

TOWN OF EASTON, MARYLAND
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2025



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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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Easton, Maryland (the Town), as of and for the year ended June 30, 2025, 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 accompanying 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, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison 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 schedules of the pension and OPEB plans 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 nonmajor fund financial statements and the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – Capital Project Fund 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 nonmajor fund financial statements and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – Capital Projects are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2026, 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
February 20, 2026

**TOWN OF EASTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

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, 2025. 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, 2025, the Town's total assets and deferred outflows of resources of the Town were \$277.1 million and exceeded its liabilities and deferred inflows of resources at June 30, 2025 by \$216.3 million.
- As of June 30, 2025, the Town's governmental funds reported an ending fund balance of \$22.3 million which is an increase of approximately \$3.3 million (i.e., total net position).

THE LOCAL COMMUNITY AND THE TOWN OF EASTON

In FY 2025, the Town Tax revenues continue to be in line with pre pandemic collections. There continued to be strong construction activity in FY2025. This strong construction growth continued to grow the tax base. Construction permits were issued in FY2025 for the new regional hospital facilities, reflecting ongoing investment and development within the community.

During FY2025, the Town of Easton continued to advance projects funded through the American Rescue Plan. The Coronavirus State and Local Fiscal Recovery Funds were utilized to provide critical support as part of the community's ongoing recovery efforts. The process to improve local access to broadband resources continued in FY 2025.

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, 2025**

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, 2025, 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, 2025.

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, 2025**

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, 2025**

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 \$216.3 million at June 30, 2025, which is an increase of approximately \$18.7 million over the June 30, 2024 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	
	2025	2024	2025	2024	2025	2024
Current and Other Assets	\$ 33,071,025	\$ 29,520,596	\$ 62,291,122	\$ 47,081,908	\$ 95,362,147	\$ 76,602,504
Capital Assets and Other Assets	59,981,767	58,386,836	120,216,934	116,237,309	180,198,701	174,624,145
Total Assets	<u>93,052,792</u>	<u>87,907,432</u>	<u>182,508,056</u>	<u>163,319,217</u>	<u>275,560,848</u>	<u>251,226,649</u>
Total Deferred Outflows of Resources	745,386	1,584,458	813,562	1,534,731	1,558,948	3,119,189
Current Liabilities	10,378,755	9,801,273	23,106,989	16,107,053	33,485,744	25,908,326
Long-Term Debt	16,282,766	17,482,949	5,143,748	7,531,666	21,426,514	25,014,615
Total Liabilities	<u>26,661,521</u>	<u>27,284,222</u>	<u>28,250,737</u>	<u>23,638,719</u>	<u>54,912,258</u>	<u>50,922,941</u>
Total Deferred Inflows of Resources	<u>2,364,117</u>	<u>2,092,862</u>	<u>3,494,524</u>	<u>3,709,433</u>	<u>5,858,641</u>	<u>5,802,295</u>
Net Investment in Capital Assets	44,058,903	42,373,652	105,719,832	100,295,595	149,778,735	142,669,247
Restricted	9,677,325	11,001,193	6,459,297	5,264,970	16,136,622	16,266,163
Unrestricted	<u>11,036,312</u>	<u>6,739,961</u>	<u>39,397,228</u>	<u>31,945,231</u>	<u>50,433,540</u>	<u>38,685,192</u>
Total Net Position	<u>\$ 64,772,540</u>	<u>\$ 60,114,806</u>	<u>\$ 151,576,357</u>	<u>\$ 137,505,796</u>	<u>\$ 216,348,897</u>	<u>\$ 197,620,602</u>

The Town's total assets and deferred outflows of resources were approximately \$277.1 million (compared to \$254.3 million in the prior year) as of June 30, 2025. Of this amount, \$170.2 million (compared to \$165.8 million in the prior year) is accounted for by capital assets, which includes infrastructure.

Of the remaining assets, approximately \$65.1 million is accounted for in cash and cash equivalents and investments (compared to \$47.2 million in the prior year), approximately \$17.7 million in receivables (compared to \$16.2 million in the prior year), inventory of approximately \$10.0 million (compared to \$10.4 million in the prior year), with the remainder spread among various other accounts.

Outstanding liabilities totaled approximately \$55.3 million with bonds comprising approximately \$9.9 million, loans from the State or Maryland comprising approximately \$4.9 million, PNC Bank loan of \$2.8 million, Net Pension liability comprising approximately \$4.0 million, approximately \$8.4 million in accounts payable and accrued expenses and other liabilities comprising approximately \$25.3 million at June 30, 2025. This compares with the June 30, 2024 amounts where the Town had outstanding liabilities of approximately \$50.9 million of which approximately \$10.9 million was bonds payable, approximately \$6.3 million was loans from the State of Maryland, PNC Bank loan of \$3.5 million, Net Pension Liability comprising \$4.8 million and accounts payable and accrued expenses comprising approximately \$6.4 million and other liabilities comprising approximately \$19.1 million at June 30, 2025. Of the bonds payable, approximately \$930 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, 2025**

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, 2025, 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, 2025**

	Governmental Activities	Business-Type Activities	Total
Program Revenues			
Charges for Service	\$ 6,543,058	\$ 70,957,782	\$ 77,500,840
Operating Grants and Contributions	5,532,143	-	5,532,143
Capital Grants and Contributions	-	4,361,295	4,361,295
General Revenues			
Property Taxes	14,009,670	-	14,009,670
Other Local Taxes	2,438,463	(2,438,463)	-
Other	5,115,830	520,276	5,636,106
Total Revenues	33,639,164	73,400,890	107,040,054
Expenses			
General Government	5,542,473	-	5,542,473
Public Safety	11,948,383	-	11,948,383
Public Works	7,928,144	-	7,928,144
Recreation and Cultural	1,719,858	-	1,719,858
Economic Development	754,680	-	754,680
Nondepartmental	785,325	-	785,325
Interest Expense	302,567	-	302,567
Utilities Services	-	59,069,041	59,069,041
Other Services	-	261,288	261,288
Total Expenses	28,981,430	59,330,329	88,311,759
INCREASE IN NET POSITION	4,657,734	14,070,561	18,728,295
Net Position - Beginning of Year	60,114,806	137,505,796	197,620,602
NET POSITION - END OF YEAR	\$ 64,772,540	\$ 151,576,357	\$ 216,348,897

**TOWN OF EASTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Statement of Activities - Changes in Net Position (Continued)

**Changes in Net Position
Fiscal Year Ended June 30, 2024**

	Governmental Activities	Business-Type Activities	Total
Program Revenues			
Charges for Service	\$ 4,571,146	\$ 61,036,555	\$ 65,607,701
Operating Grants and Contributions	4,786,110	-	4,786,110
General Revenues			
Property Taxes	14,208,052	-	14,208,052
Other Local Taxes	2,447,512	(2,447,512)	-
Other	8,288,687	1,378,745	9,667,432
Total Revenues	<u>34,301,507</u>	<u>59,967,788</u>	<u>94,269,295</u>
Expenses			
General Government	5,353,930	-	5,353,930
Public Safety	11,401,827	-	11,401,827
Public Works	8,201,670	-	8,201,670
Recreation and Cultural	2,439,916	-	2,439,916
Economic Development	535,359	-	535,359
Nondepartmental	1,845,151	-	1,845,151
Interest Expense	341,690	-	341,690
Utilities Services	-	57,018,066	57,018,066
Other Services	-	293,577	293,577
Total Expenses	<u>30,119,543</u>	<u>57,311,643</u>	<u>87,431,186</u>
INCREASE IN NET POSITION	4,181,964	2,656,145	6,838,109
Net Position - Beginning of Year	<u>55,932,842</u>	<u>134,849,651</u>	<u>190,782,493</u>
NET POSITION - END OF YEAR	<u>\$ 60,114,806</u>	<u>\$ 137,505,796</u>	<u>\$ 197,620,602</u>

Total revenues for the Town were approximately \$106.8 million for the year ended June 30, 2025 compared to approximately \$94.3 million for the year ending June 30, 2024. Governmental activities provided revenues in 2025 of approximately \$33.5 million, and business-type activities provided \$73.3 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, 2025**

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, 2025, the fund balance of the General Fund was approximately \$10.7 million.

Governmental Funds	<u>2025</u>	<u>Percent to Total</u>	<u>2024</u>	<u>Percent to Total</u>
Revenues:				
General Property Taxes	\$ 14,009,670	42.64%	\$ 14,208,052	39.93%
Other Local Taxes	4,127,152	12.56%	3,944,778	11.09%
Permits and Licenses	1,523,362	4.64%	1,031,521	2.90%
Fines and Forfeitures	35,900	0.11%	34,890	0.10%
Charges for Services	3,596,197	10.95%	3,119,314	8.77%
Intergovernmental	4,482,317	13.64%	8,996,129	25.28%
Miscellaneous	5,082,377	15.47%	4,247,421	11.94%
Total Revenues	<u>\$ 32,856,975</u>	<u>100.00%</u>	<u>\$ 35,582,105</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 a decrease in grant funding received in the current year compared to the prior year.

**TOWN OF EASTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

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>2025</u>	<u>Percent to Total</u>	<u>2024</u>	<u>Percent to Total</u>
Expenditures:				
Current Operations:				
General Government				
Administration	\$ 5,122,812	16.94%	\$ 5,525,257	15.55%
Public Safety	14,000,319	46.30%	15,089,887	42.46%
Public Works	6,732,196	22.26%	7,419,922	20.88%
Recreation and Cultural	1,603,768	5.30%	4,697,101	13.22%
Economic Development	653,603	2.16%	541,554	1.52%
Nondepartmental	698,832	2.31%	820,020	2.31%
Debt Service:				
Principal	1,125,886	3.72%	1,106,436	3.11%
Interest	302,567	1.00%	341,690	0.96%
Total Expenditures	<u>\$ 30,239,983</u>	<u>100.00%</u>	<u>\$ 35,541,867</u>	<u>100.00%</u>

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

Largest changes –

- **Public Safety** – decreases over prior year reflect vacancies for reduced costs of salaries and benefits.
- **Recreation and Culture** – during FY2024 experienced increased expenditures due to capital projects in the parks that included the skate park construction, improvements to the rails to trails system, the dog park and the Easton Point Park. This area has the largest decline in FY2025.

**TOWN OF EASTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)

Enterprise Funds Revenue and Expense Analysis

PROPRIETARY FUNDS	2025	2024
Operating Revenues		
Charges for Services	\$ 69,223,125	\$ 60,685,806
Other Operating Revenues	1,734,657	350,749
Total Revenues	\$ 70,957,782	\$ 61,036,555
Operating Expenses		
Cost of Service	\$ 50,967,897	\$ 48,810,819
Depreciation	8,021,617	8,282,502
Total Operating Expenses	\$ 58,989,514	\$ 57,093,321
Other Revenues and Expenses		
Grant Revenues	\$ -	\$ -
Investment Earnings	1,198,206	998,615
Interest Expense	(251,135)	(218,322)
Gain (Loss) on Sale of Property	62,651	(323,882)
Payment in Lieu of Taxes	(2,438,463)	(2,447,512)
Capital Charges	-	814,707
Miscellaneous	(152,331)	(110,695)
Transfers In (Out)	(677,930)	-
Total Other Revenues and Expenses	\$ (2,259,002)	\$ (1,287,089)

Operating Revenues: The major proprietary fund (Utility Fund) accounts for the activity of the Easton Utility Commission. The Commission's FY2025 operating revenues totaled \$70.6 million, an increase of \$9.9 million from FY2024. The Electric Department's energy revenues were up \$4.4 million, primarily due to the higher net cost of purchased power during the nine months of FY2025 compared to FY2024. The average cost of energy increased 14% in FY2025 from FY2024. The cost of energy per kWh is passed through to customers with no markup. The higher generation revenues in FY2025 are a result of meeting energy needs of the PJM Interconnection pool. The Gas Department base revenue's for FY2025 increased \$446 thousand over prior year due to new tariff rates and higher unit sales caused by a colder winter. Due to the rate increase in March 2022, the Water and Waste Water department revenues increased \$74 thousand due to an increase in customer usage, surcharges and lab service revenues. Cable and communications department revenues were \$616 thousand higher in FY2025 versus FY2024. Although cable TV subscribers continue to decline, the IT professional services continue to replicate internal services and internet subscribers continue to increase.

Operating Expenses: The Commission's operating expenses totaled \$58.7 million in FY2025, which was \$1.9 million higher than FY2024. Electric's operating expenses decreased by \$152 thousand. The Gas Department's operating expenses increased \$393 thousand primarily associated with the increase in the cost of gas purchases for customer usage and higher base operating expenses. The Water and Wastewater Departments' expenses increased \$662 thousand due to variances across multiple categories.

**TOWN OF EASTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

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 \$1.1 million over the prior year. The largest decrease is attributable to higher base operating expenses for Cable TV and internet divisions. In addition there was an increase in internet expenses primarily attributed to the purchase of cable modem stock.

ANALYSIS OF BUDGET AND ACTUAL RESULTS

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Governmental Funds – GENERAL FUND				
Revenues				
Taxes	\$ 17,799,936	\$ 17,799,936	\$ 18,136,822	\$ 336,886
Licenses and Permits	1,177,082	1,177,082	1,523,362	346,280
Intergovernmental	1,213,223	1,213,223	1,002,157	(211,066)
Charges for Services	3,351,491	3,351,491	3,596,197	244,706
Fines and Forfeitures	38,000	38,000	35,900	(2,100)
Miscellaneous	3,365,047	3,365,047	3,571,708	206,661
Total Revenues	<u>\$ 26,944,779</u>	<u>\$ 26,944,779</u>	<u>\$ 27,866,146</u>	<u>\$ 921,367</u>
Expenditures				
Current Operations:				
General Government Administration	\$ 5,092,614	\$ 5,092,614	\$ 4,957,051	\$ 135,563
Public Safety	11,631,206	11,631,206	10,452,896	1,178,310
Public Works	6,249,114	6,249,114	6,477,550	(228,436)
Recreation and Cultural	585,058	585,058	608,590	(23,532)
Economic Development	501,100	501,100	653,603	(152,503)
Nondepartmental	380,000	380,000	697,332	(317,332)
Debt Service:				
Principal	202,143	202,143	200,886	1,257
Interest	27,190	27,190	27,885	(695)
Other Financing (Sources) Uses:				
Transfers (Net)	2,276,354	2,276,354	1,541,355	734,999
Total Expenditures and Other Uses	<u>\$ 26,944,779</u>	<u>\$ 26,944,779</u>	<u>\$ 25,617,148</u>	<u>\$ 1,327,631</u>

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

- Gross actual revenues were above budgeted revenues by approximately \$921 thousand dollars or 2.9% greater than budgeted revenue of approximately \$26.9 million, due to conservative budgeting and unbudgeted grant revenues. This is the net result of taxes, licenses and permit fees being above budget by \$683 thousand.

**TOWN OF EASTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

ANALYSIS OF BUDGET AND ACTUAL RESULTS (CONTINUED)

- Gross budgeted expenditures and other financing exceed the gross actual expenditures and other financing (sources) uses by approximately \$1.3 million or 4.9% of budgeted expenditures and other financing uses. The most significant variance related to Public Safety due to less than budgeted expenditures for personnel.

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, 2025, amounts to \$170.1 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, 2025 and 2024, respectively:

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 14,228,396	\$ 14,228,396	\$ 2,674,053	\$ 2,674,053	\$ 16,902,449	\$ 16,902,449
Buildings and Improvements	34,750,099	36,731,475	14,137,212	14,751,157	48,887,311	51,482,632
Plants, Mains and Other Equipment	7,626,355	4,956,599	89,926,520	88,745,966	97,552,875	93,702,565
Right-to-Use Equipment	777,334	514,001	-	-	777,334	514,001
Construction in Progress	-	-	6,016,688	3,201,885	6,016,688	3,201,885
Total Capital Assets	\$ 57,382,184	\$ 56,430,471	\$ 112,754,473	\$ 109,373,061	\$ 170,136,657	\$ 165,803,532

During the year ended June 30, 2025, the Town's capital assets increased by approximately \$4.3 million.

Long-Term Debt Activity

There were no new bonds issued by the Town of Easton during fiscal year 2025. Regularly scheduled principal payments were made for prior year bond debt during FY2025 totaling approximately \$980 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	
	2025	2024	2025	2024	2025	2024
General Obligation Bonds	\$ 10,899,988	\$ 11,880,388	\$ -	\$ -	\$ 10,899,988	\$ 11,880,388
Loans, Notes and Leases Payable	2,605,372	2,413,910	6,107,576	8,183,800	8,712,948	10,597,710
Compensated Absences	1,034,964	909,644	1,723,204	1,103,550	2,758,168	2,013,194
Total Long-Term Liabilities	\$ 14,540,324	\$ 15,203,942	\$ 7,830,780	\$ 9,287,350	\$ 22,371,104	\$ 24,491,292

**TOWN OF EASTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

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, 2025

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 28,706,923	\$ 9,862,868	\$ 38,569,791
Investments	14,970	26,492,120	26,507,090
Accounts Receivable, Net	451,295	5,847,620	6,298,915
Leases Receivable	-	220,073	220,073
Due from Other Governments	3,552,983	6,804,335	10,357,318
Collateral Deposit	-	230,900	230,900
Internal Balances	344,854	(344,854)	-
Interest Receivable	-	49,254	49,254
Prepaid Items	-	390,279	390,279
Unbilled Revenue	-	2,207,361	2,207,361
Under-Recovered Energy Costs, Net	-	523,817	523,817
Inventory, at Average Cost	-	10,007,349	10,007,349
Total Current Assets	<u>33,071,025</u>	<u>62,291,122</u>	<u>95,362,147</u>
NONCURRENT ASSETS			
Leases Receivable	-	739,213	739,213
Due from Other Governments, Long-Term	-	37,612	37,612
Net OPEB Asset	2,599,583	6,459,297	9,058,880
Unamortized Expenses	-	226,339	226,339
Capital Assets, Not Being Depreciated/Amortized	14,228,396	8,690,741	22,919,137
Capital Assets, Net of Accumulated Depreciation/Amortization	<u>43,153,788</u>	<u>104,063,732</u>	<u>147,217,520</u>
Total Noncurrent Assets	<u>59,981,767</u>	<u>120,216,934</u>	<u>180,198,701</u>
Total Assets	93,052,792	182,508,056	275,560,848
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized Loss on Reacquired Debt	182,080	-	182,080
Deferred Outflow - Benefit Plans	563,306	813,562	1,376,868
Total Deferred Outflows of Resources	<u>745,386</u>	<u>813,562</u>	<u>1,558,948</u>
CURRENT LIABILITIES			
Accounts Payable	2,124,963	3,877,162	6,002,125
Accrued Liabilities	559,380	1,849,079	2,408,459
Tax Collection Payable	-	774,582	774,582
Performance Deposits	1,051,665	1,602,900	2,654,565
Unearned Revenue	5,516,220	11,142,846	16,659,066
Compensated Absences	-	1,723,204	1,723,204
Current Portion of Long-Term Debt	<u>1,126,527</u>	<u>2,137,216</u>	<u>3,263,743</u>
Total Current Liabilities	<u>10,378,755</u>	<u>23,106,989</u>	<u>33,485,744</u>

See accompanying Notes to Basic Financial Statements.

TOWN OF EASTON, MARYLAND
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2025

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
NONCURRENT LIABILITIES			
Compensated Absences	\$ 1,034,964	\$ -	\$ 1,034,964
Long-Term Debt, Net of Current Portion	12,378,834	3,970,360	16,349,194
Net Pension Liability	2,868,968	1,173,388	4,042,356
Total Noncurrent Liabilities	16,282,766	5,143,748	21,426,514
 Total Liabilities	 26,661,521	 28,250,737	 54,912,258
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows - Leases	-	926,228	926,228
Deferred Inflow - Benefit Plans	2,364,117	2,568,296	4,932,413
Total Deferred Inflows of Resources	2,364,117	3,494,524	5,858,641
NET POSITION			
Net Investment in Capital Assets	44,058,903	105,719,832	149,778,735
Restricted for:			
Capital Improvements	6,865,293	-	6,865,293
OPEB Benefits	2,599,583	6,459,297	9,058,880
Law Enforcement	212,449	-	212,449
Unrestricted	11,036,312	39,397,228	50,433,540
Total Net Position	\$ 64,772,540	\$ 151,576,357	\$ 216,348,897

See accompanying Notes to Basic Financial Statements.

**TOWN OF EASTON, MARYLAND
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025**

FUNCTIONS/PROGRAMS	Program Revenues				Net Revenue (Expense) and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental Activities:							
General Government	\$ 5,542,473	\$ 1,751,593	\$ -	\$ -	\$ (3,790,880)	\$ -	\$ (3,790,880)
Public Safety	11,948,383	454,797	252,592	-	(11,240,994)	-	(11,240,994)
Public Works	7,928,144	4,325,306	1,386,231	-	(2,216,607)	-	(2,216,607)
Recreation and Cultural	1,719,858	-	808,055	-	(911,803)	-	(911,803)
Economic Development	754,680	11,362	3,085,265	-	2,341,947	-	2,341,947
Nondepartmental	785,325	-	-	-	(785,325)	-	(785,325)
Interest Expense	302,567	-	-	-	(302,567)	-	(302,567)
Total Governmental Activities	<u>28,981,430</u>	<u>6,543,058</u>	<u>5,532,143</u>	-	<u>(16,906,229)</u>	-	<u>(16,906,229)</u>
Business-Type Activities:							
Utility	59,069,041	70,647,231	-	4,361,295	-	15,939,485	15,939,485
Land Enterprise	105,231	310,551	-	-	-	205,320	205,320
Airport Industrial	156,057	-	-	-	-	(156,057)	(156,057)
Total Business-Type Activities	<u>59,330,329</u>	<u>70,957,782</u>	-	<u>4,361,295</u>	-	<u>15,988,748</u>	<u>15,988,748</u>
Total Governmental Activities	<u>\$ 88,311,759</u>	<u>\$ 77,500,840</u>	<u>\$ 5,532,143</u>	<u>\$ 4,361,295</u>	(16,906,229)	15,988,748	(917,481)
GENERAL REVENUES							
Property Taxes					14,009,670	-	14,009,670
Payment in Lieu of Taxes					2,438,463	(2,438,463)	-
Intergovernmental, Unrestricted					3,035,959	-	3,035,959
Interest and Investment Earnings					650,995	1,198,206	1,849,201
Miscellaneous					358,598	-	358,598
Transfers Net					1,070,278	(677,930)	392,348
Total General Revenues					<u>21,563,963</u>	<u>(1,918,187)</u>	<u>19,645,776</u>
CHANGE IN NET POSITION					4,657,734	14,070,561	18,728,295
Net Position - Beginning of Year					<u>60,114,806</u>	<u>137,505,796</u>	<u>197,620,602</u>
NET POSITION - END OF YEAR					<u>\$ 64,772,540</u>	<u>\$ 151,576,357</u>	<u>\$ 216,348,897</u>

See accompanying Notes to Basic Financial Statements.

TOWN OF EASTON, MARYLAND
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2025

	General Fund	Capital Projects Fund	Infrastructure Development Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents - Pooled	\$ 16,050,625	\$ 5,158,433	\$ 2,297,683	\$ 5,200,182	\$ 28,706,923
Investments	14,970	-	-	-	14,970
Accounts Receivable, Net	444,242	-	-	7,053	451,295
Due from Other Governments	2,976,923	152,493	-	423,567	3,552,983
Due from Other Funds	1,068,869	-	-	-	1,068,869
	<u>1,068,869</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,068,869</u>
Total Assets	<u>\$ 20,555,629</u>	<u>\$ 5,310,926</u>	<u>\$ 2,297,683</u>	<u>\$ 5,630,802</u>	<u>\$ 33,795,040</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 1,241,621	\$ 737,884	\$ -	\$ 145,458	\$ 2,124,963
Accrued Liabilities	390,634	5,432	-	163,314	559,380
Due to Other Funds	-	-	-	724,015	724,015
Performance Deposits	1,051,665	-	-	-	1,051,665
Unearned Revenue	5,516,220	-	-	-	5,516,220
Total Liabilities	<u>8,200,140</u>	<u>743,316</u>	<u>-</u>	<u>1,032,787</u>	<u>9,976,243</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Tax Revenue	1,552,760	-	-	-	1,552,760
Total Deferred Inflows of Resources	<u>1,552,760</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,552,760</u>
FUND BALANCES					
Restricted	-	4,567,610	2,297,683	212,449	7,077,742
Committed	3,591,260	-	-	4,919,852	8,511,112
Unassigned	7,211,469	-	-	(534,286)	6,677,183
Total Fund Balances	<u>10,802,729</u>	<u>4,567,610</u>	<u>2,297,683</u>	<u>4,598,015</u>	<u>22,266,037</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 20,555,629</u>	<u>\$ 5,310,926</u>	<u>\$ 2,297,683</u>	<u>\$ 5,630,802</u>	<u>\$ 33,795,040</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF EASTON, MARYLAND
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2025**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS		\$ 22,266,037
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 \$105,445,420 and the accumulated depreciation is \$48,063,236		57,382,184
Net OPEB Asset		2,599,583
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	\$ (9,935,000)	
Notes Payable	(1,922,123)	
Leases Payable	(683,249)	
Bond Premium	(964,988)	
Compensated Absences	(1,034,965)	(14,540,325)
Net pension obligations are not due and payable in the current period, and therefore, are not reported in the funds		(2,868,968)
Deferred outflow - loss on refunding included in governmental activities		182,080
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 \$563,306 outflows of resources pension/OPEB expense and \$2,364,117 of Deferred inflows of resources related to pensions/OPEB.		(1,800,811)
Certain receivables are not available to pay for current period expenditures and, therefore, are deferred inflows in the governmental funds.		1,552,760
Total Net Position - Governmental Activities		\$ 64,772,540

See accompanying Notes to Basic Financial Statements.

TOWN OF EASTON, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2025

	General Fund	Capital Projects Fund	Infrastructure Development Fund	Nonmajor Governmental Fund	Total Governmental Funds
REVENUES					
General Property Taxes	\$ 14,009,670	\$ -	\$ -	\$ -	\$ 14,009,670
Other Local Taxes	4,127,152	-	-	-	4,127,152
Permits and Licenses	1,523,362	-	-	-	1,523,362
Fines and Forfeitures	35,900	-	-	-	35,900
Charges for Services	3,596,197	-	-	-	3,596,197
Revenues from Other Agencies	1,002,157	3,056,593	-	423,567	4,482,317
Miscellaneous	3,571,708	-	1,242,917	267,752	5,082,377
Total Revenues	<u>27,866,146</u>	<u>3,056,593</u>	<u>1,242,917</u>	<u>691,319</u>	<u>32,856,975</u>
EXPENDITURES					
Current Operations:					
General Government	4,957,051	165,761	-	-	5,122,812
Public Safety	10,452,896	3,469,493	71,266	6,664	14,000,319
Public Works	6,477,550	254,646	-	-	6,732,196
Recreation and Cultural	608,590	487,624	-	507,554	1,603,768
Economic Development	653,603	-	-	-	653,603
Nondepartmental	697,332	-	-	1,500	698,832
Capital Outlay	392,348	-	-	-	392,348
Debt Service:					
Principal	200,886	-	-	925,000	1,125,886
Interest	27,885	-	-	274,682	302,567
Total Expenditures	<u>24,468,141</u>	<u>4,377,524</u>	<u>71,266</u>	<u>1,715,400</u>	<u>30,632,331</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,398,005	(1,320,931)	1,171,651	(1,024,081)	2,224,644
OTHER FINANCING SOURCES (USES)					
Lease Proceeds	392,348	-	-	-	392,348
Transfers In	1,924,299	2,208,902	-	1,199,683	5,332,884
Transfers Out	(3,465,654)	-	(1,077,300)	(112,000)	(4,654,954)
Total Other Financing Sources (Uses)	<u>(1,149,007)</u>	<u>2,208,902</u>	<u>(1,077,300)</u>	<u>1,087,683</u>	<u>1,070,278</u>
NET CHANGES IN FUND BALANCES	2,248,998	887,971	94,351	63,602	3,294,922
Fund Balances - Beginning of Year	<u>8,553,731</u>	<u>3,679,639</u>	<u>2,203,332</u>	<u>4,534,413</u>	<u>18,971,115</u>
FUND BALANCES - END OF YEAR	<u>\$ 10,802,729</u>	<u>\$ 4,567,610</u>	<u>\$ 2,297,683</u>	<u>\$ 4,598,015</u>	<u>\$ 22,266,037</u>

See accompanying Notes to Basic 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, 2025**

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 3,294,922
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 \$3,720,194 was exceeded by capital outlay \$4,671,907 in the period.	951,713
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).	(125,320)
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.	1,181,286
Lease proceeds provide current financial resources to governmental funds but issuing leases increases long-term liabilities in the statement of net position. Repayment of lease principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net position.	(392,348)
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	(314,953)
Net effect of expenses for recording OPEB liability from the OPEB plan	405,923
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>(288,089)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 4,657,734</u></u>

See accompanying Notes to Basic Financial Statements.

TOWN OF EASTON, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) – GENERAL FUND
YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget		
REVENUES				
Taxes:				
General Property Taxes:				
Real Property Taxes	\$ 13,464,851	\$ 13,464,851	\$ 13,562,089	\$ 97,238
Personal Property Taxes - Business	837,775	837,775	404,175	(433,600)
Personal Property Taxes - Railroad and Public Utilities	82,000	82,000	84,620	2,620
Abatements/Discounts	(87,500)	(87,500)	(86,319)	1,181
Penalties and Interest	40,200	40,200	45,105	4,905
Total General Property Taxes	14,337,326	14,337,326	14,009,670	(327,656)
Local Taxes:				
State Shared Income Taxes	2,200,000	2,200,000	2,730,945	530,945
State Shared Highway Taxes	1,258,860	1,258,860	1,388,089	129,229
Admission and Amusements	3,000	3,000	7,368	4,368
Franchise-Ordinary Business Corporation	750	750	750	-
Total Other Local Taxes	3,462,610	3,462,610	4,127,152	664,542
Total Taxes	17,799,936	17,799,936	18,136,822	336,886
Permits and Licenses:				
Trader's Licenses	70,000	70,000	72,324	2,324
Building Permits	545,542	545,542	913,226	367,684
Alteration Permits	262,396	262,396	259,933	-
Plumbing Permits	54,188	54,188	59,554	5,366
Use and Occupancy Permits	63,179	63,179	54,850	(8,329)
Rental Housing License Fees	88,000	88,000	131,700	43,700
Permits and Other Licenses	93,777	93,777	31,775	(62,002)
Total Permits and Licenses	1,177,082	1,177,082	1,523,362	346,280
Fines and Forfeitures:				
Charges for Services:	38,000	38,000	35,900	(2,100)
General Government	115,000	115,000	228,231	113,231
Public Safety	225,209	225,209	285,576	60,367
Highway and Streets	49,000	49,000	136,362	87,362
Sanitation and Waste Removal	2,912,282	2,912,282	2,889,973	(22,309)
Main Street and Recreation Fees	50,000	50,000	56,055	6,055
Total Charges for Services	3,351,491	3,351,491	3,596,197	244,706
Revenues from Other Agencies:				
Federal:				
ARPA	-	-	150,000	150,000
Misc Federal Grant	395,000	395,000	740	(394,260)
Total Federal	395,000	395,000	150,740	(244,260)
State:				
Police Protection	250,000	250,000	236,279	(13,721)
Fire, Rescue, and Ambulance	14,000	14,000	12,799	(1,201)
Conservation and Critical Areas	3,500	3,500	-	(3,500)
Recreation Open Space & Other Projects	30,000	30,000	3,513	(26,487)
Total State	297,500	297,500	252,591	(44,909)
County:				
Taxes	515,000	515,000	593,103	78,103
Misc County Grant	5,723	5,723	5,723	-
Total County	520,723	520,723	598,826	78,103
Total Revenues from Other Agencies	1,213,223	1,213,223	1,002,157	(211,066)
Miscellaneous:				
	3,365,047	3,365,047	3,571,708	206,661
Total Revenues	26,944,779	26,944,779	27,866,146	921,367

See accompanying Notes to Basic Financial Statements.

TOWN OF EASTON, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) – GENERAL FUND (CONTINUED)
YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget		
EXPENDITURES				
General Government:				
Legislative:				
Town Council	\$ 160,586	\$ 160,586	\$ 173,054	\$ (12,468)
Town Clerk	392,106	392,106	279,142	112,964
Total Legislative	552,692	552,692	452,196	100,496
Executive Mayor	103,276	103,276	94,017	9,259
Town Manager	522,220	522,220	510,806	11,414
Elections	6,000	6,000	7,754	(1,754)
Information Technology	826,592	826,592	826,490	102
Human Resources	365,174	365,174	387,295	(22,121)
Financial Administration	1,463,149	1,463,149	1,377,431	85,718
Planning and Zoning	789,265	789,265	765,372	23,893
General Services	464,246	464,246	535,690	(71,444)
Total General Government	5,092,614	5,092,614	4,957,051	135,563
Public Safety:				
Police	8,964,272	8,964,272	7,315,634	1,648,638
Traffic Control	58,160	58,160	63,820	(5,660)
Fire and Rescue	339,788	339,788	343,566	(3,778)
Code Enforcement	813,715	813,715	937,280	(123,565)
Rental Housing	212,089	212,089	213,089	(1,000)
Traffic Engineering	1,243,182	1,243,182	1,579,507	(336,325)
Total Public Safety	11,631,206	11,631,206	10,452,896	1,178,310
Public Works:				
Administration	740,602	740,602	775,012	(34,410)
Sanitation and Waste Removal	2,581,435	2,581,435	2,591,539	(10,104)
Highways, Streets, and Sidewalks	2,927,077	2,927,077	3,106,284	(179,207)
Mosquito Control	-	-	4,715	(4,715)
Total Public Works	6,249,114	6,249,114	6,477,550	(228,436)
Parks, Recreation, and Cultural:				
Parks and Recreation Administration	585,058	585,058	608,590	(23,532)
Total Parks, Recreation, and Cultural	585,058	585,058	608,590	(23,532)
Economic Development/Main Street	501,100	501,100	653,603	(152,503)
Nondepartmental	380,000	380,000	697,332	(317,332)
Debt Service:				
Principal	202,143	202,143	200,886	1,257
Interest	27,190	27,190	27,885	(695)
Total Debt Service	229,333	229,333	228,771	562
Total Expenditures	24,668,425	24,668,425	24,075,793	592,632
EXCESS OF REVENUES OVER EXPENDITURES	2,276,354	2,276,354	3,790,353	1,513,999

See accompanying Notes to Basic Financial Statements.

TOWN OF EASTON, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) – GENERAL FUND (CONTINUED)
YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget		
OTHER FINANCING SOURCES (USES)				
Transfers (Net):				
Debt Service	(1,199,683)	(1,199,683)	(1,199,683)	-
Law Enforcement	112,000	112,000	112,000	-
Capital Projects	(2,208,902)	(2,208,902)	(2,208,902)	-
Impact Fee	1,077,300	1,077,300	1,077,300	-
Land Enterprise	(57,069)	(57,069)	677,930	734,999
Total Other Financing Uses	<u>(2,276,354)</u>	<u>(2,276,354)</u>	<u>(1,541,355)</u>	<u>734,999</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,248,998</u>	<u>\$ 2,248,998</u>

See accompanying Notes to Basic Financial Statements.

TOWN OF EASTON, MARYLAND
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
JUNE 30, 2025

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Business-Type Activities - Enterprise Funds		
	Utility	Nonmajor	Total
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 7,941,352	\$ 1,921,516	\$ 9,862,868
Investments	26,492,120	-	26,492,120
Collateral Deposit	230,900	-	230,900
Accounts Receivable, Net	5,826,487	21,133	5,847,620
Leases Receivable	-	220,073	220,073
Due from Other Governments, Short-Term	6,804,335	-	6,804,335
Interest Receivable	49,254	-	49,254
Prepaid Items	390,279	-	390,279
Unbilled Revenue	2,207,361	-	2,207,361
Under-Recovered Energy Costs, Net	523,817	-	523,817
Inventory	10,007,349	-	10,007,349
Total Current Assets	<u>60,473,254</u>	<u>2,162,722</u>	<u>62,635,976</u>
NONCURRENT ASSETS			
Leases Receivable	-	739,213	739,213
Due from Other Governments, Long-Term	37,612	-	37,612
Net OPEB Asset	6,459,297	-	6,459,297
Unamortized Expenses	226,339	-	226,339
Capital Assets, Not Being Depreciated	8,585,591	105,150	8,690,741
Capital Assets, Net of Accumulated Depreciation	<u>101,564,003</u>	<u>2,499,729</u>	<u>104,063,732</u>
Total Noncurrent Assets	<u>116,872,842</u>	<u>3,344,092</u>	<u>120,216,934</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow - Pension and OPEB	<u>813,562</u>	<u>-</u>	<u>813,562</u>
Total Deferred Outflows of Resources	<u>813,562</u>	<u>-</u>	<u>813,562</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 178,159,658</u>	<u>\$ 5,506,814</u>	<u>\$ 183,666,472</u>

See accompanying Notes to Basic Financial Statements.

TOWN OF EASTON, MARYLAND
STATEMENT OF NET POSITION – PROPRIETARY FUNDS (CONTINUED)
JUNE 30, 2025

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	Business-Type Activities - Enterprise Funds		
	Utility	Nonmajor	Total
CURRENT LIABILITIES			
Accounts Payable	\$ 3,708,288	\$ 168,874	\$ 3,877,162
Accrued Liabilities	1,849,079	-	1,849,079
Compensated Absences	1,723,204	-	1,723,204
Due to Other Funds	-	344,854	344,854
Tax Collection Payable	774,582	-	774,582
Performance Deposits	1,601,400	1,500	1,602,900
Unearned Revenue	11,142,846	-	11,142,846
Current Portion of Long-Term Debt	2,137,216	-	2,137,216
Total Current Liabilities	22,936,615	515,228	23,451,843
NONCURRENT LIABILITIES			
Net Pension Liability	1,173,388	-	1,173,388
Long-Term Debt, Net of Current Portion	3,970,360	-	3,970,360
Total Noncurrent Liabilities	5,143,748	-	5,143,748
Total Liabilities	28,080,363	515,228	28,595,591
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows - Leases	-	926,228	926,228
Deferred Inflow - Pension and OPEB	2,568,296	-	2,568,296
Total Deferred Inflows of Resources	2,568,296	926,228	3,494,524
NET POSITION			
Net Investment in Capital Assets	103,114,953	2,604,879	105,719,832
Restricted for OPEB Benefits	6,459,297	-	6,459,297
Unrestricted	37,936,749	1,460,479	39,397,228
Total Net Position	147,510,999	4,065,358	151,576,357
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 178,159,658	\$ 5,506,814	\$ 183,666,472

See accompanying Notes to Basic Financial Statements.

TOWN OF EASTON, MARYLAND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION – PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2025

	Business-Type Activities - Enterprise Funds		
	Utility	Nonmajor	Total
OPERATING REVENUES			
Charges for Services	\$ 68,919,229	\$ 303,896	\$ 69,223,125
Other Operating Revenues	1,728,002	6,655	1,734,657
Total Operating Revenues	<u>70,647,231</u>	<u>310,551</u>	<u>70,957,782</u>
OPERATING EXPENSES			
Cost of Service	50,864,396	103,501	50,967,897
Depreciation	7,863,830	157,787	8,021,617
Total Operating Expenses	<u>58,728,226</u>	<u>261,288</u>	<u>58,989,514</u>
OPERATING INCOME (LOSS)	11,919,005	49,263	11,968,268
NONOPERATING REVENUES (EXPENSES)			
Investment Earnings	1,198,206	-	1,198,206
Interest Expense	(251,135)	-	(251,135)
Gain (Loss) on Sale of Property	62,651	-	62,651
Payment in Lieu of Taxes	(2,438,463)	-	(2,438,463)
Miscellaneous	(152,331)	-	(152,331)
Transfers In (Out)	-	(677,930)	(677,930)
Total Nonoperating Revenues (Expenses)	<u>(1,581,072)</u>	<u>(677,930)</u>	<u>(2,259,002)</u>
Income before transfers and capital grants	10,337,933	(628,667)	9,709,266
Capital Charges	4,361,295	-	4,361,295
CHANGES IN FUND NET POSITION	14,699,228	(628,667)	14,070,561
Total Net Position - Beginning of Year	<u>132,811,771</u>	<u>4,694,025</u>	<u>137,505,796</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 147,510,999</u>	<u>\$ 4,065,358</u>	<u>\$ 151,576,357</u>

See accompanying Notes to Basic Financial Statements.

TOWN OF EASTON, MARYLAND
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2025

	Business-Type Activities - Enterprise Funds		
	Utility	Nonmajor	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received for Services	\$ 76,392,459	\$ 320,996	\$ 76,713,455
Cash Paid to Suppliers for Goods and Services	(31,698,100)	(43,881)	(31,741,981)
Cash Paid to Employees for Services	(18,755,356)	-	(18,755,356)
Net Cash Provided by Operating Activities	25,939,003	277,115	26,216,118
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES			
Cash Paid in Lieu of Taxes	(2,438,463)	-	(2,438,463)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	(2,438,463)	-	(2,438,463)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from Disposition of Assets	50,429	-	50,429
Proceeds from Capital Charges	4,361,295	-	4,361,295
Purchases/Construction of Capital Assets	(17,474,620)	(84,616)	(17,559,236)
Cash Flows from Grant Receipts	5,992,582	-	5,992,582
Contributions Returned to Users	(3,919)	(677,930)	(681,849)
Interfund Loan	-	344,854	344,854
Payment of Debt	(2,076,224)	-	(2,076,224)
Interest Paid on loan Indebtedness	(172,408)	-	(172,408)
Other Interest Paid	(63,480)	-	(63,480)
Net Cash Used by Capital and Related Financing Activities	(9,386,345)	(417,692)	(9,804,037)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on Cash Deposits and Investments	1,245,231	-	1,245,231
Collateral Deposit	(30,900)	-	(30,900)
Sales of Investments	13,482,220	-	13,482,220
Purchases of Investments	(28,830,659)	-	(28,830,659)
Net Cash Provided (Used) by Investing Activities	(14,134,108)	-	(14,134,108)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
	(19,913)	(140,577)	(160,490)
Cash and Cash Equivalents - Beginning of Year	7,961,265	2,062,093	10,023,358
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 7,941,352	\$ 1,921,516	\$ 9,862,868

See accompanying Notes to Basic Financial Statements.

TOWN OF EASTON, MARYLAND
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2025

	Business-Type Activities - Enterprise Funds		
	Utility	Nonmajor	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ 11,919,005	\$ 49,263	\$ 11,968,268
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	7,863,830	157,787	8,021,617
Amortization	36,719	-	36,719
Other Miscellaneous Nonoperating Revenue	142,863	-	142,863
Effects of Changes in Operating Assets, Deferred Outflows, Liabilities, and Deferred Inflows:			
Accounts Receivable, Net	5,399,947	71,830	5,471,777
Leases Receivable	-	-	-
Inventory	454,566	-	454,566
Under-Recovered Energy Costs, Net	(662,113)	-	(662,113)
Prepaid, and Other Assets	(1,269,250)	-	(1,269,250)
Deferred Inflows/Outflows - Pension and OPEB	765,119	-	765,119
Accounts Payable and Accrued Liabilities	1,288,317	(1,765)	1,286,552
Deferred Inflows - Leases	-	-	-
Total Adjustments	<u>14,019,998</u>	<u>227,852</u>	<u>14,247,850</u>
Net Cash Provided by Operating Activities	<u>\$ 25,939,003</u>	<u>\$ 277,115</u>	<u>\$ 26,216,118</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Contributions of Capital Assets	<u>\$ 1,761,585</u>	<u>\$ -</u>	<u>\$ 1,761,585</u>
Capital Assets Reported in Accounts Payable and Retainage	<u>\$ 927,065</u>	<u>\$ -</u>	<u>\$ 927,065</u>

See accompanying Notes to Basic Financial Statements.

TOWN OF EASTON, MARYLAND
STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS
JUNE 30, 2025

	Benefits Trust Funds
ASSETS	
Cash and Cash Equivalents	\$ 76,915
Investments, at Fair Value	79,832,661
Total Assets	79,909,576
 NET POSITION	
Restricted for Pension Benefits	50,175,188
Restricted for OPEB	29,734,388
Total Net Position	\$ 79,909,576

See accompanying Notes to Basic Financial Statements.

TOWN OF EASTON, MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2025

	Benefits Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 899,604
Employees	312,622
Total Contributions	1,212,226
Investment Income:	
Investment Income	7,844,302
Total Investment Income	7,844,302
Less: Investment Expense	-
Net Investment Income	7,844,302
Total Additions	9,056,528
DEDUCTIONS	
Benefit Payments	4,181,430
Administrative Expenses	231,564
	4,412,994
NET CHANGE	4,643,534
Net Position - Beginning of Year	75,266,042
NET POSITION - END OF YEAR	\$ 79,909,576

See accompanying Notes to Basic Financial Statements.

TOWN OF EASTON, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

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. 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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

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 expenditures 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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

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 in trust 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.

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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

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.

Adoption of Governmental Accounting Standards Board Statements

Effective for fiscal years beginning after December 15, 2023, the Town adopted GASB Statement No. 101, Compensated Absences. This standard replaces GASB Statement No. 16 and introduces a consistent model for recognizing liabilities related to compensated absences. Under GASB Statement No. 101, liabilities are recognized for leave that:

- Is attributable to services already rendered,
- Accumulates, and
- Is more likely than not to be used or otherwise paid/settled.

Effective for fiscal years beginning after June 15, 2024, the Town adopted GASB Statement No. 102, Certain Risk Disclosures. This standard establishes disclosure requirements intended to provide users of financial statements with information about certain risks that could significantly affect a government's financial position or operations. Under GASB Statement No. 102, governments are required to disclose:

- Concentrations in revenues, expenditures, or investments that make them vulnerable to the risk of a near-term severe impact,
- Known or reasonably estimable risks that could significantly affect financial health, and
- The nature and potential financial effect of such risks, including any mitigating actions taken.

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.

**TOWN OF EASTON, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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%

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. 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.

**TOWN OF EASTON, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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 developers 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.

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.

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.

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.

TOWN OF EASTON, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Compensated Absences

The Town recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences – *vacation* and *sick leave*. The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Vacation

The Town's policy permits employees to accumulate earned but unused vacation benefits, up to 50% can be carried forward, which are eligible for payment at the employee's current pay rate upon separation from employment.

Sick Leave

The Town's policy permits employees to accumulate earned but unused sick leave up to 120 hours. All sick leave lapses when employees leave the employ of the Town and, upon separation from service, no monetary obligation exists. However, a liability for estimated value of sick leave that will be used by employees as time off is included in the liability for compensated absences.

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.

TOWN OF EASTON, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2025 there remained a balance of \$5,935,170 in unspent grant monies. The grant funds were obligated by December 2024 and must be fully expended by December 31, 2026. \$173 thousand represents monies collected from a developer for the expansion of the Rails to Trails system. The remaining funds represent developer permit fees collected for advance inspection fees including: \$5,765,366 for the hospital building project, \$157,397 for Gannon Range development. \$4,335,234 for water and sewer extension projects and \$292,619 for the Four Season development project.

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.

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.

TOWN OF EASTON, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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*.

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.

TOWN OF EASTON, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position/Fund Equity (Continued)

- *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.

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.

TOWN OF EASTON, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Stewardship, Compliance, and Accountability (Continued)

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.

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.

TOWN OF EASTON, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

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 \$38,569,791 and the bank balance was \$39,069,573. 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, 2025.

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, 2025, the Town had \$23,142,605 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.

The Town also had investments held by M&T Securities, Inc. of \$3,364,485 at June 30, 2025. These investments are comprised of US Treasury Bills with maturities of one year, or less, at the time of purchase. It is the Commission's intention to hold these securities to maturity. These investments are reported at the amortized cost, which approximates fair value.

TOWN OF EASTON, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 DEPOSITS AND INVESTMENTS (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	\$ 3,964,154
Variable Earnings Investments:	
Dryden S&P 500 Index	4,785,832
MCV/Robeco	1,811,759
LCG/JPM	4,807,376
SCG I (managed by Brown)	2,280,235
Small Cap Value/Kennedy Capit	2,135,599
T. Rowe Price Eqty Inc Stgy	4,724,887
MCG I (managed by Ivy)	1,761,971
EmrgMrkEq / QMA*	1,716,762
International Blend/Wellington*	4,406,815
Core Plus Bond PGIM Fund	15,251,768
Real Estate / Am Century Fund	2,528,030
Total	<u>\$ 50,175,188</u>

*-Foreign Investment

TOWN OF EASTON, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (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	
Schwab Small Cap	\$ 551,104
FullerThaler Behv Small Cap Equity	2,014,154
Short Duration Income 1	3,258,826
Vanguard - Intermediate Term Trust	4,029,916
Vanguard - Whitehall FDS	2,980,278
Vanguard - Short Term	2,582,941
Vanguard - Mid Cap Index	3,735,795
Total Mutual Funds	<u>19,153,014</u>

Common Stock:

Communication Services	1,244,284
Consumer Cyclical	1,044,124
Consumer Defense	266,373
Energy	145,206
Financials	1,649,122
Health Care	1,189,823
Industrials	975,035
Information Technology	3,507,624
Materials	413,883
Total Common Stock	<u>10,435,474</u>
Cash and Alternatives	145,900
Total	<u><u>\$ 29,734,388</u></u>

Fair Value of Investments

The Town measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles (GAAP). These guidelines recognize a three-tiered fair value hierarchy as follows:

Level 1 - Quoted prices for identical investments in active markets,

Level 2 - Observable inputs other than those in Level 1; and

Level 3 - Unobservable inputs.

TOWN OF EASTON, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value of Investments (Continued)

At June 30, 2025, the Town's categorizations of investment fair value measurements were as follows:

<u>Investments by Fair Value Level</u>	<u>June 30, 2025</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual Funds	\$ 19,153,014	\$ 19,153,014	\$ -	\$ -
Common Stock	10,435,474	10,435,474	-	-
Subtotal	29,588,488	29,588,488	-	-
Investments Measured at Net Asset Value (NAV):				
Commingled Collective Trusts	50,175,188	-	-	-
Total Investments	<u>\$ 79,763,676</u>	<u>\$ 29,588,488</u>	<u>\$ -</u>	<u>\$ -</u>

Debt and equity securities classified as Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 are valued using the following approaches: debt securities are normally valued based on price data obtained from observed transactions and market price quotations from broker dealers and/or pricing vendors; equity securities are valued using fair value per share for each fund. Certificates of deposit classified in Level 2 are valued using broker quotes that utilize observable market inputs. Securities classified as Level 3 have limited trade information, these securities are priced or using the last trade price or estimated using recent trade prices.

	<u>NAV</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Commingled Collective Trusts	<u>\$ 50,175,188</u>	N/A	Daily to Quarterly	N/A

Equity Funds includes investments in commingled collective trust funds that invest both long and short primarily in U.S. common stocks. Management of each trust fund has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position. The fair values of the investments in this type have been determined using the NAV per share of the investments.

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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

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, 2025 met the Town's investment policy.

	Valuation	Weighted Average Maturity (Yrs)
Defined Benefit Pension Plan:		
Guaranteed Account	\$ 3,964,154	3.7
Core Plus Bond/PIMCO	15,251,768	7.84
Total	\$ 19,215,922	
OPEB Plan:		
FullerThaler Behv Small Cap Equity	\$ 2,014,154	2.19
Vanguard - Intermediate Term Trust	4,029,916	7.30
Vanguard Short Term Investment Grade	2,582,941	2.90
Total	\$ 8,627,011	

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, 2025, 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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

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 \$6,123,577 at June 30, 2025. 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	\$ 524,485	\$ -	\$ -	\$ -	\$ 524,485
Accounts	416,249	7,053	5,826,487	21,133	6,270,922
Due from Other Governments	2,976,923	576,060	6,841,947	-	10,394,930
Interest	-	-	49,254	-	49,254
Allowance for Uncollectibles	(496,492)	-	-	-	(496,492)
Net Receivables	<u>\$ 3,421,165</u>	<u>\$ 583,113</u>	<u>\$ 12,717,688</u>	<u>\$ 21,133</u>	<u>\$ 16,743,099</u>

The June 30, 2025 balance of due from other governments is as follows:

State of Maryland:	
Income Taxes	\$ 2,228,272
Highway User	580,804
Grant	6,306,013
Capital Projects	576,060
Talbot County	703,781
Total Due from Other Governments	<u>\$ 10,394,930</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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

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, 2025 is summarized as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Income Taxes	\$ 1,505,287	\$ -	\$ 1,505,287
Property Taxes	47,473	-	47,473
Grant Revenue	-	3,204,090	3,204,090
Developer Advances	-	2,262,401	2,262,401
Miscellaneous	-	49,729	49,729
Total	<u>\$ 1,552,760</u>	<u>\$ 5,516,220</u>	<u>\$ 7,068,980</u>

NOTE 4 INTER-FUND PAYABLES AND TRANSFERS

Due to/from other funds at June 30, 2025 was as follows:

	<u>Payable Fund</u>		<u>Total</u>
	<u>Airport Industrial Land Fund</u>	<u>Community Dev</u>	
Receivable Fund:			
General Fund	<u>\$ 344,854</u>	<u>\$ 724,015</u>	<u>\$ 1,068,869</u>

Inter-fund transfer activity for the year ended June 30, 2025 was as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Funds:		
General Fund	\$ 1,924,299	\$ 3,465,654
Capital Projects Fund	2,208,902	-
Infrastructure Development Fund	-	1,077,300
Nonmajor Governmental Funds	1,199,683	112,000
Nonmajor Proprietary Funds	-	677,930
Total	<u>\$ 5,332,884</u>	<u>\$ 5,332,884</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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025 was as follows:

	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 14,228,396	\$ -	\$ -	\$ 14,228,396
Total Capital Assets, Not Being Depreciated	14,228,396	-	-	14,228,396
Capital Assets, Being Depreciated and Amortized:				
Buildings and Improvements	64,186,451	77,308	(93,817)	64,169,942
Equipment	21,705,301	4,203,066	(43,002)	25,865,365
Right-to-Use Equipment	915,479	476,114	(209,876)	1,181,717
Total Capital Assets, Being Depreciated and Amortized	86,807,231	4,756,488	(346,695)	91,217,024
Less Accumulated Depreciation and Amortization:				
Buildings and Improvements	27,454,976	1,965,042	(175)	29,419,843
Equipment	16,748,702	1,554,646	(64,338)	18,239,010
Right-to-Use Equipment	401,479	200,506	(197,602)	404,383
Total Accumulated Depreciation and Amortization	44,605,157	3,720,194	(262,115)	48,063,236
Net Capital Assets, Being Depreciated and Amortized	42,202,074	1,036,294	(84,580)	43,153,788
Governmental Activities Capital Assets, Net	<u>\$ 56,430,470</u>	<u>\$ 1,036,294</u>	<u>\$ (84,580)</u>	<u>\$ 57,382,184</u>
	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 2,674,053	\$ -	\$ -	\$ 2,674,053
Construction in Progress	3,201,885	11,511,728	(8,696,925)	6,016,688
Total Capital Assets, Not Being Depreciated	5,875,938	11,511,728	(8,696,925)	8,690,741
Capital Assets, Being Depreciated:				
Buildings and Improvements	33,572,689	233,885	(25,972)	33,780,602
Equipment and Other	227,156,716	8,630,773	(4,547,220)	231,240,269
Less: Amount Disallowed for Regulation	(1,719,785)	-	-	(1,719,785)
Total Capital Assets, Being Depreciated	259,009,620	8,864,658	(4,573,192)	263,301,086
Less Accumulated Depreciation:				
Buildings and Improvements	18,821,532	840,824	(18,966)	19,643,390
Equipment and Other	136,690,965	7,441,076	(4,538,077)	139,593,964
Total Accumulated Depreciation	155,512,497	8,281,900	(4,557,043)	159,237,354
Net Capital Assets, Being Depreciated	103,497,123	582,758	(16,149)	104,063,732
Business-Type Activities Capital Assets, Net	<u>\$ 109,373,061</u>	<u>\$ 12,094,486</u>	<u>\$ (8,713,074)</u>	<u>\$ 112,754,473</u>

**TOWN OF EASTON, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 5 CAPITAL ASSETS (CONTINUED)

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

Governmental Activities:	
General Government	\$ 214,635
Public Safety	1,391,275
Public Works	1,396,596
Recreation and Cultural	623,761
Economic Development	7,434
Nondepartmental	86,493
Total Governmental Activities	<u>\$ 3,720,194</u>
Business-Type Activities:	
Utility	\$ 8,124,114
Other	157,786
Total Business-Type Activities	<u>\$ 8,281,900</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, 2025, the Entity recognized \$117,324 and \$21,000 in lease revenue and interest revenue, respectively, pursuant to these contracts.

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

<u>Year Ending June 30,</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2026	\$ 220,073	\$ 33,521
2027	230,244	24,550
2028	254,350	14,854
2029	254,619	4,258
Total	<u>\$ 959,286</u>	<u>\$ 77,183</u>

TOWN OF EASTON, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

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 payments under lease agreements are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2026	\$ 190,183	\$ 23,414
2027	186,639	16,161
2028	159,521	9,061
2029	100,654	3,779
2030	46,252	8,452
Total	<u>\$ 683,249</u>	<u>\$ 60,867</u>

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

	<u>Governmental Activities</u>
Vehicles	\$ 1,181,717
Less: Accumulated Amortization	(404,383)
Total	<u>\$ 777,334</u>

NOTE 7 LONG-TERM LIABILITIES

The long-term liabilities consist of the following at June 30, 2025:

	<u>6/30/2024 Beginning Balance</u>	<u>Additions</u>	<u>Principal Repayments & Reductions</u>	<u>6/30/2025 Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
General Obligation Bonds	\$ 10,860,000	\$ -	\$ 925,000	\$ 9,935,000	\$ 930,000
Unamortized Premium on Bonds	1,020,388	-	55,400	964,988	-
DHCD Loan Payable	1,672,124	-	-	1,672,124	-
Leases Payable	485,932	392,348	195,031	683,249	190,183
Note Payable – USDA	255,854	-	5,855	249,999	6,344
Total Long-Term Debt	<u>14,294,298</u>	<u>392,348</u>	<u>1,181,286</u>	<u>13,505,360</u>	<u>1,126,527</u>
Compensated Absences	909,644	125,320	-	1,034,964	-
Governmental Activities Long-Term Liabilities	<u>\$ 15,203,942</u>	<u>\$ 517,668</u>	<u>\$ 1,181,286</u>	<u>\$ 14,540,324</u>	<u>\$ 1,126,527</u>

Note: Changes in Compensated Absences are shown as net.

TOWN OF EASTON, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

	Beginning Balance	Additions	Principal Repayments & Reductions	Ending Balance	Due Within One Year
Business-Type Activities:					
Loan – MDE	\$ 559,804	\$ -	\$ 84,679	\$ 475,125	\$ 86,203
Loan – State of Maryland	4,125,161	-	1,334,007	2,791,154	1,375,054
Node+0 Project Loan	3,498,835	-	657,538	2,841,297	675,959
Total Long-Term Debt	8,183,800	-	2,076,224	6,107,576	2,137,216
Compensated Absences	1,103,550	619,654	-	1,723,204	1,723,204
Business-Type Activities					
Long-Term Liabilities	<u>\$ 9,287,350</u>	<u>\$ 619,654</u>	<u>\$ 2,076,224</u>	<u>\$ 7,830,780</u>	<u>\$ 3,860,420</u>

Note: Changes in Compensated Absences are shown as net.

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 6/30/2025</u>
Public Facilities Bonds 2015	2036	2.00 – 4.00%	\$ 3,635,000
Public Facilities Bonds 2020	2043	2.00 – 4.00%	6,300,000
Total General Obligation Bonds			<u>\$ 9,935,000</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>
2026	\$ 930,000	\$ 244,033
2027	930,000	213,133
2028	925,000	182,133
2029	925,000	151,083
2030	485,000	119,983
2031-2035	2,520,000	445,715
2036-2040	2,015,000	212,381
2041-2043	1,205,000	36,450
Total	<u>\$ 9,935,000</u>	<u>\$ 1,604,911</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, 2025, \$3,635,000 of defeased debt remains outstanding.

**TOWN OF EASTON, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

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>
2026	\$ 6,344	\$ 11,172	\$ 17,516
2027	6,634	10,882	17,516
2028	6,940	10,576	17,516
2029	7,258	10,258	17,516
2030	7,591	9,925	17,516
2031-2035	43,517	44,061	87,578
2036-2040	54,472	33,106	87,578
2041-2045	68,186	19,392	87,578
2045-2048	49,057	3,490	52,547
Total	<u>\$ 249,999</u>	<u>\$ 152,862</u>	<u>\$ 402,861</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, 2025.

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, 2025 was \$2,791,154. 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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

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, 2025:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 1,375,054	\$ 11,165	\$ 1,386,219
2027	1,416,100	5,664	1,421,764
Total	<u>\$ 2,791,154</u>	<u>\$ 16,829</u>	<u>\$ 2,807,983</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, 2025 was \$475,125. 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, 2025:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 86,203	\$ 8,552	\$ 94,755
2027	87,754	7,001	94,755
2028	89,334	5,421	94,755
2029	90,942	3,813	94,755
2030	92,579	2,176	94,755
2031	28,313	510	28,823
Total	<u>\$ 475,125</u>	<u>\$ 27,473</u>	<u>\$ 502,598</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, 2025 was \$2,841,297. 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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

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, 2025:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 675,959	\$ 78,125	\$ 754,084
2027	696,669	57,416	754,085
2028	717,925	36,160	754,085
2029	750,744	14,229	764,973
Total	<u>\$ 2,841,297</u>	<u>\$ 185,930</u>	<u>\$ 3,027,227</u>

NOTE 8 FUND BALANCE

A summary of fund balances at June 30, 2025 is as follows:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Infrastructure Development Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted:					
Impact Fees	\$ -	\$ -	\$ 2,297,683	\$ -	\$ 2,297,683
Law Enforcement	-	-	-	212,449	212,449
Capital Projects	-	4,567,610	-	-	4,567,610
Total Restricted Fund	-	4,567,610	2,297,683	212,449	7,077,742
Committed:					
Budget Stabilization	3,591,260	-	-	-	3,591,260
Debt Service	-	-	-	4,919,852	4,919,852
Total Committed	3,591,260	-	-	4,919,852	8,511,112
Unassigned:					
General Fund	7,211,469	-	-	-	7,211,469
CDBG Grant	-	-	-	(534,286)	(534,286)
Total Unassigned Fund	7,211,469	-	-	(534,286)	6,677,183
Total Fund Balance	<u>\$ 10,802,729</u>	<u>\$ 4,567,610</u>	<u>\$ 2,297,683</u>	<u>\$ 4,598,015</u>	<u>\$ 22,266,037</u>

NOTE 9 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 BASIC FINANCIAL STATEMENTS
 JUNE 30, 2025**

NOTE 9 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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 9 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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 9 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
Amount

- | | |
|-------------------|-----------------------------------------------------------------------------------------|
| <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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 9 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, 2024 (the date of the last actuarial valuation), the pension plan's membership consisted of:

Active Employees	129
Retirees and Beneficiaries Currently Receiving Benefits	169
Terminated Employees Entitled to Benefits but Not Yet Receiving Them	89
Total	387

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, 2025 were \$312,622. 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 contribution to the Plan during the year ended June 30, 2025 was \$848,667. Actual employer contributions for the years ended June 30, 2025 was \$250,000.

TOWN OF EASTON, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 9 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 June 30, 2025, 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, 2025 are as follows:

Statement of Plan Net Position

Assets:	
Investments, at Fair Value	<u>\$ 50,175,188</u>
Net Position:	
Restricted - Net Position for Pension Benefits	<u>\$ 50,175,188</u>

Statement of Changes in Plan Net Position

Additions:	
Contributions:	
Employer	\$ 250,000
Employee	312,622
Total Contributions	<u>562,622</u>
Investment Income:	
Investment Income	4,723,057
Net Investment Income	<u>4,723,057</u>
Total Additions	5,285,679
Deductions:	
Benefit Payments	3,531,826
Administrative Expense	110,680
Total Deductions	<u>3,642,506</u>
Net Change	1,643,173
Net Position - Beginning of Year	<u>48,532,015</u>
Net Position - End of Year	<u>\$ 50,175,188</u>

TOWN OF EASTON, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 9 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, 2025 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated August 1, 2024, with adjustments made for the 11-month difference.

The total pension liability was determined by an actuarial valuation as of August 1, 2024, 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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 9 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, 2025 and the final investment return assumption, are summarized in the following table:

<u>Asset Class</u>	Long-Term Expected Real Return Portfolio	Weight
U.S. Equity	5.90 %	49 %
International Equity	7.00	11
Fixed Income – U.S.	2.50	25
Stable Value	3.25	10
Real Estate	4.50	5
Total Weighted Average Real Return	4.84	100 %
Plus Inflation	2.50	
Total Return Without Adjustment	7.34	
Risk Adjustment	(0.34)	
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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 9 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, 2025:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2024	\$ 53,326,082	\$ 48,532,015	\$ 4,794,067
Changes for the Year:			
Service Cost	761,267	-	761,267
Interest	3,664,391	-	3,664,391
Difference Between Expected and Actual Experience	(2,370)	-	(2,370)
Changes in Assumptions	-	-	-
Contributions - Employer	-	250,000	(250,000)
Contributions - Employee	-	312,622	(312,622)
Net Investment Income	-	4,723,057	(4,723,057)
Benefit Payments, Including Refunds of Employee Contributions	(3,531,826)	(3,531,826)	-
Administrative Expenses	-	(110,680)	110,680
Other Changes	-	-	-
Net Change in Total Pension Liability	891,462	1,643,173	(751,711)
Balance at June 30, 2025	\$ 54,217,544	\$ 50,175,188	\$ 4,042,356
Fiduciary Net Position as a Percentage of Total Pension Liability	92.5%		

**TOWN OF EASTON, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 9 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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	\$ 9,759,105	\$ 4,042,356	\$ (753,702)

Deferred Inflows and Outflows

As of June 30, 2025, 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	\$ -	\$ 555,982
Differences Between Expected and Actual Experience Changes in Actuarial Assumptions	993,281	1,713
Total	\$ 993,281	\$ 557,695

<u>Year Ended June 30,</u>	<u>Amount</u>
2025	\$ 2,228,697
2026	(794,446)
2027	(710,596)
2028	(288,069)
Total Amount to be Recognized	\$ 435,586

Money Weighted Investment Return

For the year ended June 30, 2025, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 10.1%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

**TOWN OF EASTON, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 10 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. Effective January 1, 2024, for all new retirees under age 65 – the retirees will elect plans from the Maryland State Exchange or other providers and the Town will cover premiums up to \$1,134 per month through health reimbursement accounts. For the retirees over 65, they will be covered at 90% unless the retiree was at least age 55 in 2008, in which case the employer portion is 100%. Eligibility for retirement is age 55, no coverage for spouse after age 65 and child coverage stops at age 26. If either retiree is over age 65, the retiree has to pay for spouse coverage. For retirees prior to January 1, 2024, the retiree pays 10% of the premium cost for retiree medical coverage. If retiree is age 55 by April 2008, employer will pay all plan premiums for retiree and retiree will pay all cost for dependent coverage. In addition, employer contributions for future premium cost annual increases for retiree medical coverage shall increase no more than 4% per year. Retirees are required to make up any premium cost increase greater than 4%. Employees who were within five (5) years of normal retirement age as of the effective date of these changes were not affected. Employees hired on or after the effective date of these changes would be affected by them.

These changes do not apply to former, present or future Sworn officers. Police officers have their subsidy frozen at retirement and must pay the increase in future years.

Retirees over age 65 month amount – retirees pay 10% of premium costs.

Employees Covered by Benefit Terms

At July 1, 2023, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	107
Inactive Employees Entitled to but Not Yet Receiving Benefit Payments	-
Active Employees	248
Total	355

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.

TOWN OF EASTON, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Valuation of Investments

The condensed financial statements as of and for the year ended June 30, 2025 are as follows:

Statement of Plan Net Position

Assets:	
Cash and Cash Equivalents	\$ 76,915
Investments, at Fair Value	29,657,473
Total Assets	<u>\$ 29,734,388</u>
Net Position:	
Restricted - Net Position for OPEB	<u>\$ 29,734,388</u>

Statement of Changes in Plan Net Position

Additions:	
Contributions:	
Employer	\$ 649,604
Investment Income:	
Investment Income	3,121,245
Net Investment Income	<u>3,121,245</u>
Total Additions	3,770,849
Deductions:	
Benefit Payments	649,604
Administrative Expense	120,884
Total Deductions	<u>770,488</u>
Net Change	3,000,361
Net Position - Beginning of Year	<u>26,734,027</u>
Net Position - End of Year	<u>\$ 29,734,388</u>

Net OPEB Liability

The Town's net OPEB liability was measured as of June 30, 2025 and the total OPEB Liability used to calculate the net OPEB liability was determined by an actuarial valuation dated July 1, 2023, rolled forward to June 30, 2025.

Actuarial Assumptions – the total OPEB liability in the June 30, 2025 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	5.00% for the Town and 4.0% for the Utilities
Investment Rate of Return	6.75%, Net of OPEB Plan Investment Expense and Including Inflation
Healthcare Cost Trend Rates	6.5% Initially, Decreasing to an Ultimate Rate of 4.25%

**TOWN OF EASTON, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 10 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Net OPEB Liability (Continued)

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.

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 %	5.90 %
Non-U.S. Equity	11	7.00
Fixed Income Funds	27	2.50
Global Funds	10	3.25
Real Estate	5	4.50
Total Weighted Average Real Return	<u>100 %</u>	<u>4.77</u>
Plus Inflation		<u>2.50</u>
Total Return without Adjustment		<u>7.27</u>
Risk Adjustment		<u>(0.55)</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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 10 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, 2024	\$ 19,512,692	\$ 26,734,027	\$ (7,221,335)
Changes for the Year:			
Service Cost	484,196	-	484,196
Interest	1,328,224	-	1,328,224
Differences Between Expected and Actual Experience	-	-	-
Change in Benefit Terms	-	-	-
Contributions - Employer	-	649,604	(649,604)
Net Investment Income	-	3,121,245	(3,121,245)
Benefit Payments	(649,604)	(649,604)	-
Administrative Expense and Other	-	(120,884)	120,884
Net Changes	<u>1,162,816</u>	<u>3,000,361</u>	<u>(1,837,545)</u>
Balances at June 30, 2025	<u>\$ 20,675,508</u>	<u>\$ 29,734,388</u>	<u>\$ (9,058,880)</u>

Fiduciary Net Position as a Percentage
of Total OPEB Liability 143.8%

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, 2025 was 11.7%. 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 (Asset)

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 (Asset)	<u>\$ (6,470,716)</u>	<u>\$ (9,058,880)</u>	<u>\$ (11,201,869)</u>

**TOWN OF EASTON, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 10 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the Net OPEB Liability (Asset) (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 3.25%	Current Ultimate Trend Rate 4.25%	One Percent Increase 5.25%
Net OPEB Liability (Asset)	\$ (11,355,100)	\$ (9,058,880)	\$ (6,239,449)

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

For the year ended June 30, 2025, the Town recognized OPEB expense of \$(1,083,365). At June 30, 2025, 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	\$ -	\$ 1,858,655
Differences Between Expected and Actual Experience	383,587	1,798,706
Changes in Actuarial Assumptions	-	717,357
Total	\$ 383,587	\$ 4,374,718

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

Year Ended June 30,	Amount
2026	\$ (587,544)
2027	(1,235,931)
2028	(1,059,703)
2029	(745,567)
2030	(120,794)
Thereafter	(241,592)
Total Amount to be Recognized	\$ (3,991,131)

NOTE 11 RELATED PARTY TRANSACTIONS

The General Fund charged the Utility Fund \$2,438,463 for payments in lieu of taxes during the year ended June 30, 2025.

TOWN OF EASTON, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 12 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 2024 have been reviewed and accepted by the PSC. The adjustment rates applied subsequent to November 2024 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
LAST TEN MEASUREMENT PERIODS

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability										
Service Cost	\$ 761,267	\$ 740,892	\$ 721,063	\$ 701,764	\$ 682,982	\$ 663,089	\$ 643,776	\$ 649,665	\$ 641,648	\$ 528,061
Interest	3,664,391	3,392,431	3,344,677	3,487,513	3,401,139	3,247,968	3,116,150	2,994,555	2,749,554	2,824,115
Changes in Benefit Terms	-	-	-	-	-	-	-	1,693,833	-	-
Difference Between Expected and Actual Experience	(2,370)	2,979,841	(657,608)	(814,196)	(744,603)	234,882	(113,788)	(145,760)	(1,696,615)	189,161
Changes in Assumptions	-	-	-	(1,368,831)	-	-	-	-	143,593	951,200
Benefit Payments, Including Refunds	(3,531,826)	(2,968,762)	(2,530,181)	(2,170,795)	(2,163,201)	(1,946,840)	(1,974,776)	(1,695,271)	(1,449,269)	(1,336,758)
Net Change in Total Pension Liability	891,462	4,144,402	877,951	(164,545)	1,176,317	2,199,099	1,671,362	3,497,022	388,911	3,155,779
Total Pension Liability - Beginning of Year	53,326,082	49,181,680	48,303,729	48,468,274	47,291,957	45,092,858	43,421,496	39,924,474	39,535,563	36,379,784
Total Pension Liability - End of Year	<u>\$ 54,217,544</u>	<u>\$ 53,326,082</u>	<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>
Plan Fiduciary Net Position										
Contributions - Employer	\$ 250,000	\$ 770,395	\$ 949,519	\$ 1,101,994	\$ 1,303,854	\$ 1,176,000	\$ 1,126,459	\$ 1,292,132	\$ 1,292,132	\$ 1,000,000
Contributions - Member	312,622	232,328	281,657	234,532	242,399	228,927	213,994	242,302	168,723	181,459
Net Investment Income	4,723,057	5,203,109	3,385,134	(6,645,013)	11,560,350	1,084,306	2,360,836	2,951,567	3,939,792	225,725
Benefit Payments, Including Refunds	(3,531,826)	(2,968,762)	(2,530,181)	(2,170,795)	(2,163,201)	(1,946,840)	(1,974,776)	(1,695,271)	(1,449,269)	(1,336,758)
Admin. Expenses	(110,680)	(109,052)	(123,814)	(117,766)	(135,983)	(128,612)	(129,974)	(118,380)	(140,173)	(98,412)
Other	-	-	-	-	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	1,643,173	3,128,018	1,962,315	(7,597,048)	10,807,419	413,781	1,596,539	2,672,350	3,811,205	(27,986)
Plan Fiduciary Net Position - Beginning of Year	48,532,015	45,403,997	43,441,682	51,038,730	40,231,311	39,817,530	38,220,991	35,548,641	31,737,436	31,765,422
Plan Fiduciary Net Position - End of Year	<u>\$ 50,175,188</u>	<u>\$ 48,532,015</u>	<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>
Net Pension Liability (Asset) - Beginning of Year	\$ 4,794,067	\$ 3,777,683	\$ 4,862,047	\$ (2,570,456)	\$ 7,060,646	\$ 5,275,328	\$ 5,200,505	\$ 4,375,833	\$ 7,798,127	\$ 4,614,362
Net Pension Liability (Asset) - End of Year	<u>\$ 4,042,356</u>	<u>\$ 4,794,067</u>	<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>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	92.5%	91.0%	92.3%	89.9%	105.3%	85.1%	88.3%	88.0%	89.0%	80.3%
Covered Employee Payroll	\$ 13,550,767	\$ 13,110,775	\$ 13,137,877	\$ 12,790,987	\$ 13,911,005	\$ 12,410,454	\$ 12,287,590	\$ 12,572,073	\$ 14,092,822	\$ 13,991,348
Net Pension Liability as a Percentage of Covered Payroll	29.8%	36.6%	28.8%	38.0%	-18.5%	56.9%	42.9%	41.4%	31.1%	55.7%

**TOWN OF EASTON, MARYLAND
SCHEDULE OF TOWN CONTRIBUTIONS – PENSION
LAST TEN FISCAL YEARS**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially Determined Contribution Contributions in Relation of the Actuarially Determined Contribution	\$ 848,667	\$ 806,285	\$ 567,586	\$ 686,485	\$ 916,453	\$ 956,438	\$ 955,282	\$ 994,133	\$ 1,032,915	\$ 1,093,661
Contribution Deficiency (Excess)	<u>\$ 250,000</u>	<u>770,395</u>	<u>949,519</u>	<u>1,101,994</u>	<u>1,303,854</u>	<u>1,176,000</u>	<u>1,126,459</u>	<u>1,292,132</u>	<u>1,292,132</u>	<u>1,000,000</u>
	<u>\$ 598,667</u>	<u>\$ 35,890</u>	<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>
Covered-Employee Payroll	\$ 13,550,767	\$ 13,110,775	\$ 13,137,877	\$ 12,790,987	\$ 13,911,005	\$ 12,410,454	\$ 12,287,590	\$ 12,572,073	\$ 14,092,822	\$ 13,991,348
Contributions as a Percentage of Covered Employee Payroll	1.8%	5.9%	7.20%	8.6%	9.4%	9.5%	9.2%	10.3%	9.2%	7.1%

NOTES TO SCHEDULE:

Valuation Date: August 1, 2024

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	25 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
LAST TEN FISCAL YEARS**

<u>Year Ended June 30,</u>	<u>Actual Money Weighted Rate of Return, Net of Investment Expense</u>
2016	0.7
2017	12.5
2018	8.4
2019	6.3
2020	2.8
2021	28.4
2022	(13.3)
2023	8.0
2024	11.8
2025	10.1

TOWN OF EASTON, MARYLAND
SCHEDULE OF CHANGES TO NET OPEB LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability									
Service Cost	\$ 484,196	\$ 576,040	\$ 552,888	\$ 645,238	\$ 619,305	\$ 655,198	\$ 630,756	\$ 628,228	\$ 557,690
Interest	1,328,224	1,504,444	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	-	(2,906,268)	-	-	262,015	215,593	-	-	-
Difference Between Expected and Actual Experience	-	(1,087,150)	-	(1,675,769)	-	1,150,765	-	(1,037,323)	-
Changes in Assumptions	-	-	-	(1,209,247)	-	-	(395,798)	(223,006)	-
Benefit Payments	(649,604)	(563,571)	(799,956)	(649,536)	(625,685)	(532,473)	(525,544)	(520,648)	(413,896)
Net Change in Total OPEB Liability	1,162,816	(2,476,505)	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	19,512,692	21,989,197	20,820,143	22,137,046	20,412,381	17,659,585	16,777,390	16,843,574	15,599,477
Total OPEB Liability - End of Year (a)	<u>\$ 20,675,508</u>	<u>\$ 19,512,692</u>	<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	\$ 649,604	\$ 1,305,893	\$ 1,773,010	\$ 1,855,427	\$ 1,601,910	\$ 1,427,002	\$ 4,159,610	\$ 1,488,861	\$ 1,383,467
Net Investment Income	3,121,245	3,742,119	2,007,131	(2,527,804)	4,276,307	276,718	854,758	660,670	972,269
Benefit Payments	(649,604)	(563,571)	(799,956)	(649,536)	(625,685)	(532,473)	(525,544)	(520,648)	(413,896)
Administrative Expense	(120,884)	(104,384)	(90,027)	(94,068)	(80,977)	(69,169)	(53,081)	(50,517)	(41,952)
Net Change in Plan Fiduciary Net Position	3,000,361	4,380,057	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	26,734,027	22,353,970	19,463,812	20,879,793	15,708,238	14,606,160	10,170,417	8,592,051	6,692,163
Total Fiduciary Net Position - End of Year (b)	<u>\$ 29,734,388</u>	<u>\$ 26,734,027</u>	<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 (Asset) - Beginning of Year	<u>\$ (7,221,335)</u>	<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>	<u>\$ 8,907,314</u>
Net OPEB Liability (Asset) - End of Year	<u>\$ (9,058,880)</u>	<u>\$ (7,221,335)</u>	<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	143.8%	137.0%	101.7%	93.5%	94.3%	77.0%	82.7%	60.6%	51.0%
Covered Employee Payroll	\$ 29,913,183	\$ 25,743,412	\$ 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	-30.3%	-28.1%	-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
LAST TEN FISCAL YEARS

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially Determined Contribution	\$ 295,709	\$ 283,264	\$ 487,428	\$ 463,707	\$ 1,000,144	\$ 975,424	\$ 973,045	\$ 973,045	\$ 1,002,817	\$ 914,006
Contributions in Relation to the										
Actuarially Determined Contribution	<u>649,604</u>	<u>1,305,893</u>	<u>1,773,010</u>	<u>1,855,427</u>	<u>1,601,910</u>	<u>1,427,002</u>	<u>4,158,342</u>	<u>1,488,861</u>	<u>1,383,459</u>	<u>1,594,520</u>
Contribution Deficiency (Excess)	<u>\$ (353,895)</u>	<u>\$ (1,022,629)</u>	<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>
Covered-Employee Payroll	\$ 29,913,183	\$ 25,743,412	\$ 22,598,589	\$ 21,205,974	\$ 19,314,903	\$ 20,290,619	\$ 16,813,459	\$ 16,028,534	\$ 14,906,300	\$ 14,609,300
Contributions as a Percentage of Covered Employee Payroll	2.2%	5.1%	7.8%	8.7%	8.3%	7.0%	24.7%	9.3%	9.3%	10.9%

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
 LAST TEN FISCAL YEARS**

<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
2024	16.5
2025	11.7

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

**TOWN OF EASTON, MARYLAND
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2025**

	Debt Service	Community Development Block Grant	Law Enforcement	Total
ASSETS				
Cash and Cash Equivalents - Pooled	\$ 4,920,201	\$ -	\$ 279,981	\$ 5,200,182
Accounts Receivable, Net	-	-	7,053	7,053
Due from Governments	-	423,567	-	423,567
Total Assets	\$ 4,920,201	\$ 423,567	\$ 287,034	\$ 5,630,802
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 349	\$ 145,109	\$ -	\$ 145,458
Other Liabilities	-	88,729	74,585	163,314
Due to Other Funds	-	724,015	-	724,015
Total Liabilities	349	957,853	74,585	1,032,787
FUND BALANCES (DEFICITS)				
Restricted	-	-	212,449	212,449
Committed	4,919,852	-	-	4,919,852
Unassigned	-	(534,286)	-	(534,286)
Total Fund Balances (Deficits)	4,919,852	(534,286)	212,449	4,598,015
Total Liabilities and Fund Balances	\$ 4,920,201	\$ 423,567	\$ 287,034	\$ 5,630,802

TOWN OF EASTON, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES (DEFICITS) – NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2025

	Debt Service	Community Development Block Grant	Law Enforcement	Total
REVENUES				
Revenues from Other Agencies	\$ -	\$ 423,567	\$ -	\$ 423,567
Miscellaneous Revenue	-	133,510	134,242	267,752
Total Revenues	-	557,077	134,242	691,319
EXPENDITURES				
Current Operations:				
Public Safety	-	-	6,664	6,664
Recreation and Cultural	-	507,554	-	507,554
Miscellaneous	1,500	-	-	1,500
Debt Service:				
Principal	925,000	-	-	925,000
Interest	274,682	-	-	274,682
Total Expenditures	1,201,182	507,554	6,664	1,715,400
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,201,182)	49,523	127,578	(1,024,081)
OTHER FINANCING SOURCES (USES)				
Transfers In	1,199,683	-	-	1,199,683
Transfers Out	-	-	(112,000)	(112,000)
Total Other Financing Sources (Uses)	1,199,683	-	(112,000)	1,087,683
NET CHANGE IN FUND BALANCES	(1,499)	49,523	15,578	63,602
Fund Balances (Deficits) - Beginning of Year	4,921,351	(583,809)	196,871	4,534,413
FUND BALANCES (DEFICITS) - END OF YEAR	\$ 4,919,852	\$ (534,286)	\$ 212,449	\$ 4,598,015

TOWN OF EASTON, MARYLAND
COMBINING STATEMENT OF NET POSITION – NONMAJOR OTHER PROPRIETARY FUNDS
JUNE 30, 2025

	Land Enterprise	Airport Industrial Land	Total
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents - Pooled	\$ 1,921,516	\$ -	\$ 1,921,516
Accounts Receivable, Net	21,133	-	21,133
Leases Receivable	220,073	-	220,073
Total Current Assets	2,162,722	-	2,162,722
NONCURRENT ASSETS			
Leases Receivable	739,213	-	739,213
Capital Assets, Not Being Depreciated	15,028	90,122	105,150
Capital Assets, Net of Accumulated Depreciation	329,590	2,170,139	2,499,729
Total Noncurrent Assets	1,083,831	2,260,261	3,344,092
Total Assets	\$ 3,246,553	\$ 2,260,261	\$ 5,506,814
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
LIABILITIES			
Accounts Payable	\$ 168,874	\$ -	\$ 168,874
Due to Other Funds	-	344,854	344,854
Performance Deposits	1,500	-	1,500
Total Liabilities	170,374	344,854	515,228
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows - Leases	926,228	-	926,228
Total Deferred Inflows of Resources	926,228	-	926,228
NET POSITION			
Net Investment in Capital Assets	344,618	2,260,261	2,604,879
Unrestricted	1,805,333	(344,854)	1,460,479
Total Net Position	2,149,951	1,915,407	4,065,358
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 3,246,553	\$ 2,260,261	\$ 5,506,814

TOWN OF EASTON, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION – NONMAJOR OTHER PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2025

	Land Enterprise	Airport Industrial Land	Total
OPERATING REVENUES			
Charges for Services	\$ 303,896	\$ -	\$ 303,896
Other Operating Revenues	6,655	-	6,655
Total Operating Revenues	<u>310,551</u>	<u>-</u>	<u>310,551</u>
OPERATING EXPENSES			
Cost of Service	42,116	61,385	103,501
Depreciation	63,115	94,672	157,787
Total Operating Expenses	<u>105,231</u>	<u>156,057</u>	<u>261,288</u>
OPERATING INCOME (LOSS)	205,320	(156,057)	49,263
NONOPERATING REVENUES (EXPENSES)			
Transfers	<u>(202,525)</u>	<u>(475,405)</u>	<u>(677,930)</u>
Total Nonoperating Revenues (Expenses)	<u>(202,525)</u>	<u>(475,405)</u>	<u>(677,930)</u>
CHANGES IN FUND NET POSITION	2,795	(631,462)	(628,667)
Total Net Position - Beginning of Year	<u>2,147,156</u>	<u>2,546,869</u>	<u>4,694,025</u>
TOTAL NET POSITION - END OF YEAR	<u><u>\$ 2,149,951</u></u>	<u><u>\$ 1,915,407</u></u>	<u><u>\$ 4,065,358</u></u>

TOWN OF EASTON, MARYLAND
COMBINING STATEMENT OF CASH FLOWS – NONMAJOR OTHER PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2025

	Land Enterprise	Airport Industrial Land	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$ 320,996	\$ -	\$ 320,996
Cash Paid for Services	(43,881)	-	(43,881)
Net Cash Provided by Operating Activities	277,115	-	277,115
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases/Construction of Capital Assets	(84,616)	-	(84,616)
Interfund Transfer Net	(202,525)	(475,405)	(677,930)
Interfund Loan - Negative Cash Balance	-	344,854	344,854
Net Cash Used by Capital and Related Financing Activities	(287,141)	(130,551)	(417,692)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(10,026)	(130,551)	(140,577)
Cash and Cash Equivalents - Beginning of Year	1,931,542	130,551	2,062,093
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,921,516	\$ -	\$ 1,921,516
RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ 205,320	\$ (156,057)	\$ 49,263
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	63,115	94,672	157,787
Effect of Changes in Operating Assets, Deferred Inflows, and Liabilities:			
Accounts Receivable, Net	10,445	61,385	71,830
Accounts Payable and Accrued Expenses	(1,765)	-	(1,765)
Total Adjustments	71,795	156,057	227,852
Net Cash Provided by Operating Activities	\$ 277,115	\$ -	\$ 277,115

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, 2025

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Revenue from Other Agencies	\$ -	\$ -	\$ 3,056,593	\$ 3,056,593
Contributions	-	-	-	-
Total Revenues	-	-	3,056,593	3,056,593
EXPENDITURES				
General Governmental	302,395	302,395	165,761	136,634
Public Safety	824,100	824,100	3,469,493	(2,645,393)
Public Works	964,007	964,007	254,646	709,361
Recreation and Cultural	118,400	118,400	487,624	(369,224)
Total Expenditures	2,208,902	2,208,902	4,377,524	(2,168,622)
OTHER FINANCING SOURCES				
Transfers Net	2,208,902	2,208,902	2,208,902	-
Total Other Financing Sources	2,208,902	2,208,902	2,208,902	-
NET CHANGE IN FUND BALANCE	\$ -	\$ -	887,971	\$ 887,971
Fund Balance - Beginning of Year			3,679,639	
FUND BALANCE - END OF YEAR			\$ 4,567,610	



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