



FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

TOWN OF ELKTON, MARYLAND

For Fiscal Year Ended
June 30, 2022



Prepared by: Town of Elkton Finance Department

Robert J. Alt, Mayor
Lewis H. George, Jr., Town Administrator
Steven H. Repole, Finance Director
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**TOWN OF ELKTON, MARYLAND
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2022**

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	22
STATEMENT OF ACTIVITIES	23
FUND FINANCIAL STATEMENTS	
BALANCE SHEET – GOVERNMENTAL FUNDS	24
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION	25
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS	26
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES	27
STATEMENT OF NET POSITION – PROPRIETARY FUNDS	28
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PROPRIETARY FUNDS	29
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS	30
STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS	31
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS	32
NOTES TO FINANCIAL STATEMENTS	33
REQUIRED SUPPLEMENTARY INFORMATION	

**TOWN OF ELKTON, MARYLAND
TABLE OF CONTENTS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND (NON-U.S. GAAP – BUDGETARY BASIS)	65
SCHEDULE OF CHANGES IN NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY AND RELATED RATIOS	66
SCHEDULE OF CHANGES IN NET PENSION LIABILITY	67
SCHEDULE OF EMPLOYER CONTRIBUTIONS AND MONEY-WEIGHTED RATE OF RETURN	68
SCHEDULE OF EMPLOYER CONTRIBUTIONS AND PROPORTIONATE SHARE OF NET PENSION LIABILITY	69
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION	70
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION – GENERAL FUND BUDGET	72
OTHER SUPPLEMENTAL INFORMATION	
DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND (NON-U.S. GAAP BUDGETARY BASIS)	75



INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Commissioners
Town of Elkton, Maryland
Elkton, Maryland

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Emphasis of Matter

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information of the general fund, the schedule of changes in the net OPEB liability and related ratios, schedule of changes in net pension liability, schedule of employer contributions and money weighted rate of return, and schedule of employer contributions and proportionate share of net pension liability, and the notes to the required supplementary information, as listed in the table of contents be presented to supplement the basic financial statements.

Honorable Mayor and Commissioners
Town of Elkton, Maryland

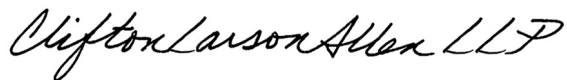
Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational,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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2023, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Baltimore, Maryland
February 28, 2023

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

INTRODUCTION

As management of the Town of Elkton, Maryland (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2022. The Management's Discussion and Analysis (MD&A) is best understood if read in conjunction with the Town's basic financial statements. We encourage users to read it in conjunction with the Town's basic financial statements, which follow this section.

Financial Highlights for FY 2022

The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the 2022 fiscal year by approximately \$66.1 million (total net position). Approximately 85% of this amount is attributable to the Town's utilities (Water and Sewer). Of the total net position, \$6.9 million (unrestricted) may be used to meet ongoing obligations to citizens and creditors, and \$57.4 million is the investment in capital assets.

As of the close of the 2022 fiscal year, the Town's only governmental fund (General Fund) reported an ending fund balance of \$2.1 million, an increase of \$111,000. Of this total amount, \$1.77 million is restricted, \$88,000 is assigned and \$218,000 is unassigned.

The General Fund, on a current financial resources basis, reported revenues in excess of expenditures of approximately \$111,000.

The Town's total long-term liabilities decreased by approximately \$1.2 million during the current fiscal year, from \$8.5 million to \$7.3 million. This is the net result of the retirement of existing debt in the Governmental Activities of \$128,000, the retirement of existing debt in the Business-Type Activity of \$1.1 million, and a minimal increase to compensated absences. The Town implemented GASB Statement No. 87, *Leases*, which required the recognition of a lease liability in the Governmental Activities of \$15,500.

Using This Annual Report

The basic financial statements in the financial section include two kinds of statements that present different views of the Town as described in more detail below:

- The government-wide financial statements, which are the statement of net position and the statement of activities, provide information about the activities of the Town as a whole. They present both short-term and long-term information about the Town's overall financial status.
- For governmental activities, fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's General Fund. The remaining statements are fiduciary fund statements and provide financial information about activities for which the Town acts solely as a trustee for the benefit of those outside of the government. The basic financial statements also include notes that provide explanation of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Town's budget for the year.

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

- The chart below shows how the various parts of this annual report are arranged and flow in the Financial Section:

Independent Auditors' Report

Provides the opinion of the Independent Auditor on the fair presentation of the financial statements.

Management's Discussion and Analysis

This supplementary information is required for state and local government financial statements, and is intended to provide a narrative introduction, overview, and analysis.

Government-Wide Financial Statements

Provides information on governmental and business-type activities of the primary government.

Fund Financial Statements

Provides information on the financial position of specific funds of the primary government.

Notes to Financial Statements

Provides a summary of significant accounting policies and related disclosures.

**Required Supplementary Information
Supplementary Information**

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

The chart below summarizes the major features of the Town's two financial statements, including the portion of the activities they cover and the types of information they contain.

Fund Financial Statements				
	Government-Wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Town (except fiduciary funds)	The activities of the Town that are not proprietary or fiduciary, such as Police, Parks, Recreation & Culture, and General Administration	The activities of the Town which are the same functions as presented in the business-type activities of the government-wide statements. These are activities which generally are operated to recover all or a significant portion of their costs through user fees and charges.	Instances in which the Town administers resources on behalf of someone else, such as the Pension Plan
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses, and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and deferred outflows and liabilities and deferred inflows both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities. Does include deferred inflows and outflows where applicable.	All assets and deferred outflows and liabilities and deferred inflows, both financial and capital, short-term and long-term.	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can.
Type of in-flow/out-flow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liabilities are due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions and deductions during the year, regardless of when cash is received or paid.

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

The following highlights are the structure and contents of each of the statements:

Government-Wide Financial Statements

One of the most important questions asked about the Town's finances is: "Is the Town, as a whole, better or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information about the Town as a whole and about its activities in a way that helps answer this question. The two statements report the Town's net position and changes in them and include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The statement of net position is designed to provide bottom line results for the Town's governmental and business-type activities. This statement reports the Town's governmental fund's current financial resources (i.e., short-term spendable resources) with capital assets and long-term obligations. All infrastructure assets built or purchased by the Town, and infrastructure dedicated by developers, are included in the accompanying government-wide financial statements.

You can think of the Town's net position, the difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources, as one way to measure the Town's financial health or financial position. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, such as changes in the Town's property tax base and the conditions of the Town's infrastructure, to assess the overall health of the Town.

The statement of activities is focused on both the gross and net cost of various functions. This is intended to summarize and simplify the users' analysis of the cost of various governmental services. In the government-wide financial statements, the activities of the Town are maintained within governmental and business-type activities. Most of the Town's basic services are reported here, including police, public works, recreation, and general administration. These activities are financed with revenues from property taxes, other state and county taxes, state and federal grants and charges for services. Additionally, the Town's water and sewer services are reported here.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the Town as a whole. Funds are accounting devices used to track specific sources of funding and spending on particular programs. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Town can be divided into three categories – governmental funds, proprietary funds and fiduciary funds.

Governmental Funds – Most of the Town's basic services are reported in one governmental fund, which focuses on how money flows into and out of the fund and the balance left at year-end that is available for spending. The fund is reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided in a reconciliation of the balance sheet of governmental funds to the statement of net position, and a separate reconciliation of the governmental funds statement of revenues, expenditures, and changes in fund balance to the statement of activities. The Town of Elkton maintains only one major governmental fund (the general fund).

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

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 Water, Sewer, and Major Facility funds. Proprietary funds provide the same type of information as the government-wide financial statement, only in more detail.

Fiduciary Fund – The Town is the trustee, or fiduciary, for assets that belong to its employees' pension plan. The Town is responsible for ensuring that the assets reported in this fund are used only for their intended purposes and by those to whom the assets belong. These activities are excluded from the government-wide financial statements because the assets cannot be used to finance operations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

The following tables present a summary of the statement of net position for the Town as of June 30, 2022 and 2021, respectively:

NET POSITION - JUNE 30, 2022			
	Governmental Activities	Business-type Activities	Total Activities
ASSETS			
Current and Other Assets	\$ 15,203,091	\$ 9,300,913	\$ 24,504,004
Capital Assets	11,489,862	52,589,072	64,078,934
Total Assets	26,692,953	61,889,985	88,582,938
DEFERRED OUTFLOWS OF RESOURCES	1,992,241	98,526	2,090,767
LIABILITIES			
Noncurrent Liabilities	5,754,157	2,915,776	8,669,933
Other Liabilities	11,445,352	1,781,655	13,227,007
Total Liabilities	17,199,509	4,697,431	21,896,940
DEFERRED INFLOWS OF RESOURCES	1,337,883	1,334,092	2,671,975
NET POSITION			
Net Investment in Capital Assets	11,070,328	46,341,660	57,411,988
Restricted	1,765,758	-	1,765,758
Unrestricted	(2,688,284)	9,615,328	6,927,044
Total Net Position	<u>\$ 10,147,802</u>	<u>\$ 55,956,988</u>	<u>\$ 66,104,790</u>

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

NET POSITION - JUNE 30, 2021

	Governmental Activities	Business-type Activities	Total Activities
ASSETS			
Current and Other Assets	\$ 7,475,320	\$ 8,092,275	\$ 15,567,595
Capital Assets	<u>12,057,286</u>	<u>53,813,262</u>	<u>65,870,548</u>
Total Assets	19,532,606	61,905,537	81,438,143
DEFERRED OUTFLOWS OF RESOURCES	492,490	94,760	587,250
LIABILITIES			
Noncurrent Liabilities	2,872,814	4,063,098	6,935,912
Other Liabilities	<u>3,697,874</u>	<u>1,803,833</u>	<u>5,501,707</u>
Total Liabilities	6,570,688	5,866,931	12,437,619
DEFERRED INFLOWS OF RESOURCES	<u>2,539,881</u>	<u>135,514</u>	<u>2,675,395</u>
NET POSITION			
Net Investment in Capital Assets	11,525,569	46,443,152	57,968,721
Restricted	1,280,506	-	1,280,506
Unrestricted	<u>(1,891,548)</u>	<u>9,554,700</u>	<u>7,663,152</u>
Total Net Position	<u>\$ 10,914,527</u>	<u>\$ 55,997,852</u>	<u>\$ 66,912,379</u>

The Town's assets and deferred outflows exceeded its liabilities and deferred inflows at the close of the 2022 fiscal year by \$66.1 million. Approximately \$57.4 million of the Town's net position reflect its investment in capital assets, (e.g., land, buildings, improvements, vehicles, furniture and equipment, infrastructure). The Town uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending.

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

Changes in Net Position

The following tables present a summary of the changes in net position for governmental and business-type activities for the years ending June 30, 2022 and 2021, respectively.

Changes in Net Position Fiscal Year Ending June 30, 2022			
	Governmental Activities	Business-Type Activities	Total Activities
REVENUES			
Program Revenues			
Charges for Services	\$ 2,013,766	\$ 8,251,230	\$ 10,264,996
Operating Grants and Contributions	1,541,531	224,824	1,766,355
Capital Grants and Contributions	-	225,099	225,099
General Revenues			
Property Taxes	9,794,480	-	9,794,480
State and County Shared Taxes	1,460,541	-	1,460,541
Investments Earnings	7,612	38,991	46,603
Cell Phone Carrier - Water Towers	-	79,346	79,346
Miscellaneous	-	396,016	396,016
Total Revenues	<u>14,817,930</u>	<u>9,215,506</u>	<u>24,033,436</u>
Program Expenses			
General Government	2,775,999	-	2,775,999
Public Safety	7,858,457	-	7,858,457
Public Works	4,149,017	-	4,149,017
Recreation and Culture	787,868	-	787,868
Interest on Long-Term Debt	13,314	-	13,314
Utilities and Other Proprietary Funds	-	9,256,370	9,256,370
Total Expenses	<u>15,584,655</u>	<u>9,256,370</u>	<u>24,841,025</u>
CHANGE IN NET POSITION	(766,725)	(40,864)	(807,589)
Net Position - Beginning of Year	<u>10,914,527</u>	<u>55,997,852</u>	<u>66,912,379</u>
NET POSITION - END OF YEAR	<u><u>\$ 10,147,802</u></u>	<u><u>\$ 55,956,988</u></u>	<u><u>\$ 66,104,790</u></u>

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

Changes in Net Position Fiscal Year Ending June 30, 2021			
	Governmental Activities	Business-Type Activities	Total Activities
REVENUES			
Program Revenues			
Charges for Services	\$ 2,238,438	\$ 7,994,853	\$ 10,233,291
Operating Grants and Contributions	530,183	-	530,183
Capital Grants and Contributions	-	91,500	91,500
General Revenues			
Property Taxes	9,833,546	-	9,833,546
State and County Shared Taxes	1,449,181	-	1,449,181
Investments Earnings	9,929	7,484	17,413
Cell Phone Carrier - Water Towers	-	77,852	77,852
Miscellaneous	-	137,482	137,482
Total Revenues	14,061,277	8,309,171	22,370,448
Program Expenses			
General Government	2,059,115	-	2,059,115
Public Safety	6,101,029	-	6,101,029
Public Works	4,053,823	-	4,053,823
Recreation and Culture	410,319	-	410,319
Interest on Long-Term Debt	16,051	-	16,051
Utilities and Other Proprietary Funds	-	9,296,283	9,296,283
Total Expenses	12,640,337	9,296,283	21,936,620
CHANGE IN NET POSITION	1,420,940	(987,112)	433,828
Net Position - Beginning of Year, as Restated	9,493,587	56,984,964	66,478,551
NET POSITION - END OF YEAR	<u>\$ 10,914,527</u>	<u>\$ 55,997,852</u>	<u>\$ 66,912,379</u>

The Town's total revenues for the year ended June 30, 2022 were \$24.0 million, an increase of approximately \$1.7 million. The majority of the overall increase was attributable to an increase in program grants and contributions of \$1.4 million and revenue increases of \$262,000 and \$32,000 in general revenues and charges for services, respectively.

Governmental Activities

General revenues for the governmental activities were \$11.3 million, while total expenses, net of charges for services and grants and contributions, were \$12 million.

Total general revenues from governmental activities decreased by \$30,000 and total governmental activities net expenses increased by \$2.2 million. The majority of the overall general revenue decrease was due to a decrease in property taxes of \$39,000 offset by an increase in state and county shared income of \$11,000.

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

The \$2.2 million net expense increase was attributable to program revenue increase of approximately \$787,000 combined with total expenditure increase of \$2.9 million. Charges for services decreased by \$225,000 while operating grants and contributions increased by \$1.0 million. Expenditures in General Government increased by \$717,000, Public Safety expenditures increased by \$1.8 million, Public Works by \$95,000, and Recreation and Culture increased by \$378,000. Interest on Long-Term Debt expenditures decreased by \$2,700.

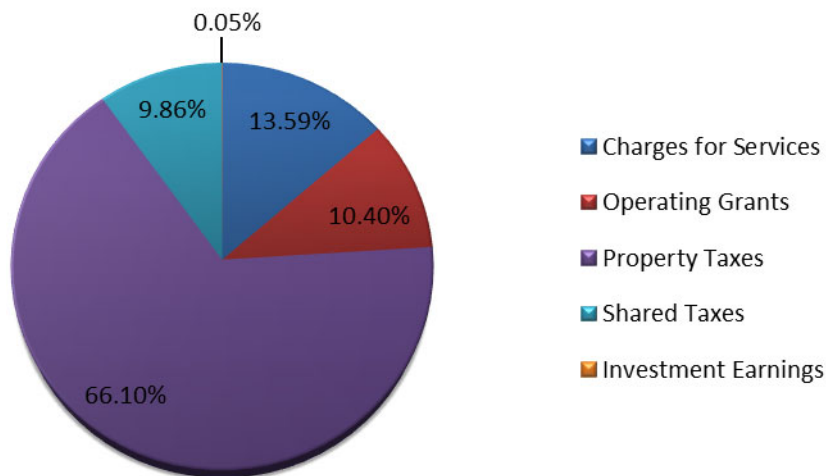
Business-Type Activities

Total revenues for business-type activities increased by \$906,000, while expenses decreased by \$40,000. The increase in total revenue was due to a \$256,000 increase in charges for services combined with an increase in operating grants and capital grants and contributions of \$358,000, increase in investment earnings of \$32,000, and an increase in miscellaneous revenue of \$259,000.

The \$40,000 decrease, or 0.43%, in expenses was a result of a \$199,000 decrease in the water fund and a \$157,000 increase in the sewer fund along with a \$1,600 increase in the major facility fund.

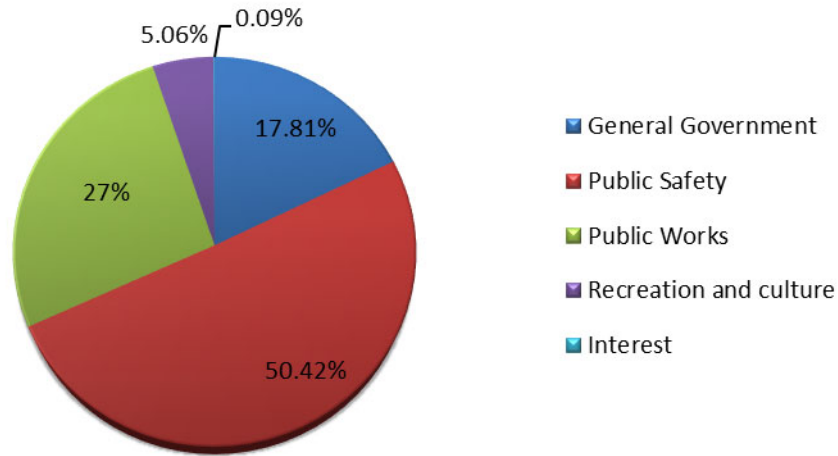
The following is a graphical presentation of the Town's revenues and expenses for the years ending June 30, 2022 and 2021.

**FY 2022 Revenues by Source - Governmental
Activities**

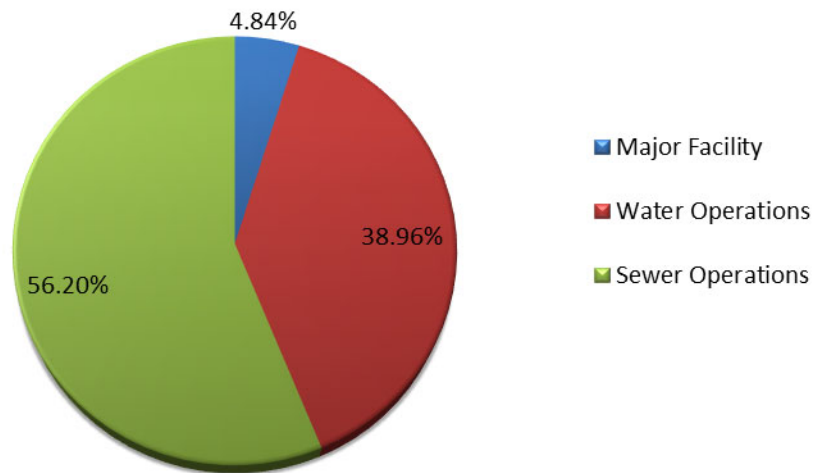


**TOWN OF ELKTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

**FY 2022 Expenses by Source - Governmental
Activities**

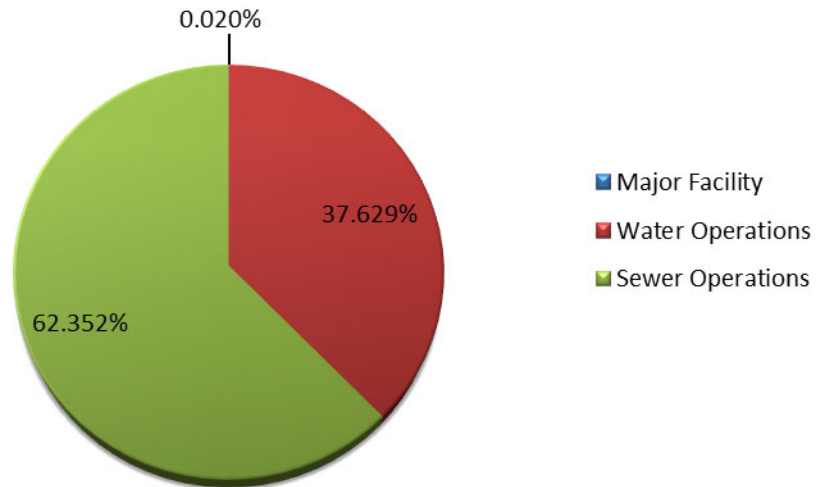


**FY2022 Revenues by Source - Business-type
Activities**

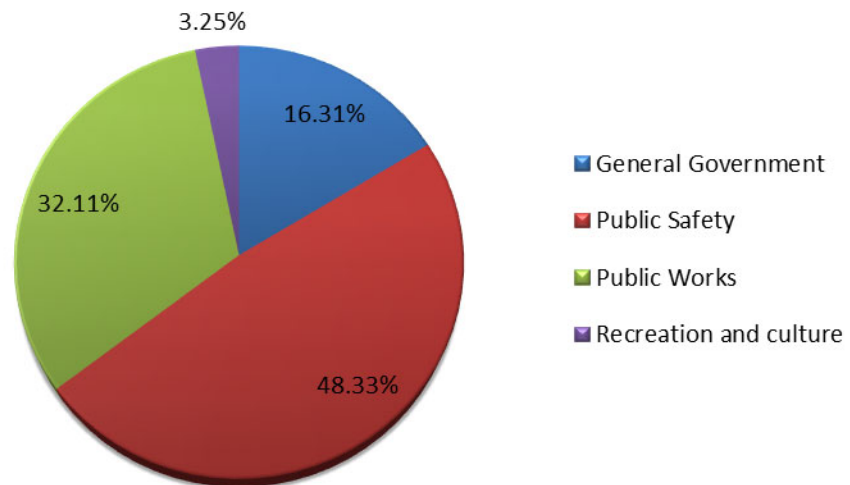


**TOWN OF ELKTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

FY 2022 Expenses - Business-type Activities

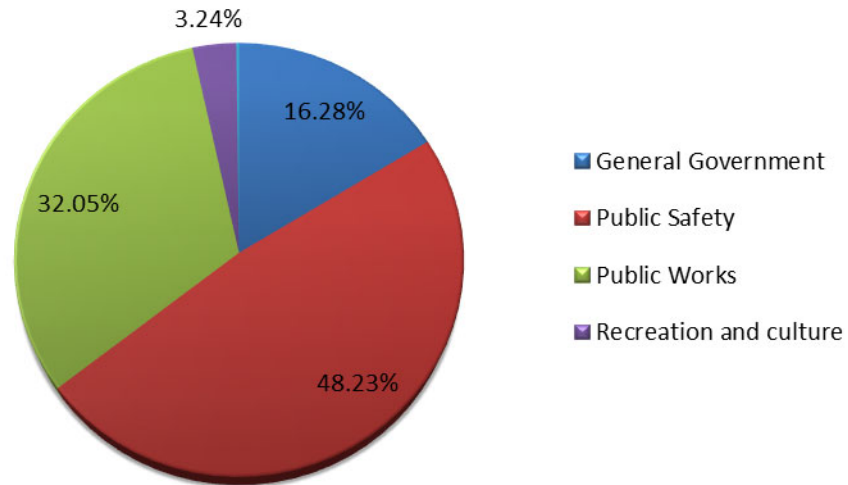


FY 2021 Expenses by Source - Governmental Activities

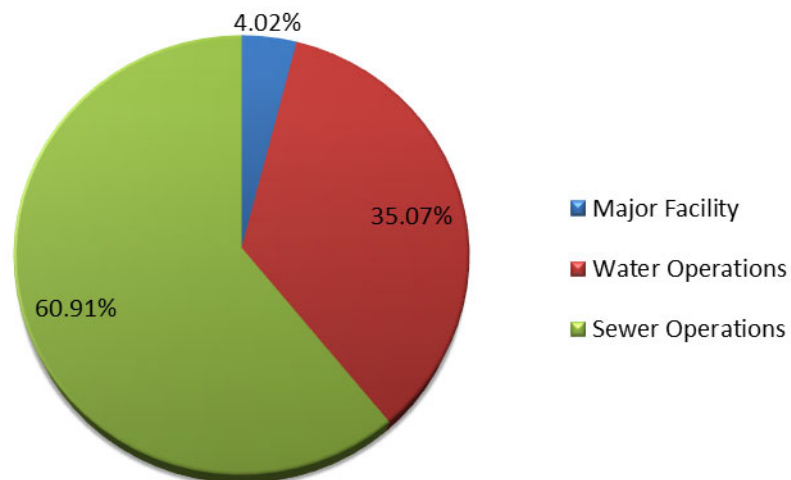


**TOWN OF ELKTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

FY 2021 Expenses by Source - Governmental Activities

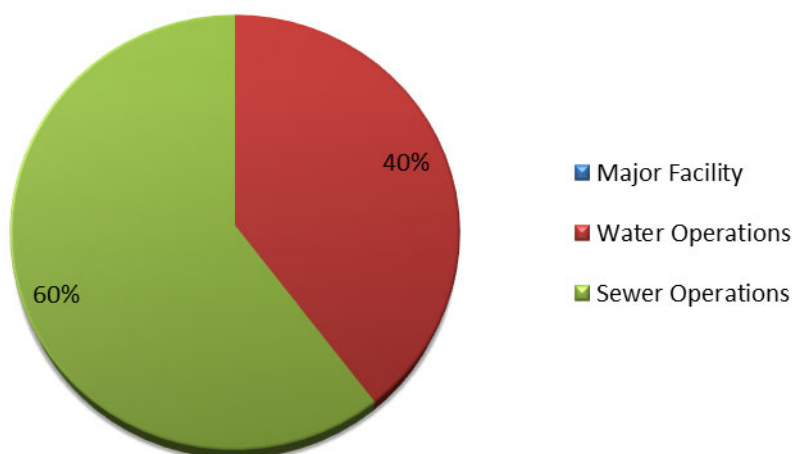


FY 2021 Revenues by Source - Business-type Activities



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

FY 2021 Expenses by Source - Business-type Activities



The following tables present the costs and program revenues of each of the Town's activities and capital outlays for the years ending June 30, 2022 and 2021, respectively. The tables also show each activity's net cost (total cost less fees generated by the activities and program specific intergovernmental aid). The net cost shows the financial burden placed upon local taxpayers for each of these functions.

Net Cost of Activities
Year Ended June 30, 2022

	Expenses	Revenues	Net Expense (Revenue)
Governmental Activities			
General Government	\$ 2,775,999	\$ 1,616,590	\$ 1,159,409
Public Safety	7,858,457	373,092	7,485,365
Public Works	4,149,017	1,399,584	2,749,433
Recreation and Culture	787,868	166,031	621,837
Interest on Long-Term Debt	13,314	-	13,314
Total Governmental Activities	15,584,655	3,555,297	12,029,358
Business-type Activities			
Major Facility	1,824	432,161	(430,337)
Water	3,483,039	3,116,124	366,915
Sewer	5,771,507	5,152,868	618,639
Total Business-Type Activities	9,256,370	8,701,153	555,217
Total Governmental and Business-Type Activities	<u>\$ 24,841,025</u>	<u>\$ 12,256,450</u>	<u>\$ 12,584,575</u>

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

Net Cost of Activities
Year Ended June 30, 2021

	Expenses	Revenues	Net Expense (Revenue)
Governmental Activities			
General Government	\$ 2,059,115	\$ 735,466	\$ 1,323,649
Public Safety	6,101,029	357,937	5,743,092
Public Works	4,053,823	1,593,895	2,459,928
Recreation and Culture	410,319	81,323	328,996
Interest on Long-Term Debt	16,051	-	16,051
Total Governmental Activities	<u>12,640,337</u>	<u>2,768,621</u>	<u>9,871,716</u>
Business-type Activities			
Major Facility	180	327,750	(327,570)
Water	3,681,773	2,763,358	918,415
Sewer	5,614,330	4,995,245	619,085
Total Business-Type Activities	<u>9,296,283</u>	<u>8,086,353</u>	<u>1,209,930</u>
Total Governmental and Business-Type Activities	<u><u>\$ 21,936,620</u></u>	<u><u>\$ 10,854,974</u></u>	<u><u>\$ 11,081,646</u></u>

The cost of governmental activities this year was \$15.6 million, a \$3 million, or 23.3%, increase compared with FY21. General Government increased by \$717,000, largely the result of a \$656,000 State of Maryland funded Strategic Demolition Grant expended for the renovation of an existing facility to accommodate a future medical research business in addition to an \$84,000 increase in salary and related fringe benefits. Public Safety increased by \$1.8 million due to an \$804,000 increase in pension expense due to unfavorable conditions in the investment markets in which the police pension plan participates, \$500,000 operating grant to Singerly Fire Company, \$174,000 in salary and related fringe benefits, \$58,000 in contracted services, \$48,000 increase in depreciation, and \$36,000 in Armory due to the purchase of new weapons. Public Works increased by \$95,000 primarily due to a \$99,000 increase in contracted trash collection and landfill fees, \$53,000 increase in salary and related fringe benefits, \$51,000 in repairs and maintenance for major vehicle repairs, \$74,000 in operating supplies and sidewalk replacement projects offset by a \$196,000 decrease in street paving as no major road restoration project was awarded in FY22. Recreation and Culture increased by \$378,000 due to a \$195,000 transfer from construction in progress to current year expense and a \$132,000 increase in salary and related fringe benefit. Some of the cost of government activities was paid for by those who directly benefited from the programs (\$2.0 million) and other governments and organizations that subsidized certain programs with grants and contributions (\$1.5 million). Taxpayers paid the remaining net cost of services in the amount of \$9.8 million.

The total cost of business-type activities this year remained relatively flat at \$9.3 million, due to decreases of \$199,000 in the Water Fund and increases of \$157,000 in the Sewer Fund. The decrease in the Water Fund was the result of a \$433,000 decrease in water meter purchases as we are nearing the end of the Town wide water meter replacement project offset by increases of \$90,000 in salary and related fringe benefits, \$53,000 in Artesian Water purchases, \$24,000 in depreciation, \$19,000 in engineering and \$18,000 in maintenance of mains. The \$157,000 increase in the Sewer Fund was due to a \$112,000 in wastewater treatment plant operation and maintenance costs and a \$32,000 increase in salary and related fringe benefits.

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

The cost of the activities in the Water and Sewer Funds were primarily paid for by charges for services and grants. Additionally, interest earnings, water tower cell phone carrier income, and miscellaneous income were used to supplement charges for services. In the Water Fund, expenses exceeded charges for services and capital grants and contributions by \$367,000. In the Sewer Fund, expenses exceeded charges for services and capital grants and contributions by \$619,000. The Major Facility Fund charges for services were greater than expenses by \$430,000.

Financial Analysis of the Town's Funds

At year-end, the General Fund reported a total fund balance of \$2.1 million, an increase from the previous year's \$2.0 million. This \$111,000 increase was the result of a revenues exceeding expenditures by \$81,000 and lease proceeds of \$31,000.

Proprietary Funds Net Position decreased by \$41,000. This was the net result of a \$430,000 operating income in the Major Facility Fund, a \$5,000 operating loss in the Water Fund, and a \$635,000 operating loss in the Sewer Fund. Investment earnings plus capital grant contributions were \$264,000 while interest expense was \$95,000.

General Fund Budgetary Highlights

Actual revenues were \$430,000, or 3.0% more than the final budgeted primarily due to positive variances of \$773,000 in total Taxes and Utility Fees and \$71,000 in total Licenses and Permits combined with negative variances of \$377,000 in total Intergovernmental Revenue and \$34,000 in total Miscellaneous Revenue. The \$773,000 positive variance in total Taxes and Utility Fees was due to a positive variance of \$512,000 in total Property and Real Taxes and a positive variance of \$261,000 in total Other Taxes, primarily due to an increase of \$142,000 in Motel/Hotel Taxes. The \$71,000 positive variance in total Licenses and Permits was largely due to continued construction of multiple warehouses and the renovation of a subsidized housing complex. The \$377,000 negative variance in total Intergovernmental Revenue was primarily due to a \$359,000 negative variance in Other Federal Revenue due to budgeting for the acquisition of eight police vehicles that were not received until fiscal year 2023. Additionally, a \$34,000 negative variance in Miscellaneous Revenue was due to depressed fiscal year 2022 interest rates.

Actual expenditures were \$1.8 million, or 10.7% less than the final budgeted amount. Each expenditure category had a positive variance with the exception of a \$3 negative variance for debt service. The \$695,000 positive variance in total Public Safety was attributable to Police Patrol salary and fringe benefit savings of \$304,000 as various positions were unfilled during the year and a \$443,000 positive variance in Police Patrol capital as the eight vehicles budgeted were not received until fiscal year 2023. This is offset by the negative variance of \$68,000 in total operating supplies and contracted services, the result of the purchase of additional body camera and data storage. Total Public Works had a positive variance of \$634,000 attributable to \$138,000 in salary and fringe benefit savings from positions budgeted but not filled during the year combined with positive variances of \$377,000 for street repaving as no major road restoration projects were awarded and \$84,000 for contracted services. The \$287,000 positive variance in total General Government was attributable to a \$113,000 savings in General Services due to a positive variance of \$154,000 in repairs and maintenance, as projects budgeted were not completed, offset by a negative variance of \$35,000 for capital items purchased but not budgeted, \$87,000 in Administration savings primarily the result of budgeted but unfilled positions, and a \$78,000 savings in Finance and Accounting as a new financial software package was budgeted but was not purchased. The \$40,000 positive variance in Personnel was mainly due to \$17,000 savings in salary and fringe benefits, \$7,000 in professional services, and \$6,000 in training and education.

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

The remaining positive variance of \$164,000 was in Recreation and Culture due to program participation being less than budgeted.

During the year, there was a \$1.8 million increase in appropriations between the original and final amended budget. The following are the main supplemental appropriations:

- \$655,504 to recognize receipt of a State of Maryland Department of Housing and Community Development Grant to fund the Clene facility improvement project on Chesapeake Blvd.
- \$500,000 to recognize additional Federal Grant Revenue for an operating grant to Singerly Fire Company.
- \$454,852 to recognize additional Federal Grant Revenue to purchase eight police vehicles.
- \$145,000 increase to the Anticipated Fund Balance for increased Planning and Zoning Engineering (\$90,000) and Waste Removal Contracted Services (\$55,000).
- Various other increases in appropriations totaling \$20,782.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's capital assets (net of accumulated depreciation) for its governmental and business-type activities as of June 30, 2022, amount to \$64.1 million. These capital assets include land, buildings, machinery and equipment (including vehicles), infrastructure (including park facilities, roads, highways and bridges) and construction in progress. The total decrease in the Town's capital assets for the current fiscal year was 2.7%, a 4.7% decrease for governmental activities, and a 2.3% decrease for business-type activities.

The following table presents capital assets (net of accumulated depreciation) by category for fiscal years ending June 30, 2022 and 2021, respectively:

Town of Elkton's Capital Assets (Net of Depreciation)						
	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 3,012,139	\$ 3,004,766	\$ 916,171	\$ 914,270	\$ 3,928,310	\$ 3,919,036
Other Improvements	1,176,857	1,339,452	-	-	1,176,857	1,339,452
Buildings	6,343,881	6,665,347	-	-	6,343,881	6,665,347
Plants, Mains, and Other Improvements	-	-	48,836,690	50,241,335	48,836,690	50,241,335
Equipment	936,091	896,523	1,851,470	1,597,880	2,787,561	2,494,403
Right to Use Asset	15,314	-	-	-	15,314	-
Construction-in-Progress	5,580	151,198	984,741	1,059,777	990,321	1,210,975
Total	<u>\$ 11,489,862</u>	<u>\$ 12,057,286</u>	<u>\$ 52,589,072</u>	<u>\$ 53,813,262</u>	<u>\$ 64,078,934</u>	<u>\$ 65,870,548</u>

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

Major capital asset events during the fiscal year ending June 30, 2022 included the following:

In the Town's governmental activities:

- \$272,318 for six (6) Police Inceptor vehicles.
- License Plate Readers costing \$30,895 for the Police Department.
- \$21,149 for computers for various departments.
- Acquisition of High Street property for \$22,321.
- \$17,719 was spent on Police Department interview room camera equipment.
- Depreciation expense was \$759,449 for the year.

In the Town's business-type activities:

- \$176,005 for engineering for the Southfields well house and elevated water tank.
- A cargo van with sewer camera and related equipment costing \$161,159.
- \$145,619 for the Water Treatment Plant filter rehabilitation project.
- Engineering for the Chesapeake Blvd Force Main costing \$32,227.
- ROV inspection and engineering for the Red Hill Reservoir costing \$32,227.
- \$19,050 for engineering for feasibility of additional Artesian Water interconnection.
- Depreciation expense was \$1,844,419 for the year.

Additional information on the Town's capital assets can be found in Note 7 on pages 45-46 of this report.

Debt Administration

The Town's total debt during Fiscal Year 2022 decreased by \$1.3 million. The town did not incur any new loans during FY22 and the decrease is directly related to scheduled debt service regarding one loan in the general fund and two loans in the sewer fund.

Town of Elkton's Debt Administration

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Loans	\$ 404,067	\$ 531,717	\$ 6,247,412	\$ 7,370,110	\$ 6,651,479	\$ 7,901,827

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The Town is required, by Charter, to have a balanced budget each fiscal year and has always complied with this requirement. Annually, the Town develops and updates financial models for all of its major funds, which enables the Town to evaluate both short and long-term implications of proposed operational and capital decisions regarding Town finances.
- The fiscal year 2023 budget for the Town's only governmental fund, the General Fund, was adopted at \$1,000,593 less than the fiscal year 2022 final budget.
- For fiscal year 2023, the Town adopted \$0.6356 per \$100.00 of assessed value as the real property tax rate, \$0.0001 less than the constant yield tax rate, generating \$1,243 less revenue for fiscal year 2023. The Town adopted \$1.21 per \$100.00 of assessed value as the business personal property tax rate, the same as fiscal year 2022.

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

- The water and sewer rates were unchanged for fiscal year 2023.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers and creditors with a general overview of the Town's finances, and to show the Town's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Finance Department, ATTENTION: Finance Director, at 100 Railroad Avenue, Elkton, Maryland 21921, Telephone 410.398.4170.

TOWN OF ELKTON, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2022

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
ASSETS			
Cash and Cash Equivalents	\$ 12,651,146	\$ 6,404,743	\$ 19,055,889
Accounts Receivable, Net	1,283,035	1,722,873	3,005,908
Lease Receivable	-	1,183,480	1,183,480
Internal Balances	10,183	(10,183)	-
Due from Other Governments	1,258,727	-	1,258,727
Capital Assets, Not Being Depreciated	3,017,719	1,900,912	4,918,631
Capital Assets Being Depreciated, Net of Accumulated Depreciation	8,472,143	50,688,160	59,160,303
Total Assets	26,692,953	61,889,985	88,582,938
DEFERRED OUTFLOW OF RESOURCES			
Deferred Items Related to Pension	1,661,834	-	1,661,834
Deferred Items Related to OPEB	330,407	98,526	428,933
Total Deferred Outflows of Resources	1,992,241	98,526	2,090,767
LIABILITIES			
Accounts Payable	1,683,347	481,705	2,165,052
Accrued Liabilities	224,462	75,386	299,848
Loans Payable, Current Portion	131,108	1,129,180	1,260,288
Leases, Current Portion	7,673	-	7,673
Advances	2,479,642	(2,479,642)	-
Other Liabilities	-	95,384	95,384
Unearned Revenue	6,919,120	-	6,919,120
Noncurrent Liabilities:			
Net Pension Liability	4,044,304	-	4,044,304
Net OPEB Liability	895,798	178,357	1,074,155
Compensated Absences	533,302	98,829	632,131
Loans Payable, Net of Current Portion	272,959	5,118,232	5,391,191
Leases, Net of Current Portion	7,794	-	7,794
Total Liabilities	17,199,509	4,697,431	21,896,940
DEFERRED INFLOW OF RESOURCES			
Deferred Items Related to Pension	711,806	-	711,806
Deferred Items Related to OPEB	626,077	179,491	805,568
Deferred Items Related to Leases	-	1,154,601	1,154,601
Total Deferred Outflows of Resources	1,337,883	1,334,092	2,671,975
NET POSITION			
Net Investment in Capital Assets	11,070,328	46,341,660	57,411,988
Restricted - Highways	1,282,718	-	1,282,718
Restricted - Seized Funds	395,543	-	395,543
Restricted - Recreation and Culture	87,497	-	87,497
Unrestricted	(2,688,284)	9,615,328	6,927,044
Total Net Position	<u>\$ 10,147,802</u>	<u>\$ 55,956,988</u>	<u>\$ 66,104,790</u>

See accompanying Notes to Financial Statements.

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental Activities:							
General Government	\$ 2,775,999	\$ 421,409	\$ 1,195,181	\$ -	\$ (1,159,409)	\$ -	\$ (1,159,409)
Public Safety	7,858,457	26,742	346,350	-	(7,485,365)	-	(7,485,365)
Public Works	4,149,017	1,399,584	-	-	(2,749,433)	-	(2,749,433)
Recreation and Culture	787,868	166,031	-	-	(621,837)	-	(621,837)
Interest on Long-Term Debt	13,314	-	-	-	(13,314)	-	(13,314)
Total Governmental Activities	15,584,655	2,013,766	1,541,531	-	(12,029,358)	-	(12,029,358)
Business-Type Activities							
Major Facility	1,824	432,161	-	-	-	430,337	430,337
Water	3,483,039	2,891,300	224,824	-	-	(366,915)	(366,915)
Sewer	5,771,507	4,927,769	-	225,099	-	(618,639)	(618,639)
Total Business-Type Activities	9,256,370	8,251,230	224,824	225,099	-	(555,217)	(555,217)
Total Primary Government	<u>\$ 24,841,025</u>	<u>\$ 10,264,996</u>	<u>\$ 1,766,355</u>	<u>\$ 225,099</u>	(12,029,358)	(555,217)	(12,584,575)
GENERAL REVENUES:							
Taxes:							
Property Taxes, Levied for General Purpose					9,794,480	-	9,794,480
Unrestricted State Shared Income Taxes					1,460,541	-	1,460,541
Investment Earnings					7,612	38,991	46,603
Cell Phone Carrier Revenue - Water Towers					-	79,346	79,346
Miscellaneous					-	396,016	396,016
Total General Revenues					<u>11,262,633</u>	<u>514,353</u>	<u>11,776,986</u>
CHANGE IN NET POSITION					(766,725)	(40,864)	(807,589)
Net Position - Beginning of Year					<u>10,914,527</u>	<u>55,997,852</u>	<u>66,912,379</u>
NET POSITION - END OF YEAR					<u>\$ 10,147,802</u>	<u>\$ 55,956,988</u>	<u>\$ 66,104,790</u>

See accompanying Notes to Financial Statements.

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

	General Fund
ASSETS	
Cash and Cash Equivalents	\$ 12,651,146
Receivables, Net	1,283,035
Due from Other Governments	1,258,727
Due from Other Funds	11,595
Total Assets	<u>\$ 15,204,503</u>
LIABILITIES	
Accounts Payable	\$ 1,683,347
Accrued Liabilities	224,462
Due to Other Funds	1,412
Advance from Sewer Fund	2,479,642
Unearned Revenue	6,919,120
Total Liabilities	<u>11,307,983</u>
DEFERRED INFLOW OF RESOURCES	
Unavailable Tax Revenue	1,825,001
FUND BALANCES	
Restricted	1,765,758
Assigned	87,931
Unassigned	217,830
Total Fund Balances	<u>2,071,519</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 15,204,503</u>

See accompanying Notes to Financial Statements.

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

Amounts reported for governmental activities in the Statement of
Net Position are different because:

Total Fund Balances - Governmental Funds	\$ 2,071,519
Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in governmental funds. The cost of these assets is \$35,042,073, and the accumulated depreciation is \$23,552,211.	11,489,862
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds since they are not available to pay for current-period expenditures.	(952,836)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(4,044,304)
Deferred outflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	1,992,241
Net OPEB are not due and payable in the current period and, therefore, are not reported in the funds.	(895,798)
Deferred inflows of resources related to OPEB and Pensions are applicable to future periods and, therefore, are not reported in the funds.	(1,337,883)
Certain tax receivables are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	<u>1,825,001</u>
Net Position of Governmental Activities	<u><u>\$ 10,147,802</u></u>

See accompanying Notes to Financial Statements.

TOWN OF ELKTON, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022

	General Fund
REVENUES	
Taxes and Utility Fees	\$ 11,598,705
Licenses and Permits	437,369
Fines and Forfeitures	16,177
Investment Revenues	7,612
Charges for Services	881,462
Intergovernmental	1,883,736
Miscellaneous	112,914
Total Revenues	<u>14,937,975</u>
EXPENDITURES	
Current Operations:	
General Government	2,545,501
Public Safety	7,591,029
Public Works	4,076,824
Recreation and Culture	503,737
Debt Service:	
Principal	127,650
Interest	12,684
Total Expenditures	<u>14,857,425</u>
Excess of Revenue over Expenditures	80,550
OTHER FINANCING SOURCES	
Lease Proceeds	30,920
Total Other Financing Sources	<u>30,920</u>
Net Change in Fund Balance	111,470
Fund Balances - Beginning of Year	<u>1,960,049</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 2,071,519</u></u>

See accompanying Notes to Financial Statements.

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

Amounts reported for governmental activities in the statement of activities are different because:

Total Net Change in Fund Balances - Governmental Funds	\$ 111,470
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 lives as depreciation expense. This is the amount by which depreciation expense (\$759,449) exceeds capital outlay (\$192,025).	(567,424)
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 within one year). This amount represents the net increase in compensated absences liability.	(39,757)
Debt proceeds, including lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Long-term debt repayments are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of long-term debt repayments during 2022.	112,183
Under the modified accrual basis of accounting, revenues are not recognized unless they are deemed "available" to finance current expenditures. Accrual-basis recognition is not limited by availability, so certain revenues need to be reduced by the amounts that were unavailable at the beginning of the year and increased by the amounts that were unavailable at the end of the year. This adjustment records a net increase in "unavailable" revenues at the end of the year over the amount at the beginning of the year.	(120,046)
Governmental funds report Town pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.	(215,361)
OPEB expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.	<u>(47,790)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (766,725)</u></u>

TOWN OF ELKTON, MARYLAND
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
JUNE 30, 2022

	Business-Type Activities - Enterprise Funds			
	Major Facility	Water	Sewer	Total
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 2,041,100	\$ 1,078,403	\$ 3,285,240	\$ 6,404,743
Receivables, Net	1,927	705,705	1,015,241	1,722,873
Lease Receivable - Current	-	66,818	51,193	118,011
Due from Other Funds	2,113,604	10,292	1,412	2,125,308
Total Current Assets	4,156,631	1,861,218	4,353,086	10,370,935
Noncurrent Assets:				
Advance to General Fund	-	-	2,479,642	2,479,642
Capital Assets, Net	-	9,538,680	43,050,392	52,589,072
Lease Receivable - Noncurrent	-	732,921	332,548	1,065,469
Total Assets	4,156,631	12,132,819	50,215,668	66,505,118
DEFERRED OUTFLOWS - OTHER POSTEMPLOYMENT BENEFITS				
	-	47,105	51,421	98,526
LIABILITIES				
Current Liabilities:				
Accounts Payable	-	115,278	366,427	481,705
Accrued Expenses	-	25,365	50,021	75,386
Other Liabilities	-	-	95,384	95,384
Due to Other Funds	-	11,595	2,123,896	2,135,491
Loans Payable, Current Portion	-	-	1,129,180	1,129,180
Total Current Liabilities	-	152,238	3,764,908	3,917,146
Noncurrent Liabilities:				
Compensated Absences	-	44,548	54,281	98,829
Net OPEB Liability	-	84,165	94,192	178,357
Loans Payable, Net of Current Portion	-	-	5,118,232	5,118,232
Total Liabilities	-	280,951	9,031,613	9,312,564
DEFERRED INFLOWS -				
Other Postemployment Benefits	-	85,760	93,731	179,491
Leases	-	779,583	375,018	1,154,601
Total Deferred Inflows	-	865,343	468,749	1,334,092
NET POSITION				
Net Investment in Capital Assets	-	9,538,680	36,802,980	46,341,660
Unrestricted	4,156,631	1,494,950	3,963,747	9,615,328
Total Net Position	<u>\$ 4,156,631</u>	<u>\$ 11,033,630</u>	<u>\$ 40,766,727</u>	<u>\$ 55,956,988</u>

See accompanying Notes to Financial Statements.

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

	Business-Type Activities - Enterprise Funds			
	Major Facility	Water	Sewer	Total
OPERATING REVENUES				
Charges for Services	\$ 432,161	\$ 2,891,300	\$ 4,927,769	\$ 8,251,230
Other Operating Revenues	-	7,065	119	7,184
Cell Phone Carrier Revenue - Water Towers	-	79,346	-	79,346
Grant Revenue	-	224,824	-	224,824
Miscellaneous	-	275,804	113,028	388,832
Total Operating Revenues	432,161	3,478,339	5,040,916	8,951,416
OPERATING EXPENSES				
Cost of Service	1,824	3,095,665	4,218,981	7,316,470
Depreciation	-	387,374	1,457,045	1,844,419
Total Operating Expenses	1,824	3,483,039	5,676,026	9,160,889
OPERATING INCOME (LOSS)	430,337	(4,700)	(635,110)	(209,473)
NONOPERATING REVENUES (EXPENSES)				
Investment Earnings	2,744	24,716	11,531	38,991
Interest Expense	-	-	(95,481)	(95,481)
Total Nonoperating Revenues (Expenses)	2,744	24,716	(83,950)	(56,490)
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	433,081	20,016	(719,060)	(265,963)
Capital Contributions - Grants	-	-	225,099	225,099
CHANGES IN NET POSITION	433,081	20,016	(493,961)	(40,864)
Total Net Position - Beginning of Year	3,723,550	11,013,614	41,260,688	55,997,852
TOTAL NET POSITION - END OF YEAR	\$ 4,156,631	\$ 11,033,630	\$ 40,766,727	\$ 55,956,988

See accompanying Notes to Financial Statements.

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

	Business-Type Activities - Enterprise Funds			
	Major Facility	Water	Sewer	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers and Users	\$ 432,323	\$ 3,482,126	\$ 5,184,022	\$ 9,098,471
Payments to Suppliers	(3,272)	(3,082,031)	(4,141,486)	(7,226,789)
Payments to Employees	-	14,885	(16,428)	(1,543)
Net Cash Provided (Used) by Operating Activities	429,051	414,980	1,026,108	1,870,139
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Grants	-	-	225,099	225,099
Interest Paid on Capital Debt	-	-	(95,481)	(95,481)
Acquisition and Construction of Capital Assets	-	(393,570)	(226,660)	(620,230)
Principal Payments of Loans	-	-	(1,122,698)	(1,122,698)
Net Cash Used by Capital and Related Financing Activities	-	(393,570)	(1,219,740)	(1,613,310)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Investment Earnings	2,744	4,559	2,809	10,112
NET DECREASE IN CASH AND CASH EQUIVALENTS	431,795	25,969	(190,823)	266,941
Cash and Cash Equivalents - Beginning of Year	1,609,305	1,052,434	3,476,063	6,137,802
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,041,100</u>	<u>\$ 1,078,403</u>	<u>\$ 3,285,240</u>	<u>\$ 6,404,743</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income	\$ 430,337	\$ (4,700)	\$ (635,110)	\$ (209,473)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation	-	387,374	1,457,045	1,844,419
Effects of Changes in Operating Assets and Liabilities:				
Accounts Receivable	162	3,786	143,106	147,054
Prepaid Expenses	-	41,104	33,238	74,342
Accounts Payable	-	(35,906)	30,858	(5,048)
Accrued Expenses	-	3,858	7,099	10,957
Other Liabilities	(1,448)	(8,237)	(44,474)	(54,159)
Interfund Receivables	-	(3,159)	3,107	(52)
Interfund Payables	-	11,595	10,292	21,887
Deferred Outflows - OPEB	-	(1,804)	(1,962)	(3,766)
Deferred Inflows - OPEB	-	21,068	22,909	43,977
Net Cash Provided (Used) by Operating Activities	<u>\$ 429,051</u>	<u>\$ 414,980</u>	<u>\$ 1,026,108</u>	<u>\$ 1,870,139</u>

See accompanying Notes to Financial Statements.

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

	Total Pension Trusts
ASSETS	
Cash Equivalents	\$ 853,290
Investments:	
Equity Mutual Funds	5,084,636
Fixed Income Mutual Funds	3,079,307
Total Investments	<u>8,163,943</u>
Total Assets	<u>\$ 9,017,233</u>
NET POSITION	
Restricted for Pensions	<u>\$ 9,017,233</u>

See accompanying Notes to Financial Statements.

TOWN OF ELKTON, MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS
JUNE 30, 2022

	Total Pension Trusts
ADDITIONS	
Employer Contributions	\$ 469,880
Employee Contributions	168,377
Investment Earnings:	
Interest and Dividends	92,982
Net Change in Fair Value of Investments	(1,743,567)
Total Investment Earnings	(1,650,585)
Less: Investment Expenses	(43,502)
Net Investment Earnings	(1,694,087)
Total Additions	(1,055,830)
DEDUCTIONS	
Benefit Payments	339,861
Administrative Fees	23,493
Total Deductions	363,354
CHANGE IN NET POSITION	(1,419,184)
Net Position - Beginning of Year	10,436,417
NET POSITION - END OF YEAR	<u><u>\$ 9,017,233</u></u>

See accompanying Notes to Financial Statements.

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Elkton (the Town) have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the Town are described below. These policies should be recognized by the reader as integral to the preparation and use of the accompanying basic financial statements.

Reporting Entity

The Town was incorporated in 1787 with its legal authority derived from Chapter 310, Section 2 of the Annotated Code of Maryland. The Town is to be construed to mean both the Town and its inhabitants. Since inception, the Town has operated under the Mayor - Council form of government. Services provided include safety, highways and streets, sanitation, recreation, public improvement, planning and zoning, water and sewer and general administrative services.

For financial reporting purposes, in conformance with U.S. GAAP, the reporting entity includes the Mayor and Town Council, the primary government and the following fiduciary fund:

Town of Elkton Police Pension Plan: This pension plan is a defined benefit pension plan established by the Town to provide benefits at retirement to sworn officers of the Town Council.

The Town evaluates whether there are any entities that should be reported as a component unit under GASB Statement Nos. 39 and 61. The Town has concluded there are no component units as defined by U.S. GAAP.

Government-Wide and Fund Financial Statements

The statement of net position and the statement of activities 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 are those which are supported by taxes and intergovernmental revenues, whereas business-type activities are those supported through customer service charges. The Town has three business-type funds: major facility, water, and sewer.

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

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

Separate financial statements are shown for governmental funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting 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 the related cash flow. Property taxes are recognized in the year of levy and grants are recognized 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 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 that can be determined and available means collected within 60 days of the year-end. Expenditures are recorded when the related liability is incurred as in the accrual basis of accounting. However, principal and interest on 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, revenues 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 has one major governmental fund, the general fund. It is used to account for the normal recurring activities of the Town which include general government, public safety, public works, and recreation and culture. These activities are financed primarily by property taxes, other taxes, service charges, and grants from other governmental units. The Town does not have any other governmental funds.

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 for sound financial administration. Proprietary funds distinguish operating revenues and expenses from nonoperating items. 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.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Town has three major proprietary funds. The Water Fund operates the water treatment plants and distribution system. The Sewer Fund operates the sewage treatment plant, pumping stations and collection system. The Major Facility Fund accounts for the capital activities of the Water and Sewer Funds.

The Town has one pension trust fund, the Town of Elkton Police Pension Plan. As fiduciary fund, this pension fund is used to account for assets held on behalf of outside parties under the terms of a formal trust agreement. Plan financial statements are prepared using the accrual basis of accounting. Plan member contributions are recorded during the period in which they are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are made on a long-term basis, investing in various securities which are subject to interest rate, market, and credit risks.

The effect of interfund activity has been eliminated from the government-wide financial statements except for charges between the Water, Sewer, and Major Facility 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.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with U.S. GAAP 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 during the reporting period. Actual results could differ from those estimates.

Assets, Liabilities, and Net Position or Fund Balance

Equity in Pooled Cash, Cash Equivalents, and Investments

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date of three months or less 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.

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Position or Fund Balance (Continued)

Equity in Pooled Cash, Cash Equivalents, and Investments (Continued)

Excess funds are also 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.

For the purposes of the statement of cash flows, the Town considers all highly-liquid investments (including restricted assets) with an original maturity date of three-months or less at the time of purchase to be cash equivalents. Cash resources of each of the individual funds, except the pension funds 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 investments is allocated to funds on the basis of their equity in pooled cash.

Receivables

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

	<u>Real Property</u>	<u>Personal and Corporate</u>
Assessment Toll Validated	Dec. 31	Jan. 1
Tax Rate Ordinance Approved	June 1	June 30
Beginning of Fiscal Year for which Taxes have been Levied	July 1	July 1
Tax Bills Rendered and Due	July 1– on County bill	Various
Owner-Occupied Residential	July 1 and Jan. 1	N/A
Property Taxes Payable:		
Delinquent	Oct. 1, Feb. 1	After 90 days
Terms	60 days	90 days
Delinquent Interest Rate (Annual)	18%	18%

Information presented is for “full year” levy. “Half year” levy dates are each six months later, and relate to new construction in the first six months of the fiscal year. A lien is attached to property on the billing date, becomes delinquent October 1, and is sold at tax sale by the end of 18 months.

Proprietary fund receivables are recorded as revenue when earned. The receivables of proprietary funds include billing for residential and commercial customers utilizing the Town’s water and sewer services. For fiscal year 2022, the Town’s water and sewer system customer base included a total of 7,126 water and 7,049 sewer accounts. All customers are billed on a quarterly basis with payment due in full within thirty days from the date of the billing. Delinquent accounts are subject to disconnection in addition to a \$25 service charge. Water and sewer rates are set by ordinance passed by the Mayor and Commissioners of the Town when deemed necessary.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Position or Fund Balance (Continued)

Receivables (Continued)

Allowances for uncollectible accounts are maintained on all types of receivables that historically experience bad debt. The allowance is determined by management based on historical collection trends. Receivables are shown net of such an allowance for uncollectibles. Real property taxes are generally fully collectible.

Capital Assets

Capital assets, which include property, plant and equipment and infrastructure such as roads, storm drains and pipe systems, are reported in the governmental activities or business-type activities columns in the government-wide financial statements. The Town defines capital assets as those which have an individual acquisition cost or donated value of at least \$1,000, and an estimated useful life of at least one year. Such assets are valued at historical or estimated historical cost if actual is not available, except for right-to-use assets. Right-to-use assets are valued at the present value of future lease payments over the contracted lease term. Donated assets are stated at their acquisition value at the date of donation. The cost of normal maintenance and repairs that do not add value or extend asset lives are not capitalized. Land is determined to have an inexhaustible life and is not subject to depreciation.

Expenditures for major assets and improvements are capitalized as the assets are acquired or constructed. Exhaustible capital assets are depreciated, which is charged as an expense against their operations. Accumulated depreciation is reported in the statement of net position. Depreciation has been provided over the estimated useful lives using the straight-line method.

Estimated useful lives are as follows:

Building	20 to 50 Years
Plant, Mains and Improvements, and Improvements Other Than Buildings	10 to 75 Years
Equipment	3 to 10 Years

Long-Term Obligations

In the government-wide financial statements and proprietary fund types 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 statement of net position. In the governmental fund financial statements, the face amount of newly issued debt is reported as other financing sources, and the amount of principal repayment is reported as an expenditure.

Pension Benefits – The Town provides retirement benefits to retired employees through the state of Maryland plan and their own plan. See Note 10 for a full description of the benefits.

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Position or Fund Balance (Continued)

Long-Term Obligations (Continued)

Other Postemployment Benefits (OPEB) – The Town provides health care benefits to retired employees and eligible retiree’s spouses. See Note 11 for a full description of the benefits. There has been no OPEB Trust established as of June 30, 2022.

Compensated Absences

Vested or accumulated vacation of governmental funds is accrued when earned by employees and an expense and liability are recorded in governmental activities on the government-wide financial statements. Vested or accumulated vacation of business-type funds is recorded as an expense and a liability of the fund that will pay it. No liability is recorded for nonvesting accumulated rights to receive sick pay benefits as the Town does not pay these amounts when employees separate from service.

Town ordinance provides that full-time employees may accumulate up to a maximum of 24 days annual leave based upon years of service, and upon termination will be paid for all accumulated leave not to exceed that amount. The accrual is included in “Noncurrent Liabilities” in the government-wide statements. A liability for vacation pay is recorded in the governmental fund financial statements only if it has matured (i.e., unused reimbursable leave still outstanding following an employee’s resignation or retirement).

Deferred Inflows and Outflows of Resources

A deferred inflow 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 the future period. For government-mandated and voluntary non-exchange transactions, a deferred inflow is reported when resources are received before time requirements are met. The Town recognizes deferred inflows at the entity-wide level for the deferred flows related to pension, OPEB and leases. At the fund level deferred inflows are recognized for tax revenues not meeting the availability criteria.

A deferred outflow of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until the future period. The Town recognizes deferred outflows at the entity-wide level for the deferred flows related to pension, and OPEB.

Net Position Reporting

The government-wide and proprietary fund type financial statements utilize a net position presentation. Net position is the difference between assets and deferred outflows, less liabilities and deferred inflows. Net position is categorized as net investment in capital assets, restricted, and unrestricted, and are described as follows:

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 that are attributed to the acquisition, construction, or improvement of these assets reduce the balance in this category.

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Position or Fund Balance (Continued)

Net Position Reporting (Continued)

Restricted Net Position – This category presents the balance of net position for which external restrictions are imposed by creditors, grantors, enabling legislation, laws and regulations, and other governments.

Unrestricted Net Position – This category presents the net position of the Town not included elsewhere.

Fund Balance Reporting

Fund balance classifications for governmental funds are based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The fund balance categories and descriptions are as follows:

Nonspendable – amounts that cannot be spent because they are either not in spendable form or they are legally required to be maintained intact such as inventory, prepaid expenses, or other assets.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can only be used for specific purposes determined by a formal action of the Commissioners, who are the highest level of decision-making authority for the Town. Commitments may be established, modified, or rescinded only through resolutions approved by the Commissioners.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes determined by a formal action of the Commissioners, such as adopting the annual budget.

Unassigned – all other spendable amounts.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, and then unrestricted resources as they are needed. Furthermore, the Town will apply expenditures against committed, then assigned, and then unassigned fund balances.

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GASB Pronouncements

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Town adopted the requirements of the guidance effective July 1, 2021 and has applied the provisions of this standard to the beginning of the period of adoption.

NOTE 2 CASH AND TEMPORARY INVESTMENTS

Deposits

At year-end, the carrying amount of the Town deposits (including petty cash of \$114) was \$13,157,677 and the bank balance was \$14,052,276. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town follows the state-mandated deposit policy for custodial credit risk requiring all deposits to be collateralized for amounts in excess of FDIC limits, with collateral whose market value is equal to at least 102% of the deposits. The deposits of the Town were not exposed to custodial credit risk at June 30, 2022.

Investments

At June 30, 2022, the Town's fixed income investment balances by type, rating, and maturity were as follows:

Investment Type	Fair Value	Rating	Average Maturity (Years)
Fixed Income Mutual Funds:			
Ultra Short Term Bond Fund	534,659	N/A	1.29
Short Term Bond Fund	484,863	N/A	2.31
New Income Fund	2,059,785	N/A	8.17
Subtotal	3,079,307		
Money Market Funds	853,290		Less than One
Maryland Local Govt. Investment Pool	5,898,212		Less than One
Total	<u>\$ 9,830,809</u>		

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 CASH AND TEMPORARY INVESTMENTS (CONTINUED)

Investments (Continued)

Reconciliation of cash and investments to cash and cash equivalents as shown on the statement of net position:

Carrying Amount of Deposits	\$ 13,157,677
Pension Trust Fund Money Market	853,290
MLGIP	5,898,212
Fixed Income Mutual Funds	3,079,307
Equity Mutual Funds	5,084,636
Total Cash and Investments	<u>28,073,122</u>
Less: Amounts in Fiduciary Funds	<u>9,017,233</u>
Total Cash and Cash Equivalents per Statement of Net Position	<u><u>\$ 19,055,889</u></u>

Interest Rate Risk

Fair value of fixed income investments 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 average maturities to remain sufficiently liquid to enable the Town to meet all operating requirements which might be reasonably anticipated. In the fiduciary funds, mutual funds are used to match the cash flow of liabilities. Town management believes the liquidity in the portfolio is adequate to meet cash flow requirements and to preclude the Town from having to sell investments below original cost for that purpose. The investments at June 30, 2022 met the Town investment policy as of that date.

Credit Risk

Town investment policy permits investments in the following types of investments as authorized by the state of Maryland: U.S. treasury obligations, U.S. agency obligations, repurchase agreements under a master repurchase agreement, certificates of deposit which are collateralized through a Maryland commercial bank, and the Maryland Local Government Investment Pool (MLGIP). The MLGIP was established in 1982 under Article 95 Section 22G of the Annotated Code of Maryland and is rated AAAM by Standard and Poors, their highest rating for money market funds. 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.

Concentration of Credit Risk

The Town has investments in two issuers that are greater than 5% of the Town's total investments in MLGIP.

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 CASH AND TEMPORARY INVESTMENTS (CONTINUED)

Investments (Continued)

Investment Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the Town will not be able to recover all or a portion of the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2022, all of the Town investments were insured or registered, or for which the securities were held by the Town or its agent in the Town's name or were invested in the MLGIP or mutual funds.

Foreign Currency Risk

The Town's investment policy does not allow for investments denominated in foreign currencies. The Town does not hold any such investments.

NOTE 3 FAIR VALUE

The Town categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Town's assets with recurring fair value measurements as of June 30, 2022 consist of the following mutual funds valued using quoted market prices (Level 1 inputs) and funds maintained and valued by an insurance company (Level 2 inputs):

	Fair Value Measurements		Total
	Level 1	Level 2	
Fixed Income Mutual Funds	\$ -	\$ 3,079,306	\$ 3,079,306
Equity Mutual Funds	5,084,636	-	5,084,636

NOTE 4 RECEIVABLES

Summary of Receivables

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

	Governmental Activities	Business-Type Activities				Total
		Major Facility	Water	Sewer	Total	
Taxes	\$ 1,775,325	\$ -	\$ -	\$ -	\$ -	\$ 1,775,325
Accounts	219,400	1,927	705,705	1,015,241	1,722,873	1,942,273
Leases	-	-	799,739	383,741	1,183,480	1,183,480
Interest	4,511	-	-	-	-	4,511
Allowance for Uncollectibles	(716,201)	-	-	-	-	(716,201)
Net Receivables	<u>\$ 1,283,035</u>	<u>\$ 1,927</u>	<u>\$ 1,505,444</u>	<u>\$ 1,398,982</u>	<u>\$ 2,906,353</u>	<u>\$ 4,189,388</u>

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4 RECEIVABLES (CONTINUED)

Summary of Receivables (Continued)

The Town, acting as lessor, leases water towers and land under long-term, non-cancelable lease agreements. The leases expire at various dates through 2042 and provide for renewal options of five years. During the year ended June 30, 2022, the Town recognized \$82,246 and \$21,954 in lease revenue and interest revenue, respectively, pursuant to these contracts.

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

	<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2023 \$	118,011	\$ 29,755	\$ 147,766
2024	86,694	26,838	113,532
2025	55,962	25,094	81,056
2026	58,929	23,578	82,507
2027	44,483	22,099	66,582
2028-2032	199,081	95,546	294,627
2033-2037	274,398	64,488	338,886
2038 and thereafter	<u>345,922</u>	<u>22,466</u>	<u>368,388</u>
Total minimum lease payments	<u>\$ 1,183,480</u>	<u>\$ 309,864</u>	<u>\$ 1,493,344</u>

Governmental funds report deferred inflows 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. Deferred revenue may result from 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 which did not meet the GASB Statement No. 33 time restriction.

Deferred inflows of resources for the general fund at June 30, 2022 consisted solely of items deemed unavailable, and is summarized as follows:

Business/Corporate Property Taxes	\$ 810,151
Real Property Taxes	71,103
Utilities/Railroad	178,654
Traders Taxes	3,754
Income Taxes	<u>761,339</u>
Total	<u><u>\$ 1,825,001</u></u>

Under the American Rescue Plan Act, the Town was awarded \$15,397,483 from the Coronavirus State and Local Fiscal Recovery Funds. The Town received \$7,695,862 of this funding during fiscal year 2022. As of June 30, 2022, the Town has \$6,919,120 remaining to be spent. The funds are anticipated to be fully utilized on allowable expenses by December 31, 2024; however, any monies unspent at that time will revert back to the U.S. Treasury.

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5 DUE FROM OTHER GOVERNMENTS

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

	Governmental Activities
State of Maryland	
Income Tax Reserve	\$ 941,461
Highway User Tax	234,760
Admission and Amusement Tax	933
Hotel/Motel Tax	29,030
State Aid Police Protection Grant	52,543
Total	<u>\$ 1,258,727</u>

NOTE 6 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Due to/from other funds consisted of the following:

	Payable Fund			
Receivable Fund:	General	Water	Sewer	Total
General	\$ -	\$ 11,595	\$ -	\$ 11,595
Water	-	-	10,292	10,292
Sewer	1,412	-	-	1,412
Major Facility	-	-	2,113,604	2,113,604
Total	<u>\$ 1,412</u>	<u>\$ 11,595</u>	<u>\$ 2,123,896</u>	<u>\$ 2,136,903</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between the funds are made.

The Town did not have any interfund transfers for the year ended June 30, 2022.

During 2020, the Sewer Fund advanced the General Fund \$2,479,642 to fund the Community Center.

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
GOVERNMENTAL ACTIVITIES					
Capital Assets, Not Being Depreciated:					
Land	\$ 3,004,766	\$ 22,321	\$ (24,948)	\$ 10,000	\$ 3,012,139
Construction in Progress	151,198	5,580	(205,721)	54,523	5,580
Total Capital Assets, Not Being Depreciated	3,155,964	27,901	(230,669)	64,523	3,017,719
Capital Assets Being Depreciated:					
Buildings	10,649,300	22,919	-	(64,523)	10,607,696
Improvements Other Than Buildings	15,366,401	-	-	-	15,366,401
Equipment	5,806,791	340,954	(128,408)	-	6,019,337
Right to Use Asset	-	30,920	-	-	30,920
Total Capital Assets, Being Depreciated	31,822,492	394,793	(128,408)	(64,523)	32,024,354
Less Accumulated Depreciation for:					
Buildings	3,983,953	279,862	-	-	4,263,815
Improvements Other Than Buildings	14,026,949	162,595	-	-	14,189,544
Equipment	4,910,268	301,386	(128,408)	-	5,083,246
Right to Use Asset	-	15,606	-	-	15,606
Total Accumulated Depreciation	22,921,170	759,449	(128,408)	-	23,552,211
Net Capital Assets Being Depreciated	8,901,322	(364,656)	-	(64,523)	8,472,143
Net Governmental Activities Capital Assets	<u>\$ 12,057,286</u>	<u>\$ (336,755)</u>	<u>\$ (230,669)</u>	<u>\$ -</u>	<u>\$ 11,489,862</u>

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
BUSINESS-TYPE ACTIVITIES					
Capital Assets Not Being Depreciated:					
Land - Water	\$ 317,605	\$ 1,901	\$ -	\$ -	\$ 319,506
Land - Sewer	596,665	-	-	-	596,665
Construction in Progress - Water	884,060	245,773	(10,098)	(362,907)	756,828
Construction in Progress - Sewer	175,717	56,074	(3,878)	-	227,913
Total Capital Assets Not Being Depreciated	1,974,047	303,748	(13,976)	(362,907)	1,900,912
Capital Assets Being Depreciated:					
Plants, Mains and Improvements - Water	13,756,685	-	-	217,288	13,973,973
Plants, Mains and Improvements - Sewer	67,449,551	-	-	-	67,449,551
Equipment - Water	1,674,339	155,994	(6,224)	145,619	1,969,728
Equipment - Sewer	2,984,875	174,463	(174,456)	-	2,984,882
Total Capital Assets Being Depreciated	85,865,450	330,457	(180,680)	362,907	86,378,134
Less Accumulated Depreciation:					
Plants, Mains and Improvements - Water	6,087,247	289,206	-	-	6,376,453
Plants, Mains and Improvements - Sewer	24,877,654	1,332,727	-	-	26,210,381
Equipment - Water	1,012,958	98,168	(6,224)	-	1,104,902
Equipment - Sewer	2,048,376	124,318	(174,456)	-	1,998,238
Total Accumulated Depreciation	34,026,235	1,844,419	(180,680)	-	35,689,974
Net Capital Assets Being Depreciated	51,839,215	(1,513,962)	-	362,907	50,688,160
Net Business-Type Activities Capital Assets	<u>\$ 53,813,262</u>	<u>\$ (1,210,214)</u>	<u>\$ (13,976)</u>	<u>\$ -</u>	<u>\$ 52,589,072</u>

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

Governmental Activities:

General Government	\$ 165,762
Public Safety	429,069
Public Works	86,208
Parks and Recreation	78,410
Total Governmental Activities	<u>\$ 759,449</u>

Business-Type Activities:

Water Fund	\$ 387,374
Sewer Fund	1,457,045
Total Business-Type Activities	<u>\$ 1,844,419</u>

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8 LONG-TERM DEBT

The following is a summary of changes that occurred in the Town's long-term liabilities reported for governmental activities and business-type activities for the year ended June 30, 2022:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
GOVERNMENTAL ACTIVITIES					
Loans	\$ 531,717	\$ -	\$ 127,650	\$ 404,067	\$ 131,108
Leases	-	30,920	15,453	15,467	7,673
Compensated Absences	493,545	433,239	393,482	533,302	-
Total Governmental Activities	<u>\$ 1,025,262</u>	<u>\$ 464,159</u>	<u>\$ 536,585</u>	<u>\$ 952,836</u>	<u>\$ 138,781</u>
BUSINESS-TYPE ACTIVITIES					
Sewer Facility Loan #1	\$ 5,602,225	\$ -	\$ 790,765	\$ 4,811,460	\$ 793,928
Sewer Facility Loan #2	1,767,885	-	331,933	1,435,952	335,252
Subtotal	7,370,110	-	1,122,698	6,247,412	1,129,180
Compensated Absences	90,524	90,503	82,198	98,829	-
Total Business-Type Activities	<u>\$ 7,460,634</u>	<u>\$ 90,503</u>	<u>\$ 1,204,896</u>	<u>\$ 6,346,241</u>	<u>\$ 1,129,180</u>

For compensated absences, the general fund normally liquidates 100% of the governmental activities liability, and the sewer and water fund normally liquidate 100% of the business-type activities liability.

Loans: Governmental Activities

In June of 2020, the Town entered into a loan for \$656,000 from a commercial bank. The loan had an interest rate of 2.64% and matures in June 2025. The loan repayment schedule required monthly payments of principal and interest of \$11,694. As of June 30, 2022, the outstanding balance of the loan was \$404,067.

The future maturities of this loan is as follows.

Governmental Fund - \$656,000			
<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 131,108	\$ 9,220	\$ 140,328
2024	134,650	5,677	140,327
2025	138,309	2,019	140,328
Total	<u>\$ 404,067</u>	<u>\$ 16,916</u>	<u>\$ 420,983</u>

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8 LONG-TERM DEBT (CONTINUED)

Loans: Business-Type Activities

The Town has a \$15,600,000 revolving loan agreement with the Maryland Department of the Environment which has been entirely drawn, and \$4,811,460 remains outstanding at June 30, 2022. The loan has an interest rate of 0.4%, and a maturity date of February 2028.

Sewer Facility Upgrade - \$15,600,000			
<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 793,928	\$ 19,246	\$ 813,174
2024	797,104	16,070	813,174
2025	800,292	12,882	813,174
2026	803,494	9,680	813,174
2027	806,708	6,466	813,174
2028	809,934	3,242	813,176
Total	<u>\$ 4,811,460</u>	<u>\$ 67,586</u>	<u>\$ 4,879,046</u>

The Town has a \$6,422,000 revolving loan agreement with the Maryland Department of the Environment, of which \$5,795,474 has been drawn, and \$4,359,522 has been repaid. The amount outstanding at June 30, 2022 was \$1,435,952. The loan has an interest rate of 1%, and a maturity date of February 2027.

Sewer Facility Upgrade - \$6,422,000			
<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 335,252	\$ 17,679	\$ 352,931
2024	338,605	14,360	352,931
2025	341,991	11,007	352,965
2026	345,411	7,621	352,998
2027	74,693	4,948	79,641
Total	<u>\$ 1,435,952</u>	<u>\$ 55,615</u>	<u>\$ 1,491,466</u>

Legal Debt Margin

The Town is subject to a legal debt margin of 5.6% of the total assessed value of taxable real and personal property. At June 30, 2022, that amount was \$85,713,150, and the outstanding debt subject to the limit was \$6,651,479, which is 7.76% of the total debt limit.

Leases: Governmental Activities

The Town leases equipment for five years under long-term, non-cancelable lease agreements. The leases have an interest rate of 2.64% and expire at various dates through 2026 with no option for renewal.

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8 LONG-TERM DEBT (CONTINUED)

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

	Governmental Activities
Equipment	\$ 30,920
Less: accumulated amortization	<u>(15,606)</u>
	<u>\$ 15,314</u>

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

	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 7,673	\$ 298	\$ 7,971
2024	2,769	172	2,941
2025	2,843	98	2,941
2026	<u>2,182</u>	<u>24</u>	<u>2,206</u>
Total minimum lease payments	<u>\$ 15,467</u>	<u>\$ 592</u>	<u>\$ 16,059</u>

NOTE 9 FUND BALANCE

Fund balance at June 30, 2022 consisted of the following:

	<u>General Fund</u>
Fund Balances	
Restricted for:	
Highways	\$ 1,282,718
Public Safety	395,543
Recreation and Culture	<u>87,497</u>
Total Restricted	1,765,758
Assigned for:	
Parks and Recreation	<u>87,931</u>
Total Assigned	<u>87,931</u>
Unassigned	<u>217,830</u>
Total Fund Balance	<u><u>\$ 2,071,519</u></u>

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 10 RETIREMENT AND PENSION PLANS

State Retirement and Pension Systems of Maryland

Plan Description

The employees of the Town are covered by the Maryland State Retirement and Pension System (the System), which is a cost sharing employer public employee retirement system. While there are five retirement and pension systems under the System, employees of the Town are members of the Employees' Retirement and Pension Systems. The System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland to provide retirement allowances and other benefits to state employees, teachers, police, judges, legislators, and employees of participating governmental units. The plans are administered by the State Retirement Agency. Responsibility for the System's administration and operation is vested in a 15-member Board of Trustees. The System issues a publicly available financial report that can be obtained at <http://sra.maryland.gov>.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the System and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

State Retirement and Pension Systems of Maryland (Continued)

Benefits Provided

The System provides retirement allowances and other benefits to employees of participating governmental units, among others. For individuals who became members of the Employees' Retirement and Pension Systems on or before June 30, 2011, retirement/pension allowances are computed using both the highest three years Average Final Compensation (AFC) and the actual number of years of accumulated creditable service. For individuals who become members of the Employees' Pension System on or after July 1, 2011, pension allowances are computed using both the highest five years AFC and the actual number of years of accumulated creditable service. Various retirement options are available under each system which ultimately determines how a retiree's benefits allowance will be computed. Some of these options require actuarial reductions based on the retiree's and/or designated beneficiary's attained age and similar actuarial factors.

A member of the Employees' Retirement System is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable service regardless of age. The annual retirement allowance equals 1/55 (1.81%) of the member's average final compensation (AFC) multiplied by the number of years of accumulated creditable service.

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

NOTE 10 RETIREMENT AND PENSION PLANS (CONTINUED)

State Retirement and Pension Systems of Maryland (Continued)

A member of the Employees' Pension System on or before June 30, 2011, is eligible for full retirement benefits upon the earlier of attaining age 62, with specified years of eligibility service, or accumulating 30 years of eligibility service regardless of age. An individual who becomes a member of the Employees' Pension System on or after July 1, 2011, is eligible for full retirement benefits if the members' combined age and eligibility service equals at least 90 years or if the member is at least age 65 and has accrued at least 10 years of eligibility service.

For most individuals who retired from the Employees' Pension System on or before June 30, 2006, the annual pension allowance equals 1.2% of the members AFC, multiplied by the number of years of credible service accumulated prior to July 1, 1998, plus 1.4% of the members AFC, multiplied by the number of years of credible service accumulated subsequent to June 30, 1998. With certain exceptions, for individuals who are members of the Employees' Pension System on or after July 1, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of credible service accumulated prior to July 1, 1998 plus 1.8% of the members AFC, multiplied by the number of years of credible service accumulated subsequent to June 30, 1998. Beginning on July 1, 2011, any new member of the Employees' Pension System shall earn an annual pension allowance equal to 1.5% of the member's AFC multiplied by the number of years of creditable service accumulated as a member of the Employees' Pension System.

Contributions

The Town and covered members are required by state statute to contribute to the System. Members of the Employees' Pension System are required to contribute 7% annually. Members of the Employees' Retirement System are required to contribute 5% to 7% annually, depending on the retirement option selected. The contribution requirements of the System members, as well as the state and participating governmental employers are established and may be amended by the Board of Trustees for the System.

The Town's contractually required contribution rate for the Employees' Retirement and Pension Systems for the year ended June 30, 2022, was 6.75% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Town made its share of the required contributions during the year ended June 30, 2022 of \$8,917.

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 10 RETIREMENT AND PENSION PLANS (CONTINUED)

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

At June 30, 2022, the Town reported a liability of \$55,175 for its proportionate share of the net pension liability of the System. The 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 as of that date. The Town's proportion of the net pension liability was based on actual employer contributions billed to participating government units for the year ended June 30, 2021. The contributions were increased to adjust for differences between actuarial determined contributions and actual contributions by the state of Maryland. As of June 30, 2021, the Town's proportionate share was 0.0003678%, which is an increase of 0.0000399% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Town recognized pension expense of \$3,110. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 10,624	\$ 981
Net Difference Between Expected and Actual Experience	-	3,788
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	25,789
Changes in Proportionate Share of Contributions	14,399	1,412
Net Difference Between Actual and Proportionate Share of Contributions	-	3
Town's Contributions Subsequent to Measurement Date	8,917	-
Total	<u>\$ 33,940</u>	<u>\$ 31,973</u>

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

\$8,917 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction in net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ (1,929)
2024	(1,013)
2025	(2,005)
2026	(3,782)
2027	1,779

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

NOTE 10 RETIREMENT AND PENSION PLANS (CONTINUED)

State Retirement and Pension Systems of Maryland (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25% General, 2.75% Wage
Salary Increases	2.75% to 9.25%, Including Inflation
Investment Rate of Return	6.80%

Mortality rates were based on Pub-2010 Mortality Tables with projected generational mortality improvements based on the MP-2018 fully generational mortality improvement scale.

The economic and demographic actuarial assumptions used in the June 30, 2021, valuation were adopted by the System's Board of Trustees based upon review of the System's experience study for the period 2014-2018, after completion of the June 30, 2018 valuations. Assumptions from the experience study including investment return, inflation, COLA increases, and the rates related to mortality, retirement, withdrawal, disability, and salary increase were adopted by the board for the first use in the actuarial valuation as of June 30, 2019. As a result, an investment return assumption of 6.80% and an inflation assumption of 2.25% were used for the June 30, 2021 valuation.

The long term expected rate of return on pension 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 pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-range expected rate of return by weighting the expected future real rates by the target asset allocation percentage and by adding expected inflation.

Actuarial Assumptions (Continued)

Best estimates of geometric real rates of return were adopted by the board after considering input from the System's investment consultant(s) and actuary(s). For each major asset class that is included in the System's target asset allocation, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Expected Real Rate of Return
Public Equity	37 %	4.70 %
Private Equity	13	6.50
Rate Sensitive	19	(0.40)
Credit Opportunity	9	2.60
Real Assets	14	4.20
Absolute Return	8	2.00
Total	100 %	

The above was the System's Board of Trustees adopted asset allocation policy and best estimate of geometric real rates for each major asset class as of June 30, 2021.

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

NOTE 10 RETIREMENT AND PENSION PLANS (CONTINUED)

State Retirement and Pension Systems of Maryland (Continued)

For the year ended June 30, 2021, the annual money-weighted rate of return on pension plan investments, net of the pension plan expense was 26.69%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

The single discount rate used to measure the total pension liability was 6.80%. This single discount rate was based on the expected rate of return on pension plan investments of 6.80%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these 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 on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the Town's net pension liability, calculated using a single discount rate of 6.80%, as well as what the Town's net pension liability would be if it were calculated using a single discount rate that is one percentage point lower or one percentage point higher:

	1% Decrease (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)
Town's Proportionate Share of the Net Pension Liability	\$ 94	\$ 55,175	\$ 22,996

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued System's financial report.

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 10 RETIREMENT AND PENSION PLANS (CONTINUED)

Town Defined Contribution Plan

Description of Plan

The Town offers employees a deferred compensation plan created in accordance with Internal Revenue Code Section 401(a). The Town adopted the Town of Elkton Defined Contribution Plan (TEDCP) covering substantially all employees not participating in the state System effective for the 1999 fiscal year. At June 30, 2022, there were 71 plan members from the Town. Plan members do not have the option to make voluntary contributions to TEDCP. Plan provisions are established, amended, and administered by the Mayor and Commissioners of the Town. The Town is required to contribute 8% of covered payroll of TEDCP participants. For the fiscal year ended June 30, 2022, actual contributions by the Town were \$273,240. TEDCP does not issue separate audited financial statements.

All Town contributions under the plan as well as all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are solely the property and rights of the participants. The Town has no liability for losses under the plan.

Investments are managed by the plan's administrator, Nationwide Retirement Solutions, under several different investment options, or combinations thereof.

Town Defined Benefit Plan

Description of Plan

On July 1, 2010, the Town began to administer the Town of Elkton Police Pension Plan (TEPPP), which is a single-employer defined benefit plan covering all sworn officers of the Town. At June 30, 2022, there were 40 plan members from the Town. Plan members are required to contribute 8% of their base salary. For the fiscal year ended June 30, 2022, actual contributions by the plan members were \$168,377. Plan provisions are established, amended, and administered by the Mayor and Commissioners of the Town. During 2022, the Town contributed the actuarially determined amount of \$469,880. TEPPP does not issue separate audited financial statements, and as such, the net position as of June 30, 2022, and the changes in net position for the year ended June 30, 2022, are reflected in the statement of fiduciary net position and changes in fiduciary net position in the basic financial statements. Employees are eligible to begin drawing their pension when they retire after 25 years of service or at age 60 with 10 years of service. The plan does not provide early retirement benefits. TEPPP has a tax-exempt status. TEPPP provides retirement and death benefits to plan members or the plan member's beneficiaries. Administrative costs of TEPPP are financed through investment earnings.

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

NOTE 10 RETIREMENT AND PENSION PLANS (CONTINUED)

Town Defined Benefit Plan (Continued)

Description of Plan (Continued)

The most current actuarial valuation was completed as of July 1, 2021. The membership data related to the plan was as follows:

Retirees and Beneficiaries Currently Receiving Benefits	6
Terminated Plan Members Entitled to, But Not Yet Receiving Benefits	-
Active Plan Members	<u>32</u>
Total	<u><u>38</u></u>

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

STATEMENT OF PLAN NET POSITION

ASSETS

Cash Equivalents	\$ 853,290
Investments	<u>8,163,943</u>
Total Assets	<u><u>\$ 9,017,233</u></u>

NET POSITION

Restricted for Pension Benefits	<u><u>\$ 9,017,233</u></u>
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STATEMENT OF CHANGES AND PLAN NET POSITION

ADDITIONS

Employer Contributions	\$ 469,880
Employee Contributions	168,377
Net Investment Earnings	<u>(1,694,087)</u>
Total Additions	<u>(1,055,830)</u>

DEDUCTIONS

Benefit Payments	339,861
Administrative Fees	<u>23,493</u>
Total Deductions	<u><u>363,354</u></u>

CHANGE IN NET POSITION

(1,419,184)

Net Position - Beginning of Year

10,436,417

NET POSITION - END OF YEAR

\$ 9,017,233

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 10 RETIREMENT AND PENSION PLANS (CONTINUED)

Town Defined Benefit Plan (Continued)

Pension Plan Administration

The Mayor and Commissioners of the Town established the Town of Elkton Police Pension Plan (the Plan) with the adoption of Ordinance 7 – 2010 on August 18, 2010. Under Section 2.28.430, the ordinance further established a Retirement Plan Committee (the Committee) consisting of the Town Administrator, Town Finance Director, and representative of the Elkton Police Fraternal Order of Police Lodge 124.

The Committee has full power and authority to administer and operate the Plan in accordance with its terms and have full power and authority to deal with all persons in any matter directly connected with the Plan, including, but not limited to, investment advisors. The determination of the Committee on any matter pertaining to the Plan within the powers and discretion granted to it shall be final and conclusive.

Investment Policy

The Committee is responsible for administering the Investment Policy of the Plan and providing oversight for the management of the Plan's assets. As of June 30, 2015, the Mayor and Commissioners adopted a formal investment policy statement and an advisory agreement was entered into with T. Rowe Price Associates, Inc. Investments are measured at fair market value, which are generally based on quoted market prices. The money-weighted rate of return was 1.112% for the year ended June 30, 2022.

Asset Allocation Policy		
Asset Class	Range	Target
Equities	50-70%	60 %
Fixed Income	30-60%	40
Cash and Cash Equivalent	0-20%	N/A
Equity Sub-Class	Range	Target
Large-Cap Equity	50-75%	62.5 %
Mid-Cap	5-25%	15.0 %
Small Cap	5-15%	10.0 %
International	5-30%	12.5 %

The components of the net pension liability of the Plan as of June 30, 2022 (measurement date June 30, 2021) were as follows:

Total Pension Liability	\$ 13,006,362
Plan Fiduciary Net Position	(9,017,233)
Net Pension Liability	<u>\$ 3,989,129</u>

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.33%
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TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 10 RETIREMENT AND PENSION PLANS (CONTINUED)

Town Defined Benefit Plan (Continued)

Investment Policy (Continued)

Method and assumptions used to determine net pension liability were as follows:

Valuation Date	July 1, 2021
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percentage of Payroll
Amortization Period	Closed Periods Range from 9 to 20 Years Remaining as of the 2021 Valuation
Asset Valuation Method	Market Value
Actuarial Assumptions	
Inflation	3.0%
Investment Rate of Return	7.00%, Net of Pension Plan Investment Expense, Including Inflation
Projected Salary Increases	5.0%, Including Inflation
Cost of Living Adjustments	None Assumed
Retirement Age	The Earlier of 20 Years of Service or age 60 with 10 Years of Service
Mortality Rate	2010 Public Safety Mortality tables and generational projection by MP-2019

*The total pension liability is based on the July 1, 2021 actuarial valuation rolled forward to June 30, 2022.

For the year ended June 30, 2022, the Town recognized pension expense of \$688,738.

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of Plan investment expense and inflation) are developed for each asset class. This model assumes a 60% equity and 40% fixed income portfolio. 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.

Discount Rate

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

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

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 10 RETIREMENT AND PENSION PLANS (CONTINUED)

Town Defined Benefit Plan (Continued)

Discount Rate (Continued)

Therefore, the long-term expected rates of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Town of Elkton Police Pension Plan

Total Pension Liability

Service Cost	\$ 349,221
Interest	782,596
Difference Between Expected and Actual Experience	380,394
Changes in Assumptions	178,931
Changes in Benefit Terms	305,204
Benefit Payments, Including Refunds	(339,861)
Net Change in Total Pension Liability	<u>1,656,485</u>

Total Pension Liability - Beginning of Year	<u>11,349,877</u>
Total Pension Liability - End of Year	<u><u>\$ 13,006,362</u></u>

Plan Fiduciary Net Position

Contributions - Employer	\$ 469,880
Contributions - Member	168,377
Net Investment Income	(1,694,086)
Benefit Payments, Including Refunds	(339,861)
Administrative Expense	(23,494)
Net Change in Plan Fiduciary Net Position	<u>(1,419,184)</u>

Plan Fiduciary Net Position - Beginning of Year	<u>10,436,417</u>
Plan Fiduciary Net Position - End of Year	<u><u>\$ 9,017,233</u></u>

Net Pension Liability - End of Year	\$ 3,989,129
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	69.33%
Covered Payroll	\$ 2,105,000
Net Pension Liability as a Percentage of Covered Payroll	189.51%

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

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net Pension Liability	<u><u>\$ 5,632,603</u></u>	<u><u>\$ 3,989,129</u></u>	<u><u>\$ 2,642,057</u></u>

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 10 RETIREMENT AND PENSION PLANS (CONTINUED)

Town Defined Benefit Plan (Continued)

Discount Rate (Continued)

At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$ 1,049,379	\$ -
Change of Assumptions	261,520	-
Net Difference Between Expected and Actual Experience	316,995	679,833
Total	<u>\$ 1,627,894</u>	<u>\$ 679,833</u>

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 153,276
2024	136,690
2025	116,863
2026	475,688
2027	65,544
Thereafter	-

NOTE 11 POSTEMPLOYMENT HEALTH CARE BENEFITS

General Information about the OPEB Plan

Plan Description

The plan provides a fixed dollar subsidy which depends on service.

<u>Years of Service</u>	<u>Monthly Subsidy</u>
10 to 14	\$ 130
15 to 19	150
20 to 24	180
More than 25	200

Eligible employees who retire with less than 10 years of service are eligible to continue on the Town's health plan but must pay 100% of the premium. Retirees are allowed to continue on the Town's group health plan for a maximum of 15 years.

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

NOTE 11 POSTEMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

General Information about the OPEB Plan (Continued)

Plan Description (Continued)

To be eligible for the plan, an employee must satisfy one of the conditions below:

1. Continuously enrolled under the Town of Elkton's group insurance plan for at least four years immediately preceding the date of retirement, and at least age 50; or
2. Reach age 62; or
3. Be a sworn law enforcement employee for the Town of Elkton for 25 years.

The Town allows continued health insurance coverage for an eligible retiree's spouse and dependents if the eligible retiree elects the additional coverage and pays the dependent premiums.

Employees Covered by Benefit Terms

At June 30, 2021, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving	
Benefit Payments	-
Inactive Employees Entitled to but not yet Receiving	
Benefit Payments	-
Active Employees	92
Total	<u>92</u>

Funding Policy

The plan benefits are financed on a pay-as-you-go basis.

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 as of that date.

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 otherwise specified:

Inflation	2.5%
Salary Increases	Not Applicable, Fixed Rate Subsidy
Investment Rate of Return	None, this is not a Funded Plan
Discount Rate	1.92%
Healthcare Cost Trend Rates	5.2% for 2022, Decreasing over Time to 3.9% in 2076

The state of Maryland's retirement and turnover assumptions, reduced by one-third, were used for general employees.

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 11 POSTEMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

Net OPEB Liability (Continued)

Actuarial Assumptions (Continued)

Mortality rates were based on the Pub-2010 MP-2019 General and Safety Headcount-weighted mortality tables.

The plan is on a pay-go basis and does not accumulate assets to offset future costs. There is no investment return assumption.

Discount Rate

The discount rate used to measure the total OPEB liability was 1.92%, based on the index rate for 20-year tax-exempt general municipal bonds, as required by GASB 75.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 6/30/2020 Measurement Date	\$ 1,192,436	\$ -	\$ 1,192,436
Changes for the Year:			
Service Cost	74,616	-	74,616
Interest	28,995	-	28,995
Differences Between Expected and Actual Experience	(284,949)	-	(284,949)
Change in assumptions	63,057	-	63,057
Net Changes	(118,281)	-	(118,281)
Balances at 6/30/21 Measurement Date	<u>\$ 1,074,155</u>	<u>\$ -</u>	<u>\$ 1,074,155</u>

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

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 a discount rate that is one percentage point lower (0.92%) or one percentage point higher (2.92%) than the current discount rate:

	1% Decrease 0.92%	Discount Rate 1.92%	1% Increase 2.92%
Net OPEB Liability	\$ 1,201,101	\$ 1,074,155	\$ 962,493

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 11 POSTEMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

Changes in 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 healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	1% Decrease 2.94%	Medical Trend 3.94%	1% Increase 4.94%
Net OPEB Liability	\$ 964,851	\$ 1,074,155	\$ 1,205,874

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

For the year ended June 30, 2022, the Town recognized OPEB expense of \$61,553. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 299,109	\$ 274,386
Changes of Assumptions	129,824	531,182
Total	<u>\$ 428,933</u>	<u>\$ 805,568</u>

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ (42,058)
2024	(42,058)
2025	(42,058)
2026	(42,058)
2027	(42,058)
Thereafter	(166,345)

NOTE 12 OTHER INFORMATION

Risk Management

The Town is exposed to various risks of loss related to torts; 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 for the past three fiscal years.

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

NOTE 12 OTHER INFORMATION (CONTINUED)

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.

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REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF ELKTON, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL – GENERAL FUND
(NON-U.S. GAAP – BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
REVENUES				
Taxes and Utility Fees	\$ 10,825,246	\$ 10,825,246	\$ 11,598,705	\$ 773,459
Licenses and Permits	366,350	366,350	437,369	71,019
Intergovernmental	633,151	2,260,489	1,883,736	(376,753)
Charges for Services	887,050	887,050	881,462	(5,588)
Fines and Forfeitures	15,000	15,000	16,177	1,177
Investment Income	75,250	75,250	7,612	(67,638)
Miscellaneous	75,000	78,800	112,914	34,114
Total Revenues	12,877,047	14,508,185	14,937,975	429,790
EXPENDITURES				
Current:				
General Government	2,076,023	2,832,660	2,545,501	287,159
Public Safety	7,321,589	8,286,090	7,591,029	695,061
Public Works	4,655,828	4,710,828	4,076,824	634,004
Recreation and Culture	667,561	667,561	503,737	163,824
Debt Service	140,331	140,331	140,334	(3)
Total Expenditures	14,861,332	16,637,470	14,857,425	1,780,045
Excess (Deficiency) of				
Revenues over Expenditures	(1,984,285)	(2,129,285)	80,550	2,209,835
OTHER FINANCING SOURCES (USES)				
Lease Proceeds	-	-	30,920	30,920
Use of PY Fund Balance	1,984,285	2,129,285	-	(2,129,285)
Total Other Financing Sources (Uses)	1,984,285	2,129,285	30,920	(2,098,365)
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	111,470	<u>\$ 111,470</u>
Fund Balances - Beginning of Year			4,439,691	
FUND BALANCES - END OF YEAR			<u>\$ 4,551,161</u>	

See accompanying Notes to Required Supplementary Information.

TOWN OF ELKTON, MARYLAND
SCHEDULE OF CHANGES IN NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY
AND RELATED RATIOS
JUNE 30, 2022

Fiscal Year Ended:	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Measurement Date:	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017					
Total OPEB Liability										
Service Cost	\$ 74,616	\$ 63,160	\$ 72,190	\$ 69,807	\$ 67,394	Information for FYE 2017 and earlier is not available.				
Interest	28,995	31,823	41,450	37,478	29,698					
Differences Between Expected and Actual Experience	(284,949)	(12,501)	398,814	(7,388)	-					
Changes of Assumptions	63,057	86,998	(634,519)	(5,442)	(88,578)					
Net Change in Total OPEB Liability	(118,281)	169,480	(122,065)	94,455	8,514					
Total OPEB Liability - Beginning	1,192,436	1,022,956	1,145,021	1,050,566	1,042,052					
Total OPEB Liability - Ending (a)	<u>\$ 1,074,155</u>	<u>\$ 1,192,436</u>	<u>\$ 1,022,956</u>	<u>\$ 1,145,021</u>	<u>\$ 1,050,566</u>					
Plan Fiduciary Net Position										
Contributions - Employer	\$ -	\$ -	\$ -	\$ -	\$ -					
Net Investment Income	-	-	-	-	-					
Benefit Payments	-	-	-	-	-					
Administrative Expense	-	-	-	-	-					
Net Change in Plan Fiduciary Net Position	-	-	-	-	-					
Total Fiduciary Net Position - Beginning	-	-	-	-	-					
Total Fiduciary Net Position - Ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>					
Town's Net OPEB Liability - Ending (a) - (b)	<u>\$ 1,074,155</u>	<u>\$ 1,192,436</u>	<u>\$ 1,022,956</u>	<u>\$ 1,145,021</u>	<u>\$ 1,050,566</u>					
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.0%	0.0%	0.0%	0.0%	0.0%					
Covered Employee Payroll*	n/a	n/a	n/a	n/a	n/a					
Town's Net OPEB Liability as a Percentage of Covered Employee Payroll	n/a	n/a	n/a	n/a	n/a					

*Contributions to OPEB are not based on a measure of pay, therefore, covered employee payroll is not applicable.

See accompanying Notes to Required Supplementary Information.

TOWN OF ELKTON, MARYLAND
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
JUNE 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	
Town of Elkton Police Pension Plan											
Total Pension Liability											
Service Cost	\$ 349	\$ 325	\$ 315	\$ 353	\$ 343	\$ 341	\$ 331	\$ 362	\$ 349		
Interest	783	733	692	628	619	566	540	520	462		
Difference Between Expected and Actual Experience	380	-	(221)	-	(690)	-	(782)	-	-		Information for FY2013 and earlier is not available
Changes in Assumptions	179	-	-	-	-	-	375	-	-		
Changes in Benefit Terms	305	-	-	-	-	-	-	-	-		
Benefit Payments, Including Refunds	(340)	(352)	(56)	(64)	(237)	(56)	(119)	(90)	-		
Net Change in Total Pension Liability	1,656	706	730	916	35	851	344	791	812		
Total Pension Liability - Beginning of Year	11,350	10,644	9,915	8,999	8,964	8,113	7,769	6,978	6,166		
Total Pension Liability - End of Year	<u>\$ 13,006</u>	<u>\$ 11,350</u>	<u>\$ 10,644</u>	<u>\$ 9,915</u>	<u>\$ 8,999</u>	<u>\$ 8,964</u>	<u>\$ 8,113</u>	<u>\$ 7,769</u>	<u>\$ 6,978</u>		
Plan Fiduciary Net Position											
Contributions - Employer	\$ 470	\$ 432	\$ 301	\$ 343	\$ 348	\$ 389	\$ 371	\$ 361	\$ 355		
Contributions - Member	168	161	156	177	200	194	189	182	193		
Net Investment Income	(1,694)	2,162	422	383	489	607	11	10	148		Information for FY2013 and earlier is not available
Benefit Payments, Including Refunds	(340)	(352)	(56)	(64)	(237)	(56)	(119)	(90)	-		
Miscellaneous	-	-	(1)	-	-	-	-	-	-		
Administrative Expense	(23)	(19)	(34)	(20)	(20)	(19)	(6)	(6)	-		
Net Change in Plan Fiduciary Net Position	(1,419)	2,384	788	819	780	1,115	445	457	696		
Plan Fiduciary Net Position - Beginning of Year	10,436	8,052	7,264	6,445	5,665	4,550	4,105	3,649	2,953		
Plan Fiduciary Net Position - End of Year	<u>\$ 9,017</u>	<u>\$ 10,436</u>	<u>\$ 8,052</u>	<u>\$ 7,264</u>	<u>\$ 6,445</u>	<u>\$ 5,665</u>	<u>\$ 4,550</u>	<u>\$ 4,105</u>	<u>\$ 3,649</u>		
Net Pension Liability - End of Year	\$ 3,989	\$ 913	\$ 2,592	\$ 2,651	\$ 2,554	\$ 3,299	\$ 3,563	\$ 3,664	\$ 3,329		
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	69.33%	91.95%	75.65%	73.26%	71.62%	63.19%	56.08%	52.84%	52.29%		
Covered Payroll	\$ 2,105	\$ 2,009	\$ 1,948	\$ 2,214	\$ 2,571	\$ 2,420	\$ 2,335	\$ 2,270	\$ 2,409		
Net Pension Liability as a Percentage of Covered Payroll	189.53%	45.46%	133.05%	119.70%	99.32%	136.33%	152.59%	161.41%	138.18%		
Expected Average Remaining Service Years of All Participants	6	8	8	9	9	10	10	10	10		

Note: Amounts in this schedule are shown in thousands.

See accompanying Notes to Required Supplementary Information.

TOWN OF ELKTON, MARYLAND
TOWN OF ELKTON POLICE PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS AND MONEY-WEIGHTED RATE OF RETURN
YEARS ENDED JUNE 30

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 470	\$ 432	\$ 301	\$ 343	\$ 348	\$ 389	\$ 371	\$ 361	\$ 355
Contributions in Relation to the Actuarially Determined Contribution	470	432	301	343	348	389	371	361	355
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 2,105	\$ 2,009	\$ 1,948	\$ 2,214	\$ 2,571	\$ 2,420	\$ 2,335	\$ 2,270	\$ 2,409
Contributions as a Percentage of Covered Employee Payroll	22.33 %	21.51 %	15.47 %	15.49 %	13.54 %	16.08 %	15.87 %	15.89 %	14.73 %
Money-Weighted Rate of Return	(17.42)%	23.39 %	5.51 %	5.60 %	8.08 %	11.88 %	1.50 %	1.32 %	1.50 %

* Schedules are intended to provide information for 10 years. Additional years will be included as they become available.

Notes to Schedule

Amounts in this schedule are shown in thousands.

Valuation date: Actuarially determined contribution amounts are calculated as of the beginning of the fiscal year (July 1) for the two years immediately following the fiscal year.

Actuarial valuations are performed every other year.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	Closed periods range from 9 to 20 years remaining as of the 2021 valuation
Asset Valuation Method	Market Value
Inflation	3.0%
Salary Increases	5.0%, Including Inflation
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation
Retirement Age	The earlier of 20 years of service or age 60 with ten years of service
Mortality	RP-2014 Healthy tables with Blue Collar Adjustments and generational projection by MP-2015

See accompanying Notes to Required Supplementary Information.

TOWN OF ELKTON, MARYLAND
SCHEDULE OF EMPLOYER CONTRIBUTIONS AND PROPORTIONATE SHARE OF NET PENSION LIABILITY
YEARS ENDED JUNE 30

MARYLAND STATE RETIREMENT AND PENSION SYSTEM
SCHEDULE OF TOWN CONTRIBUTIONS
LAST TEN FISCAL YEARS

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually Required Contribution	\$ 8,917	\$ 8,104	\$ 7,030	\$ 6,261	\$ 5,757	\$ 5,156	\$ 5,291	\$ 6,354	\$ 13,048	\$ 10,257
Contributions in Relation to the										
Contractually Required Contribution	(8,917)	(8,104)	(7,030)	(6,261)	(5,757)	(5,156)	(5,291)	(6,354)	(13,048)	(10,257)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's Covered Payroll	\$ 130,466	\$ 126,666	\$ 126,666	\$ 105,829	\$ 105,829	\$ 105,829	\$ 105,829	\$ 105,829	\$ 167,372	\$ 196,825
Contributions as a Percentage of Covered Payroll	6.83%	6.40%	5.55%	5.92%	5.44%	4.87%	5.00%	6.00%	7.80%	5.21%

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	2022	2021	2020	2019	2018	2017	2016	2015
Town's Proportion of the Net Pension Liability	0.0003678%	0.0003279%	0.0003049%	0.0002887%	0.0002533%	0.0002716%	0.0003015%	0.0005475%
Town's Proportionate Share of the Net Pension Liability	\$ 55,175	\$ 74,110	\$ 62,887	\$ 60,575	\$ 54,773	\$ 64,081	\$ 62,657	\$ 97,158
Town's Covered Payroll	130,466	126,666	105,829	105,829	105,829	105,829	105,829	167,372
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	42.29%	58.51 %	59.42 %	57.24 %	51.76 %	60.55 %	59.21 %	58.05 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.76 %	66.29 %	67.98 %	68.36 %	66.71 %	62.97 %	66.26 %	69.53 %

* Schedule is intended to provide information for 10 years. Additional years will be included as they become available.

See accompanying Notes to Required Supplementary Information.

TOWN OF ELKTON, MARYLAND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022

NOTE 1 CHANGES IN BENEFIT TERMS

Town of Elkton Police Pension Plan

Benefit Changes

As of the 2021 valuation, participants are now eligible for unreduced early retirement at 20 years of service. Participants are also now allowed to receive credit for up to 3 years of pre-employment military service once upon retirement.

There were no changes in benefit terms for the Maryland State Retirement and Pension System or the Other Post-Employment Benefits.

NOTE 2 CHANGES IN ASSUMPTIONS

Town of Elkton Police Pension Plan

Changes in Assumptions

In the 2021 valuation, the mortality assumption was updated to use 2010 Public Safety Mortality using fully generational Scale MP-1029. Retirement rates were changed to reflect the 20 years of service retirement eligibility.

Maryland State Retirement and Pension System

Adjustments to the roll-forward liabilities were made to reflect the following assumptions in the 2021 valuation:

Investment Return Assumption	Decreased from 7.40% to 6.80%
Inflation Assumption (General)	Decreased from 2.60% to 2.25%
Salary Increases Assumption	Decreased from 3.10% to 11.60% to 2.80% to 9.25%

Other Post-Employment Benefits

Changes in Assumptions

Discount rate decreased from 2.45% to 1.92%.

Healthcare Cost Trend

Updated to the latest Getzen Model released by SOA on October 30, 2021.

TOWN OF ELKTON, MARYLAND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
JUNE 30, 2022

NOTE 3 METHODS AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

Town of Elkton Police Pension Plan

Valuation Date	July 1, 2021
Actuarial	Projected Unit Credit
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	Closed Periods Range from 9 to 20 Years remaining as of the 2021 valuation
Asset Valuation Method	Market Value
Inflation	3.00%
Salary Increases	5.00%, Including Inflation
Investment Rate of Return	7.0%, Net of Pension Plan Investment Expense, Including Inflation
Retirement Age	The Earlier of 20 Years of Service or age 60 with 10 Years' Service
Mortality	RP-2014 Healthy Tables with Blue Collar Adjustments and Generational Projection by MP-2015

Maryland State Retirement and Pension System

Valuation Date	June 30, 2021
Actuarial	Individual entry age
Amortization Method	Level percent closed
Remaining Amortization Period	25-year closed schedule ending June 30, 2039; 17 years remaining
Asset Valuation Method	5-Year Smoothed Market
Inflation	2.25% General, 2.7% Wage
Salary Increases	2.75% to 11.25%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2019 valuation pursuant to the 2018 Experience Study for the period July 1, 2014 to June 30, 2018.
Mortality	Various versions of the Pub-2010 Mortality Tables with projected generational mortality improvements based on the MP-2018 fully generational mortality improvement scale.

TOWN OF ELKTON, MARYLAND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
GENERAL FUND BUDGET
JUNE 30, 2022

NOTE 1 ORIGINAL AND FINAL BUDGETED AMOUNTS

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

The Mayor submits to the Board of Commissioners a proposed operating budget for the fiscal year as follows:

1. In April, the operating budget is prepared including proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments after two weeks' notice is given in some newspaper(s) having a general circulation within the Town.
3. Thirty-two days prior to July 1, the budget is legally enacted through passage of an ordinance.
4. The budget ordinance becomes effective July 1, and provides spending authority for the operations of the Town government.
5. Transfers and appropriations between functions require approval of the Board of Commissioners.

Formal budgetary integration is employed as a management control device during the year for the General Fund. Budgetary control is maintained at the department level. At the end of the fiscal year, unencumbered appropriations lapsed.

The budget information, presented as required supplemental information to the accompanying government-wide financial statements, includes all budget ordinances and amendments as approved by the Mayor and Board of Commissioners for the fiscal year ended June 30, 2022. No annual budget and actual comparisons are presented in the basic financial statements or supplemental information for governmental funds utilizing project based budgets or proprietary funds.

During the fiscal year, the Commissioners may adopt supplemental appropriations. For the year ended June 30, 2022, supplemental appropriations that increased the budget for revenues by \$1,676,286 and the expenditures by \$1,821,286 for a net decrease in use of fund balance of \$145,000.

NOTE 2 LEGAL LEVEL OF BUDGETARY CONTROL

The Town maintains budgetary control at the department level of expenditure within the fund.

TOWN OF ELKTON, MARYLAND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
GENERAL FUND BUDGET (CONTINUED)
JUNE 30, 2022

NOTE 3 BASIS OF BUDGETING

The Town uses the budgetary basis of accounting.

1. Certain revenues collected in advance are recorded as liabilities (deferred revenues) rather than as revenues.
2. The following taxes are recorded on the modified accrual basis: real property tax, personal property tax, income tax, admissions tax, hotel tax, and highway user tax.
3. All other revenues are recorded only when the Town receives the related cash.

NOTE 4 RECONCILIATION OF BUDGET TO U.S. GAAP REPORTING DIFFERENCES

The accompanying schedule details the necessary adjustment to convert the results of operations and fund balances at the end of the year on the U.S. GAAP basis to budgetary basis:

	General Fund			
	Revenues	Expenditures	Other Financing Sources/Uses	Fund Balance
U.S. GAAP Basis	\$ 14,937,975	\$ 14,857,425	\$ 30,920	\$ 2,071,519
Prior Year Advance from Sewer Fund	-	-	-	2,479,642
Budgetary Basis	<u>\$ 14,937,975</u>	<u>\$ 14,857,425</u>	<u>\$ 30,920</u>	<u>\$ 4,551,161</u>

OTHER SUPPLEMENTAL INFORMATION

TOWN OF ELKTON, MARYLAND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
(NON-U.S. GAAP BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Taxes and Utility Fees				
Property:				
Real Property	\$ 7,672,359	\$ 7,672,359	\$ 8,154,468	\$ 482,109
Traders	10,000	10,000	11,454	1,454
Railroads and Public Utilities	230,000	230,000	233,641	3,641
Ordinary Business Corporation	950,000	950,000	1,040,896	90,896
Payments in Lieu of Taxes	25,000	25,000	67,859	42,859
Penalties and Interest	35,000	35,000	33,184	(1,816)
Less:				
Abatements and Collection Fees	(320,000)	(320,000)	(346,831)	(26,831)
Volunteer Fire Co. Rebates	(1,500)	(1,500)	(2,200)	(700)
Enterprise Zone Credits	(6,253)	(6,253)	(85,740)	(79,487)
Total Property and Real Taxes	8,594,606	8,594,606	9,106,731	512,125
Other:				
Local Income Tax	1,400,000	1,400,000	1,460,541	60,541
Hotel/Motel Taxes	300,000	300,000	441,628	141,628
Highway Gas Tax	506,640	506,640	565,844	59,204
Admission and Amusement	24,000	24,000	23,961	(39)
Total Other Taxes	2,230,640	2,230,640	2,491,974	261,334
Total Taxes and Utility Fees	10,825,246	10,825,246	11,598,705	773,459
Licenses and Permits				
Traders	36,000	36,000	49,000	13,000
Occupational	350	350	770	420
Building	100,000	100,000	164,519	64,519
Cable Television	230,000	230,000	223,080	(6,920)
Total License and Permits	366,350	366,350	437,369	71,019
Intergovernmental Revenues				
Federal:				
Other	-	954,852	596,196	(358,656)
Grant - Community Legacy Program	-	11,133	11,132	(1)
Total Federal	-	965,985	607,328	(358,657)
State:				
Grant - State Police Aid	283,000	283,000	264,904	(18,096)
Other	-	655,504	655,504	-
Total State	283,000	938,504	920,408	(18,096)

TOWN OF ELKTON, MARYLAND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
(NON-U.S. GAAP BUDGETARY BASIS) (CONTINUED)
YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES (Continued)				
Intergovernmental Revenues (Continued)				
Local:				
County Tax Differential	\$ 342,205	\$ 342,205	\$ 342,205	\$ -
Other	7,946	13,795	13,795	-
Total Local	350,151	356,000	356,000	-
Total Intergovernmental Revenue	633,151	2,260,489	1,883,736	(376,753)
Charges for Services				
General Government:				
Zoning and Subdivision Fees	60,000	60,000	35,644	(24,356)
Other	120	120	1	(119)
Total General Government	60,120	60,120	35,645	(24,475)
Public Safety:				
Special Police Services	15,600	15,600	2,345	(13,255)
Highway and Streets:				
Public Parking Facilities	6,000	6,000	8,220	2,220
Sanitation and Waste Removal:				
Solid Waste	628,571	628,571	639,292	10,721
Landfill Rebate	26,759	26,759	26,759	-
Other	6,000	6,000	3,170	(2,830)
Total Sanitation and Waste Removal	661,330	661,330	669,221	7,891
Parks and Recreation:				
Building Use Permits	3,000	3,000	15,150	12,150
Programs and Events	141,000	141,000	150,881	9,881
Total Parks and Recreation	144,000	144,000	166,031	22,031
Total Charges for Services	887,050	887,050	881,462	(5,588)
Fines and Forfeitures				
Parking Fines	15,000	15,000	16,177	1,177
Miscellaneous Revenue - Other				
Interest	75,250	75,250	7,612	(67,638)
Loan from Sewer Fund	-	-	-	-
Other Miscellaneous Revenues	75,000	78,800	112,914	34,114
Total Miscellaneous Revenue	150,250	154,050	120,526	(33,524)
Total Revenues	12,877,047	14,508,185	14,937,975	429,790

TOWN OF ELKTON, MARYLAND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
(NON-U.S. GAAP BUDGETARY BASIS) (CONTINUED)
YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
EXPENDITURES				
General Government				
Mayor and Council	\$ 214,526	\$ 214,526	\$ 209,735	\$ 4,791
Administration	449,544	449,544	362,535	87,009
Finance and Accounting	323,151	323,151	244,746	78,405
Planning and Zoning	364,169	454,169	494,486	(40,317)
General Services	463,809	463,809	350,777	113,032
Personnel	227,918	227,918	188,330	39,588
Community Promotion	17,500	684,137	679,486	4,651
Public Officers Association	15,406	15,406	15,406	-
Total General Government	2,076,023	2,832,660	2,545,501	287,159
Public Safety				
Police Department:				
Police Patrol	5,950,284	6,383,936	5,717,092	666,844
Support Services	719,554	744,554	741,310	3,244
Total Police Department	6,669,838	7,128,490	6,458,402	670,088
Other Public Safety				
Volunteer Fire Department	144,702	650,551	650,551	-
Building Inspection	507,049	507,049	482,076	24,973
Total Other Public Safety	651,751	1,157,600	1,132,627	24,973
Total Public Safety	7,321,589	8,286,090	7,591,029	695,061
Public Works				
Sanitation and Waste Removal:				
Maintenance	3,347,842	3,347,842	2,718,771	629,071
Waste Collection and Disposal	1,296,986	1,351,986	1,349,653	2,333
Mosquito and Weed Control	11,000	11,000	8,400	2,600
Total Public Works	4,655,828	4,710,828	4,076,824	634,004
Recreation and Culture				
Parks and Recreation	667,561	667,561	503,737	163,824
Debt Service				
Principal	127,370	127,370	127,650	(280)
Interest	12,961	12,961	12,684	277
Total Debt Service	140,331	140,331	140,334	(3)
Total Expenditures	14,861,332	16,637,470	14,857,425	1,780,045
OTHER FINANCING SOURCES (USES)				
Lease Proceeds	-	-	30,920	30,920
Use of PY Fund Balance	1,984,285	2,129,285	-	(2,129,285)
Total Other Financing Sources (Uses)	1,984,285	2,129,285	30,920	(2,098,365)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	\$ -	\$ 111,470	\$ 111,470