000</u>

Total annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2024	920,000	311,683
2025	925,000	274,683
2026	930,000	244,033
2027	930,000	213,133
2028	925,000	182,133
2029-2033	2,910,000	565,993
2034-2038	2,270,000	300,094
2039-2043	1,970,000	99,525
Total	<u>\$ 11,780,000</u>	<u>\$ 2,191,277</u>

In fiscal year 2016, the Town defeased the Public Facilities Bonds of 2008 by placing cash reserve funds in an irrevocable trust to provide for debt service payments on the old bond. Accordingly, the trust account assets and liability for the defeased portion of the bond are not included in the Town's financial statements. As of June 30, 2023, \$4,860,000 of defeased debt remains outstanding.

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

Bonds (Continued)

Government-Type Funds

During the fiscal year ended June 30, 2008, the Town borrowed \$323,500 from the United States Department of Agriculture for certain capital projects. The loan has an interest rate of 4.50% and matures March 2048. The loan repayment schedule calls for quarterly principal and interest payments of \$4,379. The Town's outstanding note from the direct borrowing contains a provision that in an event of default, the Town shall levy and collect ad valorem taxes in a rate and amount sufficient to provide for such payments when due.

The annual debt service requirements to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	5,798	11,718	17,516
2025	6,064	11,452	17,516
2026	6,344	11,172	17,516
2027	6,634	10,882	17,516
2028	6,940	10,576	17,516
2029-2033	39,779	47,798	87,577
2034-2038	49,793	37,784	87,577
2039-2043	62,328	25,249	87,577
2044-2048	77,931	9,395	87,326
Total	<u>\$ 261,611</u>	<u>\$ 176,026</u>	<u>\$ 437,637</u>

During fiscal year 1999, the Town borrowed \$1,672,124 from the Department of Housing and Community Development (DHCD) to construct a low-income housing unit known as Asbury Place. The interest payments on this loan are forgiven from year to year by the DHCD as long as the unit meets certain requirements and continues as a low-income housing unit. As of June 30, 2023, Asbury Place met those conditions and interest was forgiven. The Town's outstanding note from the direct borrowing contains a provision that in the event of a breach in the terms of the agreement, DHCD may demand repayment of all loan fund disbursed. The balance of this loan was \$1,672,124 at June 30, 2023.

Business-Type Funds

During the fiscal year ended June 30, 2005, the Town entered into an agreement with the Department of the Environment of the state of Maryland (MDE) through the Maryland Department of Water Quality Financing Administration (WQFA) to finance ongoing construction of improvements to the Wastewater Treatment Plant through the WQFA's State Revolving Loan Fund (SRLF).

The MDE makes funds available to local governments at below market rates for certain water quality and drinking water projects. The balance of the loan payable at June 30, 2023 was \$5,418,122. The note bears an interest rate of .40% and has a scheduled maturity of February 2027. This direct borrowing contains a provision that in an event of default, outstanding amounts become immediately due if the Commission is unable to make payment.

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

Bonds (Continued)

Business-Type Funds (Continued)

The following are the principal and interest maturities of the outstanding loan as of June 30, 2023:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,292,961	\$ 21,672	\$ 1,314,633
2025	1,334,007	16,501	1,350,508
2026	1,375,054	11,165	1,386,219
2027	1,416,100	5,664	1,421,764
Total	<u>\$ 5,418,122</u>	<u>\$ 55,002</u>	<u>\$ 5,473,124</u>

During the fiscal year ended June 30, 2013, an agreement was entered into with MDE's WQFA to finance construction of the full cost of a project to relocate certain wastewater force main facilities through the Water Quality State Revolving Fund. The balance at June 30, 2023 was \$642,985. The note bears an interest rate of 1.8% and has a scheduled maturity of February 2031. This direct borrowing contains a provision that in an event of default, outstanding amounts become immediately due if the Commission is unable to make payment. The following are the principal and interest maturities anticipated for the outstanding loan as of June 30, 2023:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 83,181	\$ 11,574	\$ 94,755
2025	84,679	10,076	94,755
2026	86,203	8,552	94,755
2027	87,754	7,001	94,755
2028	89,334	5,421	94,755
2029-2031	211,834	6,499	218,333
Total	<u>\$ 642,985</u>	<u>\$ 49,123</u>	<u>\$ 692,108</u>

During fiscal year ended June 30, 2019, an agreement was entered into with PNC Bank to finance the partial construction cost of the "Node + 0 Project" to upgrade the cable distribution plant used to deliver Cable TV, Internet and Voice services. The balance at June 30, 2023 was \$4,137,180. The interest rate is fixed at 2.98% for seven years after which the interest rate will be renegotiated for the remaining three years of the loan. The loan matures in 2029. This direct borrowing contains a provision that in an event of default, outstanding amounts become immediately due if the Commission is unable to make payment.

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

Bonds (Continued)

Business-Type Funds (Continued)

The following are the principal and interest maturities anticipated for the outstanding loan as of June 30, 2023:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 636,067	\$ 118,018	\$ 754,085
2025	655,867	98,218	754,085
2026	675,960	78,125	754,085
2027	696,669	57,416	754,085
2028	717,925	36,160	754,085
2029-2030	754,692	14,229	768,921
Total	<u>\$ 4,137,180</u>	<u>\$ 402,166</u>	<u>\$ 4,539,346</u>

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 LINE-OF-CREDIT

Business-Type Funds

The Town, for the benefit of the Commission, maintains a revolving line-of-credit agreement with a commercial bank for \$2,500,000, which bears interest in the amount of 1.15% above the LIBOR rate (5.84% at June 30, 2023). The purpose of the line of credit is to provide an additional source of financing to meet operating needs, if required. The Town did not draw on this line and there was no balance due at June 30, 2023.

NOTE 9 FUND BALANCE

A summary of fund balances at June 30, 2023 is as follows:

	General Fund	Capital Projects Fund	Infrastructure Development Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Prepaid Expenses and Other	\$ 17,688	\$ -	\$ -	\$ -	\$ 17,688
Restricted:					
Impact Fees	-	-	2,462,999	-	2,462,999
Debt Service	-	-	-	6,154,534	6,154,534
Law Enforcement	-	-	-	198,863	198,863
Capital Projects	-	5,281,996	-	-	5,281,996
Total Restricted Fund					
Balance	-	5,281,996	2,462,999	6,353,397	14,098,392
Committed:					
Budget Stabilization	3,591,260	-	-	-	3,591,260
Assigned:					
Capital Projects	-	-	-	-	-
Law Enforcement Fund	-	-	-	-	-
Total Assigned Fund					
Balance	-	-	-	-	-
Unassigned:					
General Fund	1,363,452	-	-	-	1,363,452
CDBG Grant	-	-	-	(139,915)	(139,915)
Total Unassigned Fund					
Balance	1,363,452	-	-	(139,915)	1,223,537
Total Fund Balance	<u>\$ 4,972,400</u>	<u>\$ 5,281,996</u>	<u>\$ 2,462,999</u>	<u>\$ 6,213,482</u>	<u>\$ 18,930,877</u>

NOTE 10 DEFINED BENEFIT PENSION PLAN

Plan Description

The Town of Easton, Maryland Employee's Pension Plan (Plan) is a single-employer contributory defined benefit pension plan established by Town ordinance. The Plan is governed by the Town of Easton. The Town has delegated the authority to manage plan assets to The Prudential Insurance Company of America's Prudential Retirement Division (Prudential).

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Plan Benefit Information

	<u>Benefits and Plan Specifications</u>
Earnings	W-2 Earnings
Final Earnings	Highest average earnings received in any five consecutive full calendar years during the last ten years before retirement date or termination of employment.
Credited Service	All years of service with the employer were credited from date of employment to July 1, 2008 (or date of termination, if earlier), when accrued service was frozen.
Form of Annuity	Life Annuity
Normal Retirement Date	The first day of the month coinciding with or next following the Participants 60 th birthday or, if later, the fifth anniversary of the Participant's participation commencement date. For Sworn Police Officers (Division B Employees), the earlier of the day on which the participant's attained age and years of service equal 80 or the day on those becoming participants on and after January 1, 2002.
Social Security Benefit	Amount of basic monthly Social Security benefit at age 62 based on the Employee's earnings while in covered employment; subject to automatic increases under the current law. Employee's earnings from the date service ceases until age 62 are assumed to be at the same rate of compensation as participant received when service ceased.
Social Security Covered Compensation	Average of Taxable Wage Bases for 35 calendar years ending with the last day of the calendar year in which a participant attains Social Security Retirement Age; subject to the automatic increases under the current law.
Participation Eligibility	An employee working more than 20-hours per week and for more than five months per calendar year. Sworn Police Officers must make participant contributions under the Pick Up provisions of the Plan.
Benefit Formula	<u>Division A</u> 1.4% of Average Annual Earnings times years of Credited Service (up to a maximum of 25 years) plus .45% of Average Annual Earnings in excess of Covered Compensation times years of Credited Service (up to a maximum of 25 years).

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Plan Benefit Information (Continued)

Note that plan benefits for Division A participants have been soft frozen as of 7/1/2008, where accrued service is frozen, but future compensation is not frozen for plan benefit purposes.

Division B

For Sworn Police officers (Division B): 50% of Final Earnings multiplied by the ratio that the Participant's Credited Service, up to a maximum of 22 years, bears to 22. Provided however, that the 50% will be increased by 1.66% (maximum 55%) for each full year of Credited Service in excess of 22 years with total maximum of 25 years of Credit Service.

Income Payable

Amount described in sections (a) or (b) below, whichever applies:

- a. If Participant has a Spouse as of their retirement date and does not elect otherwise, retirement income shall be paid on the basis of Joint and Survivor Form, as stipulated by ERISA and will be the amount determined under the benefit formula multiplied by the appropriate factor.
- b. If Participant either has no Spouse as of their retirement date or elects to receive their income under the Normal Form, retirement income will be the amount determined under the benefit formula.

Early Retirement
Eligibility

Division A

Five years early with ten years of Service. Early retirement is not applicable to Sworn Officers (Division B).

Early Benefit Amount

Normal retirement benefit accrued to early retirement, actuarially reduced for the number of months Annuity Commencement Date precedes Normal Retirement Date.

Vesting Schedule

Division A

100% vested after five years of service; 100% vested at Normal Retirement Date.

Division B

For Sworn Police Officers; 100% vested after five years of service; 100% vested at Normal Retirement Date.

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Plan Benefit Information (Continued)

Vested Benefit Benefit accrued to date of termination adjusted by the appropriate vesting percentage.

Preretirement Spouse Benefit

- | | |
|--|--|
| A. Eligibility
<i>Benefit Formula</i> | Age 55 with 10 years of service.
50% of the pension benefit accrued to date of death |
| B. Eligibility
<i>Benefit Formula</i> | Eligible for vesting but not age 55 with 10 years of Service.
50% of the vested pension benefit accrued to date of death, payment deferred to no earlier than the early retirement date of the deceased participant and reduced by the appropriate early retirement and joint survivor factors. |

Additional Retirement Benefit or
Cash Refund at Retirement or
Termination

<i>Eligibility</i>	Participant has prior plan contributions.
<i>Benefit Formula</i>	Choice of either a lump sum cash refund equal to the amount of their prior plan contributions with interest or an additional amount of Retirement Benefit equal to the amount which can be provided by the prior plan contributions with credited interest.

Special Termination Benefit:

<i>Eligibility</i>	<i>Participant who retires early or retires on his Normal Retirement Date.</i>
<i>Benefit Formula</i>	<u>Division A</u> Amount equal to the Social Security Benefit payable from Normal Retirement Date to 62nd Birthday. This benefit is not applicable to Sworn Officers (Division B).

Pre-Tax Participant
Contributions

<i>Amount</i>	<u>Division B</u> Prior to January 1, 2002: 4% of Earnings for 0 to 25 Years of Service and 5% thereafter
---------------	--

*After January 1, 2002: 5.7% of Earnings for 0 to 25 Years of Service and 6.7% thereafter.
After July 1, 2017: 7.2% of Earnings for 0 to 22 Years of Service and 8.2% thereafter.*

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Plan Benefit Information (Continued)

<i>Interest Credit</i>	5% per annum.
<i>Death or Termination</i>	Pre-retirement: Refund of Employee contributions with interest to date of termination or death.
	<i>Postretirement: Excess of Employee contributions with interest over annuity payments made, unless another form of benefit becomes payable to the beneficiary.</i>

Plan Membership

As of August 1, 2022 (the date of the last actuarial valuation), the pension plan's membership consisted of:

Active Employees	143
Retirees and Beneficiaries Currently Receiving Benefits	154
Terminated Employees Entitled to Benefits but Not Yet Receiving Them	88
Total	385

Funding Policy

The Plan covers all full-time employees who began service prior to the age of 55 and prior to the plan being frozen (see below) except for sworn police officers, voluntary contributions from eligible employees are prohibited. Sworn police officers who are employed on a regular full-time basis with less than 22 years of service are required to contribute 7.2% of gross annual earnings. For police officers who are employed on a regular full-time basis with service in excess of 22 years, the required contribution rate is 8.2% of gross annual earnings. Participants' actual contributions during the year ended June 30, 2023 were \$281,657. Administrative costs are financed through investment earnings.

Provisions of the Plan include retirement and death benefits to plan members and their beneficiaries. Cost of living adjustments are provided at the discretion of the Town Council.

Effective July 1, 2008, a "soft freeze" was implemented for the existing Plan. All current participants will remain in the Plan, but future employees will not be eligible to participate. Future service will not be credited; however, future pay increases will be included in computing benefits.

Contributions to the Plan made by the Town are based on an actuarially determined basis. The contribution requirements of the Town are established and may be amended by the Town Council. The actuarially required and actual contribution to the Plan during the year ended June 30, 2023 and 2022 was \$567,586 and \$686,485, respectively. Actual employer contributions for the years ended June 30, 2023 and 2022 were \$949,519 and \$1,101,994 respectively.

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Valuation of Investments

The Plan's unallocated insurance contracts are valued at contract value. Contract value represents contributions made under the contract, plus interest at the contract rate, less funds used to purchase annuities or pay administrative expenses charged by Prudential. Funds under the contract that have been allocated and applied to purchase annuities are excluded from the pension plan's assets. At July 31, 2023, no investment in any one organization, exceeded 5% or more of net assets available for benefits.

The condensed financial statements as of and for the year ended June 30, 2023 are as follows:

Statement of Plan Net Position

Assets:	
Investments, at Fair Value Other Adjustment	<u>\$ 45,403,997</u>
Net Position:	
Restricted - Net Position Held in Trust for Pension Benefits	<u>\$ 45,403,997</u>

Statement of Changes in Plan Net Position

Additions:	
Contributions:	
Employer	\$ 949,519
Employee	281,657
Total Contributions	<u>1,231,176</u>
Investment Earnings:	
Net Decrease in Fair Value of Plan Investments	3,385,134
Net Investment Income	<u>3,385,134</u>
Total Additions	4,616,310
Deductions:	
Benefit Payments	2,530,181
Administrative Expense	123,814
Total Deductions	<u>2,653,995</u>
Net Change	1,962,315
Net Position - Beginning of Year	<u>43,441,682</u>
Net Position - End of Year	<u>\$ 45,403,997</u>

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Plan Administration

Management of the Plan is overseen by the Plan Sponsor, the Town, under Article XIV of the Pension Plan Document. The Town, by formal action of the Mayor and Town Council, has delegated the duty of Pension Plan Administrator to the Town Manager of the Town of Easton and also to the Senior Vice President of Finance of the Easton Utilities Commission pursuant to Section 14.1 of the Plan Document. The Pension Plan Administrator has the discretionary right, authority, and power to interpret and construe the Plan, and to determine any disputes arising thereunder, subject to the provisions of Section 14.3 of the Plan Document. The duly appointed Pension Plan Administrator has the authority to carry out any of the sponsor's powers, authority, or responsibilities for the operation and administration of the Plan pursuant to the provisions of the Plan.

Investment Policy

The Plan Administrators are responsible for administering the investment policies of the Plan and providing oversight for the management of the Plan's assets. This responsibility is performed in conjunction with a Joint Investment Committee (consisting of the Mayor, the Town Manager, the Chief of Police, the Easton Utilities President, CEO, and the Easton Utilities Senior Vice President of Finance) at a policy level. Daily investment management is provided by Prudential Investment Management Services pursuant to guidance provided by the Joint Investment Committee.

Actuarial Assumptions

The Town's net pension liability was measured as of June 30, 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated August 1, 2022, with adjustments made for the 11-month difference.

The total pension liability was determined by an actuarial valuation as of August 1, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	2.50% Per Year
	Salary Increases: Town=5.00%, Utilities=4.00%, Sworn Officers=7.00%-10 Years, 4.00% Thereafter
Investment Return:	7.00% Compounded Annually, Net of Investment Expenses and Including Inflation
Cost-of-Living Adjustments:	None Assumed

Mortality rates were based on the Pub2010G(B) Tables with Scale SSA applied generationally; 50% rates applied for pre-retirement deaths.

More details on the assumptions can be found in the actuarial valuation report.

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Methods for Determining Employer Contributions

The Entry Age Normal method with a closed level dollar amortization (28 years remaining) of unfunded actuarial accrued liability (UAAL) is used for Plan funding. Five-year asset smoothing is also used to determine the UAAL. The Town's contribution requirement is equal to the net normal cost, plus the amortization.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. This is then modified through a Monte-Carlo simulation process, by which a (downward) risk adjustment is applied to the baseline expected return.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2023 and the final investment return assumption, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Return Portfolio</u>	<u>Weight</u>
U.S. Equity	6.50 %	49 %
International Equity	6.75	11
Fixed Income – U.S.	2.00	25
Stable Value	3.50	10
Real Estate	5.50	5
Total Weighted Average Real Return	5.05	100 %
Plus Inflation	2.50	
Total Return Without Adjustment	7.55	
Risk Adjustment	(0.55)	
Total Expected Return	7.00 %	

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Discount Rate (Continued)

Therefore, the long-term expected rate of return in pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The Town's Net Pension Liability (NPL) was established under GASB 67, and updated annually. The purpose of GASB 68 is to track the year-to-year changes in the NPL over time, via the Pension Expense.

The Pension Expense under GASB 68 includes the cost of benefits accrued, interest cost for elapsed time, administrative expenses, decreases for benefits paid and for employee contributions, differences between actual and assumed experience, and other adjustments resulting from changes in assumptions or plan provisions.

The following are the required schedules as of June 30, 2023:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2022	\$ 48,303,729	\$ 43,441,682	\$ 4,862,047
Changes for the Year:			
Service Cost	721,063	-	721,063
Interest	3,344,677	-	3,344,677
Difference Between Expected and Actual Experience	(657,608)	-	(657,608)
Changes in Assumptions	-	-	-
Contributions - Employer	-	949,519	(949,519)
Contributions - Employee	-	281,657	(281,657)
Net Investment Income	-	3,385,134	(3,385,134)
Benefit Payments, Including Refunds of Employee Contributions	(2,530,181)	(2,530,181)	-
Administrative Expenses	-	(123,814)	123,814
Other Changes	-	-	-
Net Change in Total Pension Liability	<u>877,951</u>	<u>1,962,315</u>	<u>(1,084,364)</u>
Balance at June 30, 2023	<u>\$ 49,181,680</u>	<u>\$ 45,403,997</u>	<u>\$ 3,777,683</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Town, calculated using the discount rate of 7.00%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate:

	One Percent Decrease 6.00%	Current Discount Rate 7.00%	One Percent Increase 8.00%
Town's Net Pension Liability	<u>\$ 9,076,016</u>	<u>\$ 3,777,683</u>	<u>\$ (671,177)</u>

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Deferred Inflows and Outflows

As of June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net Difference Between Projected and Actual Earnings on Plan Investments	\$ 2,637,191	\$ -
Differences Between Expected and Actual Experience	-	(895,953)
Changes in Actuarial Assumptions	-	(456,277)
Total	<u>\$ 2,637,191</u>	<u>\$ (1,352,230)</u>
<u>Year Ended June 30,</u>		
2024	(569,651)	
2025	(9,263)	
2026	1,946,869	
2027	(82,994)	
Total Amount to be Recognized	<u>\$ 1,284,961</u>	

Money Weighted Investment Return

For the year ended June 30, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 8.0%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Town provides life insurance policies in the face amount of \$10,000 and pays a portion of the cost of major medical insurance for retired employees. The percentage of contribution is based on the number of years of service. All retired employees are eligible, including those on disability retirement. Coverage may include the retiree, spouse, and dependents. The health care benefits provided vary based on age at retirement and length of service. Coverage does not cease upon death of the retiree.

Benefits Provided

The Town has implemented a cost sharing requirement for the health insurance premiums. For all new retirees (excluding Sworn Police Officers), the Town will pay 90% of the premium at retirement. The Town will continue to pay for 100% for new and existing retirees who were within five years of normal retirement age as of July 1, 2008. The Town will pay for the first 4% of any annual increase of health insurance premiums for retirees. If premiums rise more than 4%, retirees will be required to pay for the additional increases greater than 4%.

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Employees Covered by Benefit Terms

At July 1, 2021, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	81
Inactive Employees Entitled to but Not Yet Receiving Benefit Payments	-
Active Employees	<u>231</u>
Total	<u><u>312</u></u>

Contributions

Contribution requirements for OPEB benefits are established and may be amended by the Town. The contribution rates are based on actuarially determined requirements. Employees are not required to contribute to the plan.

Valuation of Investments

The condensed financial statements as of and for the year ended June 30, 2023 are as follows:

Statement of Plan Net Position

Assets:	
Cash and Cash Equivalents	\$ 356,393
Investments, at Fair Value	<u>21,997,577</u>
Total Assets	<u><u>\$ 22,353,970</u></u>
Net Position:	
Restricted - Net Position Held in Trust for OPEB	<u><u>\$ 22,353,970</u></u>

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Valuation of Investments (Continued)

Statement of Changes in Plan Net Position

Additions:

Contributions:	
Employer	\$ 1,773,010
Investment Earnings:	
Net Decrease in Fair Value of Plan Investments	2,007,128
Net Investment Income	2,007,128
Total Additions	3,780,138

Deductions:

Benefit Payments	799,956
Administrative Expense	90,024
Total Deductions	889,980

Net Change	2,890,158
Net Position - Beginning of Year	19,463,812
Net Position - End of Year	\$ 22,353,970

Net OPEB Liability

The Town's net OPEB liability was measured as of June 30, 2023 and the total OPEB Liability used to calculate the net OPEB liability was determined by an actuarial valuation dated July 1, 2021, rolled forward to June 30, 2023.

Actuarial Assumptions – the total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless other specified:

Inflation	2.50%
Salary Increases	4.50% for the Town and 3.25% for the Utilities
Investment Rate of Return	6.75%, Net of OPEB Plan Investment Expense and Including Inflation
Healthcare Cost Trend Rates	5.75% Initially, Decreasing to an Ultimate Rate of 4.00%

Mortality rates were based on the Pub2010G(B) Tables with Generational Scale SSA Applied for both males and females. The disabled versions of these tables were used for disabled lives, and 50% of the rates are assumed for pre-retirement deaths.

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Net OPEB Liability (Continued)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Domestic Equity	47 %	5.95 %
Non-U.S. Equity	11	6.25
Fixed Income Funds	27	1.50
Global Funds	10	3.00
Real Estate	5	4.95
Total Weighted Average Real Return	<u>100 %</u>	<u>4.44</u>
Plus Inflation		<u>2.50</u>
Total Return without Adjustment		6.94
Risk Adjustment		<u>(0.19)</u>
Total Expected Return		<u>6.75 %</u>

Discount Rate

The discount rate used to measure the total OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that the Town's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, it is projected that benefits can be paid from the Plan for all current plan members. Therefore, the expected Plan return of 6.75% was applied to all periods of projected benefit payments to determine the total OPEB liability.

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Changes in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2022	\$ 20,820,143	\$ 19,463,812	\$ 1,356,331
Changes for the Year:			
Service Cost	552,888	-	552,888
Interest	1,416,122	-	1,416,122
Differences Between Expected and Actual Experience	-	-	-
Assumption Changes	-	-	-
Contributions - Employer	-	1,773,010	(1,773,010)
Net Investment Income	-	2,007,131	(2,007,131)
Benefit Payments	(799,956)	(799,956)	-
Administrative Expense and Other	-	(90,027)	90,027
Net Changes	<u>1,169,054</u>	<u>2,890,158</u>	<u>(1,721,104)</u>
Balances at June 30, 2023	<u>\$ 21,989,197</u>	<u>\$ 22,353,970</u>	<u>\$ (364,773)</u>

Money-Weighted Rate of Return

The money-weighted rate of return on OPEB plan investments, net of investment expense for the year ended June 30, 2023 was 10.1%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Sensitivity of the Net OPEB Liability

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the Town of Easton, as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (5.75%) or one-percentage-point higher (7.75%) than the current discount rate:

	One Percent Decrease 5.75%	Current Discount Rate 6.75%	One Percent Increase 7.75%
Net OPEB Liability	<u>\$ 2,272,143</u>	<u>\$ (364,773)</u>	<u>\$ (2,561,646)</u>

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the Net OPEB Liability (Continued)

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using health care cost trend rates that are one-percentage-point lower (3.00%) or one-percentage-point higher (5.00%) than the current healthcare cost trend rates:

	One Percent Decrease 3.00%	Current Ultimate Trend Rate 4.00%	One Percent Increase 5.00%
Net OPEB Liability	\$ (2,412,214)	\$ (364,773)	\$ 914,203

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

For the year ended June 30, 2023, the Town recognized OPEB expense of \$477,247. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Earnings on Plan Investments	\$ 734,373	\$ -
Differences Between Expected and Actual Experience	639,313	(1,602,602)
Changes in Actuarial Assumptions	-	(1,157,181)
Total	\$ 1,373,686	\$ (2,759,783)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2024	\$ (233,879)
2025	(389,222)
2026	239,392
2027	(408,995)
2028	(232,766)
Thereafter	(360,627)
Total Amount to be Recognized	\$ (1,386,097)

NOTE 12 RELATED PARTY TRANSACTIONS

The General Fund charged the Utility Fund \$2,257,942 for payments in lieu of taxes during the year ended June 30, 2023.

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 13 OTHER INFORMATION

Risk Management

The Town is exposed to various risks of loss related to torts; damage to, and destruction of assets; errors and omissions; employee's health and accident; and natural disasters. The Town purchases commercial insurance to protect its interest in its property and equipment, insurance against employee dishonesty and liability protection. Settled claims have not exceeded these coverages in each of the past three fiscal years.

Contingent Liabilities and Commitments

Grants and Cost-Reimbursable Contracts

Most grants and cost-reimbursable contracts specify the types of expenditures for which the grant or contract funds may be used. The expenditures made by the Town under some of these grants and contracts are subject to audit. To date, the Town has not been notified of any significant unallowable costs relating to its grants or contracts. In the opinion of management, adjustments for unallowable costs, if any, resulting from such audits, will not have a material effect on the accompanying financial statements.

Fuel Cost and Purchased Gas Adjustment Rates

The fuel cost and purchased gas adjustment rates used in connection with gas and electric charges are subjected to review by the Public Service Commission of Maryland (PSC) on a regular basis. As of the date of this report, the purchased power and gas cost adjustment rates in effect through November 2018 have been reviewed and accepted by the PSC. The adjustment rates applied subsequent to November 2018 have been authorized by the PSC subject to detailed review.

In accordance with the tariff for the Utilities Commission's Electric Department, purchased power costs are recovered by the use of a formula that averages costs over a three-month period. These costs are billed to customers in future periods.

In accordance with the tariff for the Utilities Commission's Gas Department, gas costs are recovered by the use of a calculation that projects costs and unit sales for the billing month.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF EASTON, MARYLAND
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
YEAR ENDED JUNE 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability										
Service Cost	\$ 721,063	\$ 701,764	\$ 682,982	\$ 663,089	\$ 643,776	\$ 649,665	\$ 641,648	\$ 528,061	\$ 504,866	\$ 516,353
Interest	3,344,677	3,487,513	3,401,139	3,247,968	3,116,150	2,994,555	2,749,554	2,824,115	2,473,621	2,489,298
Changes in Benefit Terms	-	-	-	-	-	1,693,833	-	-	-	-
Difference Between Expected and Actual Experience	(657,608)	(814,196)	(744,603)	234,882	(113,788)	(145,760)	(1,696,615)	189,161	(721,292)	-
Changes in Assumptions	-	(1,368,831)	-	-	-	-	143,593	951,200	293,440	-
Benefit Payments, Including Refunds	(2,530,181)	(2,170,795)	(2,163,201)	(1,946,840)	(1,974,776)	(1,695,271)	(1,449,269)	(1,336,758)	(1,262,506)	(1,151,859)
Net Change in Total Pension Liability	877,951	(164,545)	1,176,317	2,199,099	1,671,362	3,497,022	388,911	3,155,779	1,288,129	1,853,792
Total Pension Liability - Beginning of Year	48,303,729	48,468,274	47,291,957	45,092,858	43,421,496	39,924,474	39,535,563	36,379,784	35,091,655	33,237,863
Total Pension Liability - End of Year	<u>\$ 49,181,680</u>	<u>\$ 48,303,729</u>	<u>\$ 48,468,274</u>	<u>\$ 47,291,957</u>	<u>\$ 45,092,858</u>	<u>\$ 43,421,496</u>	<u>\$ 39,924,474</u>	<u>\$ 39,535,563</u>	<u>\$ 36,379,784</u>	<u>\$ 35,091,655</u>
Plan Fiduciary Net Position										
Contributions - Employer	\$ 949,519	\$ 1,101,994	\$ 1,303,854	\$ 1,176,000	\$ 1,126,459	\$ 1,292,132	\$ 1,292,132	\$ 1,000,000	\$ 1,104,544	\$ 1,224,131
Contributions - Member	281,657	234,532	242,399	228,927	213,994	242,302	168,723	181,459	175,424	192,000
Net Investment Income	3,385,134	(6,645,013)	11,560,350	1,084,306	2,360,836	2,951,567	3,939,792	225,725	1,035,988	4,278,520
Benefit Payments, Including Refunds	(2,530,181)	(2,170,795)	(2,163,201)	(1,946,840)	(1,974,776)	(1,695,271)	(1,449,269)	(1,336,758)	(1,262,506)	(1,151,859)
Admin. Expenses	(123,814)	(117,766)	(135,983)	(128,612)	(129,974)	(118,380)	(140,173)	(98,412)	(90,839)	(94,256)
Other	-	-	-	-	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	1,962,315	(7,597,048)	10,807,419	413,781	1,596,539	2,672,350	3,811,205	(27,986)	962,611	4,448,536
Plan Fiduciary Net Position - Beginning of Year	43,441,682	51,038,730	40,231,311	39,817,530	38,220,991	35,548,641	31,737,436	31,765,422	30,802,811	26,354,275
Plan Fiduciary Net Position - End of Year	<u>\$ 45,403,997</u>	<u>\$ 43,441,682</u>	<u>\$ 51,038,730</u>	<u>\$ 40,231,311</u>	<u>\$ 39,817,530</u>	<u>\$ 38,220,991</u>	<u>\$ 35,548,641</u>	<u>\$ 31,737,436</u>	<u>\$ 31,765,422</u>	<u>\$ 30,802,811</u>
Net Pension Liability - Beginning of Year	\$ 4,862,047	\$ (2,570,456)	\$ 7,060,646	\$ 5,275,328	\$ 5,200,505	\$ 4,375,833	\$ 7,798,127	\$ 4,614,362	\$ 4,288,844	\$ 6,883,587
Net Pension Liability (Asset) - End of Year	<u>\$ 3,777,683</u>	<u>\$ 4,862,047</u>	<u>\$ (2,570,456)</u>	<u>\$ 7,060,646</u>	<u>\$ 5,275,328</u>	<u>\$ 5,200,506</u>	<u>\$ 4,375,833</u>	<u>\$ 7,798,127</u>	<u>\$ 4,614,362</u>	<u>\$ 4,288,844</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	92.3%	89.9%	105.3%	85.1%	88.3%	88.0%	89.0%	80.3%	87.3%	87.8%
Covered Employee Payroll	\$ 13,137,877	\$ 12,790,987	\$ 13,911,005	\$ 12,410,454	\$ 12,287,590	\$ 12,572,073	\$ 14,092,822	\$ 13,991,348	\$ 13,811,971	\$ 13,707,415
Net Pension Liability as a Percentage of Covered Payroll	28.8%	38.0%	-18.5%	56.9%	42.9%	41.4%	31.1%	55.7%	33.4%	31.3%

**TOWN OF EASTON, MARYLAND
SCHEDULE OF TOWN CONTRIBUTIONS – PENSION
JUNE 30, 2023**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 567,586	\$ 686,485	\$ 916,453	\$ 956,438	\$ 955,282	\$ 994,133	\$ 1,032,915	\$ 1,093,661	\$ 1,104,544	\$ 1,224,131
Contributions in Relation of the Actuarially Determined Contribution	949,519	1,101,994	1,303,854	1,176,000	1,126,459	1,292,132	1,292,132	1,000,000	1,104,544	1,224,131
Contribution Deficiency (Excess)	<u>\$ (381,933)</u>	<u>\$ (415,509)</u>	<u>\$ (387,401)</u>	<u>\$ (219,562)</u>	<u>\$ (171,177)</u>	<u>\$ (297,999)</u>	<u>\$ (259,217)</u>	<u>\$ 93,661</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	\$ 13,137,877	\$ 12,790,987	\$ 13,911,005	\$ 12,410,454	\$ 12,287,590	\$ 12,572,073	\$ 14,092,822	\$ 13,991,348	\$ 13,811,971	\$ 13,707,415
Contributions as a Percentage of Covered Employee Payroll	7.2%	8.60%	9.4%	9.5%	9.2%	10.3%	9.2%	7.1%	8.0%	8.9%

NOTES TO SCHEDULE:

Valuation Date: August 1, 2021

Actuarially determined contribution rates are calculated as of August 1, two years prior to the end of the fiscal year in which contributions are reported.

Method and Assumptions Used to Determine the Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	27 years
Asset valuation method	Market value of assets
Inflation	2.50%
Salary increases	Town=5.0%, Utilities =4.0%, Sworn Officers = 7.0.0% for the first 10 years of service and 4.0% thereafter
Investment rate of return	7.0% compounded annually, net of pension plan investment expenses, including inflation
Mortality	Mortality rates were based upon the Pub 2010G(B) Tables with scale SSA applied generationally; 50% rates applied for pre-retirement deaths

**TOWN OF EASTON, MARYLAND
SCHEDULE OF INVESTMENT RETURNS – PENSION
JUNE 30, 2023**

<u>Year Ended June 30,</u>	<u>Actual Money Weighted Rate of Return, Net of Investment Expense</u>
2014	16.22 %
2015	3.43
2016	0.71
2017	12.53
2018	8.40
2019	6.29
2020	2.76
2021	28.40
2022	(13.30)
2023	8.00

TOWN OF EASTON, MARYLAND
SCHEDULE OF CHANGES TO NET OPEB LIABILITY AND RELATED RATIOS
YEAR ENDED JUNE 30, 2023

	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability							
Service Cost	\$ 552,888	\$ 645,238	\$ 619,305	\$ 655,198	\$ 630,756	\$ 628,228	\$ 557,690
Interest	1,416,122	1,572,411	1,469,030	1,263,713	1,172,781	1,086,565	1,100,303
Changes in Benefit Terms	-	-	262,015	215,593	-	-	-
Difference Between Expected and Actual Experience	-	(1,675,769)	-	1,150,765	-	(1,037,323)	-
Changes in Assumptions	-	(1,209,247)	-	-	(395,798)	(223,006)	-
Benefit Payments	(799,956)	(649,536)	(625,685)	(532,473)	(525,544)	(520,648)	(413,896)
Net Change in Total OPEB Liability	1,169,054	(1,316,903)	1,724,665	2,752,796	882,195	(66,184)	1,244,097
Total OPEB Liability - Beginning of Year	<u>20,820,143</u>	<u>22,137,046</u>	<u>20,412,381</u>	<u>17,659,585</u>	<u>16,777,390</u>	<u>16,843,574</u>	<u>15,599,477</u>
Total OPEB Liability - End of Year (a)	<u>\$ 21,989,197</u>	<u>\$ 20,820,143</u>	<u>\$ 22,137,046</u>	<u>\$ 20,412,381</u>	<u>\$ 17,659,585</u>	<u>\$ 16,777,390</u>	<u>\$ 16,843,574</u>
Plan Fiduciary Net Position							
Contributions - Employer	\$ 1,773,010	\$ 1,855,427	\$ 1,601,910	\$ 1,427,002	\$ 4,159,610	\$ 1,488,861	\$ 1,383,467
Net Investment Income	2,007,131	(2,527,804)	4,276,307	276,718	854,758	660,670	972,269
Benefit Payments	(799,956)	(649,536)	(625,685)	(532,473)	(525,544)	(520,648)	(413,896)
Administrative Expense	(90,027)	(94,068)	(80,977)	(69,169)	(53,081)	(50,517)	(41,952)
Net Change in Plan Fiduciary Net Position	2,890,158	(1,415,981)	5,171,555	1,102,078	4,435,743	1,578,366	1,899,888
Total Fiduciary Net Position - Beginning of Year	<u>19,463,812</u>	<u>20,879,793</u>	<u>15,708,238</u>	<u>14,606,160</u>	<u>10,170,417</u>	<u>8,592,051</u>	<u>6,692,163</u>
Total Fiduciary Net Position - End of Year (b)	<u>\$ 22,353,970</u>	<u>\$ 19,463,812</u>	<u>\$ 20,879,793</u>	<u>\$ 15,708,238</u>	<u>\$ 14,606,160</u>	<u>\$ 10,170,417</u>	<u>\$ 8,592,051</u>
Net OPEB Liability - Beginning of Year	<u>\$ 1,356,331</u>	<u>\$ 1,257,253</u>	<u>\$ 4,704,143</u>	<u>\$ 3,053,425</u>	<u>\$ 6,606,973</u>	<u>\$ 8,251,523</u>	<u>\$ 8,907,314</u>
Net OPEB Liability - End of Year	<u>\$ (364,773)</u>	<u>\$ 1,356,331</u>	<u>\$ 1,257,253</u>	<u>\$ 4,704,143</u>	<u>\$ 3,053,425</u>	<u>\$ 6,606,973</u>	<u>\$ 8,251,523</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	101.7%	93.5%	94.3%	77.0%	82.7%	60.6%	51.0%
Covered Employee Payroll	\$ 22,598,589	\$ 21,205,974	\$ 19,314,903	\$ 20,290,619	\$ 16,813,459	\$ 16,028,534	\$ 14,609,300
Net OPEB Liability as a Percentage of Covered Payroll	-1.6%	6.4%	6.5%	23.2%	18.2%	41.2%	56.5%

Note: This schedule is to provide 10 years of information. It will be added to as additional years of information becomes available.

TOWN OF EASTON, MARYLAND
SCHEDULE OF TOWN CONTRIBUTIONS – OTHER POSTEMPLOYMENT BENEFITS
YEAR ENDED JUNE 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 487,428	\$ 463,707	\$ 1,000,144	\$ 975,424	\$ 973,045	\$ 973,045	\$ 1,002,817	\$ 914,006	\$ 901,986	\$ 901,986
Contributions in Relation to the Actuarially Determined Contribution	1,773,010	1,855,427	1,601,910	1,427,002	4,158,342	1,488,861	1,383,459	1,594,520	1,450,995	1,594,520
Contribution Deficiency (Excess)	<u>\$ (1,285,582)</u>	<u>\$ (1,391,720)</u>	<u>\$ (601,766)</u>	<u>\$ (451,578)</u>	<u>\$ (3,185,297)</u>	<u>\$ (515,816)</u>	<u>\$ (380,642)</u>	<u>\$ (680,514)</u>	<u>\$ (549,009)</u>	<u>\$ (692,534)</u>
Covered-Employee Payroll	\$ 22,598,589	\$ 21,205,974	\$ 19,314,903	\$ 20,290,619	\$ 16,813,459	\$ 16,028,534	\$ 14,906,300	\$ 14,609,300	\$ 14,609,300	\$ 13,594,393
Contributions as a Percentage of Covered Employee Payroll	7.8%	8.7%	8.3%	7.0%	24.7%	9.3%	9.3%	10.9%	9.9%	11.7%

Notes to Schedule: The assumptions used for funding are the same as those used for recording under GASB 74.

TOWN OF EASTON, MARYLAND
SCHEDULE OF INVESTMENT RETURNS – OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2023

<u>Year Ended June 30,</u>	<u>Actual Money Weighted Rate of Return, Net of Investment Expense</u>
2018	7.30%
2019	7.10
2020	1.80
2021	26.50
2022	(12.10)
2023	10.1

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

TOWN OF EASTON, MARYLAND
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2023

	Debt Service	Community Development Block Grant	Law Enforcement	Total
ASSETS				
Cash and Cash Equivalents - Pooled	\$ 6,154,883	\$ -	\$ 191,227	\$ 6,346,110
Accounts Receivable, Net	-	-	7,636	7,636
Due from Governments	-	44,536	-	44,536
Total Assets	\$ 6,154,883	\$ 44,536	\$ 198,863	\$ 6,398,282
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 349	\$ 165,056	\$ -	\$ 165,405
Due to Other Funds	-	19,395	-	19,395
Total Liabilities	349	184,451	-	184,800
FUND BALANCES (DEFICITS)				
Restricted	6,154,534	-	198,863	6,353,397
Assigned	-	-	-	-
Unassigned	-	(139,915)	-	(139,915)
Total Fund Balances (Deficits)	6,154,534	(139,915)	198,863	6,213,482
Total Liabilities and Fund Balances	\$ 6,154,883	\$ 44,536	\$ 198,863	\$ 6,398,282

TOWN OF EASTON, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES (DEFICITS) – NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

	Debt Service	Community Development Block Grant	Law Enforcement	Total
REVENUES				
Revenues from Other Agencies	\$ -	\$ 170,276	\$ 2,821	\$ 173,097
Miscellaneous Revenue	-	-	157,185	157,185
Total Revenues	<u>-</u>	<u>170,276</u>	<u>160,006</u>	<u>330,282</u>
EXPENDITURES				
Current Operations:				
Public Safety	-	-	4,030	4,030
Recreation and Cultural	-	211,114	-	211,114
Miscellaneous	1,500	-	-	1,500
Debt Service:				
Principal	670,000	-	-	670,000
Interest	336,982	-	-	336,982
Total Expenditures	<u>1,008,482</u>	<u>211,114</u>	<u>4,030</u>	<u>1,223,626</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,008,482)	(40,838)	155,976	(893,344)
OTHER FINANCING SOURCES (USES)				
General Obligation Bonds Issued	-	-	-	-
Premium from Sale of Bonds	-	-	-	-
Transfers In	595,303	-	-	595,303
Transfers Out	-	-	(26,680)	(26,680)
Total Other Financing Sources (Uses)	<u>595,303</u>	<u>-</u>	<u>(26,680)</u>	<u>568,623</u>
NET CHANGE IN FUND BALANCES	(413,179)	(40,838)	129,296	(324,721)
Fund Balances (Deficits) - Beginning of Year	<u>6,567,713</u>	<u>(99,077)</u>	<u>69,567</u>	<u>6,538,203</u>
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ 6,154,534</u>	<u>\$ (139,915)</u>	<u>\$ 198,863</u>	<u>\$ 6,213,482</u>

TOWN OF EASTON, MARYLAND
COMBINING STATEMENT OF NET POSITION – NONMAJOR OTHER PROPRIETARY FUNDS
JUNE 30, 2023

	Land Enterprise	Airport Industrial Land	Total
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents - Pooled	\$ 1,844,569	\$ -	\$ 1,844,569
Accounts Receivable, Net	3,017	58,585	61,602
Leases Receivable	117,324	-	117,324
Total Current Assets	1,964,910	58,585	2,023,495
NONCURRENT ASSETS			
Leases Receivable	472,590	-	472,590
Capital Assets, Not Being Depreciated	15,028	169,426	184,454
Capital Assets, Net of Accumulated Depreciation	272,453	4,247,407	4,519,860
Total Noncurrent Assets	760,071	4,416,833	5,176,904
Total Assets	\$ 2,724,981	\$ 4,475,418	\$ 7,200,399
LIABILITIES AND NET POSITION			
LIABILITIES			
Accounts Payable	\$ 3,898	\$ -	\$ 3,898
Due to Other Funds	-	1,382,084	1,382,084
Performance Deposits	1,500	-	1,500
Total Liabilities	5,398	1,382,084	1,387,482
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows - Leases	687,778	-	687,778
Total Deferred Inflows of Resources	687,778	-	687,778
NET POSITION			
Net Investment in Capital Assets	287,481	4,416,833	4,704,314
Unrestricted	1,744,324	(1,323,499)	420,825
Total Net Position	2,031,805	3,093,334	5,125,139
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 2,724,981	\$ 4,475,418	\$ 7,200,399

TOWN OF EASTON, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION – NONMAJOR OTHER PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2023

	Land Enterprise	Airport Industrial Land	Total
OPERATING REVENUES			
Charges for Services	\$ 27,094	\$ -	\$ 27,094
Other Operating Revenues	20,673	-	20,673
Total Operating Revenues	<u>47,767</u>	<u>-</u>	<u>47,767</u>
OPERATING EXPENSES			
Cost of Service	72,201	-	72,201
Depreciation	63,940	178,989	242,929
Total Operating Expenses	<u>136,141</u>	<u>178,989</u>	<u>315,130</u>
OPERATING INCOME (LOSS)	(88,374)	(178,989)	(267,363)
NONOPERATING REVENUES (EXPENSES)			
Grant Revenues	-	43,682	43,682
Sale of Property	-	40,765	40,765
Total Nonoperating Revenues	<u>-</u>	<u>84,447</u>	<u>84,447</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	46,800	-	46,800
Transfers Out	(30,336)	(900,020)	(930,356)
Total Other Financing Sources	<u>16,464</u>	<u>(900,020)</u>	<u>(883,556)</u>
CHANGES IN FUND NET POSITION	(71,910)	(994,562)	(1,066,472)
Total Net Position - Beginning of Year	<u>2,103,715</u>	<u>4,087,896</u>	<u>6,191,611</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 2,031,805</u>	<u>\$ 3,093,334</u>	<u>\$ 5,125,139</u>

TOWN OF EASTON, MARYLAND
COMBINING STATEMENT OF CASH FLOWS – NONMAJOR OTHER PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2023

	Land Enterprise	Airport Industrial Land	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$ 128,061	\$ -	\$ 128,061
Cash Paid for Services	(64,946)	-	(64,946)
Net Cash Provided by Operating Activities	63,115	-	63,115
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES			
Grant Proceeds	-	43,682	43,682
Net Cash Provided (Used) by Noncapital and Related Financing Activities	-	43,682	43,682
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from Sale of Property	-	-	-
Purchases/Construction of Capital Assets	33,915	-	33,915
Interfund Transfer Net	16,464	(1,223,566)	(1,207,102)
Interfund Loan - Negative Cash Balance	-	1,179,884	1,179,884
Net Cash Provided (Used) by Capital and Related Financing Activities	50,379	(43,682)	6,697
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on Cash Deposits and Investments	-	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	113,494	-	113,494
Cash and Cash Equivalents - Beginning of Year	1,731,075	-	1,731,075
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,844,569</u>	<u>\$ -</u>	<u>\$ 1,844,569</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ (88,374)	\$ (178,989)	\$ (267,363)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	63,940	178,989	242,929
Effect of Changes in Operating Assets, Deferred Inflows, and Liabilities:			
Accounts Receivable, Net	(12,024)	-	(12,024)
Leases Receivable	(589,914)	-	(589,914)
Asset Sold, Net	-	-	-
Accounts Payable and Accrued Expenses	1,709	-	1,709
Deferred Inflows - Leases	687,778	-	687,778
Total Adjustments	151,489	178,989	330,478
Net Cash Provided by Operating Activities	<u>\$ 63,115</u>	<u>\$ -</u>	<u>\$ 63,115</u>

OTHER SUPPLEMENTARY INFORMATION

TOWN OF EASTON, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – CAPITAL PROJECT FUND
YEAR ENDED JUNE 30, 2023

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Revenue from Other Agencies	\$ -	\$ -	\$ 1,379,240	\$ 1,379,240
Contributions	-	-	28,776	28,776
Total Revenues	<u>-</u>	<u>-</u>	<u>1,408,016</u>	<u>1,408,016</u>
EXPENDITURES				
General Governmental	421,600	421,600	5,449,928	(5,028,328)
Public Safety	3,496,581	3,496,581	3,210,157	286,424
Public Works	762,000	762,000	1,071,252	(309,252)
Recreation and Cultural	485,000	485,000	1,147,851	(662,851)
Total Expenditures	<u>5,165,181</u>	<u>5,165,181</u>	<u>10,879,188</u>	<u>(5,714,007)</u>
OTHER FINANCING SOURCES				
Transfers Net	5,165,181	5,165,181	4,915,181	(250,000)
Total Other Financing Sources	<u>5,165,181</u>	<u>5,165,181</u>	<u>4,915,181</u>	<u>(250,000)</u>
NET CHANGE IN FUND BALANCE	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u>(4,555,991)</u>	<u><u>\$ (4,555,991)</u></u>
Fund Balance - Beginning of Year			<u>9,837,987</u>	
FUND BALANCE - END OF YEAR			<u><u>\$ 5,281,996</u></u>	



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