

**TOWN OF EASTON, MARYLAND**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2022**



CPAs | CONSULTANTS | WEALTH ADVISORS

[CLAcconnect.com](https://CLAcconnect.com)

**TOWN OF EASTON, MARYLAND  
TABLE OF CONTENTS  
YEAR ENDED JUNE 30, 2022**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>4</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>GOVERNMENT-WIDE FINANCIAL STATEMENTS</b>	
<b>STATEMENT OF NET POSITION</b>	<b>15</b>
<b>STATEMENT OF ACTIVITIES</b>	<b>16</b>
<b>FUND FINANCIAL STATEMENTS</b>	
<b>BALANCE SHEET – GOVERNMENTAL FUNDS</b>	<b>17</b>
<b>RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION</b>	<b>18</b>
<b>STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS</b>	<b>19</b>
<b>RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES</b>	<b>20</b>
<b>STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) – GENERAL FUND</b>	<b>21</b>
<b>STATEMENT OF NET POSITION – PROPRIETARY FUNDS</b>	<b>24</b>
<b>STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PROPRIETARY FUNDS</b>	<b>25</b>
<b>STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS</b>	<b>26</b>
<b>STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS</b>	<b>27</b>
<b>STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS</b>	<b>28</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>29</b>

**TOWN OF EASTON, MARYLAND  
TABLE OF CONTENTS  
YEAR ENDED JUNE 30, 2022**

**REQUIRED SUPPLEMENTARY INFORMATION**

<b>SCHEDULE OF CHANGES IN NET PENSION LIABILITY</b>	<b>70</b>
<b>SCHEDULE OF TOWN CONTRIBUTIONS – PENSION</b>	<b>71</b>
<b>SCHEDULE OF INVESTMENT RETURNS – PENSION</b>	<b>72</b>
<b>SCHEDULE OF CHANGES TO NET OPEB LIABILITY AND RELATED RATIOS</b>	<b>73</b>
<b>SCHEDULE OF TOWN CONTRIBUTIONS – OTHER POSTEMPLOYMENT BENEFITS</b>	<b>74</b>
<b>SCHEDULE OF INVESTMENT RETURNS – OTHER POSTEMPLOYMENT BENEFITS</b>	<b>75</b>
<b>COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES</b>	
<b>COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS</b>	<b>77</b>
<b>COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS) – NONMAJOR GOVERNMENTAL FUNDS</b>	<b>78</b>
<b>COMBINING STATEMENT OF NET POSITION – NONMAJOR OTHER PROPRIETARY FUNDS</b>	<b>79</b>
<b>COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – NONMAJOR OTHER PROPRIETARY FUNDS</b>	<b>80</b>
<b>COMBINING STATEMENT OF CASH FLOWS – NONMAJOR OTHER PROPRIETARY FUNDS</b>	<b>81</b>
<b>OTHER SUPPLEMENTARY INFORMATION</b>	
<b>SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – CAPITAL PROJECT FUND</b>	<b>83</b>



## INDEPENDENT AUDITORS' REPORT

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

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Easton, Maryland (the Town), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the 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.

#### ***Emphasis of Matter***

##### ***Change in Accounting Principle***

As discussed in Note 1 to the financial statements, effective July 1, 2021, the Town adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-to-use lease asset and corresponding lease liability and lessors to recognize a lease receivable and corresponding deferred inflow of resources for all leases with lease terms greater than twelve months. Our opinion is not modified with respect to this matter.

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

***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 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***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 on pages 4-14 and required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Supplementary Information**

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2022, 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  
December 23, 2022

**TOWN OF EASTON, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

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, 2022. 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, 2022, the Town's total assets and deferred outflows of resources of the Town were \$244.9 million and exceeded its liabilities and deferred inflows of resources at June 30, 2022 by \$184.9 million.
- As of June 30, 2022, the Town's governmental funds reported an ending fund balance of \$26.9 million which is a decrease of approximately \$4 million (i.e. total net position).

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

In FY 2022, the Town Tax revenues continue to be in line with pre pandemic collections. There continued to be strong construction activity in FY2022. This strong construction growth continued to grow the tax base.

In September 2021, the Town of Easton through funding from the American Rescue Plan received their first portion of the \$16.4 million dollars, the remainder is to be received during FY2023. The Coronavirus State and Local Fiscal Recovery Funds are intended to provide much needed relief as part of the ongoing recovery support to the community. Funds were distributed in accordance with guidelines to aid organizations with their continued recovery from the economic impact of COVID and to improve local access to broadband resources.

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

**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, 2022**

**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, 2022, 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, 2022.

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

**Fund Financial Statements**

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

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



**TOWN OF EASTON, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

**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, 2022**

**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 \$184.9 million at June 30, 2022, which is an increase of approximately \$5.1 million over the June 30, 2021 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	
	2022	2021	2022	2021	2022	2021
Current and Other Assets	\$ 35,472,374	\$ 33,494,826	\$ 51,491,974	\$ 53,227,047	\$ 86,964,348	\$ 86,721,873
Capital Assets and Other Assets	42,778,864	41,477,332	108,741,749	106,442,181	151,520,613	147,919,513
Total Assets	<u>78,251,238</u>	<u>74,972,158</u>	<u>160,233,723</u>	<u>159,669,228</u>	<u>238,484,961</u>	<u>234,641,386</u>
Total Deferred Outflows of Resources	3,749,028	1,110,407	2,688,849	329,685	6,437,877	1,440,092
Current Liabilities	8,223,540	2,389,741	11,297,272	10,139,578	19,520,812	12,529,319
Long-Term Debt	22,909,215	20,853,000	11,789,435	13,198,817	34,698,650	34,051,817
Total Liabilities	<u>31,132,755</u>	<u>23,242,741</u>	<u>23,086,707</u>	<u>23,338,395</u>	<u>54,219,462</u>	<u>46,581,136</u>
Total Deferred Inflows of Resources	2,589,762	4,560,728	3,230,092	5,184,548	5,819,854	9,745,276
Net Investment in Capital Assets	27,363,756	25,361,388	93,700,867	87,159,051	121,064,623	112,520,439
Restricted	9,026,689	11,910,008	1,816,458	2,434,939	10,843,147	14,344,947
Unrestricted	<u>11,887,304</u>	<u>11,007,700</u>	<u>41,088,448</u>	<u>41,881,980</u>	<u>52,975,752</u>	<u>52,889,680</u>
Total Net Position	<u>\$ 48,277,749</u>	<u>\$ 48,279,096</u>	<u>\$ 136,605,773</u>	<u>\$ 131,475,970</u>	<u>\$ 184,883,522</u>	<u>\$ 179,755,066</u>

The Town's total assets and deferred outflows of resources were approximately \$244.9 million (compared to \$236.1 million in the prior year) as of June 30, 2022. Of this amount, \$148.6 million (compared to \$148.0 million in the prior year) is accounted for by capital assets, which includes infrastructure.

Of the remaining assets, approximately \$63.3 million is accounted for in cash and cash equivalents and investments (compared to \$71.3 million in the prior year), approximately \$11.9 million in receivables (compared to \$7.6 million in the prior year), inventory of approximately \$9.8 million (compared to \$4.4 million in the prior year), with the remainder spread among various other accounts.

Outstanding liabilities totaled approximately \$54.2 million with bonds comprising approximately \$13.6 million, loans from the State or Maryland comprising approximately \$9.1 million, PNC Bank loan of \$4.7 million, Net OPEB liability comprising approximately \$2.5 million, Net Pension liability comprising approximately \$4.9 million, approximately \$7.2 million in accounts payable and accrued expenses and other liabilities comprising approximately \$12.2 million at June 30, 2022. This compares with the June 30, 2021 amounts where the Town had outstanding liabilities of approximately \$46.6 million of which approximately \$13.1 million was bonds payable, approximately \$10.3 million was loans from the State of Maryland, PNC Bank loan of \$5.4 million, Net OPEB liability comprising approximately \$3 million, Net Pension Liability comprising \$900 thousand and accounts payable and accrued expenses comprising approximately \$7.2 million and other liabilities comprising approximately \$6.7 million at June 30, 2021. Of the bonds payable, approximately \$670 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, 2022**

**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, 2022, the Town had overall positive balance in net position, for the government as a whole, and a negative for 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, 2022**

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

**TOWN OF EASTON, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**Statement of Activities - Changes in Net Position (Continued)**

**Changes in Net Position  
Fiscal Year Ended June 30, 2021**

	Governmental Activities	Business-Type Activities	Total
<b>Program Revenues</b>			
Charges for Service	\$ 3,508,382	\$ 55,578,021	\$ 59,086,403
Operating Grants and Contributions	2,888,246	1,520,163	4,408,409
<b>General Revenues</b>			
Property Taxes	12,937,678	-	12,937,678
Other Local Taxes	2,042,406	(2,042,406)	-
Other	1,175,154	743,871	1,919,025
Total Revenues	<u>22,551,866</u>	<u>55,799,649</u>	<u>78,351,515</u>
<b>Expenses</b>			
General Government	2,792,283	-	2,792,283
Public Safety	7,935,821	-	7,935,821
Public Works	5,878,639	-	5,878,639
Recreation and Cultural	1,017,077	-	1,017,077
Economic Development	521,905	-	521,905
Nondepartmental	922,075	-	922,075
Interest Expense	357,367	-	357,367
Utilities Services	-	47,201,063	47,201,063
Other Services	-	210,338	210,338
Total Expenses	<u>19,425,167</u>	<u>47,411,401</u>	<u>66,836,568</u>
<b>INCREASE IN NET POSITION</b>	3,126,699	8,388,248	11,514,947
Net Position - Beginning of Year	<u>45,152,397</u>	<u>123,087,722</u>	<u>168,240,119</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 48,279,096</u>	<u>\$ 131,475,970</u>	<u>\$ 179,755,066</u>

Total revenues for the Town were approximately \$84.3 million for the year ended June 30, 2022 compared to approximately \$78.4 million for the year ending June 30, 2021. Governmental activities provided revenues in 2022 of approximately \$23.8 million, and business-type activities provided \$60.5 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, 2022**

**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, 2022, unassigned fund balance of the General Fund was approximately \$4.4 million.

<b>Governmental Funds</b>	<u>2022</u>	<u>Percent to Total</u>	<u>2021</u>	<u>Percent to Total</u>
Revenues:				
General Property Taxes	\$ 13,309,574	48.78%	\$ 12,937,678	53.02%
Other Local Taxes	3,128,091	11.47%	3,019,581	12.37%
Permits and Licenses	740,928	2.72%	909,538	3.73%
Fines and Forfeitures	53,575	0.20%	36,580	0.15%
Charges for Services	2,131,826	7.81%	1,979,590	8.11%
Intergovernmental	4,630,992	16.97%	1,906,050	7.81%
Miscellaneous	3,287,488	12.05%	3,612,469	14.80%
Total Revenues	<u>\$ 27,282,474</u>	<u>100.00%</u>	<u>\$ 24,401,486</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 increase was in the Intergovernmental area. This is mainly due to ARPA grant revenues received in FY2022.
- **General Government and Administration** – The largest percentage decrease was in the General Property Tax Revenues. The amount of Property Tax revenues were still greater than prior year but due to the large amount of Grant Revenue received it made this category the largest percentage decrease.

**TOWN OF EASTON, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)**

**Governmental Funds Revenue and Expense Analysis (Continued)**

The following table represents expenditures by function.

<b>Governmental Funds</b>	<u>2022</u>	<u>Percent to Total</u>	<u>2021</u>	<u>Percent to Total</u>
Expenditures:				
Current Operations:				
General Government				
Administration	\$ 5,868,569	19.55%	\$ 3,205,383	12.73%
Public Safety	11,146,694	37.14%	11,265,731	44.76%
Public Works	6,340,467	21.13%	5,840,050	23.20%
Recreation and Cultural	1,249,991	4.17%	1,758,419	6.99%
Economic Development	3,695,788	12.31%	516,433	2.05%
Nondepartmental	589,812	1.97%	922,075	3.66%
Debt Service:				
Principal	748,311	2.49%	1,360,950	5.41%
Interest	371,111	1.24%	301,967	1.20%
Total Expenditures	<u>\$ 30,010,743</u>	<u>100.00%</u>	<u>\$ 25,171,008</u>	<u>100.00%</u>

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

Largest change – Economic development 10.26% increase.

- **Economic Development** – Large amounts of ARPA grant revenues were distributed during FY2022 to provide assistance with the economic recovery.

**TOWN OF EASTON, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)**

**Enterprise Funds Revenue and Expense Analysis**

<b>PROPRIETARY FUNDS</b>	<u>2022</u>	<u>2021</u>
<b>Operating Revenues</b>		
Charges for Services	\$ 59,789,082	\$ 54,557,143
Grant Revenues		
Other Operating Revenues	<u>1,588,495</u>	<u>1,020,878</u>
Total Revenues	<u><u>\$ 61,377,577</u></u>	<u><u>\$ 55,578,021</u></u>
<b>Operating Expenses</b>		
Cost of Service	\$ 47,063,974	\$ 39,399,328
Depreciation	<u>8,177,636</u>	<u>7,882,540</u>
Total Operating Expenses	<u><u>\$ 55,241,610</u></u>	<u><u>\$ 47,281,868</u></u>
<b>Other Revenues and Expenses</b>		
Grant Revenues	\$ 393,774	\$ 1,520,163
Investment Earnings	68,116	96,870
Interest Expense	(120,545)	(129,533)
Gain on Sale of Property	127,374	(487,358)
Payment in Lieu of Taxes	(2,179,229)	(2,042,406)
Capital Charges	230,197	1,379,135
Miscellaneous	(733,602)	(244,776)
Transfers In (Out)	<u>1,207,751</u>	<u>-</u>
Total Other Revenues and Expenses	<u><u>\$ (1,006,164)</u></u>	<u><u>\$ 92,095</u></u>

**Operating Revenues:** The major proprietary fund (Utility Fund) accounts for the activity of the Easton Utility Commission. The Commission's FY2022 operating revenues totaled \$61.2 million, an increase of \$6.0 million from FY2021. The Electric Department's energy revenues were up \$3.7 million, primarily due to the higher net cost of purchased power. The unit sales were up due to higher residential and commercial sales attributed to an increase of customers and increase in average usage per customer. The Gas department base revenues increased over \$20 thousand due to a greater number of customers despite slightly lower unit sales. The cost of gas per CCF increased 12% from June 2021 to June 2022 causing an increase of total energy portion of revenues by \$793 thousand. Additionally, the increase in customer base and the rate increase in March 2022 contributed to an overall \$317 thousand increase in Water and Wastewater Revenues. Cable and Communications Department revenues increased \$217 thousand over prior year.

**Operating Expenses:** The Commission's operating expenses totaled \$55.2 million in FY2022, which was \$8.1 million higher than FY2021. Electric's operating expenses increased \$5.3 million, with \$4.1 million attributed to an increase in purchased power costs. The remaining increase in the electric department related to additional generation costs and base operating expenses. The Gas Department's operating expenses increased \$1.2 million over the prior year, primarily due to an increase in the gas purchases for customer usage. The Water and Wastewater Departments' expenses increased \$733 thousand due to increased base operating expenses and increased maintenance expenses for both the distribution and collection operations. The Cable and Communications operating expenses increased \$891 thousand over the prior year. The largest increase in the Cable and Communications department is due to higher base operating expenses for the Internet and Cable TV divisions.

**TOWN OF EASTON, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

**ANALYSIS OF BUDGET AND ACTUAL RESULTS**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Governmental Funds – GENERAL FUND</b>				
<b>Revenues</b>				
Taxes	\$ 15,846,551	\$ 16,056,229	\$ 16,437,665	\$ 381,436
Licenses and Permits	935,300	935,300	740,928	(194,372)
Intergovernmental	735,267	8,947,898	4,117,937	(4,829,961)
Charges for Services	2,311,125	1,987,865	2,131,826	143,961
Fines and Forfeitures	49,800	49,800	53,575	3,775
Miscellaneous	2,806,050	2,506,000	2,772,380	266,380
Total Revenues	<u>\$ 22,684,093</u>	<u>\$ 30,483,092</u>	<u>\$ 26,254,311</u>	<u>\$ (4,228,781)</u>
<b>Expenditures</b>				
Current Operations:				
General Government Administration	\$ 3,529,533	\$ 3,578,547	\$ 3,623,744	\$ (45,197)
Public Safety	9,981,408	10,094,824	9,750,315	344,509
Public Works	5,152,922	5,214,202	5,689,366	(475,164)
Recreation and Cultural	503,300	507,151	521,727	(14,576)
Economic Development	494,670	3,810,760	3,695,788	114,972
Nondepartmental	659,589	683,946	588,312	95,634
Debt Service:				
Principal	109,712	109,712	73,311	36,401
Interest	24,431	24,431	20,628	3,803
Other Financing (Sources) Uses:				
Transfers (net)	2,228,528	6,459,519	6,339,255	120,264
Total Expenditures and Other Uses	<u>\$ 22,684,093</u>	<u>\$ 30,483,092</u>	<u>\$ 30,302,446</u>	<u>\$ 180,646</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 below budgeted revenues by approximately \$4.2 million dollars or more than 14% of the budgeted revenue of approximately \$30.4 million. This is the net result of intergovernmental revenues that were \$4.8 million less than budget, licenses and permits that were \$194 thousand less than budget and miscellaneous revenues that were \$266 thousand higher than budget with other categories balancing out the remaining difference.
- Gross budgeted expenditures and other financing uses exceeded the gross actual expenditures and other financing (sources) uses by approximately \$105 thousand or .6% of budgeted expenditures and other financing uses. The most significant variance related to Public Works operations.



**TOWN OF EASTON, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

**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, 2022, amounts to \$148.6 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, 2022 and 2021, respectively:

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 9,251,150	\$ 7,502,670	\$ 2,759,911	\$ 2,607,619	\$ 12,011,061	\$ 10,110,289
Buildings and Improvements	30,770,507	30,758,312	15,056,653	15,028,780	45,827,160	45,787,092
Plants, Mains and Other Equipment	2,497,823	3,216,350	80,979,823	79,458,219	83,477,646	82,674,569
Right-to-Use Equipment	259,384	270,586	-	-	259,384	270,586
Construction in Progress	-	-	7,054,700	4,106,407	7,054,700	4,106,407
Total Capital Assets	<u>\$ 42,778,864</u>	<u>\$ 41,747,918</u>	<u>\$ 105,851,087</u>	<u>\$ 101,201,025</u>	<u>\$ 148,629,951</u>	<u>\$ 142,948,943</u>

During the year ended June 30, 2022, the Town's capital assets increased by approximately \$5.7 million.

**Long-Term Debt Activity**

The Town of Easton issued new bonds during fiscal year 2021. Regularly scheduled principal payments were made during FY2022 totaling approximately \$1.3 million. 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	
	2022	2021	2022	2021	2022	2021
General Obligation Bonds	\$ 13,581,188	\$ 14,311,588	\$ -	\$ -	\$ 13,581,188	\$ 14,311,588
Loans, Notes and Leases Payable	2,182,200	2,208,036	12,150,220	14,041,974	14,332,420	16,250,010
Compensated Absences	1,015,973	1,150,134	1,138,567	1,047,087	2,154,540	2,197,221
Total Long-Term Liabilities	<u>\$ 16,779,361</u>	<u>\$ 17,669,758</u>	<u>\$ 13,288,787</u>	<u>\$ 15,089,061</u>	<u>\$ 30,068,148</u>	<u>\$ 32,758,819</u>

**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, 2022**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 33,092,229	\$ 12,510,454	\$ 45,602,683
Investments	13,030	17,661,337	17,674,367
Accounts Receivable, Net	2,358,363	5,584,540	7,942,903
Leases Receivable	-	112,731	112,731
Grants Receivable	-	2,258,703	2,258,703
Collateral Deposit	-	200,000	200,000
Unrecovered Fuel and Gas Costs	-	1,367,445	1,367,445
Interest Receivable	-	16,912	16,912
Prepaid Items	8,752	245,465	254,217
Unbilled Revenue	-	1,775,586	1,775,586
Inventory, at Average Cost	-	9,758,801	9,758,801
Total Current Assets	<u>35,472,374</u>	<u>51,491,974</u>	<u>86,964,348</u>
<b>NONCURRENT ASSETS</b>			
Leases Receivable	-	589,913	589,913
Grants Receivable, Long-Term	-	1,048,658	1,048,658
Net OPEB Asset	-	1,114,728	1,114,728
Unamortized Expenses	-	137,363	137,363
Capital Assets, Not Being Depreciated/ Amortized	9,251,150	9,814,611	19,065,761
Capital Assets, Net of Accumulated Depreciation/ Amortization	<u>33,527,714</u>	<u>96,036,476</u>	<u>129,564,190</u>
Total Noncurrent Assets	<u>42,778,864</u>	<u>108,741,749</u>	<u>151,520,613</u>
Total Assets	<u>78,251,238</u>	<u>160,233,723</u>	<u>238,484,961</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Unamortized Loss on Reacquired Debt	348,280	-	348,280
Deferred Outflow - Benefit Plans	<u>3,400,748</u>	<u>2,688,849</u>	<u>6,089,597</u>
Total Deferred Outflows of Resources	<u>3,749,028</u>	<u>2,688,849</u>	<u>6,437,877</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	1,081,250	2,876,387	3,957,637
Accrued Liabilities	778,072	2,479,674	3,257,746
Tax Collection Payable	-	989,430	989,430
Performance Deposits	842,411	1,510,926	2,353,337
Unearned Revenue	4,770,292	1,489,766	6,260,058
Current Portion of Long-Term Debt	<u>751,515</u>	<u>1,951,089</u>	<u>2,702,604</u>
Total Current Liabilities	<u>8,223,540</u>	<u>11,297,272</u>	<u>19,520,812</u>
<b>NONCURRENT LIABILITIES</b>			
Compensated Absences	1,015,973	1,138,567	2,154,540
Long-Term Debt, Net of Current Portion	15,011,873	10,199,131	25,211,004
Net OPEB Liability	2,471,059	-	2,471,059
Net Pension Liability	<u>4,410,310</u>	<u>451,737</u>	<u>4,862,047</u>
Total Noncurrent Liabilities	<u>22,909,215</u>	<u>11,789,435</u>	<u>34,698,650</u>
Total Liabilities	<u>31,132,755</u>	<u>23,086,707</u>	<u>54,219,462</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows - Leases	-	687,778	687,778
Deferred Inflow - Benefit Plans	<u>2,589,762</u>	<u>2,542,314</u>	<u>5,132,076</u>
Total Deferred Inflows of Resources	<u>2,589,762</u>	<u>3,230,092</u>	<u>5,819,854</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	27,363,756	93,700,867	121,064,623
Restricted for:			
Debt Service	6,567,713	-	6,567,713
Capital Improvements	2,458,976	1,816,458	4,275,434
Unrestricted	<u>11,887,304</u>	<u>41,088,448</u>	<u>52,975,752</u>
Total Net Position	<u>\$ 48,277,749</u>	<u>\$ 136,605,773</u>	<u>\$ 184,883,522</u>

See accompanying Notes to Financial Statements.

**TOWN OF EASTON, MARYLAND  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2022**

FUNCTIONS/PROGRAMS	Program Revenues			Net Revenue(Expense) and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>						
<b>Governmental Activities:</b>						
General Government	\$ 3,482,008	\$ 898,974	\$ -	\$ (2,583,034)	\$ -	\$ (2,583,034)
Public Safety	8,210,084	362,645	260,329	(7,587,110)	-	(7,587,110)
Public Works	6,077,882	2,016,614	1,143,496	(2,917,772)	-	(2,917,772)
Recreation and Cultural	1,228,404	-	387,544	(840,860)	-	(840,860)
Economic Development	3,707,599	8,188	3,629,952	(69,459)	-	(69,459)
Nondepartmental	676,304	-	-	(676,304)	-	(676,304)
Interest Expense	426,511	-	-	(426,511)	-	(426,511)
Total Governmental Activities	<u>23,808,792</u>	<u>3,286,421</u>	<u>5,421,321</u>	<u>(15,101,050)</u>	<u>-</u>	<u>(15,101,050)</u>
<b>Business-Type Activities:</b>						
Utility	55,062,009	61,206,089	-	-	6,144,080	6,144,080
Land Enterprise	127,527	171,488	-	-	43,961	43,961
Airport Industrial	172,619	-	393,774	-	221,155	221,155
Total Business-Type Activities	<u>55,362,155</u>	<u>61,377,577</u>	<u>393,774</u>	<u>-</u>	<u>6,409,196</u>	<u>6,409,196</u>
Total Primary Government	<u>\$ 79,170,947</u>	<u>\$ 64,663,998</u>	<u>\$ 5,815,095</u>	<u>(15,101,050)</u>	<u>6,409,196</u>	<u>(8,691,854)</u>
<b>General Revenues:</b>						
Property Taxes				13,309,574	-	13,309,574
Payment in Lieu of Taxes				2,179,229	(2,179,229)	-
Intergovernmental, Unrestricted				456,078	-	456,078
Interest and Investment Earnings				45,310	68,116	113,426
Miscellaneous				317,263	(376,031)	(58,768)
Transfers net				(1,207,751)	1,207,751	-
Total General Revenues				<u>15,099,703</u>	<u>(1,279,393)</u>	<u>13,820,310</u>
<b>CHANGE IN NET POSITION</b>				(1,347)	5,129,803	5,128,456
Net Position - Beginning of Year				<u>48,279,096</u>	<u>131,475,970</u>	<u>179,755,066</u>
<b>NET POSITION - END OF YEAR</b>				<u>\$ 48,277,749</u>	<u>\$ 136,605,773</u>	<u>\$ 184,883,522</u>

See accompanying Notes to Financial Statements.

**TOWN OF EASTON, MARYLAND**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**JUNE 30, 2022**

	General Fund	Capital Projects Fund	Infrastructure Development Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and Cash Equivalents - Pooled	\$ 13,997,791	\$ 9,997,873	\$ 2,458,976	\$ 6,637,589	\$ 33,092,229
Investments	13,030	-	-	-	13,030
Accounts Receivable, Net	2,356,465	1,858	-	40	2,358,363
Prepaid Items	8,752	-	-	-	8,752
Due from Other Funds	2,848	-	-	-	2,848
	<u>16,378,886</u>	<u>9,999,731</u>	<u>2,458,976</u>	<u>6,637,629</u>	<u>35,475,222</u>
<b>Total Assets</b>					
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts Payable	\$ 828,360	\$ 156,312	\$ -	\$ 96,578	\$ 1,081,250
Accrued Liabilities	772,640	5,432	-	-	778,072
Due to Other Funds	-	-	-	2,848	2,848
Performance Deposits	842,411	-	-	-	842,411
Unearned Revenue	4,770,292	-	-	-	4,770,292
Total Liabilities	<u>7,213,703</u>	<u>161,744</u>	<u>-</u>	<u>99,426</u>	<u>7,474,873</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Tax Revenue	1,043,207	-	-	-	1,043,207
Total Deferred Inflows of Resources	<u>1,043,207</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,043,207</u>
<b>FUND BALANCES</b>					
Nonspendable	8,752	-	-	-	8,752
Restricted	-	-	2,458,976	6,567,713	9,026,689
Committed	3,591,260	9,837,987	-	-	13,429,247
Assigned	-	-	-	69,567	69,567
Unassigned	4,521,964	-	-	(99,077)	4,422,887
Total Fund Balances	<u>8,121,976</u>	<u>9,837,987</u>	<u>2,458,976</u>	<u>6,538,203</u>	<u>26,957,142</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 16,378,886</u>	<u>\$ 9,999,731</u>	<u>\$ 2,458,976</u>	<u>\$ 6,637,629</u>	<u>\$ 35,475,222</u>

See accompanying Notes to Financial Statements.

**TOWN OF EASTON, MARYLAND  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
YEAR ENDED JUNE 30, 2022**

<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b>		<b>\$ 26,957,142</b>
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The cost of these assets is \$83,542,545 and the accumulated depreciation is \$40,763,681		42,778,864
Net OPEB Liability		(2,471,059)
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	\$ (12,450,000)	
Notes Payable	(1,939,530)	
Leases Payable	(242,670)	
Bond Premium	(1,131,188)	
Compensated Absences	<u>(1,015,973)</u>	(16,779,361)
Net pension obligations are not due and payable in the current period, and therefore, are not reported in the funds		(4,410,310)
Deferred outflow - loss on refunding included in governmental activities		348,280
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 \$3,400,748 outflows of resources pension/OPEB expense and \$2,589,762 of Deferred inflows of resources related to pensions/OPEB.		810,986
Certain receivables are not available to pay for current period expenditures and, therefore, are deferred inflows in the governmental funds.		<u>1,043,207</u>
Total Net Position - Governmental Activities		<u><u>\$ 48,277,749</u></u>

See accompanying Notes to Financial Statements.

**TOWN OF EASTON, MARYLAND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES – GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2022**

	General Fund	Capital Projects Fund	Infrastructure Development Fund	Nonmajor Governmental Fund	Total Governmental Funds
<b>REVENUES</b>					
General Property Taxes	\$ 13,309,574	\$ -	\$ -	\$ -	\$ 13,309,574
Other Local Taxes	3,128,091	-	-	-	3,128,091
Permits and Licenses	740,928	-	-	-	740,928
Fines and Forfeitures	53,575	-	-	-	53,575
Charges for Services	2,131,826	-	-	-	2,131,826
Revenues from Other Agencies	4,117,937	153,556	-	359,499	4,630,992
Miscellaneous	2,772,380	-	240,930	274,178	3,287,488
Total Revenues	<u>26,254,311</u>	<u>153,556</u>	<u>240,930</u>	<u>633,677</u>	<u>27,282,474</u>
<b>EXPENDITURES</b>					
Current Operations:					
General Government	3,623,744	2,244,825	-	-	5,868,569
Public Safety	9,750,315	1,381,100	-	15,279	11,146,694
Public Works	5,689,366	651,101	-	-	6,340,467
Recreation and Cultural	521,727	345,267	-	382,997	1,249,991
Economic Development	3,695,788	-	-	-	3,695,788
Nondepartmental	588,312	-	-	1,500	589,812
Debt Service:					
Principal	73,311	-	-	675,000	748,311
Interest	20,628	-	-	350,483	371,111
Total Expenditures	<u>23,963,191</u>	<u>4,622,293</u>	<u>-</u>	<u>1,425,259</u>	<u>30,010,743</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	2,291,120	(4,468,737)	240,930	(791,582)	(2,728,269)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	2,171,450	7,485,220	-	1,025,484	10,682,154
Transfers Out	(8,510,705)	-	(2,567,750)	(811,450)	(11,889,905)
Total Other Financing Sources (Uses)	<u>(6,339,255)</u>	<u>7,485,220</u>	<u>(2,567,750)</u>	<u>214,034</u>	<u>(1,207,751)</u>
<b>NET CHANGES IN FUND BALANCES</b>	(4,048,135)	3,016,483	(2,326,820)	(577,548)	(3,936,020)
Fund Balances - Beginning of Year	12,170,111	6,821,504	4,785,796	7,115,751	30,893,162
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 8,121,976</u>	<u>\$ 9,837,987</u>	<u>\$ 2,458,976</u>	<u>\$ 6,538,203</u>	<u>\$ 26,957,142</u>

See accompanying Notes to Financial Statements.

**TOWN OF EASTON, MARYLAND  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2022**

**TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** \$ (3,936,020)

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 \$3,047,578 and a disposal of \$61,561 was exceeded by capital outlay \$2,662,191 in the period. 1,301,532

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). 134,161

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. 756,236

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	1,121,491
Net effect of expenses for recording OPEB liability from the OPEB plan	590,080

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. 86,573

Change in Net Position of Governmental Activities \$ (1,347)

**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, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget		
<b>REVENUES</b>				
<b>Taxes</b>				
General Property Taxes:				
Real Property Taxes	\$ 12,049,873	\$ 12,259,551	\$ 12,357,201	\$ 97,650
Personal Property Taxes - Business	825,000	825,000	897,804	72,804
Personal Property Taxes - Railroad and Public Utilities	105,000	105,000	84,684	(20,316)
Abatements/Discounts	(70,000)	(70,000)	(79,019)	(9,019)
Penalties and Interest	44,700	44,700	48,904	4,204
Total General Property Taxes	<u>12,954,573</u>	<u>13,164,251</u>	<u>13,309,574</u>	<u>145,323</u>
Local Taxes:				
State Shared Income Taxes	1,995,000	1,995,000	2,146,675	151,675
State Shared Highway Taxes	894,728	894,728	977,269	82,541
Admission and Amusements	1,500	1,500	3,397	1,897
Franchise-Ordinary Business Corporation	750	750	750	-
Total Other Local Taxes	<u>2,891,978</u>	<u>2,891,978</u>	<u>3,128,091</u>	<u>236,113</u>
Total Taxes	<u>15,846,551</u>	<u>16,056,229</u>	<u>16,437,665</u>	<u>381,436</u>
<b>Permits and Licenses</b>				
Trader's Licenses	60,000	60,000	66,269	6,269
Building Permits	273,500	273,500	371,357	97,857
Alteration Permits	246,000	246,000	132,899	-
Mechanical Permits	82,500	82,500	-	-
Electrical Permits	66,200	66,200	-	-
Plumbing Permits	40,000	40,000	33,399	(6,601)
Use and Occupancy Permits	65,000	65,000	56,425	(8,575)
Rental Housing License Fees	88,000	88,000	65,875	(22,125)
Permits and Other Licenses	14,100	14,100	14,704	604
Total Permits and Licenses	<u>935,300</u>	<u>935,300</u>	<u>740,928</u>	<u>(194,372)</u>
<b>Fines and Forfeitures</b>				
	49,800	49,800	53,575	3,775
<b>Charges for Services</b>				
General Government	100,000	100,000	158,046	58,046
Public Safety	84,625	84,625	198,095	113,470
Highway and Streets	95,000	95,000	55,550	(39,450)
Sanitation and Waste Removal	2,006,500	1,683,240	1,669,700	(13,540)
Main Street and Recreation Fees	25,000	25,000	50,435	25,435
Total Charges for Services	<u>2,311,125</u>	<u>1,987,865</u>	<u>2,131,826</u>	<u>143,961</u>
<b>Revenues from Other Agencies</b>				
Federal:				
ARPA	-	8,212,631	3,275,680	(4,936,951)
Total Federal	<u>-</u>	<u>8,212,631</u>	<u>3,275,680</u>	<u>(4,936,951)</u>
State:				
Police Protection	242,044	242,044	227,816	(14,228)
Fire, Rescue, and Ambulance	13,000	13,000	12,266	(734)
Conservation and Critical Areas	4,500	4,500	3,500	(1,000)
Recreation Open Space & Other Projects	45,000	45,000	7,019	(37,981)
Total State	<u>304,544</u>	<u>304,544</u>	<u>250,601</u>	<u>(53,943)</u>
County:				
Taxes	425,000	425,000	577,933	152,933
Misc County Grant	5,723	5,723	13,723	8,000
Total County	<u>430,723</u>	<u>430,723</u>	<u>591,656</u>	<u>160,933</u>
Total Revenues from Other Agencies	<u>735,267</u>	<u>8,947,898</u>	<u>4,117,937</u>	<u>(4,829,961)</u>
<b>Miscellaneous</b>				
	2,806,050	2,506,000	2,772,380	266,380
Total Revenues	<u>22,684,093</u>	<u>30,483,092</u>	<u>26,254,311</u>	<u>(4,228,781)</u>

See accompanying Notes to 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, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget		
<b>EXPENDITURES</b>				
<b>General Government</b>				
Legislative:				
Town Council	\$ 169,182	\$ 164,775	\$ 193,435	\$ (28,660)
Town Clerk	249,672	252,190	250,912	1,278
Total Legislative	418,854	416,965	444,347	(27,382)
Executive Mayor	103,966	102,974	105,579	(2,605)
Town Manager	670,406	729,110	779,894	(50,784)
Elections	-	-	-	-
Financial Administration	1,236,565	1,218,849	1,168,665	50,184
Planning and Zoning	617,914	624,707	744,490	(119,783)
General Services	481,828	485,942	380,769	105,173
Total General Government	3,529,533	3,578,547	3,623,744	(45,197)
<b>Public Safety</b>				
Police	7,794,206	7,859,702	7,634,079	225,623
Traffic Control	47,008	48,276	50,876	(2,600)
Fire and Rescue	343,382	343,382	421,265	(77,883)
Code Enforcement	615,479	650,355	603,745	46,610
Rental Housing	218,250	220,766	210,457	10,309
Traffic Engineering	963,083	972,343	829,893	142,450
Total Public Safety	9,981,408	10,094,824	9,750,315	344,509
<b>Public Works</b>				
Administration	727,843	748,065	630,577	117,488
Sanitation and Waste Removal	2,069,926	2,087,956	2,365,617	(277,661)
Highways, Streets, and Sidewalks	2,355,153	2,378,181	2,689,683	(311,502)
Mosquito Control	-	-	3,489	(3,489)
Total Public Works	5,152,922	5,214,202	5,689,366	(475,164)
<b>Parks, Recreation, and Cultural</b>				
Parks and Recreation Administration	503,300	507,151	479,947	27,204
Participation Recreation	-	-	1,018	(1,018)
Municipal Parks	-	-	40,762	(40,762)
Total Parks, Recreation, and Cultural	503,300	507,151	521,727	(14,576)
<b>Economic Development/Main Street</b>	494,670	3,810,760	3,695,788	114,972
<b>Nondepartmental</b>	659,589	683,946	588,312	95,634
<b>Debt Service</b>				
Principal	109,712	109,712	73,311	36,401
Interest	24,431	24,431	20,628	3,803
Total Debt Service	134,143	134,143	93,939	40,204
Total Expenditures	20,455,565	24,023,573	23,963,191	60,382

See accompanying Notes to 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, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget		
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers (Net):				
Debt Service	\$ (1,025,484)	\$ (1,025,484)	\$ (1,025,484)	\$ -
Law Enforcement	-	-	-	-
Capital Projects	(3,374,494)	(7,605,485)	(7,485,221)	120,264
Impact Fee	-	-	-	-
General Fund	2,171,450	2,171,450	2,171,450	-
Total Other Financing Uses	<u>(2,228,528)</u>	<u>(6,459,519)</u>	<u>(6,339,255)</u>	<u>120,264</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	(4,048,135)	<u>\$ (4,048,135)</u>
Fund Balance - Beginning of Year			<u>11,676,284</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 7,628,149</u>	

See accompanying Notes to Financial Statements.

**TOWN OF EASTON, MARYLAND**  
**STATEMENT OF NET POSITION – PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2022**

	Business-Type Activities - Enterprise Funds		
	Utility	Nonmajor	Totals
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 10,779,379	\$ 1,731,075	\$ 12,510,454
Investments	17,661,337	-	17,661,337
Collateral Deposit	200,000	-	200,000
Accounts Receivable, Net	5,510,914	73,626	5,584,540
Leases Receivable	-	112,731	112,731
Grants Receivable, Short-Term	2,258,703	-	2,258,703
Unrecovered Fuel and Gas Costs	1,367,445	-	1,367,445
Interest Receivable	16,912	-	16,912
Prepaid Items	245,465	-	245,465
Unbilled Revenue	1,775,586	-	1,775,586
Inventory	9,758,801	-	9,758,801
Total Current Assets	<u>49,574,542</u>	<u>1,917,432</u>	<u>51,491,974</u>
<b>NONCURRENT ASSETS</b>			
Leases Receivable	-	589,913	589,913
Grants Receivable, Long-Term	1,048,658	-	1,048,658
Net OPEB Asset	1,114,728	-	1,114,728
Unamortized Expenses	137,363	-	137,363
Capital Assets, Not Being Depreciated	9,623,603	191,008	9,814,611
Capital Assets, Net of Accumulated Depreciation	91,119,382	4,917,094	96,036,476
Total Noncurrent Assets	<u>103,043,734</u>	<u>5,698,015</u>	<u>108,741,749</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflow - Pension and OPEB	2,688,849	-	2,688,849
Total Deferred Outflows of Resources	<u>2,688,849</u>	<u>-</u>	<u>2,688,849</u>
Total Assets and Deferred Outflows	<u>\$ 155,307,125</u>	<u>\$ 7,615,447</u>	<u>\$ 162,922,572</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	\$ 2,854,425	\$ 21,962	\$ 2,876,387
Accrued Liabilities	1,767,078	712,596	2,479,674
Tax Collection Payable	989,430	-	989,430
Performance Deposits	1,509,426	1,500	1,510,926
Unearned Revenue	1,489,766	-	1,489,766
Current Portion of Long-Term Debt	1,951,089	-	1,951,089
Total Current Liabilities	<u>10,561,214</u>	<u>736,058</u>	<u>11,297,272</u>
<b>NONCURRENT LIABILITIES</b>			
Net Pension Liability	451,737	-	451,737
Compensated Absences, Net of Current Portion	1,138,567	-	1,138,567
Long-Term Debt, Net of Current Portion	10,199,131	-	10,199,131
Total Noncurrent Liabilities	<u>11,789,435</u>	<u>-</u>	<u>11,789,435</u>
Total Liabilities	22,350,649	736,058	23,086,707
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows - Leases	-	687,778	687,778
Deferred Inflow - Pension and OPEB	2,542,314	-	2,542,314
Total Deferred Inflows of Resources	<u>2,542,314</u>	<u>687,778</u>	<u>3,230,092</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	88,592,765	5,108,102	93,700,867
Restricted for Capital Project	1,816,458	-	1,816,458
Unrestricted	40,004,939	1,083,509	41,088,448
Total Net Position	<u>130,414,162</u>	<u>6,191,611</u>	<u>136,605,773</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 155,307,125</u>	<u>\$ 7,615,447</u>	<u>\$ 162,922,572</u>

See accompanying Notes to Financial Statements.

**TOWN OF EASTON, MARYLAND**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**NET POSITION – PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2022**

	Business-Type Activities - Enterprise Funds		
	Utility	Nonmajor	Total
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 59,635,892	\$ 153,190	\$ 59,789,082
Other Operating Revenues	1,570,197	18,298	1,588,495
<b>Total Operating Revenues</b>	<u>61,206,089</u>	<u>171,488</u>	<u>61,377,577</u>
<b>OPERATING EXPENSES</b>			
Cost of Service	47,001,201	62,773	47,063,974
Depreciation	7,940,263	237,373	8,177,636
<b>Total Operating Expenses</b>	<u>54,941,464</u>	<u>300,146</u>	<u>55,241,610</u>
<b>OPERATING INCOME (LOSS)</b>	6,264,625	(128,658)	6,135,967
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Grant Revenues	-	393,774	393,774
Investment Earnings	68,116	-	68,116
Interest Expense	(120,545)	-	(120,545)
Sale of Property	24,534	102,840	127,374
Payment in Lieu of Taxes	(2,179,229)	-	(2,179,229)
Capital Charges	230,197	-	230,197
Miscellaneous	(733,602)	-	(733,602)
Transfers In (Out)	-	1,207,751	1,207,751
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(2,710,529)</u>	<u>1,704,365</u>	<u>(1,006,164)</u>
<b>CHANGES IN FUND NET POSITION</b>	3,554,096	1,575,707	5,129,803
Total Net Position - Beginning of Year	<u>126,860,066</u>	<u>4,615,904</u>	<u>131,475,970</u>
<b>TOTAL NET POSITION - END OF YEAR</b>	<u>\$ 130,414,162</u>	<u>\$ 6,191,611</u>	<u>\$ 136,605,773</u>

See accompanying Notes to Financial Statements.

**TOWN OF EASTON, MARYLAND**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2022**

	Business-Type Activities - Enterprise Funds		
	Utility	Nonmajor	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received for Services	\$ 59,020,709	\$ 144,525	\$ 59,165,234
Cash Paid to Suppliers for Goods and Services	(37,619,167)	(60,991)	(37,680,158)
Cash Paid to Employees for Services	(14,766,035)	-	(14,766,035)
Grant Proceeds	-	-	-
Net Cash Provided by Operating Activities	<u>6,635,507</u>	<u>83,534</u>	<u>6,719,041</u>
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Cash Paid in Lieu of Taxes	(2,179,229)	-	(2,179,229)
Grant Proceeds	-	574,099	574,099
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>(2,179,229)</u>	<u>574,099</u>	<u>(1,605,130)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Cash Flows from Grant Receipts	2,219,631	-	2,219,631
Proceeds from Disposition of Assets	22,943	-	22,943
Proceeds from Capital Charges	230,197	-	230,197
Purchases/Construction of Capital Assets	(14,919,084)	(1,048,171)	(15,967,255)
Sale of Property	-	398,000	398,000
Interfund Loan	-	51,597	51,597
Payment of Debt	(1,891,754)	-	(1,891,754)
Other Interest Paid	(251,128)	-	(251,128)
Net Cash Used by Capital and Related Financing Activities	<u>(14,589,195)</u>	<u>(598,574)</u>	<u>(15,187,769)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on Cash Deposits and Investments	51,920	-	51,920
Sales of Investments	20,000,000	-	20,000,000
Purchases of Investments	(10,027,718)	-	(10,027,718)
Net Cash Provided (Used) by Investing Activities	<u>10,024,202</u>	<u>-</u>	<u>10,024,202</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
	(108,715)	59,059	(49,656)
Cash and Cash Equivalents - Beginning of Year	<u>10,888,094</u>	<u>1,672,016</u>	<u>12,560,110</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 10,779,379</u>	<u>\$ 1,731,075</u>	<u>\$ 12,510,454</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating Income	\$ 6,264,625	\$ (128,658)	\$ 6,135,967
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	7,940,263	237,373	8,177,636
Amortization	81,942	-	81,942
Other Miscellaneous Nonoperating Revenue	105,267	-	105,267
Effects of Changes in Operating Assets, Deferred Outflows, Liabilities, and Deferred Inflows:			
Accounts Receivable, Net	(2,259,091)	(12,097)	(2,271,188)
Leases Receivable	-	(702,644)	(702,644)
Inventory	(5,333,447)	-	(5,333,447)
Under-Recovered Energy Costs, Net	(667,882)	-	(667,882)
Prepaid, and Other Assets	4,224,271	-	4,224,271
Deferred Inflows/Outflows - Pension and OPEB	(5,001,399)	-	(5,001,399)
Asset Sold, Net	-	-	-
Accounts Payable and Accrued Liabilities	1,280,958	1,782	1,282,740
Deferred Inflows - Leases	-	687,778	687,778
Total Adjustments	<u>370,882</u>	<u>212,192</u>	<u>583,074</u>
Net Cash Provided by Operating Activities	<u>\$ 6,635,507</u>	<u>\$ 83,534</u>	<u>\$ 6,719,041</u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Contributions of Capital Assets	<u>\$ 1,326,179</u>	<u>\$ -</u>	<u>\$ 1,326,179</u>

See accompanying Notes to Financial Statements.

**TOWN OF EASTON, MARYLAND**  
**STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS**  
**JUNE 30, 2022**

	Benefits Trust Funds
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 861,303
Investments, at Fair Value	61,063,300
Contribution Receivable	980,891
Total Assets	\$ 62,905,494
 <b>NET POSITION</b>	
Restricted - Held in Trust for Pension Benefits	43,441,682
Restricted - Held in Trust for OPEB	19,463,812
Total Net Position	\$ 62,905,494

See accompanying Notes to Financial Statements.

**TOWN OF EASTON, MARYLAND**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS**  
**YEAR ENDED JUNE 30, 2022**

	Benefits Trust Funds
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 2,957,421
Employees	<u>234,532</u>
Total Contributions	3,191,953
Investment Earnings:	
Net Decrease in Fair Value of Plan Investments	<u>(9,172,817)</u>
Total Investment Earnings	(9,172,817)
Less: Investment Expense	-
Net Investment Earnings	<u>(9,172,817)</u>
Total Additions	(5,980,864)
<b>DEDUCTIONS</b>	
Benefit Payments	2,820,331
Administrative Expenses	<u>211,834</u>
<b>NET CHANGE</b>	(9,013,029)
Net Position - Beginning of Year	<u>71,918,523</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 62,905,494</u></u>

See accompanying Notes to Financial Statements.

**TOWN OF EASTON, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**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 the Mayor and approved by the Town Council. Water, wastewater, and cable and communications rates are approved by the Town Council. The electric and gas rates are approved by the Town Council and are regulated by the Maryland Public Service Commission. The legal liability for the general obligation portion of the Utility Fund's debt remains with the Town. Separate financial statements for the Utility Fund may be obtained from The Easton Utilities Commission.

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

**Government-Wide and Fund Financial Statements**

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

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

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



**TOWN OF EASTON, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

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

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

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

**TOWN OF EASTON, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

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

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

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

The Town's Utility Fund gas and electric departments are regulated and are subject to the requirements of Accounting Standards Codification (ASC) ASC 980-10, *Regulated Operations – Overall* and ASC 980-340, *Regulated Operations – Other Asset and Deferred Costs* provide that certain costs that would otherwise be charged to expense should be deferred as regulatory assets, based on the expected recovery from customers in future rates. Utility plant assets donated by developers or constructed with grants received from other agencies are recorded as capital assets to the extent that the depreciation of such costs will be included in rates charged by the utility fund in future years. However, when it becomes probable that part of the cost of an asset will be disallowed for rate-making purposes and a reasonable estimate of the amount of the disallowance can be made, the estimated amount of the probable disallowance is deducted from the reported cost of the plant and recognized as a loss.

**TOWN OF EASTON, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounting Estimates**

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

**Cash, Cash Equivalents, and Investments**

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

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

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

**Receivables and Payables**

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

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

**TOWN OF EASTON, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Receivables and Payables (Continued)**

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

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

**Capital Assets**

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

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

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

**TOWN OF EASTON, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets (Continued)**

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

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

**Unbilled Revenue**

Customers of the Utility Fund’s electric, gas and cable departments are billed in arrears on one of four monthly cycles. As a result of the cycles, in arrears billing, a portion of June’s usage is not yet billed at year-end. A provision for revenue is recorded based on the actual billings in July and the days unbilled in each cycle at the end of June. Customers of the Commission’s Water and Wastewater Department are billed quarterly. As such, a provision for revenue is recorded representing actual customer billings in July and the days unbilled in each cycle at the end of June. The balance at June 30, 2022, is \$1,775,586.

**Unrecovered and Over-recovered Fuel and Gas Costs**

The Utility Fund recognizes the effects of purchased power and gas costs that have not been recovered from customers by way of fuel cost adjustment and purchased gas adjustment revenues. Unrecovered fuel and gas costs represent purchased power and gas costs that have been incurred by the Utility Fund, but which have not yet been billed to customers. Over-recovered fuel and gas costs represent purchased power and gas costs that have been billed to customers, but which have not yet been incurred by the Utility Fund. As of June 30, 2022, the Commission had net under-recovered cost of \$1,367,445.

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

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

**Inventory**

The Utility Fund’s inventory, consisting of natural gas, materials, fuels and supplies, is recorded at cost. It is carried and charged as used in the operations of the fund at average cost. Inventory totaled \$9,758,801 at June 30, 2022.

**TOWN OF EASTON, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Compensated Absences**

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

**Long-Term Obligations**

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

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

**Performance Deposits**

Customers of the Town are billed for parking permit fees that cover part of the next fiscal year. The customers' balances which represent the portion of these fees are shown as Unearned Revenues. The balance at June 30, 2022, is \$13,151.

**Unearned Revenues**

During FY2022 the Town received American Rescue Plan Fund (ARP) grant monies in relation to the COVID-19 pandemic recovery efforts. As of June 30, there remained a balance of \$4,765,292 in unspent grant monies. The grant funds must be obligated by December 2024 and fully expended by December 31, 2026. The \$5 thousand represents monies collected from a developer for the expansion of the Rails to Trails system.

**Deferred Outflows/Inflows of Resources**

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

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

**TOWN OF EASTON, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Pensions**

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

**Postemployment Benefits Other than Pensions (OPEB)**

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

**Net Position/Fund Equity**

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

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

***Governmental Fund Balances***

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

**TOWN OF EASTON, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Position/Fund Equity (Continued)**

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

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

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

***Stabilization Arrangement***

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



**TOWN OF EASTON, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Stewardship, Compliance, and Accountability**

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

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

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

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

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

The budget is prepared on a basis consistent with generally accepted accounting principles (GAAP) except that short-term and interfund debt is considered other financing sources for budgetary purposes. The following schedule details the necessary adjustments to convert the results of operating and fund balances at the end of the year on the GAAP to budgetary basis:

	Revenues	Expenses	Other Financing Sources (Uses)	Fund Balance
GAAP Basis	\$ 26,254,311	\$ 23,963,191	\$ (6,339,255)	\$ 8,121,976
Interfund Loan – Effect of Previous Years	-	-	-	(493,827)
Budgetary Basis	\$ 26,254,311	\$ 23,963,191	\$ (6,339,255)	\$ 7,628,149

**TOWN OF EASTON, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Deferred Compensation and Defined Contribution Plans**

**457 Deferred Compensation Plan**

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

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

**Pension Plan**

The Town of Easton, Maryland Employee's Retirement Plan is a defined benefit pension plan established to provide benefits to virtually all employees hired prior to July 1, 2008. This plan is still the primary plan utilized for the sworn officers. Plan provisions and contribution requirements are established and may be amended by the Town Council. The Town's contribution to the plan for the year ended June 30, 2022 was \$1,101,994. The plan administrator is Prudential.

**Adoption of New Accounting Standards:**

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The Town adopted the requirements of the guidance effective July 1, 2021, and has applied the provisions of this standard to the beginning of the period of adoption.

**TOWN OF EASTON, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**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 \$45,602,683 and the bank balance was \$45,090,478. 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, 2022.

**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, 2022, the Town had \$17,674,367 invested in this Pool. The Pool is rated AAAM by Standard & Poor's, their highest rating for money market mutual funds. The MLGIP seeks to maintain a constant value of \$1.00 per unit. Unit value is computed using the amortized cost method. In addition, the net asset value of the pool, marked to market, is calculated and maintained on a weekly basis to ensure a \$1.00 per unit constant value.

**TOWN OF EASTON, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**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	\$ 5,678,231
Variable Earnings Investments:	
Dryden S&P 500 Index	4,060,914
Mid Cap Growth/Waddell & Reed	1,423,234
Mid Cap Value / QMA Fund	1,536,232
SCG I (managed by Brown)	1,968,472
Small Cap Value/Kennedy Capit	1,923,774
T. Rowe Price Eqty Inc Stgy	4,105,000
T. Rowe Price Growth Stk Stgy	3,778,861
EmrgMrkEq / QMA*	1,266,781
International Blend/Wellington*	3,383,687
Core Plus Bond PGIM Fund	12,050,687
Real Estate / Am Century Fund	2,265,809
Total	<u><u>\$ 43,441,682</u></u>

\*-Foreign Investment

**TOWN OF EASTON, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investments- Maryland Local Government Investment Pool (Continued)**

***Pension Plan and OPEB Plan (Continued)***

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

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

Mutual Funds:	
Capital Services	\$ 691,742
Schwab Small Cap	213,487
Lord Abbett Short Duration Income Fund	2,195,236
Vanguard - Intermediate Term Trust	1,937,252
Vanguard - Short Term	2,185,365
Vanguard - Mid Cap Index	2,024,320
Total Mutual Funds	<u>9,247,402</u>
Common Stock:	
Communication Services	926,805
Consumer Cyclical	973,556
Consumer Defense	387,189
Energy	324,141
Financials	1,434,572
Health Care	1,137,125
Industrials	550,078
Information Technology	1,749,243
Materials	652,041
Utilities	36,420
Real Estate Investment Trusts	203,046
Total Common Stock	<u>8,374,216</u>
Cash and Alternatives	861,303
Total	<u>\$ 18,482,921</u>

\*-Foreign Investment

**Custodial Credit Risk**

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

**TOWN OF EASTON, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Custodial Credit Risk (Continued)**

As of June 30, the Plans had the following investments and maturities in its fixed earnings investments and the following mutual funds which include investments in bonds.

	<u>Valuation</u>	<u>Weighted Average Maturity (Yrs)</u>
Defined Benefit Pension Plan:		
Guaranteed Account	\$ 5,678,231	3.7
Core Plus Bond/PIMCO	12,050,687	7.84
Total	<u>\$ 17,728,918</u>	
 OPEB Plan:		
Lord Abbett Short Duration Income Fund	\$ 2,195,236	2.19
Vanguard - Intermediate Term Trust	1,937,252	7.30
Vanguard Short Term Investment Grade	2,185,365	2.90
Total	<u>\$ 6,317,853</u>	

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

**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, 2022 met the Town's investment policy.

**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, 2022, the Town held no investments investment in any one issuer that was in excess of 5% of the Town's total investments.

**TOWN OF EASTON, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**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 \$4,650,468 at June 30, 2022. The individual funds are identified above.

**NOTE 3 RECEIVABLES**

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	\$ 512,940	\$ -	\$ -	\$ -	\$ 512,940
Accounts	252,575	40	5,510,914	73,626	5,837,155
Due from Other Governments	2,156,197	1,858	3,307,361	-	5,465,416
Interest	-	-	16,912	-	16,912
Allowance for Uncollectibles	(565,247)	-	-	-	(565,247)
Net Receivables	<u>\$ 2,356,465</u>	<u>\$ 1,898</u>	<u>\$ 8,835,187</u>	<u>\$ 73,626</u>	<u>\$ 11,267,176</u>

The June 30, 2022 balance of due from other governments is as follows:

Federal Government	\$ 1,909,150
State of Maryland:	
Income Taxes	1,972,114
Capital Projects	1,858
Talbot County	1,582,294
Total Due from Other Governments	<u>\$ 5,465,416</u>

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

**TOWN OF EASTON, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 3 RECEIVABLES (CONTINUED)**

Deferred inflows of resources and unearned revenue reported in the Governmental Fund Balance Sheet for the General Fund at June 30, 2022 is summarized as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Income Taxes	\$ 1,015,420	\$ -	\$ 1,015,420
Property Taxes	27,787	-	27,787
Grant Revenue	-	4,765,292	4,765,292
Miscellaneous	-	5,000	5,000
Total	<u>\$ 1,043,207</u>	<u>\$ 4,770,292</u>	<u>\$ 5,813,499</u>

**NOTE 4 INTER-FUND PAYABLES AND TRANSFERS**

Due to/from other funds at June 30, 2022 was as follows:

	<u>Payable Fund</u>	
	<u>Community</u>	
	<u>Dev</u>	<u>Total</u>
Receivable Fund:		
General Fund	<u>\$ 2,848</u>	<u>\$ 2,848</u>

Inter-fund transfer activity for the year ended June 30, 2022 was as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Funds:		
General Fund	\$ 2,171,450	\$ 8,510,705
Capital Projects Fund	7,485,220	-
Infrastructure Development Fund	-	2,567,750
Nonmajor Governmental Funds	1,025,484	811,450
Nonmajor Proprietary Funds	2,282,751	1,075,000
Total	<u>\$ 12,964,905</u>	<u>\$ 12,964,905</u>

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



**TOWN OF EASTON, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 5 CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2022 was as follows:

	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 7,502,670	\$ 1,748,480	\$ -	\$ 9,251,150
Total Capital Assets, Not Being Depreciated	7,502,670	1,748,480	-	9,251,150
Capital Assets, Being Depreciated and Amortized:				
Buildings and Improvements	52,577,791	1,737,020	-	54,314,811
Equipment	18,967,730	868,656	(250,190)	19,586,196
Right-to-Use Equipment	333,873	56,515	-	390,388
Total Capital Assets, Being Depreciated and Amortized	71,879,394	2,662,191	(250,190)	74,291,395
Less Accumulated Depreciation and Amortization:				
Buildings and Improvements	21,819,479	1,724,825	-	23,544,304
Equipment	16,021,966	1,255,036	(188,629)	17,088,373
Right-to-Use Equipment	63,287	67,717	-	131,004
Total Accumulated Depreciation and Amortization	37,904,732	3,047,578	(188,629)	40,763,681
Net Capital Assets, Being Depreciated and Amortized	33,974,662	(385,387)	(61,561)	33,527,714
Governmental Activities Capital Assets, Net	<u>\$ 41,477,332</u>	<u>\$ 1,363,093</u>	<u>\$ (61,561)</u>	<u>\$ 42,778,864</u>
	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
<b>Business-Type Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 2,607,619	\$ 163,840	\$ (11,548)	\$ 2,759,911
Construction in Progress	4,106,407	12,308,718	(9,360,425)	7,054,700
Total Capital Assets, Not Being Depreciated	6,714,026	12,472,558	(9,371,973)	9,814,611
Capital Assets, Being Depreciated:				
Buildings and Improvements	32,129,166	1,211,463	(321,898)	33,018,731
Equipment and Other	196,414,226	9,023,274	(72,638)	205,364,862
Less: Amount Disallowed for Regulation	(1,719,785)	-	-	(1,719,785)
Total Capital Assets, Being Depreciated	226,823,607	10,234,737	(394,536)	236,663,808
Less Accumulated Depreciation:				
Buildings and Improvements	17,100,386	814,827	46,865	17,962,078
Equipment and Other	115,236,222	7,479,689	(50,657)	122,665,254
Total Accumulated Depreciation	132,336,608	8,294,516	(3,792)	140,627,332
Net Capital Assets, Being Depreciated	94,486,999	1,940,221	(390,744)	96,036,476
Business-Type Activities Capital Assets, Net	<u>\$ 101,201,025</u>	<u>\$ 14,412,779</u>	<u>\$ (9,762,717)</u>	<u>\$ 105,851,087</u>

**TOWN OF EASTON, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 5 CAPITAL ASSETS (CONTINUED)**

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

Governmental Activities:	
General Government	\$ 126,774
Public Safety	1,048,419
Public Works	1,329,951
Recreation and Cultural	444,131
Economic Development	11,811
Nondepartmental	86,492
Total Governmental Activities	<u>\$ 3,047,578</u>
Business-Type Activities:	
Utility	\$ 8,092,898
Other	201,618
Total Business-Type Activities	<u>\$ 8,294,516</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 will expire February 2023 and provide for renewal options ranging of five years. During the year ended June 30, 2022, the Entity recognized \$123,184 and \$30,006 in lease revenue and interest revenue, respectively, pursuant to these contracts.

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

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 112,731	\$ 25,593
2024	117,324	21,000
2025	122,104	16,220
2026	127,079	11,245
2027	132,256	6,068
2028	91,151	1,065
Total minimum lease payments	<u>\$ 702,645</u>	<u>\$ 81,191</u>

**TOWN OF EASTON, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**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 2027.

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

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 75,991	\$ 6,534
2024	78,494	4,030
2025	65,238	1,545
2026	17,197	199
2027	5,750	28
Total minimum lease payments	<u>\$ 242,670</u>	<u>\$ 12,336</u>

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

	<u>Governmental Activities</u>
Vehicles	\$ 390,388
Less: Accumulated Amortization	131,004
	<u>\$ 259,384</u>

**NOTE 7 LONG-TERM LIABILITIES**

The long-term liabilities consist of the following at June 30, 2022:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Principal Repayments &amp; Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
General Obligation Bonds	\$ 13,125,000	\$ -	\$ 675,000	\$ 12,450,000	\$ 670,000
Unamortized Premium on Bonds	1,186,588	-	55,400	1,131,188	-
DHCD Loan Payable	1,672,124	-	-	1,672,124	-
Leases Payable	263,208	47,474	68,012	242,670	75,971
Note Payable – USDA	272,704	-	5,298	267,406	5,544
Total Long-Term Debt	<u>16,519,624</u>	<u>47,474</u>	<u>803,710</u>	<u>15,763,388</u>	<u>751,515</u>
Compensated Absences	1,150,134	-	134,161	1,015,973	-
Governmental Activities Long-Term Liabilities	<u>\$ 17,669,758</u>	<u>\$ 47,474</u>	<u>\$ 937,871</u>	<u>\$ 16,779,361</u>	<u>\$ 751,515</u>

**TOWN OF EASTON, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 7 LONG-TERM LIABILITIES (CONTINUED)**

	Beginning Balance	Additions	Principal Repayments & Reductions	Ending Balance	Due Within One Year
<b>Business-Type Activities</b>					
Loan – MDE	\$ 804,961	\$ -	\$ 80,266	\$ 724,695	\$ 81,710
Loan – State of Maryland	7,880,905	-	1,210,868	6,670,037	1,251,915
Node+0 Project Loan	5,356,108	-	600,620	4,755,488	617,464
Total Long-Term Debt	14,041,974	-	1,891,754	12,150,220	1,951,089
Compensated Absences	1,047,087	91,480	-	1,138,567	-
Business-Type Activities Long-Term Liabilities	<u>\$ 15,089,061</u>	<u>\$ 91,480</u>	<u>\$ 1,891,754</u>	<u>\$ 13,288,787</u>	<u>\$ 1,951,089</u>

**Bonds**

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

<u>Bond Issue</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Balance at June 30, 2022</u>
Public Facilities Bonds 2015	2036	2.00 – 4.00%	\$ 5,620,000
Public Facilities Bonds 2020	2043	2.00 – 4.00%	6,830,000
Total General Obligation Bonds			<u>\$ 12,450,000</u>

**TOWN OF EASTON, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 7 LONG-TERM LIABILITIES (CONTINUED)**

**Bonds (Continued)**

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>
2023	\$ 670,000	\$ 336,983
2024	920,000	311,683
2025	925,000	274,683
2026	930,000	244,033
2027	930,000	213,133
2028-2032	3,330,000	658,365
2033-2037	2,405,000	348,166
2038-2042	1,930,000	137,113
2043	410,000	4,100
Total	<u>\$ 12,450,000</u>	<u>\$ 2,528,259</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, 2022, \$4,860,000 of defeased debt remains outstanding.

***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 annual debt service requirements to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 5,544	\$ 11,972	\$ 17,516
2024	5,798	11,718	17,516
2025	6,064	11,452	17,516
2026	6,344	11,172	17,516
2027	6,634	10,882	17,516
2028-2032	38,033	49,544	87,577
2033-2037	47,607	39,970	87,577
2038-2042	59,591	27,986	87,577
2043-2047	74,594	12,983	87,577
2048	17,197	319	17,516
Total	<u>\$ 267,406</u>	<u>\$ 187,998</u>	<u>\$ 455,404</u>

**TOWN OF EASTON, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 7 LONG-TERM LIABILITIES (CONTINUED)**

**Bonds (Continued)**

***Government-Type Funds (Continued)***

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, 2021, Asbury Place met those conditions and interest was forgiven. The balance of this loan was \$1,672,124 at June 30, 2022.

***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, 2022 was \$6,670,307. The note bears an interest rate of .40% and has a scheduled maturity of February 2027.

The following are the principal and interest maturities of the outstanding loan as of June 30, 2022:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,251,915	\$ 26,680	\$ 1,278,595
2024	1,292,961	21,672	1,314,633
2025	1,334,007	16,501	1,350,508
2026	1,375,054	11,165	1,386,219
2027	1,416,100	5,664	1,421,764
Total	<u>\$ 6,670,037</u>	<u>\$ 81,682</u>	<u>\$ 6,751,719</u>

**TOWN OF EASTON, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 7 LONG-TERM LIABILITIES (CONTINUED)**

**Bonds (Continued)**

***Business-Type Funds (Continued)***

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, 2022 was \$724,695. The note bears an interest rate of 1.8% and has a scheduled maturity of February 2031. The following are the principal and interest maturities anticipated for the outstanding loan as of June 30, 2022:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 81,710	\$ 13,045	\$ 94,755
2024	83,181	11,574	94,755
2025	84,679	10,076	94,755
2026	86,203	8,552	94,755
2027	87,754	7,001	94,755
2028-2031	301,168	11,920	313,088
Total	<u>\$ 724,695</u>	<u>\$ 62,168</u>	<u>\$ 786,863</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, 2022 was \$4,755,488. 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.

The following are the principal and interest maturities anticipated for the outstanding loan as of June 30, 2022:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 617,464	\$ 136,621	\$ 754,085
2024	636,067	118,018	754,085
2025	655,867	98,218	754,085
2026	675,960	78,125	754,085
2027	696,669	57,416	754,085
2028-2030	1,473,461	50,389	1,523,850
Total	<u>\$ 4,755,488</u>	<u>\$ 538,787</u>	<u>\$ 5,294,275</u>

**TOWN OF EASTON, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 8 LINE-OF-CREDIT**

**Business-Type Funds**

The Town, for the benefit of the Commission, maintains a revolving line-of-credit agreement with a commercial bank for \$2,500,000, which bears interest in the amount of 1.15% above the LIBOR rate (1.79% at June 30, 2022). The purpose of the line of credit is to provide an additional source of financing to meet operating needs, if required. The Town did not draw on this line and there was no balance due at June 30, 2022.

**NOTE 9 FUND BALANCE**

A summary of fund balances at June 30, 2022 is as follows:

	General Fund	Capital Projects Fund	Infrastructure Development Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Prepaid Expenses and Other	\$ 8,752	\$ -	\$ -	\$ -	\$ 8,752
Restricted:					
Impact Fees	-	-	2,458,976	-	2,458,976
Debt Service	-	-	-	6,567,713	6,567,713
Total Restricted Fund Balance	-	-	2,458,976	6,567,713	9,026,689
Committed:					
Budget Stabilization	3,591,260	-	-	-	3,591,260
Assigned:					
Capital Projects	-	9,837,987	-	-	9,837,987
Law Enforcement Fund	-	-	-	69,567	69,567
Total Assigned Fund Balance	-	9,837,987	-	69,567	9,907,554
Unassigned:					
General Fund	4,521,964	-	-	-	4,521,964
CDBG Grant	-	-	-	(99,077)	(99,077)
Total Unassigned Fund Balance	4,521,964	-	-	(99,077)	4,422,887
Total Fund Balance	<u>\$ 8,121,976</u>	<u>\$ 9,837,987</u>	<u>\$ 2,458,976</u>	<u>\$ 6,538,203</u>	<u>\$ 26,957,142</u>

**NOTE 10 DEFINED BENEFIT PENSION PLAN**

**Plan Description**

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



**TOWN OF EASTON, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Plan Benefit Information**

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

**TOWN OF EASTON, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Plan Benefit Information (Continued)**

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

Division B

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

Income Payable

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

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

Early Retirement  
Eligibility

Division A

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

Early Benefit Amount

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

Vesting Schedule

Division A

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

Division B

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

**TOWN OF EASTON, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Plan Benefit Information (Continued)**

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

Preretirement Spouse Benefit

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

Additional Retirement Benefit or  
Cash Refund at Retirement or  
Termination

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

Special Termination Benefit:

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

Pre-Tax Participant  
Contributions

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

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

**TOWN OF EASTON, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Plan Benefit Information (Continued)**

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

**Plan Membership**

As of August 1, 2021 (the date of the last actuarial valuation), the pension plan's membership consisted of:

Active Employees	153
Retirees and Beneficiaries Currently Receiving Benefits	149
Terminated Employees Entitled to Benefits but Not Yet Receiving Them	89
Total	391

**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, 2022 were \$234,532. Administrative costs are financed through investment earnings.

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

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

Contributions to the Plan made by the Town are based on an actuarially determined basis. The contribution requirements of the Town are established and may be amended by the Town Council. The actuarially required and actual contribution to the Plan during the year ended June 30, 2022 and 2021 was \$686,485 and \$916,453, respectively. Actual employer contributions for the years ended June 30, 2022 and 2021 were \$1,101,994 and \$1,303,854, respectively.

**TOWN OF EASTON, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Valuation of Investments**

The Plan's unallocated insurance contracts are valued at contract value. Contract value represents contributions made under the contract, plus interest at the contract rate, less funds used to purchase annuities or pay administrative expenses charged by Prudential. Funds under the contract that have been allocated and applied to purchase annuities are excluded from the pension plan's assets. At July 31, 2022, 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, 2022 are as follows:

**Statement of Plan Net Position**

Assets:	
Investments, at Fair Value Other Adjustment	<u>\$ 43,441,682</u>
Net Position:	
Restricted - Net Position Held in Trust for Pension Benefits	<u>\$ 43,441,682</u>

**Statement of Changes in Plan Net Position**

Additions:	
Contributions:	
Employer	\$ 1,101,994
Employee	234,532
Total Contributions	<u>1,336,526</u>
Investment Earnings:	
Net Decrease in Fair Value of Plan Investments	<u>(6,645,013)</u>
Net Investment Income	<u>(6,645,013)</u>
Total Additions	(5,308,487)
Deductions:	
Benefit Payments	2,170,795
Administrative Expense	117,766
Total Deductions	<u>2,288,561</u>
Net Change	(7,597,048)
Net Position - Beginning of Year	<u>51,038,730</u>
Net Position - End of Year	<u>\$ 43,441,682</u>

**TOWN OF EASTON, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Pension Plan Administration**

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

**Investment Policy**

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

**Actuarial Assumptions**

The Town's net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated August 1, 2021 with adjustments made for the 11-month difference.

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

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

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

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

**TOWN OF EASTON, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Actuarial Methods for Determining Employer Contributions**

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

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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022 and the final investment return assumption, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Return Portfolio</u>	<u>Weight</u>
U.S. Equity	5.95 %	49 %
International Equity	6.75	11
Fixed Income – U.S.	1.25	25
Stable Value	3.65	10
Real Estate	4.95	5
Total Weighted Average Real Return	4.58	100 %
Plus Inflation	2.50	
Total Return Without Adjustment	7.08	
Risk Adjustment	(0.08)	
Total Expected Return	7.00 %	

**Discount Rate**

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

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

**TOWN OF EASTON, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Discount Rate (Continued)**

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

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

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

The following are the required schedules as of June 30, 2022:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2021	\$ 48,468,274	\$ 51,038,730	(2,570,456)
Changes for the Year:			
Service Cost	701,764	-	701,764
Interest	3,487,513	-	3,487,513
Difference Between Expected and Actual Experience	(814,196)	-	(814,196)
Changes in Assumptions	(1,368,831)	-	(1,368,831)
Contributions - Employer	-	1,101,994	(1,101,994)
Contributions - Employee	-	234,532	(234,532)
Net Investment Income	-	(6,645,013)	6,645,013
Benefit Payments, Including Refunds of Employee Contributions	(2,170,795)	(2,170,795)	-
Administrative Expenses	-	(117,766)	117,766
Other Changes	-	-	-
Net Change in Total Pension Liability	<u>(164,545)</u>	<u>(7,597,048)</u>	<u>7,432,503</u>
Balance at June 30, 2022	<u>\$ 48,303,729</u>	<u>\$ 43,441,682</u>	<u>\$ 4,862,047</u>

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

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

	One Percent Decrease 6.00%	Current Discount Rate 7.00%	One Percent Increase 8.00%
Town's Net Pension Liability	<u>\$ 10,098,356</u>	<u>\$ 4,862,047</u>	<u>\$ 471,248</u>



**TOWN OF EASTON, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Deferred Inflows and Outflows**

As of June 30, 2022, 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	\$ 3,687,210	\$ -
Differences Between Expected and Actual Experience	58,719	(915,098)
Changes in Actuarial Assumptions	-	(912,554)
Total	<u>\$ 3,745,929</u>	<u>\$ (1,827,652)</u>
<u>Year Ended June 30,</u>		
2023	<u>(137,068)</u>	
2024	<u>(267,453)</u>	
2025	<u>292,934</u>	
2026	<u>2,029,864</u>	
Total Amount to be Recognized	<u>\$ 1,918,277</u>	

**Money Weighted Investment Return**

For the year ended June 30, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (13.3%). The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

**NOTE 11 OTHER POSTEMPLOYMENT BENEFITS**

**Plan Description**

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

**Benefits Provided**

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

**TOWN OF EASTON, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Employees Covered by Benefit Terms**

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

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

**Contributions**

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

**Valuation of Investments**

The condensed financial statements as of and for the year ended June 30, 2022 are as follows:

**Statement of Plan Net Position**

Assets:	
Cash and Cash Equivalents	\$ 861,303
Investments, at Fair Value	17,621,618
Contribution Receivable	<u>980,891</u>
Total Assets	<u><u>\$ 19,463,812</u></u>
Net Position:	
Restricted - Net Position Held in Trust for OPEB	<u><u>\$ 19,463,812</u></u>

**TOWN OF EASTON, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Valuation of Investments (Continued)**

**Statement of Changes in Plan Net Position**

Additions:

Contributions:

Employer	\$ 1,855,427
----------	--------------

Investment Earnings:

Net Decrease in Fair Value of Plan Investments	(2,527,804)
Net Investment Income	<u>(2,527,804)</u>

Total Additions	(672,377)
-----------------	-----------

Deductions:

Benefit Payments	649,536
Administrative Expense	<u>94,068</u>
Total Deductions	743,604

Net Change	(1,415,981)
Net Position - Beginning of Year	<u>20,879,793</u>
Net Position - End of Year	<u><u>\$ 19,463,812</u></u>

**Net OPEB Liability**

The Town's net OPEB liability was measured as of June 30, 2022 and the total OPEB Liability used to calculate the net OPEB liability was determined by an actuarial valuation dated July 1, 2021, rolled forward to June 30, 2022.

Actuarial Assumptions – the total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless other specified:

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

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

**TOWN OF EASTON, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 11 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

**Net OPEB Liability (Continued)**

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

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

**Discount Rate**

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

**TOWN OF EASTON, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 11 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

**Changes in Net OPEB Liability**

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2021	\$ 22,137,046	\$ 20,879,793	\$ 1,257,253
Changes for the Year:			
Service Cost	645,238	-	645,238
Interest	1,572,411	-	1,572,411
Differences Between Expected and Actual Experience	(1,675,769)	-	-
Assumption Changes	(1,209,247)	-	-
Contributions - Employer	-	1,855,427	(1,855,427)
Net Investment Income	-	(2,527,804)	2,527,804
Benefit Payments	(649,536)	(649,536)	-
Administrative Expense and Other	-	(94,068)	94,068
Net Changes	<u>(1,316,903)</u>	<u>(1,415,981)</u>	<u>99,078</u>
Balances at June 30, 2022	<u>\$ 20,820,143</u>	<u>\$ 19,463,812</u>	<u>\$ 1,356,331</u>

**Money-Weighted Rate of Return**

The money-weighted rate of return on OPEB plan investments, net of investment expense for the year ended June 30, 2022 was (12.1%). The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Sensitivity of the Net OPEB Liability**

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

	One Percent Decrease 5.75%	Current Discount Rate 6.75%	One Percent Increase 7.75%
Net OPEB Liability	<u>\$ 3,856,056</u>	<u>\$ 1,356,331</u>	<u>\$ (723,745)</u>

**TOWN OF EASTON, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 11 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

**Sensitivity of the Net OPEB Liability (Continued)**

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

	One Percent Decrease 3.00%	Current Ultimate Trend Rate 4.00%	One Percent Increase 5.00%
Net OPEB Liability	\$ (582,258)	\$ 1,356,331	\$ 2,567,311

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

For the year ended June 30, 2022, the Town recognized OPEB expense of \$499,636. At June 30, 2022, 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	\$ 1,576,492	\$ -
Differences Between Expected and Actual Experience	767,176	(1,927,331)
Changes in Actuarial Assumptions	-	(1,377,093)
Total	\$ 2,343,668	\$ (3,304,424)

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

<u>Year Ended June 30,</u>	<u>Amount</u>
2023	\$ (103,687)
2024	(101,622)
2025	(256,965)
2026	371,649
2027	(276,738)
Thereafter	(593,393)
Total Amount to be Recognized	\$ (960,756)

**NOTE 12 RELATED PARTY TRANSACTIONS**

The General Fund charged the Utility Fund \$2,179,229 for payments in lieu of taxes during the year ended June 30, 2022.

**TOWN OF EASTON, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 13 OTHER INFORMATION**

**Risk Management**

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

**Contingent Liabilities and Commitments**

***Grants and Cost-Reimbursable Contracts***

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

***Fuel Cost and Purchased Gas Adjustment Rates***

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

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

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

**NOTE 14 SUBSEQUENT EVENT**

The Town received American Rescue Plan Fund (ARP) grant monies in relation to the COVID-19 pandemic recovery efforts from the Federal Government on August 8, 2022 in the amount of \$8,218,777 which is the second half of the amount received.

On September 8, 2022 Talbot County signed an agreement with the Easton Utilities Commission to allocated \$1.75 million of ARPA funding to support the expansion of broadband service to the remaining unserved locations in Talbot County. Easton Utilities has received these funds.

**REQUIRED SUPPLEMENTARY INFORMATION**



**TOWN OF EASTON, MARYLAND**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY**  
**YEAR ENDED JUNE 30, 2022**

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

**TOWN OF EASTON, MARYLAND**  
**SCHEDULE OF TOWN CONTRIBUTIONS – PENSION**  
**JUNE 30, 2022**

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially Determined Contribution	\$ 686,485	\$ 916,453	\$ 956,438	\$ 955,282	\$ 994,133	\$ 1,032,915	\$ 1,093,661	\$ 1,104,544	\$ 1,224,131	\$ 1,241,552	\$ 1,204,597
Contributions in Relation of the Actuarially Determined Contribution	1,101,994	1,303,854	1,176,000	1,126,459	1,292,132	1,292,132	1,000,000	1,104,544	1,224,131	1,241,552	1,204,597
Contribution Deficiency (Excess)	<u>\$ (415,509)</u>	<u>\$ (387,401)</u>	<u>\$ (219,562)</u>	<u>\$ (171,177)</u>	<u>\$ (297,999)</u>	<u>\$ (259,217)</u>	<u>\$ 93,661</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	\$ 12,790,987	\$ 13,911,005	\$ 12,410,454	\$ 12,287,590	\$ 12,572,073	\$ 14,092,822	\$ 13,991,348	\$ 13,811,971	\$ 13,707,415	\$ 13,947,014	\$ 13,458,869
Contributions as a Percentage of Covered Employee Payroll	8.60%	9.4%	9.5%	9.2%	10.3%	9.2%	7.1%	8.0%	8.9%	8.9%	9.0%

**NOTES TO SCHEDULE:**

Valuation Date: August 1, 2021

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

Method and Assumptions Used to Determine the Contribution Rates:

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

**TOWN OF EASTON, MARYLAND  
SCHEDULE OF INVESTMENT RETURNS – PENSION  
JUNE 30, 2022**

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

**TOWN OF EASTON, MARYLAND**  
**SCHEDULE OF CHANGES TO NET OPEB LIABILITY AND RELATED RATIOS**  
**YEAR ENDED JUNE 30, 2022**

	2022	2021	2020	2019	2018	2017
<b>Total OPEB Liability</b>						
Service Cost	\$ 645,238	\$ 619,305	\$ 655,198	\$ 630,756	\$ 628,228	\$ 557,690
Interest	1,572,411	1,469,030	1,263,713	1,172,781	1,086,565	1,100,303
Changes in Benefit Terms	-	262,015	215,593	-	-	-
Difference Between Expected and Actual Experience	(1,675,769)	-	1,150,765	-	(1,037,323)	-
Changes in Assumptions	(1,209,247)	-	-	(395,798)	(223,006)	-
Benefit Payments	(649,536)	(625,685)	(532,473)	(525,544)	(520,648)	(413,896)
Net Change in Total OPEB Liability	(1,316,903)	1,724,665	2,752,796	882,195	(66,184)	1,244,097
Total OPEB Liability - Beginning of Year	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>\$ 20,820,143</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>
<b>Plan Fiduciary Net Position</b>						
Contributions - Employer	\$ 1,855,427	\$ 1,601,910	\$ 1,427,002	\$ 4,159,610	\$ 1,488,861	\$ 1,383,467
Net Investment Income	(2,527,804)	4,276,307	276,718	854,758	660,670	972,269
Benefit Payments	(649,536)	(625,685)	(532,473)	(525,544)	(520,648)	(413,896)
Administrative Expense	(94,068)	(80,977)	(69,169)	(53,081)	(50,517)	(41,952)
Net Change in Plan Fiduciary Net Position	(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	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>\$ 19,463,812</u>	<u>\$ 20,879,793</u>	<u>\$ 15,708,238</u>	<u>\$ 14,606,160</u>	<u>\$ 10,170,417</u>	<u>\$ 8,592,051</u>
Net OPEB Liability - Beginning of Year	\$ 1,257,253	\$ 4,704,143	\$ 3,053,425	\$ 6,606,973	\$ 8,251,523	\$ 8,907,314
Net OPEB Liability - End of Year	<u>\$ 1,356,331</u>	<u>\$ 1,257,253</u>	<u>\$ 4,704,143</u>	<u>\$ 3,053,425</u>	<u>\$ 6,606,973</u>	<u>\$ 8,251,523</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	93.5%	94.3%	77.0%	82.7%	60.6%	51.0%
<b>Covered Employee Payroll</b>	\$ 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	6.4%	6.5%	23.2%	18.2%	41.2%	56.5%

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

**TOWN OF EASTON, MARYLAND**  
**SCHEDULE OF TOWN CONTRIBUTIONS – OTHER POSTEMPLOYMENT BENEFITS**  
**YEAR ENDED JUNE 30, 2022**

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially Determined Contribution	\$ 463,707	\$ 1,000,144	\$ 975,424	\$ 973,045	\$ 973,045	\$ 1,002,817	\$ 914,006	\$ 901,986	\$ 901,986	\$ 1,141,318	\$ 1,141,722
Contributions in Relation to the Actuarially Determined Contribution	1,855,427	1,601,910	1,427,002	4,158,342	1,488,861	1,383,459	1,594,520	1,450,995	1,594,520	1,266,456	958,558
Contribution Deficiency (Excess)	<u>\$ (1,391,720)</u>	<u>\$ (601,766)</u>	<u>\$ (451,578)</u>	<u>\$ (3,185,297)</u>	<u>\$ (515,816)</u>	<u>\$ (380,642)</u>	<u>\$ (680,514)</u>	<u>\$ (549,009)</u>	<u>\$ (692,534)</u>	<u>\$ (125,138)</u>	<u>\$ 183,164</u>
Covered-Employee Payroll	\$ 21,205,974	\$ 19,314,903	\$ 20,290,619	\$ 16,813,459	\$ 16,028,534	\$ 14,906,300	\$ 14,609,300	\$ 14,609,300	\$ 13,594,393	\$ 13,595,393	\$ 12,886,240
Contributions as a Percentage of Covered Employee Payroll	8.7%	8.3%	7.0%	24.7%	9.3%	9.3%	10.9%	9.9%	11.7%	9.3%	7.4%

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

**TOWN OF EASTON, MARYLAND**  
**SCHEDULE OF INVESTMENT RETURNS – OTHER POSTEMPLOYMENT BENEFITS**  
**JUNE 30, 2022**

<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	26.5
2022	(12.1)

**COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

**TOWN OF EASTON, MARYLAND  
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2022**

	<u>Debt Service</u>	<u>Community Development Block Grant</u>	<u>Law Enforcement</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and Cash Equivalents - Pooled	\$ 6,568,062	\$ -	\$ 69,527	\$ 6,637,589
Accounts Receivable, Net	-	-	40	40
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Total Assets	<u>\$ 6,568,062</u>	<u>\$ -</u>	<u>\$ 69,567</u>	<u>\$ 6,637,629</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 349	\$ 96,229	\$ -	\$ 96,578
Due to Other Funds	-	2,848	-	2,848
Total Liabilities	<u>349</u>	<u>99,077</u>	<u>-</u>	<u>99,426</u>
<b>FUND BALANCES (DEFICITS)</b>				
Restricted	6,567,713	-	-	6,567,713
Assigned	-	-	69,567	69,567
Unassigned	-	(99,077)	-	(99,077)
Total Fund Balances (Deficits)	<u>6,567,713</u>	<u>(99,077)</u>	<u>69,567</u>	<u>6,538,203</u>
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Total Liabilities and Fund Balances	<u>\$ 6,568,062</u>	<u>\$ -</u>	<u>\$ 69,567</u>	<u>\$ 6,637,629</u>



**TOWN OF EASTON, MARYLAND**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES (DEFICIT) – NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2022**

	Debt Service	Community Development Block Grant	Law Enforcement	Total
<b>REVENUES</b>				
Revenues from Other Agencies	\$ -	\$ 354,272	\$ 5,227	\$ 359,499
Miscellaneous Revenue	-	160,708	113,470	274,178
Total Revenues	<u>-</u>	<u>514,980</u>	<u>118,697</u>	<u>633,677</u>
<b>EXPENDITURES</b>				
Current Operations:				
Public Safety	-	-	15,279	15,279
Recreation and Cultural	-	382,997	-	382,997
Miscellaneous	1,500	-	-	1,500
Debt Service:				
Principal	675,000	-	-	675,000
Interest	350,483	-	-	350,483
Total Expenditures	<u>1,026,983</u>	<u>382,997</u>	<u>15,279</u>	<u>1,425,259</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(1,026,983)	131,983	103,418	(791,582)
<b>OTHER FINANCING SOURCES (USES)</b>				
General Obligation Bonds Issued	-	-	-	-
Premium from Sale of Bonds	-	-	-	-
Transfers In	1,025,484	-	-	1,025,484
Transfers Out	(555,000)	-	(256,450)	(811,450)
Total Other Financing Sources (Uses)	<u>470,484</u>	<u>-</u>	<u>(256,450)</u>	<u>214,034</u>
<b>NET CHANGE IN FUND BALANCES</b>	(556,499)	131,983	(153,032)	(577,548)
Fund Balances (Deficits) - Beginning of Year	<u>7,124,212</u>	<u>(231,060)</u>	<u>222,599</u>	<u>7,115,751</u>
<b>FUND BALANCES (DEFICITS) - END OF YEAR</b>	<u>\$ 6,567,713</u>	<u>\$ (99,077)</u>	<u>\$ 69,567</u>	<u>\$ 6,538,203</u>

**TOWN OF EASTON, MARYLAND**  
**COMBINING STATEMENT OF NET POSITION – NONMAJOR OTHER PROPRIETARY FUNDS**  
**JUNE 30, 2022**

	Land Enterprise	Airport Industrial Land	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents - Pooled	\$ 1,731,075	\$ -	\$ 1,731,075
Accounts Receivable, Net	15,041	58,585	73,626
Leases Receivable	112,731	-	112,731
Total Current Assets	1,858,847	58,585	1,917,432
<b>NONCURRENT ASSETS</b>			
Leases Receivable	589,913	-	589,913
Capital Assets, Not Being Depreciated	15,028	175,980	191,008
Capital Assets, Net of Accumulated Depreciation	336,393	4,580,701	4,917,094
Total Noncurrent Assets	941,334	4,756,681	5,698,015
 Total Assets	 \$ 2,800,181	 \$ 4,815,266	 \$ 7,615,447
<b>LIABILITIES AND NET POSITION</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 7,188	\$ 14,774	\$ 21,962
Due to Other Funds	-	712,596	712,596
Performance Deposits	1,500	-	1,500
Total Liabilities	8,688	727,370	736,058
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows - Leases	687,778	-	687,778
Total Deferred Inflows of Resources	687,778	-	687,778
<b>NET POSITION</b>			
Net Investment in Capital Assets	351,421	4,756,681	5,108,102
Unrestricted	1,752,294	(668,785)	1,083,509
Total Net Position	2,103,715	4,087,896	6,191,611
 Total Liabilities, Deferred Inflows of Resources, and Net Position	 \$ 2,800,181	 \$ 4,815,266	 \$ 7,615,447

**TOWN OF EASTON, MARYLAND**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**NET POSITION – NONMAJOR OTHER PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2022**

	Land Enterprise	Airport Industrial Land	Total
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 153,190	\$ -	\$ 153,190
Other Operating Revenues	18,298	-	18,298
Total Operating Revenues	<u>171,488</u>	<u>-</u>	<u>171,488</u>
<b>OPERATING EXPENSES</b>			
Cost of Service	62,773	-	62,773
Depreciation	64,754	172,619	237,373
Total Operating Expenses	<u>127,527</u>	<u>172,619</u>	<u>300,146</u>
<b>OPERATING INCOME (LOSS)</b>	43,961	(172,619)	(128,658)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Grant Revenues	-	393,774	393,774
Sale of Property	-	102,840	102,840
Total Nonoperating Revenues	<u>-</u>	<u>496,614</u>	<u>496,614</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	2,282,751	2,282,751
Transfers Out	-	(1,075,000)	(1,075,000)
Total Other Financing Sources	<u>-</u>	<u>1,207,751</u>	<u>1,207,751</u>
<b>CHANGES IN FUND NET POSITION</b>	43,961	1,531,746	1,575,707
Total Net Position - Beginning of Year	<u>2,059,754</u>	<u>2,556,150</u>	<u>4,615,904</u>
<b>TOTAL NET POSITION - END OF YEAR</b>	<u>\$ 2,103,715</u>	<u>\$ 4,087,896</u>	<u>\$ 6,191,611</u>

**TOWN OF EASTON, MARYLAND**  
**COMBINING STATEMENT OF CASH FLOWS – NONMAJOR OTHER PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2022**

	Land Enterprise	Airport Industrial Land	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Customers	\$ 144,525	\$ -	\$ 144,525
Cash Paid for Services	(60,991)	-	(60,991)
Net Cash Provided by Operating Activities	83,534	-	83,534
<b>CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Grant Proceeds	-	574,099	574,099
Net Cash Provided (Used) by Noncapital and Related Financing Activities	-	574,099	574,099
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Proceeds from Sale of Property	-	398,000	398,000
Purchases/Construction of Capital Assets	(24,475)	(1,023,696)	(1,048,171)
Interfund Loan - Negative Cash Balance	-	51,597	51,597
Net Cash Provided (Used) by Capital and Related Financing Activities	(24,475)	(574,099)	(598,574)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on Cash Deposits and Investments	-	-	-
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
	59,059	-	59,059
Cash and Cash Equivalents - Beginning of Year	1,672,016	-	1,672,016
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 1,731,075</u>	<u>\$ -</u>	<u>\$ 1,731,075</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ 43,961	\$ (172,619)	\$ (128,658)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	64,754	172,619	237,373
Effect of Changes in Operating Assets, Deferred Inflows, and Liabilities:			
Accounts Receivable, Net	(12,097)	-	(12,097)
Leases Receivable	(702,644)	-	(702,644)
Asset Sold, Net	-	-	-
Accounts Payable and Accrued Expenses	1,782	-	1,782
Deferred Inflows - Leases	687,778	-	687,778
Total Adjustments	39,573	172,619	212,192
Net Cash Provided by Operating Activities	<u>\$ 83,534</u>	<u>\$ -</u>	<u>\$ 83,534</u>

## **OTHER SUPPLEMENTARY INFORMATION**

**TOWN OF EASTON, MARYLAND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –**  
**BUDGET AND ACTUAL – CAPITAL PROJECT FUND**  
**YEAR ENDED JUNE 30, 2022**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Revenue from Other Agencies	\$ -	\$ -	\$ 153,556	\$ 153,556
Total Revenues	-	-	153,556	153,556
<b>EXPENDITURES</b>				
General Governmental	273,200	232,650	2,244,825	(2,012,175)
Public Safety	2,090,115	6,324,650	1,381,100	4,943,550
Public Works	858,179	946,579	651,101	295,478
Recreation and Cultural	153,000	153,000	345,267	(192,267)
Total Expenditures	3,374,494	7,656,879	4,622,293	3,034,586
<b>OTHER FINANCING SOURCES</b>				
Transfers Net	3,374,494	7,656,879	7,485,220	(171,659)
Total Other Financing Sources	3,374,494	7,656,879	7,485,220	(171,659)
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	3,016,483	<u>\$ 3,016,483</u>
Fund Balance - Beginning of Year			<u>6,821,504</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 9,837,987</u>	