

TOWN OF EASTON, MARYLAND
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021



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**TOWN OF EASTON, MARYLAND
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2021**

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

**TOWN OF EASTON, MARYLAND
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2021**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY	69
SCHEDULE OF TOWN CONTRIBUTIONS – PENSION	70
SCHEDULE OF INVESTMENT RETURNS – PENSION	71
SCHEDULE OF CHANGES TO NET OPEB LIABILITY AND RELATED RATIOS	72
SCHEDULE OF TOWN CONTRIBUTIONS – OTHER POSTEMPLOYMENT BENEFITS	73
SCHEDULE OF INVESTMENT RETURNS – OTHER POSTEMPLOYMENT BENEFITS	74
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES	
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS	76
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS) – NONMAJOR GOVERNMENTAL FUNDS	77
COMBINING STATEMENT OF NET POSITION – NONMAJOR OTHER PROPRIETARY FUNDS	78
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – NONMAJOR OTHER PROPRIETARY FUNDS	79
COMBINING STATEMENT OF CASH FLOWS – NONMAJOR OTHER PROPRIETARY FUNDS	80
OTHER SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – CAPITAL PROJECT FUND	82



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Easton, Maryland (the Town), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

Opinions

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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

Other 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.

The combining and individual nonmajor fund financial statements and other supplementary information as listed in the accompanying table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2021, 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Baltimore, Maryland
December 29, 2021

**TOWN OF EASTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

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, 2021. 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, 2021, the Town's total assets and deferred outflows of resources of the Town were \$236.1 million and exceeded its liabilities and deferred inflows of resources at June 30, 2021 by \$179.8 million.
- As of June 30, 2021, the Town's governmental funds reported an ending fund balance of \$30.9 million which is an increase of approximately \$6.9 million (i.e. total net position).

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

In FY 2021, the Town continued to monitor the ongoing COVID-19 Recovery and response to the global pandemic. The Town Tax revenues continue to be in line with pre pandemic collections. There continues to be strong construction activity in FY2021 and FY2022. This strong construction growth continues to grow tax base.

In September 2021, the Town of Easton through funding from the American Rescue Plan will receive \$16.4 million dollars over a 2-year period – 50% to be allocated each year during FY2022 and 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. Details of this are provided in the Subsequent Events Footnote to the financial statements.

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, 2021**

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, 2021, 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, 2021.

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, 2021**

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 post-employment 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.

**TOWN OF EASTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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.

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 \$179.8 million at June 30, 2021, which is an increase of approximately \$11.5 million over the June 30, 2020 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	
	2021	2020	2021	2020	2021	2020
Current and Other Assets	\$ 33,494,826	\$ 26,737,459	\$ 53,227,047	\$ 49,943,713	\$ 86,721,873	\$ 76,681,172
Capital Assets and Other Assets	41,477,332	40,530,440	106,442,181	96,940,669	147,919,513	137,471,109
Total Assets	<u>74,972,158</u>	<u>67,267,899</u>	<u>159,669,228</u>	<u>146,884,382</u>	<u>234,641,386</u>	<u>214,152,281</u>
Total Deferred Outflows of Resources	1,110,407	2,040,153	329,685	1,406,113	1,440,092	3,446,266
Current Liabilities	2,389,741	3,137,960	10,139,578	7,499,177	12,529,319	10,637,137
Long-Term Debt	20,853,000	20,785,552	13,198,817	16,106,939	34,051,817	36,892,491
Total Liabilities	<u>23,242,741</u>	<u>23,923,512</u>	<u>23,338,395</u>	<u>23,606,116</u>	<u>46,581,136</u>	<u>47,529,628</u>
Total Deferred Inflows of Resources	4,560,728	232,143	5,184,548	1,596,657	9,745,276	1,828,800
Net Investment in Capital Assets	25,361,388	30,694,168	87,159,051	81,056,181	112,520,439	111,750,349
Restricted	11,910,008	7,216,742	2,434,939	-	14,344,947	7,216,742
Unrestricted	11,007,700	7,241,487	41,881,980	42,031,541	52,889,680	49,273,028
Total Net Position	<u>\$ 48,279,096</u>	<u>\$ 45,152,397</u>	<u>\$ 131,475,970</u>	<u>\$ 123,087,722</u>	<u>\$ 179,755,066</u>	<u>\$ 168,240,119</u>

The Town's total assets and deferred outflows of resources were approximately \$236.1 million (compared to \$217.6 million in the prior year) as of June 30, 2021. Of this amount, \$147.9 million (compared to \$137.5 million in the prior year) is accounted for by capital assets, which includes infrastructure.

Of the remaining assets, approximately \$71.3 million is accounted for in cash and cash equivalents and investments (compared to \$62.3 million in the prior year), approximately \$7.6 million in accounts and notes receivable (compared to \$7.1 million in the prior year), inventory of approximately \$4.4 million (compared to \$3.9 million in the prior year), with the remainder spread among various other accounts.

Outstanding liabilities totaled approximately \$46.6 million with bonds comprising approximately \$13.1 million, loans from the State or Maryland comprising approximately \$10.3 million, PNC Bank loan of \$5.4 million, Net OPEB liability comprising approximately \$3.0 million, Net Pension liability comprising approximately \$900 thousand, approximately \$7.2 million in accounts payable and accrued expenses and other liabilities comprising approximately \$6.7 million at June 30, 2021. This compares with the June 30, 2020 amounts where the Town had outstanding liabilities of approximately \$47.5 million of which approximately \$7.6 million was bonds payable, approximately \$11.6 million was loans from the State of Maryland, Net OPEB liability comprising approximately \$4.7 million, Net Pension Liability comprising \$7.1 million and accounts payable and accrued expenses comprising approximately \$4.7 million and other liabilities comprising approximately \$5.3 million at June 30, 2020. Of the bonds payable, approximately \$675 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, 2021**

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, 2021, the Town had positive balances in all categories of net position, for the government as a whole, and for governmental activities. Business-type activities also 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, 2021**

	Governmental Activities	Business-Type Activities	Total
Program Revenues			
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
General Revenues			
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>
Expenses			
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>
INCREASE IN NET POSITION	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>
NET POSITION - END OF YEAR	<u>\$ 48,279,096</u>	<u>\$ 131,475,970</u>	<u>\$ 179,755,066</u>

**TOWN OF EASTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Statement of Activities - Changes in Net Position (Continued)

**Changes in Net Position
Fiscal Year Ended June 30, 2020**

	Governmental Activities	Business-Type Activities	Total
Program Revenues			
Charges for Service	\$ 2,822,547	\$ 53,178,142	\$ 56,000,689
Operating Grants and Contributions	2,000,112	-	2,000,112
General Revenues			
Property Taxes	12,539,326	-	12,539,326
Other Local Taxes	2,054,246	(2,054,246)	-
Other	1,446,093	1,606,324	3,052,417
Total Revenues	<u>20,862,324</u>	<u>52,730,220</u>	<u>73,592,544</u>
Expenses			
General Government	2,660,527	-	2,660,527
Public Safety	9,451,957	-	9,451,957
Public Works	5,840,605	-	5,840,605
Recreation and Cultural	1,221,431	-	1,221,431
Economic Development	59,524	-	59,524
Nondepartmental	456,277	-	456,277
Interest Expense	300,426	-	300,426
Utilities Services	-	45,520,550	45,520,550
Other Services	-	171,784	171,784
Total Expenses	<u>19,990,747</u>	<u>45,692,334</u>	<u>65,683,081</u>
INCREASE IN NET POSITION	871,577	7,037,886	7,909,463
Net Position - Beginning of Year	<u>44,280,820</u>	<u>116,049,836</u>	<u>160,330,656</u>
NET POSITION - END OF YEAR	<u>\$ 45,152,397</u>	<u>\$ 123,087,722</u>	<u>\$ 168,240,119</u>

Total revenues for the Town were approximately \$78.4 million for the year ended June 30, 2021 compared to approximately \$73.6 million for the year ending June 30, 2020. Governmental activities provided revenues in 2021 of approximately \$22.6 million, and business-type activities provided \$55.8 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, 2021**

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, 2021, unassigned fund balance of the General Fund was approximately \$8.6 million.

Governmental Funds	<u>2021</u>	<u>Percent to Total</u>	<u>2020</u>	<u>Percent to Total</u>
Revenues:				
General Property Taxes	\$ 12,937,678	53.02%	\$ 12,539,326	56.89%
Other Local Taxes	3,019,581	12.37%	2,824,677	12.82%
Permits and Licenses	909,538	3.73%	765,829	3.47%
Fines and Forfeitures	36,580	0.15%	34,491	0.16%
Charges for Services	1,979,590	8.11%	1,525,647	6.92%
Miscellaneous	1,906,050	7.81%	1,229,458	5.58%
Intergovernmental	3,612,469	14.80%	3,120,282	14.16%
Total Revenues	<u>\$ 24,401,486</u>	<u>100.00%</u>	<u>\$ 22,039,710</u>	<u>100.00%</u>

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

- **Public Safety** – In terms of total dollars the largest increase was in the Public Safety area. This is mainly due to larger capital projects for infrastructure for traffic engineering.
- **General Government and Administration** – The largest decrease was in the General Government and Administration expenses. The prior year included large capital projections for the Town facilities building renovations.

**TOWN OF EASTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)

Governmental Funds Revenue and Expense Analysis (Continued)

The following table represents expenditures by function.

Governmental Funds	<u>2021</u>	<u>Percent to Total</u>	<u>2020</u>	<u>Percent to Total</u>
Expenditures:				
Current Operations:				
General Government				
Administration	\$ 3,205,383	12.73%	\$ 3,314,818	14.54%
Public Safety	11,265,731	44.76%	10,425,685	45.74%
Public Works	5,840,050	23.20%	5,473,452	24.01%
Recreation and Cultural	1,758,419	6.99%	1,219,202	5.35%
Economic Development	516,433	2.05%	404,588	1.78%
Nondepartmental	922,075	3.66%	456,277	2.00%
Debt Service:				
Principal	1,360,950	5.41%	1,198,284	5.26%
Interest	301,967	1.20%	300,639	1.32%
Total Expenditures	<u>\$ 25,171,008</u>	<u>100.00%</u>	<u>\$ 22,792,945</u>	<u>100.00%</u>

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

Largest changes – Recreation & cultural – 44.23%, economic development 27.64% and Nondepartmental 102.09%

- **Public Safety** – In terms of total dollars the largest increase was in the area of Public Safety. This is due to increased personnel costs and traffic engineering costs.
- **General Government Administration** – The largest decrease was in the general government administration expenses and was due to the decreased in Facility construction in the current year.

**TOWN OF EASTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)

Enterprise Funds Revenue and Expense Analysis

PROPRIETARY FUNDS	<u>2021</u>	<u>2020</u>
Operating Revenues		
Charges for Services	\$ 54,557,143	\$ 52,636,589
Other Operating Revenues	1,020,878	172,740
Total Revenues	<u>\$ 55,578,021</u>	<u>\$ 52,809,329</u>
Operating Expenses		
Cost of Service	\$ 39,399,328	\$ 37,973,338
Depreciation	7,882,540	7,593,575
Total Operating Expenses	<u>\$ 47,281,868</u>	<u>\$ 45,566,913</u>
Other Revenues and Expenses		
Grant Revenues	\$ 1,520,163	\$ 368,813
Investment Earnings	96,870	495,310
Interest Expense	(129,533)	(125,421)
Gain on Sale of Property	(487,358)	(107,940)
Payment in Lieu of Taxes	(2,042,406)	(2,054,246)
Capital Charges	1,379,135	1,168,906
Miscellaneous	(244,776)	50,048
Total Other Revenues and Expenses	<u>\$ (1,428,068)</u>	<u>\$ (573,343)</u>

Operating Revenues: The major proprietary fund (Utility Fund) accounts for the activity of the Easton Utility Commission. The Commission's FY2021 operating revenues totaled \$55.2 million, an increase of \$2.5 million from FY2020.

Operating Expenses: The Commission's operating expenses totaled \$47.1 million in FY2021, which was \$1.7 million higher than FY2020.

**TOWN OF EASTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

ANALYSIS OF BUDGET AND ACTUAL RESULTS

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Governmental Funds – GENERAL FUND				
Revenues				
Taxes	\$ 14,788,147	\$ 14,788,147	\$ 15,957,259	\$ 1,169,112
Licenses and Permits	654,600	654,600	909,538	254,938
Intergovernmental	680,433	680,433	643,797	(36,636)
Charges for Services	1,905,713	1,905,713	1,979,590	73,877
Fines and Forfeitures	42,000	42,000	36,580	(5,420)
Miscellaneous	2,307,000	2,307,000	2,807,574	500,574
Total Revenues	<u>\$ 20,377,893</u>	<u>\$ 20,377,893</u>	<u>\$ 22,334,338</u>	<u>\$ 1,956,445</u>
Expenditures				
Current Operations:				
General Government Administration	\$ 3,003,461	\$ 3,003,461	\$ 3,133,325	\$ (129,864)
Public Safety	9,516,935	9,516,935	9,176,037	340,898
Public Works	4,749,548	4,749,548	5,228,160	(478,612)
Recreation and Cultural	482,896	482,896	364,998	117,898
Economic Development	480,750	480,750	516,433	(35,683)
Nondepartmental	529,460	529,460	467,545	61,915
Debt Service:				
Principal	12,452	12,452	60,950	(48,498)
Interest	5,032	5,032	21,658	(16,626)
Other Financing (Sources) Uses:				
Transfers (net)	1,597,359	1,597,359	1,942,359	(345,000)
Total Expenditures and Other Uses	<u>\$ 20,377,893</u>	<u>\$ 20,377,893</u>	<u>\$ 20,911,465</u>	<u>\$ (533,572)</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 gross budgeted revenues by approximately \$2.0 million dollars or more than 9% of the budgeted revenue of approximately \$20.4 million. This is the net result of taxes revenues that were \$1.2 million greater than budget, licenses and permits that were \$255 thousand greater than budget and miscellaneous revenues that were \$501 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 \$345 thousand or -1.7% 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, 2021**

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, 2021, amounts to \$142.7 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, 2021 and 2020, respectively:

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 7,502,670	\$ 7,492,670	\$ 2,607,619	\$ 2,490,482	\$ 10,110,289	\$ 9,983,152
Buildings and Improvements	30,758,312	29,591,656	15,028,780	15,773,551	45,787,092	45,365,207
Plants, Mains and Other Equipment	3,216,350	3,446,114	79,458,219	74,727,204	82,674,569	78,173,318
Construction in Progress	-	-	4,106,407	3,938,116	4,106,407	3,938,116
Total Capital Assets	<u>\$ 41,477,332</u>	<u>\$ 40,530,440</u>	<u>\$ 101,201,025</u>	<u>\$ 96,929,353</u>	<u>\$ 142,678,357</u>	<u>\$ 137,459,793</u>

During the year ended June 30, 2021, the Town's capital assets increased by approximately \$5.2 million.

Long-Term Debt Activity

The Town of Easton issued new bonds during fiscal year 2021. Regularly scheduled principal payments were made during FY2021 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	
	2021	2020	2021	2020	2021	2020
General Obligation Bonds	\$ 14,311,588	\$ 8,149,237	\$ -	\$ -	\$ 14,311,588	\$ 8,149,237
Loans	2,208,036	2,146,115	14,041,974	15,873,172	16,250,010	18,019,287
Compensated Absences	1,150,134	920,743	1,047,087	1,081,579	2,197,221	2,002,322
Total Long-Term Liabilities	<u>\$ 17,669,758</u>	<u>\$ 11,216,095</u>	<u>\$ 15,089,061</u>	<u>\$ 16,954,751</u>	<u>\$ 32,758,819</u>	<u>\$ 28,170,846</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, 2021

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 31,101,977	\$ 12,560,110	\$ 43,662,087
Investments	13,014	27,633,619	27,646,633
Accounts Receivable, Net	2,361,804	5,266,742	7,628,546
Collateral Deposit	-	200,000	200,000
Unrecovered Fuel and Gas Costs	-	699,563	699,563
Interest Receivable	-	707	707
Prepaid Items	18,031	642,383	660,414
Unbilled Revenue	-	1,796,873	1,796,873
Inventory, at Average Cost	-	4,427,050	4,427,050
Total Current Assets	<u>33,494,826</u>	<u>53,227,047</u>	<u>86,721,873</u>
NONCURRENT ASSETS			
Net Pension Asset	-	3,509,809	3,509,809
Net OPEB Asset	-	1,731,347	1,731,347
Capital Assets, Not Being Depreciated	7,502,670	6,714,026	14,216,696
Capital Assets, Net of Accumulated Depreciation	33,974,662	94,486,999	128,461,661
Total Noncurrent Assets	<u>41,477,332</u>	<u>106,442,181</u>	<u>147,919,513</u>
Total Assets	<u>74,972,158</u>	<u>159,669,228</u>	<u>234,641,386</u>
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized Loss on Reacquired Debt	403,680	-	403,680
Deferred Outflow - Benefit Plans	706,727	329,685	1,036,412
Total Deferred Outflows of Resources	<u>1,110,407</u>	<u>329,685</u>	<u>1,440,092</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	407,317	2,747,202	3,154,519
Accrued Liabilities	407,928	3,614,201	4,022,129
Tax Collection Payable	-	429,108	429,108
Performance Deposits	816,709	1,444,783	2,261,492
Unearned Revenue	13,076	14,040	27,116
Current Portion of Long-Term Debt	744,711	1,890,244	2,634,955
Total Current Liabilities	<u>2,389,741</u>	<u>10,139,578</u>	<u>12,529,319</u>
NONCURRENT LIABILITIES			
Compensated Absences	1,150,134	1,047,087	2,197,221
Long-Term Debt, Net of Current Portion	15,774,913	12,151,730	27,926,643
Net OPEB Liability	2,988,600	-	2,988,600
Net Pension Liability	939,353	-	939,353
Total Noncurrent Liabilities	<u>20,853,000</u>	<u>13,198,817</u>	<u>34,051,817</u>
Total Liabilities	<u>23,242,741</u>	<u>23,338,395</u>	<u>46,581,136</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow - Benefit Plans	4,560,728	5,184,548	9,745,276
Total Deferred Inflows of Resources	<u>4,560,728</u>	<u>5,184,548</u>	<u>9,745,276</u>
NET POSITION			
Net Investment in Capital Assets	25,361,388	87,159,051	112,520,439
Restricted for:			
Debt Service	7,124,212	-	7,124,212
Capital Improvements	4,785,796	2,434,939	7,220,735
Unrestricted	11,007,700	41,881,980	52,889,680
Total Net Position	<u>\$ 48,279,096</u>	<u>\$ 131,475,970</u>	<u>\$ 179,755,066</u>

See accompanying Notes to Financial Statements.

**TOWN OF EASTON, MARYLAND
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

FUNCTIONS/PROGRAMS	Program Revenues				Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	\$ 2,792,283	\$ 1,044,493	\$ -	\$ -	\$ (1,747,790)	\$ -	\$ (1,747,790)
Public Safety	7,935,821	422,652	259,852	-	(7,253,317)	-	(7,253,317)
Public Works	5,878,639	2,041,237	1,643,655	-	(2,193,747)	-	(2,193,747)
Recreation and Cultural	1,017,077	-	675,277	-	(341,800)	-	(341,800)
Economic Development	521,905	-	309,462	-	(212,443)	-	(212,443)
Nondepartmental	922,075	-	-	-	(922,075)	-	(922,075)
Interest Expense	357,367	-	-	-	(357,367)	-	(357,367)
Total Governmental Activities	<u>19,425,167</u>	<u>3,508,382</u>	<u>2,888,246</u>	<u>-</u>	<u>(13,028,539)</u>	<u>-</u>	<u>(13,028,539)</u>
Business-Type Activities:							
Utility	47,201,063	55,196,289	-	-	-	7,995,226	7,995,226
Land Enterprise	127,453	153,532	-	-	-	26,079	26,079
Airport Industrial	82,885	228,200	1,520,163	-	-	1,665,478	1,665,478
Total Business-Type Activities	<u>47,411,401</u>	<u>55,578,021</u>	<u>1,520,163</u>	<u>-</u>	<u>-</u>	<u>9,686,783</u>	<u>9,686,783</u>
Total Primary Government	<u>\$ 66,836,568</u>	<u>\$ 59,086,403</u>	<u>\$ 4,408,409</u>	<u>\$ -</u>	<u>(13,028,539)</u>	<u>9,686,783</u>	<u>(3,341,756)</u>
General Revenues:							
Property Taxes					12,937,678	-	12,937,678
Payment in Lieu of Taxes					2,042,406	(2,042,406)	-
Intergovernmental, Unrestricted					524,206	-	524,206
Interest and Investment Earnings					119,588	96,870	216,458
Miscellaneous					531,360	647,001	1,178,361
Total General Revenues					<u>16,155,238</u>	<u>(1,298,535)</u>	<u>14,856,703</u>
CHANGE IN NET POSITION					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>
NET POSITION - END OF YEAR					<u>\$ 48,279,096</u>	<u>\$ 131,475,970</u>	<u>\$ 179,755,066</u>

See accompanying Notes to Financial Statements.

**TOWN OF EASTON, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021**

	General Fund	Capital Projects Fund	Infrastructure Development Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents - Pooled	\$ 12,278,202	\$ 6,688,339	\$ 4,785,796	\$ 7,349,640	\$ 31,101,977
Investments	13,014	-	-	-	13,014
Accounts Receivable, Net	2,191,265	170,499	-	40	2,361,804
Prepaid Items	18,031	-	-	-	18,031
Due from Other Funds	142,188	-	-	-	142,188
	<u>\$ 14,642,700</u>	<u>\$ 6,858,838</u>	<u>\$ 4,785,796</u>	<u>\$ 7,349,680</u>	<u>\$ 33,637,014</u>
LIABILITIES					
Accounts Payable	\$ 278,242	\$ 37,334	\$ -	\$ 91,741	\$ 407,317
Accrued Liabilities	407,928	-	-	-	407,928
Due to Other Funds	-	-	-	142,188	142,188
Performance Deposits	816,709	-	-	-	816,709
Unearned Revenue	13,076	-	-	-	13,076
	<u>1,515,955</u>	<u>37,334</u>	<u>-</u>	<u>233,929</u>	<u>1,787,218</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Tax Revenue	956,634	-	-	-	956,634
	<u>956,634</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>956,634</u>
FUND BALANCES					
Nonspendable	18,031	-	-	-	18,031
Restricted	-	-	4,785,796	7,124,212	11,910,008
Committed	3,591,260	-	-	-	3,591,260
Assigned	-	6,821,504	-	222,599	7,044,103
Unassigned	8,560,820	-	-	(231,060)	8,329,760
	<u>12,170,111</u>	<u>6,821,504</u>	<u>4,785,796</u>	<u>7,115,751</u>	<u>30,893,162</u>
Total Liabilities, Deferred Inflows or Resources and Fund Balances	<u>\$ 14,642,700</u>	<u>\$ 6,858,838</u>	<u>\$ 4,785,796</u>	<u>\$ 7,349,680</u>	<u>\$ 33,637,014</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, 2021**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS		\$ 30,893,162
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 \$79,382,064 and the accumulated depreciation is \$37,904,732		41,477,332
Net OPEB Liability		(2,988,600)
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	\$ (13,125,000)	
Notes Payable	(1,944,828)	
Capital Lease	(263,208)	
Bond Premium	(1,186,588)	
Compensated Absences	<u>(1,150,134)</u>	(17,669,758)
Net pension obligations are not due and payable in the current period, and therefore, are not reported in the funds		(939,353)
Deferred outflow - loss on refunding included in governmental activities		403,680
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 \$706,727 outflows of resources pension/OPEB expense and \$4,560,728 of Deferred inflows of resources related to pensions/OPEB.		(3,854,001)
Certain receivables are not available to pay for current period expenditures and, therefore, are deferred inflows in the governmental funds.		<u>956,634</u>
Total Net Position - Governmental Activities		<u><u>\$ 48,279,096</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, 2021**

	General Fund	Capital Projects Fund	Infrastructure Development Fund	Non-Major Governmental Fund	Total Governmental Funds
REVENUES					
General Property Taxes	\$ 12,937,678	\$ -	\$ -	\$ -	\$ 12,937,678
Other Local Taxes	3,019,581	-	-	-	3,019,581
Permits and Licenses	909,538	-	-	-	909,538
Fines and Forfeitures	36,580	-	-	-	36,580
Charges for Services	1,979,590	-	-	-	1,979,590
Revenues from Other Agencies	643,797	943,850	-	318,403	1,906,050
Miscellaneous	2,807,574	45,200	442,939	316,756	3,612,469
Total Revenues	<u>22,334,338</u>	<u>989,050</u>	<u>442,939</u>	<u>635,159</u>	<u>24,401,486</u>
EXPENDITURES					
Current Operations:					
General Government	3,133,325	72,058	-	-	3,205,383
Public Safety	9,176,037	1,968,659	-	121,035	11,265,731
Public Works	5,228,160	611,890	-	-	5,840,050
Recreation and Cultural	364,998	921,863	-	471,558	1,758,419
Economic Development	516,433	-	-	-	516,433
Nondepartmental	467,545	-	-	454,530	922,075
Debt Service:					
Principal	60,950	-	-	1,300,000	1,360,950
Interest	21,658	-	-	280,309	301,967
Total Expenditures	<u>18,969,106</u>	<u>3,574,470</u>	<u>-</u>	<u>2,627,432</u>	<u>25,171,008</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,365,232</u>	<u>(2,585,420)</u>	<u>442,939</u>	<u>(1,992,273)</u>	<u>(769,522)</u>
OTHER FINANCING SOURCES (USES)					
General Obligation Bonds Issued	-	-	-	6,830,000	6,830,000
Premium from Sale of Bonds	-	-	-	687,751	687,751
Debt Proceeds	-	122,870	-	-	122,870
Transfers In	2,653,268	3,174,944	-	1,420,683	7,248,895
Transfers Out	(4,595,627)	-	-	(2,653,268)	(7,248,895)
Total Other Financing Sources (Uses)	<u>(1,942,359)</u>	<u>3,297,814</u>	<u>-</u>	<u>6,285,166</u>	<u>7,640,621</u>
NET CHANGES IN FUND BALANCES	1,422,873	712,394	442,939	4,292,893	6,871,099
Fund Balances - Beginning of Year	<u>10,747,238</u>	<u>6,109,110</u>	<u>4,342,857</u>	<u>2,822,858</u>	<u>24,022,063</u>
FUND BALANCES - END OF YEAR	<u>\$ 12,170,111</u>	<u>\$ 6,821,504</u>	<u>\$ 4,785,796</u>	<u>\$ 7,115,751</u>	<u>\$ 30,893,162</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, 2021**

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 6,871,099

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 \$3,029,982 and a disposal of \$62,813 was exceeded by capital outlay \$4,039,687 in the period. 946,892

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). (229,391)

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. (6,224,272)

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 (63,795)
Net effect of expenses for recording OPEB liability from the OPEB plan 1,726,859

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. 154,707

Change in Net Position of Governmental Activities \$ 3,126,699

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, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget		
REVENUES				
Taxes				
General Property Taxes:				
Real Property Taxes	\$ 11,976,358	\$ 11,976,358	\$ 12,013,598	\$ 37,240
Personal Property Taxes - Business	865,000	865,000	846,983	(18,017)
Personal Property Taxes - Railroad and Public Utilities	125,000	125,000	91,380	(33,620)
Abatements/Discounts	(75,000)	(75,000)	(73,995)	1,005
Penalties and Interest	45,500	45,500	59,712	14,212
Total General Property Taxes	<u>12,936,858</u>	<u>12,936,858</u>	<u>12,937,678</u>	<u>820</u>
Local Taxes:				
State Shared Income Taxes	1,149,784	1,149,784	2,072,729	922,945
State Shared Highway Taxes	697,255	697,255	945,690	248,435
Admission and Amusements	3,500	3,500	412	(3,088)
Franchise-Ordinary Business Corporation	750	750	750	-
Total Other Local Taxes	<u>1,851,289</u>	<u>1,851,289</u>	<u>3,019,581</u>	<u>1,168,292</u>
Total Taxes	<u>14,788,147</u>	<u>14,788,147</u>	<u>15,957,259</u>	<u>1,169,112</u>
Permits and Licenses				
Trader's Licenses	70,000	70,000	68,596	(1,404)
Building Permits	221,000	221,000	391,028	170,028
Plumbing Permits	24,000	24,000	60,704	36,704
Use and Occupancy Permits	37,500	37,500	68,100	30,600
Rental Housing License Fees	105,000	105,000	65,525	(39,475)
Permits and Other Licenses	197,100	197,100	255,585	58,485
Total Permits and Licenses	<u>654,600</u>	<u>654,600</u>	<u>909,538</u>	<u>254,938</u>
Fines and Forfeitures				
	<u>42,000</u>	<u>42,000</u>	<u>36,580</u>	<u>(5,420)</u>
Charges for Services				
General Government	87,500	87,500	134,954	47,454
Public Safety	208,713	208,713	246,337	37,624
Highway and Streets	150,000	150,000	131,532	(18,468)
Sanitation and Waste Removal	1,434,500	1,434,500	1,425,817	(8,683)
Main Street and Recreation Fees	25,000	25,000	40,950	15,950
Total Charges for Services	<u>1,905,713</u>	<u>1,905,713</u>	<u>1,979,590</u>	<u>73,877</u>
Revenues from Other Agencies				
Federal:				
FEMA	-	-	7,884	7,884
Total Federal	<u>-</u>	<u>-</u>	<u>7,884</u>	<u>7,884</u>
State:				
Police Protection	244,755	244,755	231,939	(12,816)
Fire, Rescue, and Ambulance	20,000	20,000	13,747	(6,253)
Conservation and Critical Areas	4,500	4,500	3,500	(1,000)
Recreation Open Space & Other Projects	45,000	45,000	9,779	(35,221)
Total State	<u>314,255</u>	<u>314,255</u>	<u>258,965</u>	<u>(55,290)</u>
County:				
Taxes	360,455	360,455	371,225	10,770
Misc County Grant	5,723	5,723	5,723	-
Total County	<u>366,178</u>	<u>366,178</u>	<u>376,948</u>	<u>10,770</u>
Total Revenues from Other Agencies	<u>680,433</u>	<u>680,433</u>	<u>643,797</u>	<u>(36,636)</u>
Miscellaneous				
	<u>2,307,000</u>	<u>2,307,000</u>	<u>2,807,574</u>	<u>500,574</u>
Total Revenues	<u>20,377,893</u>	<u>20,377,893</u>	<u>22,334,338</u>	<u>1,956,445</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, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget		
EXPENDITURES				
General Government				
Legislative:				
Town Council	\$ 161,026	\$ 161,026	\$ 176,517	\$ (15,491)
Town Clerk	149,591	149,591	233,549	(83,958)
Total Legislative	<u>310,617</u>	<u>310,617</u>	<u>410,066</u>	<u>(99,449)</u>
Executive Mayor	92,903	92,903	107,220	(14,317)
Town Manager	638,393	638,393	645,741	(7,348)
Elections	-	-	4,528	(4,528)
Financial Administration	1,120,455	1,120,455	1,061,801	58,654
Planning and Zoning	580,112	580,112	677,575	(97,463)
General Services	260,981	260,981	226,394	34,587
Total General Government	<u>3,003,461</u>	<u>3,003,461</u>	<u>3,133,325</u>	<u>(129,864)</u>
Public Safety				
Police	7,504,048	7,504,048	7,266,886	237,162
Traffic Control	46,085	46,085	45,909	176
Fire and Rescue	403,007	403,007	436,780	(33,773)
Code Enforcement	538,053	538,053	515,206	22,847
Rental Housing	181,158	181,158	165,245	15,913
Traffic Engineering	844,584	844,584	746,011	98,573
Total Public Safety	<u>9,516,935</u>	<u>9,516,935</u>	<u>9,176,037</u>	<u>340,898</u>
Public Works				
Administration	664,593	664,593	586,939	77,654
Sanitation and Waste Removal	1,946,839	1,946,839	2,235,752	(288,913)
Highways, Streets, and Sidewalks	2,138,116	2,138,116	2,399,215	(261,099)
Mosquito Control	-	-	6,254	(6,254)
Total Public Works	<u>4,749,548</u>	<u>4,749,548</u>	<u>5,228,160</u>	<u>(478,612)</u>
Parks, Recreation, and Cultural				
Parks and Recreation Administration	482,896	482,896	271,436	211,460
Participation Recreation	-	-	1,042	(1,042)
Municipal Parks	-	-	92,520	(92,520)
Total Parks, Recreation, and Cultural	<u>482,896</u>	<u>482,896</u>	<u>364,998</u>	<u>117,898</u>
Economic Development/Main Street				
	480,750	480,750	516,433	(35,683)
Nondepartmental				
	529,460	529,460	467,545	61,915
Debt Service				
Principal	12,452	12,452	60,950	(48,498)
Interest	5,032	5,032	21,658	(16,626)
Total Debt Service	<u>17,484</u>	<u>17,484</u>	<u>82,608</u>	<u>(65,124)</u>
Total Expenditures	<u>18,780,534</u>	<u>18,780,534</u>	<u>18,969,106</u>	<u>(188,572)</u>
Excess of Revenues Over Expenditures	<u>1,597,359</u>	<u>1,597,359</u>	<u>3,365,232</u>	<u>1,767,873</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, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget		
OTHER FINANCING SOURCES (USES)				
Transfers (Net):				
Debt Service	\$ 2,547,277	\$ 2,547,277	\$ 1,232,585	\$ (1,314,692)
Law Enforcement	135,000	135,000	-	(135,000)
Capital Projects	(3,174,944)	(3,174,944)	(3,174,944)	-
Impact Fee	200,000	200,000	-	(200,000)
General Fund	(1,304,692)	(1,304,692)	-	1,304,692
Total Other Financing Uses	<u>(1,597,359)</u>	<u>(1,597,359)</u>	<u>(1,942,359)</u>	<u>(345,000)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	1,422,873	<u>\$ 1,422,873</u>
Fund Balance - Beginning of Year			<u>10,253,411</u>	
FUND BALANCE - END OF YEAR			<u>\$ 11,676,284</u>	

See accompanying Notes to Financial Statements.

**TOWN OF EASTON, MARYLAND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2021**

	Business-Type Activities - Enterprise Funds		
	Utility	Non-Major	Totals
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 10,888,094	\$ 1,672,016	\$ 12,560,110
Investments	27,633,619	-	27,633,619
Collateral Deposit	200,000	-	200,000
Accounts Receivable, Net	5,024,890	241,852	5,266,742
Unrecovered Fuel and Gas Costs	699,563	-	699,563
Interest Receivable	707	-	707
Prepaid Items	384,738	-	384,738
Unamortized Expenses	257,645	-	257,645
Unbilled Revenue	1,796,873	-	1,796,873
Inventory	4,427,050	-	4,427,050
Total Current Assets	<u>51,313,179</u>	<u>1,913,868</u>	<u>53,227,047</u>
NONCURRENT ASSETS			
Net Pension Asset	3,509,809	-	3,509,809
Net OPEB Asset	1,731,347	-	1,731,347
Capital Assets, Not Being Depreciated	6,511,470	202,556	6,714,026
Capital Assets, Net of Accumulated Depreciation	90,097,091	4,389,908	94,486,999
Total Noncurrent Assets	<u>101,849,717</u>	<u>4,592,464</u>	<u>106,442,181</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow - Pension	329,685	-	329,685
Total Deferred Outflows of Resources	<u>329,685</u>	<u>-</u>	<u>329,685</u>
Total Assets and Deferred Outflows	<u>\$ 153,492,581</u>	<u>\$ 6,506,332</u>	<u>\$ 159,998,913</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	\$ 2,603,253	\$ 143,949	\$ 2,747,202
Accrued Liabilities	1,869,222	1,744,979	3,614,201
Tax Collection Payable	429,108	-	429,108
Performance Deposits	1,443,283	1,500	1,444,783
Unearned Revenue	14,040	-	14,040
Current Portion of Long-Term Debt	1,890,244	-	1,890,244
Total Current Liabilities	<u>8,249,150</u>	<u>1,890,428</u>	<u>10,139,578</u>
NONCURRENT LIABILITIES			
Compensated Absences, Net of Current Portion	1,047,087	-	1,047,087
Long-Term Debt, Net of Current Portion	12,151,730	-	12,151,730
Total Noncurrent Liabilities	<u>13,198,817</u>	<u>-</u>	<u>13,198,817</u>
Total Liabilities	<u>21,447,967</u>	<u>1,890,428</u>	<u>23,338,395</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow - Pension	5,184,548	-	5,184,548
Total Deferred Inflows of Resources	<u>5,184,548</u>	<u>-</u>	<u>5,184,548</u>
NET POSITION			
Net Investment in Capital Assets	82,566,587	4,592,464	87,159,051
Restricted for Capital Project	2,434,939	-	2,434,939
Unrestricted	41,858,540	23,440	41,881,980
Total Net Position	<u>126,860,066</u>	<u>4,615,904</u>	<u>131,475,970</u>
Total Liabilities, Deferred Inflows of Resources and Net Pension	<u>\$ 153,492,581</u>	<u>\$ 6,506,332</u>	<u>\$ 159,998,913</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, 2021

	Business-Type Activities - Enterprise Funds		
	Utility	Non-Major	Total
OPERATING REVENUES			
Charges for Services	\$ 54,416,019	\$ 141,124	\$ 54,557,143
Other Operating Revenues	780,270	240,608	1,020,878
Total Operating Revenues	<u>55,196,289</u>	<u>381,732</u>	<u>55,578,021</u>
OPERATING EXPENSES			
Cost of Service	39,336,068	63,260	39,399,328
Depreciation	7,735,462	147,078	7,882,540
Total Operating Expenses	<u>47,071,530</u>	<u>210,338</u>	<u>47,281,868</u>
Operating Income (Loss)	<u>8,124,759</u>	<u>171,394</u>	<u>8,296,153</u>
NONOPERATING REVENUES (EXPENSES)			
Grant Revenues	-	1,520,163	1,520,163
Investment Earnings	96,870	-	96,870
Interest Expense	(129,533)	-	(129,533)
Loss on Sale of Property	(487,358)	-	(487,358)
Payment in Lieu of Taxes	(2,042,406)	-	(2,042,406)
Capital Charges	1,379,135	-	1,379,135
Miscellaneous	(244,776)	-	(244,776)
Total Nonoperating Revenues (Expenses)	<u>(1,428,068)</u>	<u>1,520,163</u>	<u>92,095</u>
CHANGES IN FUND NET POSITION	6,696,691	1,691,557	8,388,248
Total Net Position - Beginning of Year	<u>120,163,375</u>	<u>2,924,347</u>	<u>123,087,722</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 126,860,066</u>	<u>\$ 4,615,904</u>	<u>\$ 131,475,970</u>

See accompanying Notes to Financial Statements.

**TOWN OF EASTON, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2021**

	Business-Type Activities - Enterprise Funds		
	Utility	Non-Major	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received for Services	\$ 54,599,999	\$ 155,651	\$ 54,755,650
Cash Paid to Suppliers for Goods and Services	(26,758,630)	(82,472)	(26,841,102)
Cash Paid to Employees for Services	(13,039,438)	-	(13,039,438)
Grant Proceeds	-	1,520,163	1,520,163
Net Cash Provided by Operating Activities	<u>14,801,931</u>	<u>1,593,342</u>	<u>16,395,273</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES			
Cash Flows from Grant Receipts	505,890	-	505,890
Cash Paid in Lieu of Taxes	(2,087,844)	-	(2,087,844)
Net Cash Used by Noncapital and Related Financing Activities	<u>(1,581,954)</u>	<u>-</u>	<u>(1,581,954)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from Disposition of Assets	(459,939)	-	(459,939)
Proceeds from Capital Charges	1,379,135	-	1,379,135
Purchases/Construction of Capital Assets	(9,592,696)	(3,247,038)	(12,839,734)
Interfund Loan	-	1,744,979	1,744,979
Payment of Debt	(1,831,198)	-	(1,831,198)
Other Interest Paid	(221,455)	-	(221,455)
Net Cash Provided by (Used by) Capital and Related Financing Activities	<u>(10,726,153)</u>	<u>(1,502,059)</u>	<u>(12,228,212)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on Cash Deposits and Investments	76,742	-	76,742
Sales of Investments	13,000,000	-	13,000,000
Purchases of Investments	(13,783,600)	-	(13,783,600)
Net Cash Used by Investing Activities	<u>(706,858)</u>	<u>-</u>	<u>(706,858)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,786,966	91,283	1,878,249
Cash and Cash Equivalents - Beginning of Year	<u>9,101,128</u>	<u>1,580,733</u>	<u>10,681,861</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 10,888,094</u>	<u>\$ 1,672,016</u>	<u>\$ 12,560,110</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income	\$ 8,124,759	\$ 171,394	\$ 8,296,153
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	7,735,462	147,078	7,882,540
Amortization	80,261	-	80,261
Other Miscellaneous Nonoperating Revenue	154,828	1,294,763	1,449,591
Effects of Changes in Operating Assets, Deferred Outflows, Liabilities and Deferred Inflows:			
Accounts Receivable, Net	(140,310)	129,223	(11,087)
Inventory	(5,229,487)	-	(5,229,487)
Deferred Inflows/Outflows - Pension	4,664,318	-	4,664,318
Unrecovered Fuel and Gas Costs	(1,055,034)	-	(1,055,034)
Accounts Payable and Accrued Liabilities	467,134	(149,116)	318,018
Total Adjustments	<u>6,677,172</u>	<u>1,421,948</u>	<u>8,099,120</u>
Net Cash Provided by Operating Activities	<u>\$ 14,801,931</u>	<u>\$ 1,593,342</u>	<u>\$ 16,395,273</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Contributions of Capital Assets	<u>\$ 633,393</u>	<u>\$ -</u>	<u>\$ 633,393</u>

**TOWN OF EASTON, MARYLAND
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2021**

	<u>Benefits Trust Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 335,474
Investments, at Fair Value	<u>71,583,049</u>
Total Assets	<u><u>\$ 71,918,523</u></u>
NET POSITION	
Held in Trust for Pension Benefits	<u><u>\$ 71,918,523</u></u>

**TOWN OF EASTON, MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2021**

	Benefits Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 2,905,764
Employees	242,399
Total Contributions	3,148,163
Investment Earnings:	
Investment Income	4,534,355
Net Increase in Fair Value of Plan Investments	11,302,302
Total Investment Earnings	15,836,657
Less: Investment Expense	(216,960)
Net Investment Earnings	15,619,697
Total Additions	18,767,860
DEDUCTIONS	
Benefit Payments	2,788,886
Administrative expenses	-
NET CHANGE	15,978,974
Net Position - Beginning of Year	55,939,549
NET POSITION - END OF YEAR	\$ 71,918,523

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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, 2021

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, 2021

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, 2021**

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, 2021

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 1 ½% 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 uncollectibles. 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 three years. 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, 2021**

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 – 50 Years	15 – 50 Years
Improvements Other Than Buildings	20 – 30 Years	10 – 30 Years
Machinery and Equipment	3 – 15 Years	5 – 15 Years

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, 2021, is \$1,796,873.

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, 2021, the Commission had net under-recovered cost of \$699,563.

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 \$4,427,050 at June 30, 2021.

TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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.

Unearned Revenues

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, 2021, is \$14,040.

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 two items that qualifies for reporting in this category, the actuarially identified future pension costs and other postemployment benefit costs, which are 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, 2021

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 Post-Employment 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, 2021

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 non-spendable 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, 2021**

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	\$ 22,334,338	\$ 18,969,106	\$ (1,942,359)	\$ 12,170,111
Interfund Loan – Effect of Previous Years	-	-	-	(493,827)
Budgetary Basis	\$ 22,334,338	\$ 18,969,106	\$ (1,942,359)	\$ 11,676,284

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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, 2021 was \$1,303,854. The plan administrator is Prudential.

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 \$43,662,087 and the bank balance was \$42,897,013. 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, 2021.

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2021, the Town had \$27,646,633 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.

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	\$ 5,286,664
Variable Earnings Investments:	
Dryden S&P 500 Index	4,993,257
Mid Cap Growth/Waddell & Reed	1,837,034
Mid Cap Value / QMA Fund	1,922,332
SCG I (managed by Brown)	2,320,363
Small Cap Value/Kennedy Capit	2,503,197
T. Rowe Price Eqty Inc Stgy	5,009,849
T. Rowe Price Growth Stk Stgy	5,033,559
EmrgMrkEq / QMA*	1,512,821
International Blend/Wellington*	4,074,656
Core Plus Bond PGIM Fund	13,803,279
Real Estate / Am Century Fund	2,741,719
Total	<u>\$ 51,038,730</u>

*-Foreign investment

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 DEPOSITS AND INVESTMENTS

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	\$ 759,873
Harding Loevner Intl.	282,311
Lord Abbett Short Duration Income Fund	2,250,250
MFS Intl*	1,087,268
Touchstone Sands Capital Emerging Markets	644,622
Vanguard - Emerging Market*	558,591
Vanguard - Intermediate Term Trust	2,420,769
Vanguard - Short Term	2,254,430
Vanguard - Mid Cap Index	2,494,878
	<u>12,752,992</u>
Common Stock:	
Communication Services	970,316
Consumer Cyclical	1,189,233
Consumer Defense	114,606
Energy	119,538
Financials	1,314,001
Health Care	881,002
Industrials	286,406
Information Technology	2,015,181
Materials	646,168
Real Estate Investment Trusts	254,876
	<u>7,791,327</u>
Cash and Alternatives	335,474
	<u>\$ 20,879,793</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, 2021**

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>
<u>Defined Benefit Pension Plan</u>		
Guaranteed Account	\$ 5,286,664	3.7
Core Plus Bond/PIMCO	13,803,279	7.84
Total	<u>\$ 19,089,943</u>	
 <u>OPEB Plan</u>		
Vanguard - Intermediate Term Trust	\$ 2,420,769	7.30
Vanguard Short Term Investment Grade	2,254,430	2.90
Total	<u>\$ 4,675,199</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, 2021 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 percent of the Town's total investments. At June 30, 2020, 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, 2021**

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 \$7,233,336 at June 30, 2021. 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	\$ 489,831	\$ -	\$ -	\$ -	\$ 489,831
Accounts	428,820	40	5,024,890	241,852	5,695,602
Due from Other Governments	1,849,697	170,499	-	-	2,020,196
Interest	-	-	707	-	707
Allowance for Uncollectibles	(577,083)	-	-	-	(577,083)
Net Receivables	<u>\$ 2,191,265</u>	<u>\$ 170,539</u>	<u>\$ 5,025,597</u>	<u>\$ 241,852</u>	<u>\$ 7,629,253</u>

The June 30, 2021 balance of due from other governments is as follows:

State of Maryland:	
Income Taxes	\$ 1,714,541
Capital Projects	170,499
CDBG	
Talbot County	135,156
Total Due from Other Governments	<u>\$ 2,020,196</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, 2021**

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, 2021 is summarized as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Income Taxes	\$ 900,730	\$ -	\$ 900,730
Property Taxes	55,904	-	55,904
Miscellaneous	-	13,076	13,076
Total	<u>\$ 956,634</u>	<u>\$ 13,076</u>	<u>\$ 969,710</u>

NOTE 4 INTER-FUND PAYABLES AND TRANSFERS

Due to/from other funds at June 30, 2021 was as follows:

	<u>Payable Fund</u>		<u>Total</u>
	Community	Dev	
Receivable Fund:			
General Fund	<u>\$ 142,188</u>		<u>\$ 142,188</u>

Inter-fund transfer activity for the year ended June 30, 2021 was as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Funds:		
General Fund	\$ 2,653,268	\$ 4,595,627
Capital Projects Fund	3,174,944	-
Nonmajor Governmental Funds	1,420,683	2,653,268
Total	<u>\$ 7,248,895</u>	<u>\$ 7,248,895</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, 2021

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 7,492,670	\$ 10,000	\$ -	\$ 7,502,670
Total Capital Assets, Not Being Depreciated	<u>7,492,670</u>	<u>10,000</u>	<u>-</u>	<u>7,502,670</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	49,702,933	2,874,858	-	52,577,791
Equipment	18,873,419	1,154,829	(726,645)	19,301,603
Total Capital Assets, Being Depreciated	<u>68,576,352</u>	<u>4,029,687</u>	<u>(726,645)</u>	<u>71,879,394</u>
Less Accumulated Depreciation:				
Buildings and Improvements	20,111,277	1,708,202	-	21,819,479
Equipment	15,427,305	1,321,780	(663,832)	16,085,253
Total Accumulated Depreciation	<u>35,538,582</u>	<u>3,029,982</u>	<u>(663,832)</u>	<u>37,904,732</u>
Net Capital Assets, Being Depreciated	<u>33,037,770</u>	<u>999,705</u>	<u>(62,813)</u>	<u>33,974,662</u>
Governmental Activities Capital Assets, Net	<u>\$ 40,530,440</u>	<u>\$ 1,009,705</u>	<u>\$ (62,813)</u>	<u>\$ 41,477,332</u>
	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 2,490,482	\$ 119,583	\$ (2,446)	\$ 2,607,619
Construction in Progress	3,938,116	9,501,287	(9,332,996)	4,106,407
Total Capital Assets, Not Being Depreciated	<u>6,428,598</u>	<u>9,620,870</u>	<u>(9,335,442)</u>	<u>6,714,026</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	32,151,102	26,200	(48,136)	32,129,166
Equipment and Other	185,304,767	12,499,139	(1,389,680)	196,414,226
Less: Amount Disallowed for Regulation	(1,719,785)	-	-	(1,719,785)
Total Capital Assets, Being Depreciated	<u>215,736,084</u>	<u>12,525,339</u>	<u>(1,437,816)</u>	<u>226,823,607</u>
Less Accumulated Depreciation:				
Buildings and Improvements	16,377,551	770,656	(47,821)	17,100,386
Equipment and Other	108,857,778	7,261,842	(883,398)	115,236,222
Total Accumulated Depreciation	<u>125,235,329</u>	<u>8,032,498</u>	<u>(931,219)</u>	<u>132,336,608</u>
Net Capital Assets, Being Depreciated	<u>90,500,755</u>	<u>4,492,841</u>	<u>(506,597)</u>	<u>94,486,999</u>
Business-Type Activities Capital Assets, Net	<u>\$ 96,929,353</u>	<u>\$ 14,113,711</u>	<u>\$ (9,842,039)</u>	<u>\$ 101,201,025</u>

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 5 CAPITAL ASSETS (CONTINUED)

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

<u>Years Ending June 30,</u>	<u>Annual Lease Payments</u>
2022	\$ 138,324
2023	138,324
2024	138,324
2025	138,324
2026	138,324
Thereafter	138,324
	<u>\$ 829,944</u>

NOTE 6 OPERATING LEASE

District Court

The Town (lessor) entered into a 10-year operating lease agreement with the state of Maryland (lessee) for the District Court building effective September 1, 1997 with an option for one five-year extension. Upon expiration of that lease, the state of Maryland and the Town renewed the lease effective beginning January 1, 2013 for an additional ten-year term with an additional five-year period automatically available. Annual rent is \$138,324. The future annual lease payments are as follows:

<u>Years Ending June 30,</u>	<u>Annual Lease Payments</u>
2022	\$ 138,324
2023	138,324
2024	138,324
2025	138,324
2026	138,324
Thereafter	138,324
	<u>\$ 829,944</u>

TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7 LONG-TERM LIABILITIES

The long-term liabilities consist of the following at June 30, 2021:

	Beginning Balance	Additions	Principal Repayments & Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General Obligation Bonds	\$ 7,595,000	\$ 6,830,000	\$ 1,300,000	\$ 13,125,000	\$ 675,000
Unamortized Premium on Bonds	554,237	687,751	55,400	1,186,588	-
DHCD Loan Payable	1,672,124	-	-	1,672,124	-
Capital Leases	196,221	122,870	55,883	263,208	64,413
Note Payable – USDA	277,769	-	5,065	272,704	5,298
Total Long-Term Debt	10,295,351	7,640,621	1,416,348	16,519,624	744,711
Compensated Absences	920,743	229,391	-	1,150,134	-
Governmental Activities Long-Term Liabilities	<u>\$ 11,216,094</u>	<u>\$ 7,870,012</u>	<u>\$ 1,416,348</u>	<u>\$ 17,669,758</u>	<u>\$ 744,711</u>
Business-Type Activities					
Loan – MDE	\$ 883,807	\$ -	\$ 78,846	\$ 804,961	\$ 80,266
Loan – State of Maryland	9,050,727	-	1,169,822	7,880,905	1,210,868
Node+0 Project Loan	5,938,638	-	582,530	5,356,108	599,110
Total Long-Term Debt	15,873,172	-	1,831,198	14,041,974	1,890,244
Compensated Absences	1,081,579	-	34,492	1,047,087	-
Business-Type Activities Long-Term Liabilities	<u>\$ 16,954,751</u>	<u>\$ -</u>	<u>\$ 1,865,690</u>	<u>\$ 15,089,061</u>	<u>\$ 1,890,244</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:

Bond Issue	Maturity	Interest Rates	Balance at June 30, 2021
Public Facilities Bonds 2015	2036	2.00 – 4.00%	\$ 6,295,000
Public Facilities Bonds 2020	2036	2.00 – 4.00%	6,830,000
Total General Obligation Bonds			<u>\$ 13,125,000</u>

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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>
2022	\$ 675,000	\$ 350,483
2023	670,000	336,983
2024	920,000	311,683
2025	925,000	274,683
2026	930,000	244,033
2027-2031	3,760,000	773,170
2032-2036	2,540,000	398,375
2037-2041	1,895,000	173,031
2042-2043	810,000	16,300
Total	<u>\$ 13,125,000</u>	<u>\$ 2,878,741</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, 2021, \$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 \$4,371.

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>
2022	\$ 5,298	\$ 12,218	\$ 17,516
2023	5,542	11,974	17,516
2024	5,796	11,720	17,516
2025	6,063	11,453	17,516
2026	6,632	10,884	17,516
2027-2031	36,353	51,235	87,588
2032-2036	45,506	42,082	87,588
2037-2041	56,964	30,624	87,588
2042-2046	71,305	16,283	87,588
2047-2048	33,245	1,713	34,958
Total	<u>\$ 272,704</u>	<u>\$ 200,186</u>	<u>\$ 472,890</u>

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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, 2021.

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, 2021 was \$7,880,905. 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, 2021:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 1,210,868	\$ 31,524	\$ 1,242,392
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>\$ 7,880,905</u>	<u>\$ 113,206</u>	<u>\$ 7,994,111</u>

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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, 2021 was \$804,961. 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, 2021:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 80,266	\$ 14,489	\$ 94,755
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
2027-2031	388,922	18,920	407,842
Total	<u>\$ 804,961</u>	<u>\$ 76,656</u>	<u>\$ 881,617</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, 2021 was \$5,356,108, the maximum amount of the loan. 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, 2021:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 599,110	\$ 154,975	\$ 754,085
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
2027-2030	2,171,640	107,805	2,279,445
Total	<u>\$ 5,356,108</u>	<u>\$ 693,762</u>	<u>\$ 6,049,870</u>

Capital Lease Obligation

The Town entered into various lease agreements as the lessee for vehicles during fiscal year 2021. The agreements are for a period of five years., expiring through September 15, 2024. Principal and interest payments are due each month. The interest rate for the term of the agreements is 2.9% - 4.3%. The assets acquired and capitalized under the capital lease are as follows:

Vehicles Cost	\$ 209,876
Less: Accumulated Depreciation	3,498
Net Book Value	<u>\$ 206,378</u>

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2021, were as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2022	\$ 72,625
2023	72,625
2024	72,625
2025	56,882
2026	<u>7,496</u>
Total Minimum Lease Payments	282,253
Less: Amount Representing Interest	<u>19,045</u>
Present Value of Minimum Lease Payments	<u><u>\$ 263,208</u></u>

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 (1.33% at June 30, 2021). 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, 2021.

TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 FUND BALANCE

A summary of fund balances at June 30, 2021 is as follows:

	General Fund	Capital Projects Fund	Infrastructure Development Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>Nonspendable:</u>					
Prepaid Expenses and Other	\$ 18,031	\$ -	\$ -	\$ -	\$ 18,031
Total Nonspendable	18,031	-	-	-	18,031
Fund Balance	18,031	-	-	-	18,031
<u>Restricted:</u>					
Impact Fees	-	-	4,785,796	-	4,785,796
Debt Service	-	-	-	7,124,212	7,124,212
Total Restricted	-	-	4,785,796	7,124,212	11,910,008
Fund Balance	-	-	4,785,796	7,124,212	11,910,008
<u>Committed:</u>					
Budget Stabilization	3,591,260	-	-	-	3,591,260
<u>Assigned:</u>					
Capital Projects	-	6,821,504	-	-	6,821,504
Law Enforcement Fund	-	-	-	222,599	222,599
Total Assigned	-	6,821,504	-	222,599	7,044,103
Fund Balance	-	6,821,504	-	222,599	7,044,103
<u>Unassigned:</u>					
General Fund	8,560,820	-	-	-	8,560,820
CDBG Grant	-	-	-	(231,060)	(231,060)
Total Unassigned	8,560,820	-	-	(231,060)	8,329,760
Fund Balance	8,560,820	-	-	(231,060)	8,329,760
Total Fund Balance	<u>\$ 12,170,111</u>	<u>\$ 6,821,504</u>	<u>\$ 4,785,796</u>	<u>\$ 7,115,751</u>	<u>\$ 30,893,162</u>

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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).

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 th birthday or, if later, the fifth anniversary of the Participant's participation commencement date. For Sworn Police Officers (Division B Employees), the earlier of the day on which the participant's attained age and years of service equal 80 or the day on those becoming participants on and after January 1, 2002.
Social Security Benefit	Amount of basic monthly Social Security benefit at age 62 based on the Employee's earnings while in covered employment; subject to automatic increases under the current law. Employee's earnings from the date service ceases until age 62 are assumed to be at the same rate of compensation as participant received when service ceased.
Social Security Covered Compensation	Average of Taxable Wage Bases for 35 calendar years ending with the last day of the calendar year in which a participant attains Social Security Retirement Age; subject to the automatic increases under the current law.
Participation Eligibility	An employee working more than 20 hours per week and for more than five months per calendar year. Sworn Police Officers must make participant contributions under the Pick Up provisions of the Plan.

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Plan Benefit Information (Continued)

Benefit Formula Division A
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).

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, 2021**

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 Age 55 with 10 years of service.
 Benefit Formula 50% of the pension benefit accrued to date of death

- B. Eligibility Eligible for vesting but not age 55 with 10 years of Service.
 Benefit Formula 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

- Eligibility* Participant has prior plan contributions.

- Benefit Formula* 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:

- Eligibility* *Participant who retires early or retires on his Normal Retirement Date.*

- Benefit Formula* Division A
 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

- Division B

- Amount* 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, 2021**

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, 2020 (the date of the last actuarial valuation), the pension plan's membership consisted of:

Active Employees	158
Retirees and Beneficiaries Currently Receiving Benefits	143
Terminated Employees Entitled to Benefits but Not Yet Receiving Them	91
Total	392

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, 2021 were \$242,399. 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, 2021 and 2020 was \$916,453 and \$955,282, respectively. Actual employer contributions for the years ended June 30, 2021 and 2020 were \$1,303,854 and \$1,176,000, respectively.

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Valuation of Investments

The Plan's un-allocated 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, 2020, no investment in any one organization, exceeded five percent or more of net assets available for benefits.

The condensed financial statements as of and for the year ended June 30, 2021 are as follows:

Statement of Plan Net Position

Assets

Investments, at Fair Value Other Adjustment	<u>\$ 51,038,730</u>
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Net Position

Net Position Held in Trust for Pension Benefits	<u>\$ 51,038,730</u>
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Statement of Changes in Plan Net Position

Additions

Contributions:

Employer	\$ 1,303,854
Employee	<u>242,399</u>
Total Contributions	<u>1,546,253</u>

Investment Earnings:

Investment Income	3,401,139
Net Decrease in Fair Value of Plan Investments	8,159,211
Less Investment Expenses	<u>(135,983)</u>
Net Investment Income	<u>11,424,367</u>

Total Additions	12,970,620
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Deductions

Benefit Payments	2,163,201
Administrative Expense	<u>-</u>
Total Deductions	<u>2,163,201</u>

Net Change

10,807,419

Net Position - Beginning of Year

40,231,311

Net Position - End of Year

\$ 51,038,730

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated August 1, 2020 with adjustments made for the eleven-month difference.

The total pension liability was determined by an actuarial valuation as of August 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	2.75% per year
	Salary increases: Town=5.25%, Utilities=3.25%, Sworn Officers=7.75%-10 years, 4.75% thereafter
Investment Return:	7.25% compounded annually, net of investment expenses and including inflation
Cost-of-Living Adjustments:	None assumed

Mortality rates were based on the RP-2000 Blue Collar Tables with Scale BB applied generationally; 1-year setback for Town and Utilities; 50% rates applied for pre-retirement deaths.

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

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.

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

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, 2021 and the final investment return assumption, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Return Portfolio</u>	<u>Weight</u>
U.S. Equity	6.10%	47%
International Equity	6.45%	11%
Fixed Income – U.S.	1.45%	27%
Stable Value	3.00%	10%
Real Estate	4.85%	5%
Total Weighted Average Real Return	4.51%	100%
Plus Inflation	2.75%	
Total Return Without Adjustment	7.26%	
Risk Adjustment	0.01%	
Total Expected Return	7.25%	

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. 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.

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.

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Discount Rate (Continued)

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, 2021:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2020	<u>\$ 47,291,957</u>	<u>\$ 40,231,311</u>	<u>\$ 7,060,646</u>
Changes for the Year:			
Service Cost	682,982	-	682,982
Interest	3,401,139	-	3,401,139
Difference Between Expected and Actual Experience	(744,603)	-	(744,603)
Changes in Assumptions	-	-	-
Contributions - Employer	-	1,303,854	(1,303,854)
Contributions - Employee	-	242,399	(242,399)
Net Investment Income	-	11,560,350	(11,560,350)
Benefit Payments, Including Refunds of Employee Contributions	(2,163,201)	(2,163,201)	-
Administrative Expenses	-	(135,983)	135,983
Other Changes	-	-	-
Net Change in Total Pension Liability	<u>1,176,317</u>	<u>10,807,419</u>	<u>(9,631,102)</u>
Balance at June 30, 2021	<u>\$ 48,468,274</u>	<u>\$ 51,038,730</u>	<u>\$ (2,570,456)</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 7.25%, 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:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Town's Net Pension Liability	<u>\$ 2,764,527</u>	<u>\$ (2,570,456)</u>	<u>\$ (7,037,621)</u>

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Deferred Inflows and Outflows

As of June 30, 2021, 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	\$ -	\$ (5,824,863)
Differences Between Expected and Actual Experience	117,440	(898,821)
Changes in Actuarial Assumptions	23,933	-
Total	<u>\$ 141,373</u>	<u>\$ (6,723,684)</u>

<u>Year Ended June 30</u>	<u>Amount</u>
2022	\$ (1,836,479)
2023	(1,439,257)
2024	(1,569,643)
2025	(1,736,932)
Total Amount to be Recognized	<u>\$ (6,582,311)</u>

Money Weighted Investment Return

For the year ended June 30, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 28.4%. 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, 2021**

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Employees Covered by Benefit Terms

At July 1, 2019, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	90
Inactive Employees Entitled to but not yet Receiving Benefit Payments	-
Active Employees	<u>278</u>
Total	<u><u>368</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, 2021 are as follows:

Statement of Plan Net Position

Assets

Cash and Cash Equivalents	\$ 335,474
Investments, at Fair Value	<u>20,544,319</u>
Total Assets	<u><u>\$ 20,879,793</u></u>

Net Position

Net Position Held in Trust for Pension Benefits	<u><u>\$ 20,879,793</u></u>
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**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Valuation of Investments (Continued)

Statement of Changes in Plan Net Position

Additions

Contributions:

Employer	\$ 1,601,910
Total Contributions	1,601,910

Investment Earnings:

Investment Income	1,133,216
Net Increase in Fair Value of Plan Investments	3,143,091
Less Investment Expenses	80,977
Net Investment Income	4,357,284

Total Additions	5,959,194
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Deductions

Benefit Payments	625,685
Administrative Expense	-
Total Deductions	625,685

Net Change

5,333,509

Net Position - Beginning of Year

15,708,238

Net Position - End of Year

\$ 21,041,747

Net OPEB Liability

The Town's net OPEB liability was measured as of June 30, 2021 and the total OPEB Liability used to calculate the net OPEB liability was determined by an actuarial valuation dated July 1, 2019, rolled forward to June 30, 2021.

Actuarial Assumptions – the total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless other specified:

Inflation	2.75%
Salary Increases	4.50%
Investment Rate of Return	7.00%, net of OPEB plan investment expense and including inflation
Healthcare Cost Trend Rates	6.75% initially, decreasing to an ultimate rate of 4.00%

Mortality rates were based on the RP-2000 Table with Generational Scale BB Applied for both males and females and setback 1 year. The disabled versions of these tables were used for disabled lives.

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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%	6.00%
Non-U.S. Equity	11%	6.45%
Fixed Income Funds	27%	1.35%
Global Funds	10%	2.50%
Real Estate	5%	4.85%
Cash		0.00%
Total Weighted Average Real Return	<u>100%</u>	<u>4.39%</u>
Plus Inflation		<u>2.75%</u>
Total Return without Adjustment		<u>7.14%</u>
Risk Adjustment		<u>0.14%</u>
Total Expected Return		<u>7.00%</u>

Discount Rate

The discount rate used to measure the total OPEB liability was 7.0%. 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 7.0% 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, 2021**

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, 2020	\$ 20,412,381	\$ 15,708,238	\$ 4,704,143
Changes for the Year:			
Service Cost	619,305	-	619,305
Interest	1,469,030	-	1,469,030
Differences Between Expected and Actual Experience	-	-	-
Changes in Benefit Terms	262,015	-	262,015
Contributions - Employer	-	1,601,910	(1,601,910)
Net Investment Income	-	4,276,307	(4,276,307)
Benefit Payments	(625,685)	(625,685)	-
Administrative Expense and Other	-	(80,977)	80,977
Net Changes	<u>1,724,665</u>	<u>5,171,555</u>	<u>(3,446,890)</u>
Balances at June 30, 2021	<u>\$ 22,137,046</u>	<u>\$ 20,879,793</u>	<u>\$ 1,257,253</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, 2021 was 26.5%. 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 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current discount rate:

	1% Decrease	Current	1% Increase
	6.00%	Discount Rate 7.00%	8.00%
Net OPEB Liability	\$ 4,111,101	\$ 1,257,253	\$ (1,114,595)

**TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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 1-percentage-point lower (3.00 percent) or 1-percentage-point higher (5.00 percent) than the current healthcare cost trend rates:

	1% Decrease 3.00%	Current Ultimate Trend Rate 4.00%	1% Increase 5.00%
Net OPEB Liability	\$ (751,370)	\$ 1,257,253	\$ 2,701,579

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

For the year ended June 30, 2021, the Town recognized OPEB expense of \$499,636. At June 30, 2021, 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	\$ -	\$ (2,057,543)
Differences Between Expected and Actual Experience	895,039	(576,291)
Changes in Actuarial Assumptions	-	(387,758)
Total	\$ 895,039	\$ (3,021,592)

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

Year Ended June 30	Amount
2022	\$ (536,461)
2023	(531,491)
2024	(529,426)
2025	(684,769)
2026	(56,156)
Thereafter	211,750
Total Amount to be Recognized	\$ (2,126,553)

TOWN OF EASTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12 RELATED PARTY TRANSACTIONS

The General Fund charged the Utility Fund \$2,087,844 for payments in lieu of taxes during the year ended June 30, 2021.

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 12, 2021 in the amount of \$8,212,630.51 which is one half of the amount to be received for distribution to local businesses within the Town of Easton's jurisdiction. The Town will receive the second half related to this grant in FY2022/2023.

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF EASTON, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
YEAR ENDED JUNE 30, 2021**

	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service Cost	\$ 682,982	\$ 663,089	\$ 643,776	\$ 649,665	\$ 641,648	\$ 528,061	\$ 504,866	\$ 516,353
Interest	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	(744,603)	234,882	(113,788)	(145,760)	(1,696,615)	189,161	(721,292)	-
Changes in Assumptions	-	-	-	-	143,593	951,200	293,440	-
Benefit Payments, Including Refunds	(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	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	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>\$ 48,468,274</u>	<u>\$ 47,291,957</u>	<u>\$ 45,092,858</u>	<u>\$ 43,421,496</u>	<u>\$ 39,924,474</u>	<u>\$ 39,535,563</u>	<u>\$ 36,379,784</u>	<u>\$ 35,091,655</u>
Plan Fiduciary Net Position								
Contributions - Employer	\$ 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	242,399	228,927	213,994	242,302	168,723	181,459	175,424	192,000
Net Investment Income	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	(2,163,201)	(1,946,840)	(1,974,776)	(1,695,271)	(1,449,269)	(1,336,758)	(1,262,506)	(1,151,859)
Admin. Expenses	(135,983)	(128,612)	(129,974)	(118,380)	(140,173)	(98,412)	(90,839)	(94,256)
Other	-	-	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	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	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>\$ 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>\$ 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>\$ (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	105.3%	85.1%	88.3%	88.0%	89.0%	80.3%	87.3%	87.8%
Covered Employee Payroll	\$ 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	-18.5%	56.9%	42.9%	41.4%	31.1%	55.7%	33.4%	31.3%

**TOWN OF EASTON, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TOWN CONTRIBUTIONS – PENSION
JUNE 30, 2021**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially Determined Contribution	\$ 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	\$ 1,011,277
Contributions in Relation of the Actuarially Determined Contribution	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	1,011,277
Contribution Deficiency (Excess)	(387,401)	(219,562)	(171,177)	(297,999)	(259,217)	93,661	-	-	-	-	-
Covered-Employee Payroll	\$ 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	\$ 13,337,806
Contributions as a Percentage of Covered Employee Payroll	9.4%	9.5%	9.2%	10.3%	9.2%	7.1%	8.0%	8.9%	8.9%	9.0%	7.6%

NOTES TO SCHEDULE:

Valuation Date: August 1, 2020

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	28 years
Asset valuation method	Market value of assets
Inflation	2.75%
Salary increases	Town=5.25%, Utilities =3.25%, Sworn Officers = 7.75% for the first 10 years of service and 4.75% thereafter
Investment rate of return	7.25% compounded annually, net of pension plan investment expenses, including inflation
Retirement age	In the 2019 actuarial valuation, expected retirement ages of general employees were adjusted to more closely reflect actual experience.
Mortality	Mortality rates were based upon the RP-2000 Blue Collar Tables with scale BB applied generationally; with 1 year setback for Town and Utilities; 50% rates applied for pre-retirement deaths

**TOWN OF EASTON, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS – PENSION
JUNE 30, 2021**

<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	28.4%

TOWN OF EASTON, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES TO NET OPEB LIABILITY AND RELATED RATIOS
YEAR ENDED JUNE 30, 2021

	2021	2020	2019	2018	2017
Total OPEB Liability					
Service Cost	\$ 619,305	\$ 655,198	\$ 630,756	\$ 628,228	\$ 557,690
Interest	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	-	1,150,765	-	(1,037,323)	-
Changes in Assumptions	-	-	(395,798)	(223,006)	-
Benefit Payments	(625,685)	(532,473)	(525,544)	(520,648)	(413,896)
Net Change in Total OPEB Liability	1,724,665	2,752,796	882,195	(66,184)	1,244,097
Total OPEB Liability - Beginning	20,412,381	17,659,585	16,777,390	16,843,574	15,599,477
Total OPEB Liability - Ending (a)	<u>\$ 22,137,046</u>	<u>\$ 20,412,381</u>	<u>\$ 17,659,585</u>	<u>\$ 16,777,390</u>	<u>\$ 16,843,574</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 1,601,910	\$ 1,427,002	\$ 4,159,610	\$ 1,488,861	\$ 1,383,467
Net Investment Income	4,276,307	276,718	854,758	660,670	972,269
Benefit Payments	(625,685)	(532,473)	(525,544)	(520,648)	(413,896)
Administrative Expense	(80,977)	(69,169)	(53,081)	(50,517)	(41,952)
Net Change in Plan Fiduciary Net Position	5,171,555	1,102,078	4,435,743	1,578,366	1,899,888
Total Fiduciary Net Position - Beginning	15,708,238	14,606,160	10,170,417	8,592,051	6,692,163
Total Fiduciary Net Position - Ending ((b)	<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	\$ 4,704,143	\$ 3,053,425	\$ 6,606,973	\$ 8,251,523	\$ 8,907,314
Net OPEB Liability - End of Year	<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	94.3%	77.0%	82.7%	60.6%	51.0%
Covered Employee Payroll	\$ 19,314,903	\$ 20,290,619	\$ 16,813,459	\$ 16,028,534	\$ 14,609,300
Net OPEB Liability as a percentage of Covered Payroll	6.5%	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
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TOWN CONTRIBUTIONS – OTHER POSTEMPLOYMENT BENEFITS
YEAR ENDED JUNE 30, 2021**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially Determined Contribution	\$ 1,000,144	\$ 975,424	\$ 973,045	\$ 973,045	\$ 1,002,817	\$ 914,006	\$ 901,986	\$ 901,986	\$ 1,141,318	\$ 1,141,722	\$ 1,044,172
Contributions in Relation to the Actuarially Determined Contribution	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	1,029,630
Contribution Deficiency (Excess)	<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>	<u>\$ 14,542</u>
Covered-Employee Payroll	\$ 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	\$ 12,886,240
Contributions as a Percentage of Covered Employee Payroll	8.3%	7.0%	24.7%	9.3%	9.3%	10.9%	9.9%	11.7%	9.3%	7.4%	8.0%

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

**TOWN OF EASTON, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS – OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2021**

<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%

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

**TOWN OF EASTON, MARYLAND
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021**

	Debt Service	Community Development Block Grant	Law Enforcement	Total
ASSETS				
Cash and Cash Equivalents - Pooled	\$ 7,124,561	\$ -	\$ 225,079	\$ 7,349,640
Accounts Receivable, Net	-	-	40	40
	\$ 7,124,561	\$ -	\$ 225,119	\$ 7,349,680
LIABILITIES				
Accounts Payable	\$ 349	\$ 88,872	\$ 2,520	\$ 91,741
Due to Other Funds	-	142,188	-	142,188
Total Liabilities	349	231,060	2,520	233,929
FUND BALANCES (DEFICITS)				
Restricted	7,124,212	-	-	7,124,212
Assigned	-	-	222,599	222,599
Unassigned	-	(231,060)	-	(231,060)
Total Fund Balances (Deficits)	7,124,212	(231,060)	222,599	7,115,751
Total Liabilities and Fund Balances	\$ 7,124,561	\$ -	\$ 225,119	\$ 7,349,680

**TOWN OF EASTON, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES (DEFICIT)
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021**

	Debt Service	Community Development Block Grant	Law Enforcement	Total
REVENUES				
Revenues from Other Agencies	\$ -	\$ 309,462	\$ 8,941	\$ 318,403
Miscellaneous Revenue	-	179,874	136,882	316,756
Total Revenues	<u>-</u>	<u>489,336</u>	<u>145,823</u>	<u>635,159</u>
EXPENDITURES				
Current Operations:				
Public Safety	-	-	121,035	121,035
Recreation and Cultural	-	471,558	-	471,558
Miscellaneous	454,530	-	-	454,530
Debt Service:				
Principal	1,300,000	-	-	1,300,000
Interest	280,309	-	-	280,309
Total Expenditures	<u>2,034,839</u>	<u>471,558</u>	<u>121,035</u>	<u>2,627,432</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,034,839)	17,778	24,788	(1,992,273)
OTHER FINANCING SOURCES (USES)				
General Obligation Bonds Issued	6,830,000	-	-	6,830,000
Premium from Sale of Bonds	687,751	-	-	687,751
Transfers In	1,420,683	-	-	1,420,683
Transfers Out	<u>(2,653,268)</u>	<u>-</u>	<u>-</u>	<u>(2,653,268)</u>
Total Other Financing Sources	<u>6,285,166</u>	<u>-</u>	<u>-</u>	<u>6,285,166</u>
NET CHANGE IN FUND BALANCES	4,250,327	17,778	24,788	4,292,893
Fund Balances (Deficits) - Beginning of Year	<u>2,873,885</u>	<u>(248,838)</u>	<u>197,811</u>	<u>2,822,858</u>
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ 7,124,212</u>	<u>\$ (231,060)</u>	<u>\$ 222,599</u>	<u>\$ 7,115,751</u>

**TOWN OF EASTON, MARYLAND
COMBINING STATEMENT OF NET POSITION
NONMAJOR OTHER PROPRIETARY FUNDS
JUNE 30, 2021**

	Land Enterprise	Airport Industrial Land	Total
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents - Pooled	\$ 1,672,016	\$ -	\$ 1,672,016
Accounts Receivable, Net	2,944	238,908	241,852
Total Current Assets	1,674,960	238,908	1,913,868
NONCURRENT ASSETS			
Capital Assets, Not Being Depreciated	15,028	187,528	202,556
Capital Assets, Net of Accumulated Depreciation	376,672	4,013,236	4,389,908
Total Noncurrent Assets	391,700	4,200,764	4,592,464
Total Assets	\$ 2,066,660	\$ 4,439,672	\$ 6,506,332
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts Payable	\$ 5,406	\$ 138,543	\$ 143,949
Due to Other Funds	-	1,744,979	1,744,979
Performance Deposits	1,500	-	1,500
Total Current Liabilities	6,906	1,883,522	1,890,428
NET POSITION			
Net Investment in Capital Assets	391,700	4,200,764	4,592,464
Unrestricted	1,668,054	(1,644,614)	23,440
Total Net Position	2,059,754	2,556,150	4,615,904
Total Liabilities and Net Position	\$ 2,066,660	\$ 4,439,672	\$ 6,506,332

TOWN OF EASTON, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
NONMAJOR OTHER PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2021

	Land Enterprise	Airport Industrial Land	Total
OPERATING REVENUES			
Charges for Services	\$ 138,324	\$ 2,800	\$ 141,124
Other Operating Revenues	15,208	225,400	240,608
Total Operating Revenues	<u>153,532</u>	<u>228,200</u>	<u>381,732</u>
OPERATING EXPENSES			
Cost of Service	63,260	-	63,260
Depreciation	64,193	82,885	147,078
Total Operating Expenses	<u>127,453</u>	<u>82,885</u>	<u>210,338</u>
Operating Income (Loss)	<u>26,079</u>	<u>145,315</u>	<u>171,394</u>
NONOPERATING REVENUES (EXPENSES)			
Grant Revenues	-	1,520,163	1,520,163
Total Nonoperating Revenues	<u>-</u>	<u>1,520,163</u>	<u>1,520,163</u>
CHANGES IN FUND NET POSITION	26,079	1,665,478	1,691,557
Total Net Position - Beginning of Year	<u>2,033,675</u>	<u>890,672</u>	<u>2,924,347</u>
TOTAL NET POSITION - END OF YEAR	<u><u>\$ 2,059,754</u></u>	<u><u>\$ 2,556,150</u></u>	<u><u>\$ 4,615,904</u></u>

**TOWN OF EASTON, MARYLAND
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR OTHER PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2021**

	Land Enterprise	Airport Industrial Land	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$ 152,851	\$ 2,800	\$ 155,651
Cash Paid for Services	(61,568)	(20,904)	(82,472)
Grant Proceeds	-	1,520,163	1,520,163
Net Cash Provided by Operating Activities	<u>91,283</u>	<u>1,502,059</u>	<u>1,593,342</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases/Construction of Capital Assets	-	(3,247,038)	(3,247,038)
Interfund loan	-	1,744,979	1,744,979
Net Cash Used by Capital and Related Financing Activities	-	(1,502,059)	(1,502,059)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	91,283	-	91,283
Cash and Cash Equivalents - Beginning of Year	<u>1,580,733</u>	<u>-</u>	<u>1,580,733</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,672,016</u>	<u>\$ -</u>	<u>\$ 1,672,016</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Capital Assets, Net of Accumulated Depreciation			
Operating Income (Loss)	\$ 26,079	\$ 145,315	\$ 171,394
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	64,193	82,885	147,078
Other Miscellaneous NonOperating Revenue		1,294,763	1,294,763
Effect of Changes in Operating Assets and Liabilities:			
Accounts Receivable, Net	(682)	129,905	129,223
Asset sold	-	-	-
Accounts Payable and Accrued Expenses	1,693	(150,809)	(149,116)
Total Adjustments	<u>65,204</u>	<u>1,356,744</u>	<u>1,421,948</u>
Net Cash Provided by Operating Activities	<u>\$ 91,283</u>	<u>\$ 1,502,059</u>	<u>\$ 1,593,342</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, 2021**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Revenue from Other Agencies	\$ -	\$ -	\$ 943,850	\$ 943,850
Contributions	-	-	45,200	45,200
Total Revenue	<u>-</u>	<u>-</u>	<u>989,050</u>	<u>989,050</u>
EXPENDITURES				
General Governmental	1,255,000	1,255,000	72,058	1,182,942
Public Safety	1,112,244	1,112,244	1,968,659	(856,415)
Public Works	671,700	671,700	611,890	59,810
Recreation and Cultural	136,000	136,000	921,863	(785,863)
Total Expenditures	<u>3,174,944</u>	<u>3,174,944</u>	<u>3,574,470</u>	<u>(399,526)</u>
OTHER FINANCING SOURCES				
Debt Proceeds			122,870	(122,870)
Transfers In	3,174,944	3,174,944	3,174,944	-
Total Other Financing Sources	<u>3,174,944</u>	<u>3,174,944</u>	<u>3,297,814</u>	<u>(122,870)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	712,394	<u>\$ 466,654</u>
Fund Balance - Beginning of Year			<u>6,109,110</u>	
FUND BALANCE - END OF YEAR			<u>\$ 6,821,504</u>	