

**TOWN OF CHESTERTOWN, MARYLAND  
FINANCIAL STATEMENTS  
JUNE 30, 2021**

**TOWN OF CHESTERTOWN**

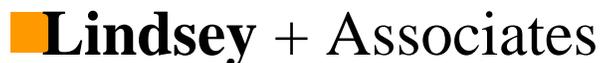
**TABLE OF CONTENTS**

**JUNE 30, 2021**

	<b>Page(s)</b>
<b>INDEPENDENT AUDITOR’S REPORT</b>	1 – 4
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
• Management’s Discussion and Analysis	5 – 16
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>Government-wide Financial Statements</b>	
• Statement of Net Position	17
• Statement of Activities	18
<b>Fund Financial Statements</b>	
• Balance Sheet – Governmental Funds	19
• Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	20
• Statement of Net Position – Proprietary Funds	21
• Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	22
• Combining Statement of Cash Flows – Proprietary Funds	23
<b>NOTES TO BASIC FINANCIAL STATEMENTS</b>	24 – 58
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
• Schedule of the Town’s Proportionate Share of the Net Pension Liability	59
• Schedule of the Town’s Pension Plan Contribution	59
• Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – Governmental Funds	60 – 67
• Schedule of Changes in the Net OPEB Liability and Related Ratios	68
• Schedule of OPEB Contributions	
<b>SUPPLEMENTAL SCHEDULES</b>	
• Schedule of Revenues, Expenses and Changes in Net Position – Budget and Actual – Utility Fund	69 – 70
• Schedule of Revenues, Expenses and Changes in Net Position – Budget and Actual – Marina Fund	71

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS***

72 - 73



110 West Road  
Suite 220  
Towson, MD 21204

410.825.1994 phone  
410.825.1997 fax

[www.acpafirm.com](http://www.acpafirm.com)

## **Independent Auditor's Report**

Honorable Mayor, Members of the Town Council and Town Manager  
Town of Chestertown, Maryland

### **Report on the Financial Statements**

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Chestertown, Maryland, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

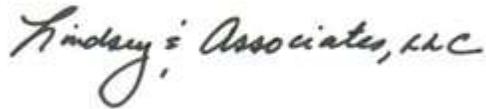
Accounting principles generally accepted in the United States of America require that the management discussion and analysis, budgetary comparison information and the schedule of funding progress – retiree medical program on pages 5 through 16 and 58 through 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Chestertown, Maryland's financial statements as a whole. The combining statements of net position, revenues, expenses and changes in net position and cash flows – non-major proprietary funds, the schedule of revenues, expenses and changes in net position – budget and actual – utility fund, and the schedule of revenues, expenses and changes in net position – budget and actual – marina fund ("supplemental schedules") on pages 67 through 69 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 October 28, 2021, on our consideration of the Town of Chestertown, Maryland'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 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 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 of Chestertown, Maryland's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Kinday & Associates, LLC". The signature is written in black ink on a white background.

October 28, 2021

---

---

**TOWN OF CHESTERTOWN, MARYLAND**

---

---

**Management's Discussion and Analysis (MD&A)**

**June 30, 2021**

---

---

The following analysis is designed to assist readers in understanding the Town of Chestertown's basic financial statements, the relationship of different types of statements, and the significant differences in the information they provide for the fiscal year ended June 30, 2020. This analysis is best understood if reviewed in conjunction with the Town's basic financial statements.

**Financial Highlights**

- The general fund reported a fund balance this year of \$2,435,093, compared to \$1,846,046 in 2020.
- The Town's General Fund had an excess of revenues over expenditures of \$589,047 in 2021, compared to an excess of expenditures over revenue of \$628,163 in 2020.
- The Utilities Commission had an operating loss of \$108,249 in 2021 and an operating gain of \$71,598 in 2020.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information to the basic financial statements themselves.

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. The government-wide financial statements consist of the Statement of Net Position and the Statement of Activities and provide both long-term and short-term information about the Town's overall financial status. The government-wide statements are prepared on the accrual basis of accounting, which is similar to that used by most businesses. Under this method, all revenues and expenses connected with the fiscal year are taken into account even if the cash involved has not actually been received or paid.

The Statement of Net Position presents information on all of the Town's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or declining.

---

---

**TOWN OF CHESTERTOWN, MARYLAND**

---

---

**Management's Discussion and Analysis (MD&A)**

**June 30, 2021**

---

---

**Government-wide Financial Statements – continued**

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only happen in future fiscal periods (e.g. uncollected taxes).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, public works, culture and recreation, tourism and community affairs. The business-type activities include Utilities Commission (water and sewer services), and the Chestertown Marina, a public marina.

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town has two types of funds: governmental funds and proprietary funds.

*Governmental Funds*

The Town's services are reported in governmental funds, which focus on how money flows in to and out of those funds, and the balances left at year-end that are available for spending. These funds are reported using the *modified accrual accounting method*, which measures cash and all other financial assets that can readily be converted to cash. The governmental funds statements provide a detailed *short-term view* of the Town's operations and the services it provides.

*Proprietary Funds*

Proprietary funds, or enterprise funds, are used to account for operations that are financed and operated in a manner similar to private business enterprises where costs are recovered primarily through user charges. Proprietary fund financial statements provide both long-term and short-term financial information. The Town has two enterprise funds: Utilities Commission and the Chestertown Marina.

**TOWN OF CHESTERTOWN, MARYLAND**

**Management's Discussion and Analysis (MD&A)**

**June 30, 2021**

*Fiduciary Funds*

Fiduciary funds, if any, are used to account for assets held for the benefit of employees by private organizations. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's programs.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Government-wide Financial Analysis**

**Statement of Net Position**

The following table summarizes the Statement of Net Position as of June 30, 2021.

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total 2021</b>	<b>Total 2020</b>
Assets:				
Current assets	\$ 2,614,948	\$ 2,432,408	\$ 5,047,356	\$ 4,242,937
Noncurrent assets	12,141,945	8,920,297	21,062,242	22,057,598
Total Assets	<u>14,756,893</u>	<u>11,352,705</u>	<u>26,109,598</u>	<u>26,300,535</u>
Deferred outflows	<u>391,486</u>	<u>8,773</u>	<u>400,259</u>	<u>238,780</u>
Liabilities:				
Current liabilities	148,970	592,964	741,934	742,983
Noncurrent liabilities	3,815,168	2,236,984	6,052,152	6,479,723
Total Liabilities	<u>3,964,138</u>	<u>2,829,948</u>	<u>6,794,086</u>	<u>7,222,706</u>
Deferred inflows	<u>48,195</u>	<u>-</u>	<u>48,195</u>	<u>297,953</u>
Net Position:				
Net investment in capital assets	10,851,445	6,386,052	17,237,497	17,821,983
Unrestricted	284,601	2,145,478	2,430,079	1,212,780
Total Net Position	<u>\$ 11,136,046</u>	<u>\$ 8,531,530</u>	<u>\$ 19,667,576</u>	<u>\$ 19,034,763</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$19,667,576 at the close of the fiscal year. The largest portion of the Town's net position reflects its investment in capital assets (e.g. land, buildings, improvements, infrastructure, machinery and equipment), less any related outstanding debt used to acquire those assets. These capital assets may provide services to citizens; consequently, these assets are not available for future spending. Unrestricted net position was \$2,430,079 in 2021 compared to \$1,212,780 in 2020.

**TOWN OF CHESTERTOWN, MARYLAND**

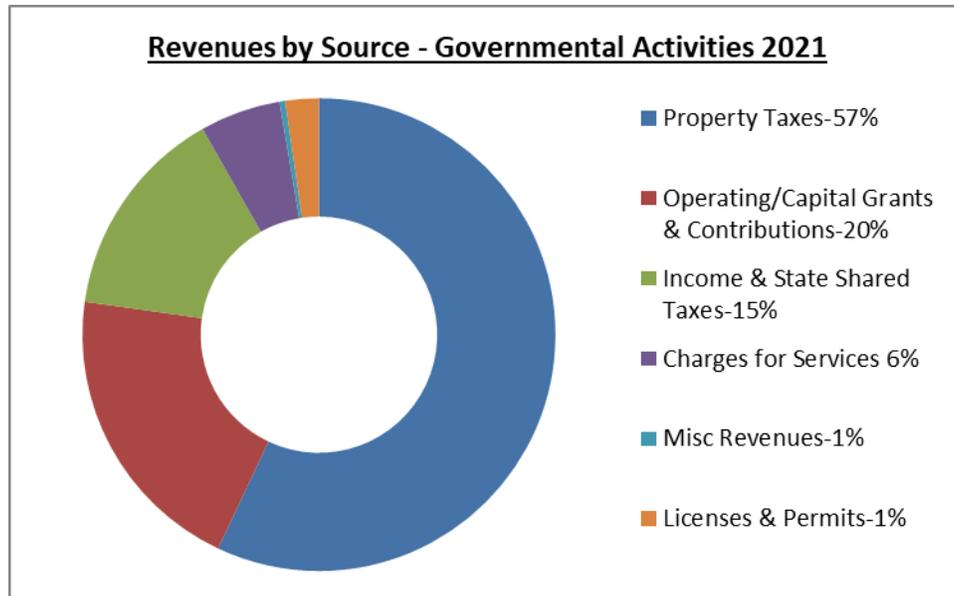
**Management’s Discussion and Analysis (MD&A)  
June 30, 2021**

**Statement of Activities**

The following table summarizes the Town’s change in net position for the year ended June 30, 2021.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total 2021</u>	<u>Total 2020</u>
Revenues:				
Program revenues:				
Charges for services	\$ 257,536	\$ 2,254,482	\$ 2,512,018	\$ 2,368,151
Operating and capital grants and contributions	944,912	-	944,912	1,412,224
General revenues:				
Property taxes	2,665,145		2,665,145	2,529,340
Income taxes	604,487		604,487	543,466
Other revenue (expense)	127,464	19,691	147,155	57,207
Total Revenue	<u>4,599,544</u>	<u>2,274,173</u>	<u>6,873,717</u>	<u>6,910,388</u>
Operating expenses	<u>3,936,821</u>	<u>2,304,083</u>	<u>6,240,904</u>	<u>6,361,353</u>
Contingency loss	-	-	-	-
Change in Net Position	<u>\$ 662,723</u>	<u>\$ (29,910)</u>	<u>\$ 632,813</u>	<u>\$ 549,035</u>

Revenues for the Town’s governmental activities were \$4,599,544 compared to \$4,873,186 for 2020. Revenues for the fiscal year ended June 30, 2021 consisted of:



**TOWN OF CHESTERTOWN, MARYLAND**

**Management's Discussion and Analysis (MD&A)**

**June 30, 2021**

**Statement of Activities – continued**

- Property taxes are 57% of the Town's revenue, totaling \$2,665,145 for fiscal year 2021 compared to \$2,529,340 in 2020. The Town's property tax rate is set at \$.4332 per \$100 of full-assessed property value.
- Income and state shared taxes are \$778,733 for 2021 compared to \$661,727 in 2020.
- A decrease in operating grants, capital grants, and contributions from \$1,412,224 in 2020 to \$944,912 in 2021.
- Change in Net Position is an increase of \$662,723 and \$686,740 for the governmental activities in 2021 and 2020, respectively.
- Expenses for governmental activities were \$3,936,821 for 2021 compared to \$4,186,446 for 2020. Expenses for the fiscal year ended June 30, 2021 were allocated as indicated below:

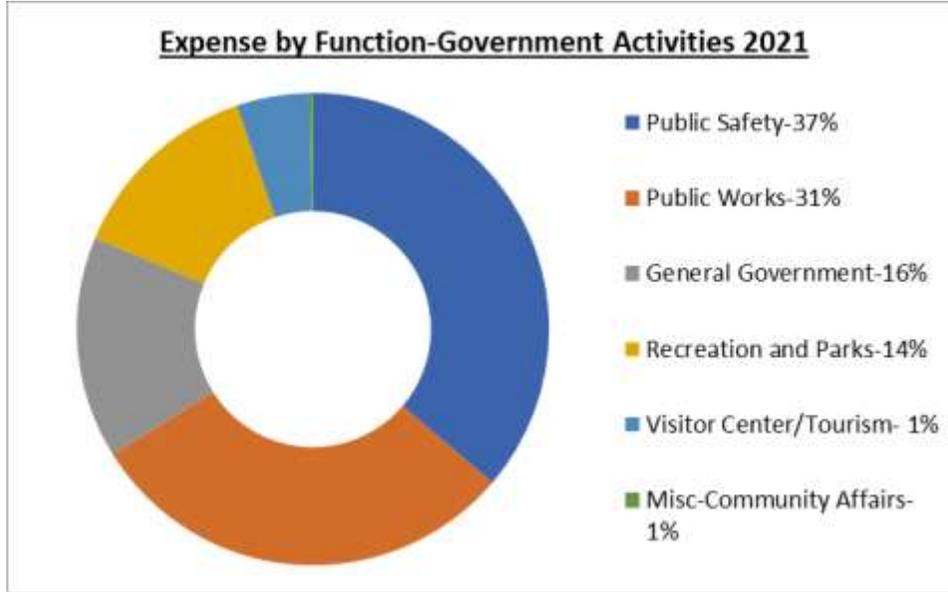
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total 2021</b>	<b>Total 2020</b>
Expenses:				
Governmental Activities				
General Government	\$ 599,637		\$ 599,637	\$ 851,585
Public Safety	1,427,753		1,427,753	1,882,705
Public Works	1,173,953		1,173,953	1,155,727
Recreation & Parks	530,217		530,217	58,373
Visitor's Center & Tourism	195,425		195,425	230,686
Miscellaneous - Community Affairs	9,836		9,836	7,370
Business-Type Activities				-
Water and Sewer Services		2,062,749	2,062,749	1,936,760
Chestertown Marina		241,334	241,334	238,147
Total Expenses	\$ 3,936,821	\$ 2,304,083	\$ 6,240,904	\$ 6,361,353

**TOWN OF CHESTERTOWN, MARYLAND**

**Management’s Discussion and Analysis (MD&A)**

**June 30, 2021**

**Statement of Activities – continued**



- Public safety department is the largest expense at \$1,427,753 in 2021 compared to \$1,882,705 in 2020, and includes funding for the police department, Chestertown Fire Co., and Kent and Queen Anne Rescue Squad. This represents a decrease in spending.
- Public works department expenses total \$1,173,953 in 2021, compared to \$1,155,727 in 2020. This includes funding for the maintenance of all roads, parks, curbs and sidewalks, code enforcement, along with trash collection and recycling tipping fees. This represents a slight increase in spending.
- General government expenses total \$599,637 for 2021, as compared \$851,585 in 2020. This function includes expenses for the mayor and council, executive and financial, legal, planning and zoning, municipal properties, and other general government expenses.
- Of the Town’s total \$3,936,821 of governmental expenses, \$1,202,448 was recovered through program revenues in the form of charges for services, contributions, or federal, state, and local grants. The remaining portion of the expenses was funded through general revenues, primarily property and income taxes.

**TOWN OF CHESTERTOWN, MARYLAND**

---

---

**Management's Discussion and Analysis (MD&A)**

**June 30, 2021**

---

---

**Business-type Activities**

The Town has two funds comprising the business-type activities: Utilities Commission providing town water and wastewater services, and a Marina.

- Charges for water and sewer services of \$1,949,438 compared to \$1,859,014 for 2020, include water and sewer usage and new water and sewer connection fees for the Utilities Commission.
- Operating expenses for the Utilities Commission were \$2,062,749 for 2021, compared to \$1,936,760 for 2020, which is a slight decrease.

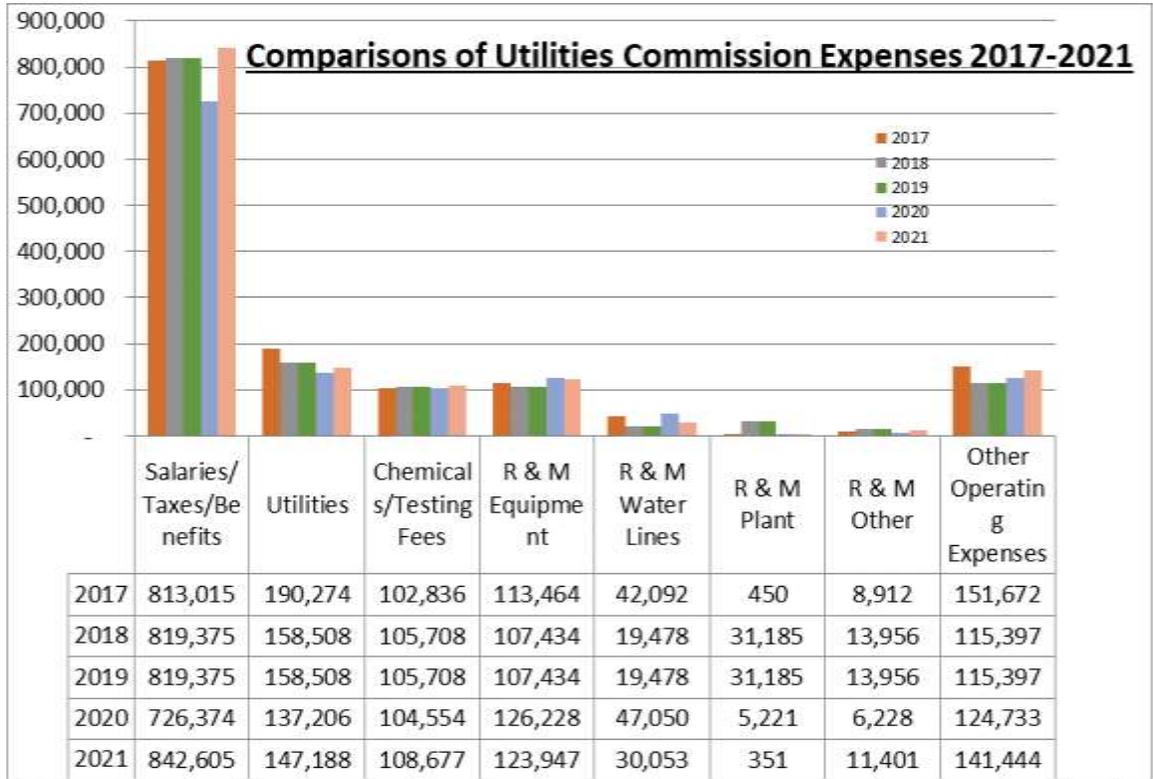
**TOWN OF CHESTERTOWN, MARYLAND**

**Management’s Discussion and Analysis (MD&A)**

**June 30, 2021**

**Business-type Activities – continued**

Following is a comparison chart of Utilities Commission operating expenses (excluding depreciation) for the last 5 years.



- Net Position for the Business-type Activities decreased \$29,910 in 2021, compared to a decrease of \$137,705 in 2020.

**TOWN OF CHESTERTOWN, MARYLAND**

**Management's Discussion and Analysis (MD&A)**

**June 30, 2021**

**Financial Analysis of the Funds**

**Governmental Funds**

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the Town's financing requirements. In particular, an unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the governmental fund reported a total fund balance of \$2,435,093 compared to \$1,846,046 in 2020. Of the total, \$2,397,482 is unassigned and available for spending at the government's discretion.

**Proprietary Funds**

The financial statements of the Town's proprietary funds provide the same type of information found in the government-wide financial statements but with separate columns for the two major funds. Unrestricted net position of the Utilities Commission was \$2,722,944 at year end. Unrestricted net position in 2020 was \$2,532,244.

**Capital Assets and Debt Administration**

**Capital Assets**

The changes in general fixed assets for the fiscal year ended June 30, 2021 are as follows:

- The addition of \$42,335 in fixed assets during 2021 in the governmental activities was for the purchase of a vehicle and the marina construction.

**Long-Term Debt**

The Town's total debt as of June 30, 2021 was \$3,516,745 not including compensated absences.

- Total general fund debt at June 30, 2021 is \$982,500, with \$82,568 retired during the year.
- Total utility fund debt at June 30, 2021 is \$1,265,445, with \$271,4561 retired during the year.
- Total marina fund debt at June 30, 2021 is \$1,268,800 with \$93,500 retired during the year.

---

---

**TOWN OF CHESTERTOWN, MARYLAND**

---

---

**Management's Discussion and Analysis (MD&A)**

**June 30, 2021**

---

---

**Outlook for the Future**

- Despite the COVID19 pandemic, this year the State of Maryland economy continued to improve, and State Income Tax revenues amounts were again substantial. This year the Town took advantage of the increased income tax revenues to pay forward all the costs of the State's Wynne settlement calculations for the Town Chestertown. Other changes show Highway User Funds up slightly and Police Aid funds decreased slightly. Real estate taxes were up substantially over State estimates, and this trend is expected to continue for the year ahead. The Town is financially healthy with all departments operating at full strength and all services expected of the Town are being carried out as required by the Charter. The exact changes in revenues are noted below:
- Highway User Funds were up slightly from \$177,225 last year to \$220,336 this year.
- Police Aid Grant decreased slightly from \$76,286 to \$67,705.
- State income tax increased slightly from \$468,652 last year to \$668,412 this year. The Town removed \$112,668 out of the year end amount to pay off the Wynne obligation rather than have it extended over future years. The resultant income amount as of June 30, 2021 was \$555,744.
- The Town general fund surplus increased from \$1,846,046 last year to \$2,435,093 this year. Credit here comes from fiscal responsibility, the successful operation of the Chestertown Marina and increasingly higher assessments in general due to the demand for single family homes and increases in residential and commercial construction.
- In fact, new residential growth continued to increase with 10 residential permits being filed last year and issued as opposed to 8 permits for single family homes the year prior. The value of commercial construction dropped a bit from \$23,356,543 to \$15,439,293, as construction was being completed on several large facilities in the Chestertown Business Park that were in the pipeline.
- The Mayor and Council of Chestertown are continuing the priority of encouraging the development and creation of new businesses and new ways of doing business. They support the Downtown with an assortment of new initiatives such as the Arts and Entertainment District, by having a full time Director of Arts and Entertainment, reviving the Maryland Main Street Program, and supporting frequent and varied weekend events.

---

---

**TOWN OF CHESTERTOWN, MARYLAND**

**Management's Discussion and Analysis (MD&A)**

**June 30, 2021**

---

---

- The Town continues to reap rewards from its Enterprise Zone (covering 1,187 acres Chestertown's commercial, professional office, industrial, commercial marine and Traditional Neighborhood Development zones). Resolutions approving renovations have in the Zone have been received from multiple properties starting at Chestertown Business Campus industrial buildings at the northeast end of town and winding up in the Downtown.
  
- In Annexation Resolution 2016-1, the Town annexed 80 acres of vacant Industrial and Professional Office zoned land at the northeast end of Town. The Chestertown Business Campus, as it is named, began site work in 2017 and completed the extension of Haacke and some of Warner Drive in 2018. They first built a large automated warehouse facility (the warehouse/office complex has a footprint of 168,000 square feet). Next, they constructed the new Dixon National Headquarters office building and the 100,000 square foot Boss Manufacturing Building. Finally, construction began on the new YMCA complex, scheduled to open in early 2022.
  
- The economic uncertainty resulting from COVID-19 continues to be a concern to the Town as far as its possible longer-term fiscal impacts.

**CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Town of Chestertown, 118 N. Cross Street, Chestertown, MD 21620.

**TOWN OF CHESTERTOWN, MARYLAND**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents - unrestricted	\$ 1,651,195	\$ 1,312,550	\$ 2,963,745
Investments	-	1,072,070	1,072,070
Accounts receivable - taxes	119,286	-	119,286
Accounts receivable - water and sewer service	-	703,705	703,705
Accounts receivable - other	18,068	2,373	20,441
Amounts due from other governments	120,803	-	120,803
Prepaid expenses	37,611	5,570	43,181
Meter inventory	-	4,125	4,125
Due from other funds	667,985	(667,985)	-
Amounts due from other governments	-	-	-
Total Current Assets	<u>2,614,948</u>	<u>2,432,408</u>	<u>5,047,356</u>
Noncurrent Assets			
Investment	308,000	-	308,000
Nondepreciable assets	2,011,137	1,646,037	3,657,174
Depreciable assets, net	9,822,808	7,274,260	17,097,068
Total Noncurrent Assets	<u>12,141,945</u>	<u>8,920,297</u>	<u>21,062,242</u>
<b>TOTAL ASSETS</b>	<u>14,756,893</u>	<u>11,352,705</u>	<u>26,109,598</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>391,486</u>	<u>8,773</u>	<u>400,259</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 15,148,379</u>	<u>\$ 11,361,478</u>	<u>\$ 26,509,857</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	\$ 30,428	\$ 98,222	\$ 128,650
Bay fee payable	-	46,260	46,260
Accrued payroll expense	38,139	15,523	53,662
Accrued interest payable	-	12,012	12,012
Unearned revenue	9,375	51,800	61,175
Other liabilities	3,330	-	3,330
Current portion of Due to State	-	-	-
Current portion of long-term debt	67,698	369,147	436,845
Total Current Liabilities	<u>148,970</u>	<u>592,964</u>	<u>741,934</u>
Noncurrent Liabilities			
Employees benefits payable	106,363	39,267	145,630
Due to State - see Note 16	-	-	-
Net pension liability	2,588,328	-	2,588,328
Net OPEB liability	205,675	32,619	238,294
Bonds, leases and notes due in more than one year	914,802	2,165,098	3,079,900
Total Noncurrent Liabilities	<u>3,815,168</u>	<u>2,236,984</u>	<u>6,052,152</u>
<b>TOTAL LIABILITIES</b>	<u>3,964,138</u>	<u>2,829,948</u>	<u>6,794,086</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>48,195</u>	<u>-</u>	<u>48,195</u>
<b>NET POSITION</b>			
Net investment in capital assets	10,851,445	6,386,052	17,237,497
Unrestricted	284,601	2,145,478	2,430,079
<b>TOTAL NET POSITION</b>	<u>11,136,046</u>	<u>8,531,530</u>	<u>19,667,576</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 15,148,379</u>	<u>\$ 11,361,478</u>	<u>\$ 26,509,857</u>

See accompanying notes to financial statements.

**TOWN OF CHESTERTOWN, MARYLAND**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

Functions/Programs	Direct Expenses	Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
			Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<b>Primary Government</b>							
<b>Governmental Activities:</b>							
General government	\$ 599,637	\$ 79,992	\$ 71,515	\$ 2,500	\$ (445,630)	\$ -	\$ (445,630)
Public safety	1,427,753	116,129	118,863	-	(1,192,761)	-	(1,192,761)
Public works	1,173,953	15,276	220,336	-	(938,341)	-	(938,341)
Recreation and parks	530,217	-	20,098	500,000	(10,119)	-	(10,119)
Visitors' center and tourism	195,425	45,562	11,600	-	(138,263)	-	(138,263)
Miscellaneous - community affairs	9,836	577	-	-	(9,259)	-	(9,259)
<b>Total Governmental Activities</b>	<b>3,936,821</b>	<b>257,536</b>	<b>442,412</b>	<b>502,500</b>	<b>(2,734,373)</b>	<b>-</b>	<b>(2,734,373)</b>
<b>Business-type Activities</b>							
Water and sewer services	2,062,749	1,949,438	-	-	-	(113,311)	(113,311)
Chestertown marina	241,334	305,044	-	-	-	63,710	63,710
<b>Total Business-Type Activities</b>	<b>2,304,083</b>	<b>2,254,482</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(49,601)</b>	<b>(49,601)</b>
<b>Total Primary Government</b>	<b>\$ 6,240,904</b>	<b>\$ 2,512,018</b>	<b>\$ 442,412</b>	<b>\$ 502,500</b>	<b>\$ (2,734,373)</b>	<b>\$ (49,601)</b>	<b>\$ (2,783,974)</b>
<b>General revenues:</b>							
<b>Taxes</b>							
Property taxes					2,665,145	-	2,665,145
Income taxes					604,487	-	604,487
Other taxes					2,653	-	2,653
Licenses and permits					106,799	-	106,799
Interest and investment earnings					329	19,691	20,020
Miscellaneous					17,683	-	17,683
Loss on sale					-	-	-
<b>Total General Revenues</b>					<b>3,397,096</b>	<b>19,691</b>	<b>3,416,787</b>
Transfers					-	-	-
<b>Change in Net Position</b>					<b>662,723</b>	<b>(29,910)</b>	<b>632,813</b>
<b>Net Position, beginning of year</b>					<b>10,473,323</b>	<b>8,561,440</b>	<b>19,034,763</b>
<b>Net Position, end of year</b>					<b>\$ 11,136,046</b>	<b>\$ 8,531,530</b>	<b>\$ 19,667,576</b>

See accompanying notes to financial statements.

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

**RECONCILIATION OF TOTAL GOVERNMENTAL  
FUND BALANCE TO NET POSITION OF  
GOVERNMENTAL ACTIVITIES  
JUNE 30, 2021**

	General Fund	Total Governmental Funds		
<b>ASSETS</b>				
Cash and cash equivalents - unrestricted	\$ 1,651,195	\$ 1,651,195	<i>Total Governmental Fund Balances</i>	\$ 2,435,093
Investment	308,000	308,000		
Accounts receivable - taxes	-	-	Capital assets used in governmental activities	
Accounts receivable - other	18,068	18,068	are not financial resources and therefore	
Amounts due from other governments	120,803	120,803	are not reported in the funds.	11,833,945
Prepaid expenses	37,611	37,611		
Due from other funds	667,985	667,985	Property taxes are shown net of taxes not collected	
<b>TOTAL ASSETS</b>	2,803,662	2,803,662	within the sixty-day availability period.	119,286
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	-	-	Deferred outflows of resources related to the net pension	
			liability are not reported in the fund financial statements.	391,486
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	\$ 2,803,662	\$ 2,803,662	Deferred inflows of resources pertaining to long-term	
			liabilities are not reported in the funds.	(48,195)
<b>LIABILITIES</b>			Receivables pertaining to revenue that is not available	
Accounts payable	\$ 30,428	\$ 30,428	in accordance with modified accrual accounting are	
Accrued payroll	38,139	38,139	reported as deferred inflows of resources in the funds.	287,297
Other liabilities	12,705	12,705		
<b>TOTAL LIABILITIES</b>	81,272	81,272	Long-term liabilities, including loans payable,	
			OPEB and compensated absences are not due and	
<b>DEFERRED INFLOWS OF RESOURCES</b>	287,297	287,297	payable in the current period and therefore	
			are not reported in the funds.	(3,882,866)
<b>FUND BALANCES</b>			<i>Net Position of Governmental Activities</i>	\$ 11,136,046
Non-spendable	37,611	37,611		
Unassigned	2,397,482	2,397,482		
<b>TOTAL FUND BALANCES</b>	2,435,093	2,435,093		
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	\$ 2,803,662	\$ 2,803,662		

See accompanying notes to financial statements.

**TOWN OF CHESTERTOWN, MARYLAND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	General Fund	Total Governmental Funds
<b>REVENUES</b>		
Property taxes	\$ 2,665,145	\$ 2,665,145
Income taxes	555,744	555,744
State shared taxes	222,989	222,989
Licenses and permits	186,641	186,641
Intergovernmental revenue		
State	622,613	622,613
County	71,515	71,515
Charges for services	150,200	150,200
Miscellaneous revenue	73,164	73,164
<b>Total Revenues</b>	<u>4,548,011</u>	<u>4,548,011</u>
<b>EXPENDITURES</b>		
General government	536,794	536,794
Public safety	1,392,035	1,392,035
Public works	1,115,139	1,115,139
Recreation and parks	522,296	522,296
Visitors' center and tourism	170,039	170,039
Miscellaneous	13,451	13,451
Capital outlays	42,335	42,335
Debt service		
Principal	181,831	181,831
Interest	24,593	24,593
<b>Total Expenditures</b>	<u>3,998,513</u>	<u>3,998,513</u>
<b>Excess of revenues over (under)</b>		
<b>    expenditures and other financing uses</b>	<u>549,498</u>	<u>549,498</u>
<b>Other financing sources (uses)</b>		
Transfers in (out)	-	-
Sale of assets	2,790	2,790
Proceeds from long term debt	36,759	36,759
<b>Total other financing sources (uses)</b>	<u>39,549</u>	<u>39,549</u>
<b>Excess of revenue and other financing</b>		
<b>    sources over (under) expenditures</b>		
<b>    and other financing uses</b>	589,047	589,047
<b>Fund balance, beginning of year</b>	<u>1,846,046</u>	<u>1,846,046</u>
<b>Fund balance, end of year</b>	<u>\$ 2,435,093</u>	<u>\$ 2,435,093</u>

**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

<i>Net Change in Fund Balances - Total Governmental Funds</i>	\$ 589,047
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(428,240)
Governmental funds report property taxes receivable less the amount not collected within the sixty-day post-year end period. However, in the statement of activities the full property taxes receivable is reported.	(17,373)
Some expenses, representing the change in long-term liabilities or assets reported in the statement of activities, including compensated absences and OPEB expenses, do not use current financial resources and are not reported as expenditures in the governmental funds.	(11,713)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	181,831
Proceeds from long-term debt are recorded as an other financing course in the funds, but not in the Statement of Activities. This is the amount of proceeds from long-term debt.	(36,759)
Changes in deferred inflows of resources relating to income taxes do not use current financial resources and are not reported as revenue in the governmental funds.	48,743
Sale of fixed assets is a revenue in the funds but reduces the asset in the Statement of Net Position.	(2,790)
Differences in reporting pension expense in the governmental funds and in the government-wide statements.	<u>339,977</u>
<i>Change in Net Position of Governmental Activities</i>	<u>\$ 662,723</u>

See accompanying notes to financial statements.

**TOWN OF CHESTERTOWN, MARYLAND**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**JUNE 30, 2021**

	Major		Total
	Utilities Commission	Marina	
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents - unrestricted	\$ 1,163,663	\$ 148,887	\$ 1,312,550
Certificate of deposit	1,072,070	-	1,072,070
Water and sewer service receivable	703,705	-	703,705
Accounts receivable	-	2,373	2,373
Prepaid expenses	4,951	619	5,570
Meter inventory	4,125	-	4,125
Amounts due from other governments	-	-	-
Total Current Assets	<u>2,948,514</u>	<u>151,879</u>	<u>3,100,393</u>
Noncurrent Assets			
Capital assets, net	7,396,902	1,523,395	8,920,297
Total Noncurrent Assets	<u>7,396,902</u>	<u>1,523,395</u>	<u>8,920,297</u>
<b>TOTAL ASSETS</b>	<u>10,345,416</u>	<u>1,675,274</u>	<u>12,020,690</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>8,773</u>	<u>-</u>	<u>8,773</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 10,354,189</u>	<u>\$ 1,675,274</u>	<u>\$ 12,029,463</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	\$ 97,542	\$ 680	\$ 98,222
Bay fee payable	46,260	-	46,260
Accrued payroll expense	15,523	-	15,523
Accrued interest payable	2,531	9,481	12,012
Due from other funds	601	667,384	667,985
Unearned revenue	-	51,800	51,800
Current portion of long-term debt	272,647	96,500	369,147
Total Current Liabilities	<u>435,104</u>	<u>825,845</u>	<u>1,260,949</u>
Noncurrent Liabilities			
Due to other funds	-	-	-
Employee benefits	39,267	-	39,267
Net OPEB liability	32,619	-	32,619
Long-term debt, net of current liabilities	992,798	1,172,300	2,165,098
Total Noncurrent Liabilities	<u>1,064,684</u>	<u>1,172,300</u>	<u>2,236,984</u>
<b>TOTAL LIABILITIES</b>	<u>1,499,788</u>	<u>1,998,145</u>	<u>3,497,933</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>			
Net investment in capital assets	6,131,457	254,595	6,386,052
Unrestricted	2,722,944	(577,466)	2,145,478
<b>TOTAL NET POSITION</b>	<u>8,854,401</u>	<u>(322,871)</u>	<u>8,531,530</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 10,354,189</u>	<u>\$ 1,675,274</u>	<u>\$ 12,029,463</u>

See accompanying notes to financial statements.

**TOWN OF CHESTERTOWN, MARYLAND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	Major		Total
	Utility Fund	Marina	
<b>Operating Revenues</b>			
Charges for services			
Sewer fees	\$ 783,812	\$ -	\$ 783,812
Water fees	809,365	-	809,365
Sewer connections	90,000	-	90,000
Water connections	106,800	-	106,800
Other water and sewer services	75,211	-	75,211
Rental income	2,600	210,053	212,653
Fuel sales	-	83,337	83,337
Tower leases	48,860	-	48,860
Other income	32,790	11,654	44,444
<b>Total Operating Revenues</b>	<u>1,949,438</u>	<u>305,044</u>	<u>2,254,482</u>
<b>Operating Expenses</b>			
Water and sewer expenses	1,405,666	-	1,405,666
Marina operating expenses	-	180,077	180,077
Depreciation and amortization	652,021	11,169	663,190
<b>Total Operating Expenses</b>	<u>2,057,687</u>	<u>191,246</u>	<u>2,248,933</u>
<b>Operating Income (Loss)</b>	<u>(108,249)</u>	<u>113,798</u>	<u>5,549</u>
<b>Non-operating Revenues (Expenses)</b>			
Interest income	19,628	63	19,691
Grant expense	-	-	-
Sale of assets	-	-	-
Interest expense	(5,062)	(50,088)	(55,150)
<b>Net Non-operating Revenues (Expenses)</b>	<u>14,566</u>	<u>(50,025)</u>	<u>(35,459)</u>
<b>Income Before Contributions and Transfers</b>	<u>(93,683)</u>	<u>63,773</u>	<u>(29,910)</u>
<b>Transfers (to) from other funds</b>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Changes in Net Position</b>	<u>(93,683)</u>	<u>63,773</u>	<u>(29,910)</u>
<b>Total net position at beginning of year</b>	<u>8,948,084</u>	<u>(386,644)</u>	<u>8,561,440</u>
<b>Total net position at end of year</b>	<u>\$ 8,854,401</u>	<u>\$ (322,871)</u>	<u>\$ 8,531,530</u>

See accompanying notes to financial statements.

**TOWN OF CHESTERTOWN, MARYLAND**  
**COMBINING STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	Major		Total
	Utility Fund	Marina	
Cash flows from operating activities			
Cash received from customers	\$ 1,871,056	\$ 293,390	\$ 2,164,446
Cash paid to suppliers	(761,285)	(113,900)	(875,185)
Cash paid to employees	(666,485)	(52,128)	(718,613)
Other receipts	81,650	13,250	94,900
Net cash provided (used) by operating activities	<u>524,936</u>	<u>140,612</u>	<u>665,548</u>
Cash flows from capital and related financing activities			
Principal paid on debt	(271,561)	(93,500)	(365,061)
Interest paid on capital debt	(24,593)	(49,934)	(74,527)
Net cash (used) for capital and related financing activities	<u>(296,154)</u>	<u>(143,434)</u>	<u>(439,588)</u>
Cash flows from non-capital financing activities			
Transfers (to) from other funds	(43,328)	82,558	39,230
Net cash (used) for non-capital financing activities	<u>(43,328)</u>	<u>82,558</u>	<u>39,230</u>
Cash flows from investing activities			
Interest and dividends	19,628	63	19,691
Net cash provided by investing activities	<u>19,628</u>	<u>63</u>	<u>19,691</u>
Net increase (decrease) in cash and cash equivalents	205,082	79,799	284,881
Cash and cash equivalents at beginning of year	2,030,651	69,088	2,099,739
Cash and cash equivalents at end of year	<u>\$ 2,235,733</u>	<u>\$ 148,887</u>	<u>\$ 2,384,620</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (108,249)	\$ 113,798	\$ 5,549
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	652,021	11,169	663,190
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable	3,268	1,596	4,864
Decrease (increase) in prepaid expense	5,200	-	5,200
Increase (decrease) in accounts payable	(1,249)	(1,770)	(3,019)
Increase (decrease) in unearned revenue	-	17,038	17,038
Increase (decrease) in accrued expenses	4,708	(1,219)	3,489
Increase (decrease) in employee benefits	(30,763)	-	(30,763)
Cash provided (used) by operating activities	<u>\$ 524,936</u>	<u>\$ 140,612</u>	<u>\$ 665,548</u>

See accompanying notes to financial statements.

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial Reporting Entity**

The Town of Chestertown, Maryland was incorporated in 1805, under the provisions of Article 24B of the Annotated Code of Maryland. Its municipal corporation charter is generally referred to as the Home Rule Charter. The Town operates under a Council-Mayor form of government and provides the following services as authorized by its charter: public safety, highways and streets, sanitation and health, culture and recreation, public improvements, and planning and zoning. A Town Manager is appointed as the Town's chief financial officer.

The accounting policies of the Town of Chestertown conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

In evaluating how to define the Town of Chestertown, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set by the Governmental Accounting Standards Board. Component units are legally separate organizations for which the elected officials of the Town are financially accountable and a financial benefit or burden relationship exists. In addition, component units can be other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the Town's financial statements to be misleading. Based upon the application of criteria set by the Governmental Accounting Standards Board, there are no separate component units of the Town.

**Basis of Presentation – Fund Accounting**

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The Town's funds are grouped into two broad fund categories.

Governmental funds include the General Fund. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

The Proprietary Fund includes the Enterprise Funds. Enterprise Funds are used to account for operations that are financed and operated in manner similar to private business enterprises. The intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net position is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Town operates two Enterprise Funds: The Utility Commission and the Marina.

**Basis of Accounting**

**Government-Wide Financial Statements**

The statement of net position and the statement of activities display information about the Town, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting, including the reclassification or elimination of internal activity (between funds). This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses and program revenues, for each segment of the business-type activities of the Town, and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. The Town does not allocate indirect costs.

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

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Program revenues include charges paid by the recipients of the goods or services offered by the programs, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the Town. Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**Fund Financial Statements**

Fund financial statements report detailed information about the Town. The focus of governmental and enterprise financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds, if any, are aggregated and presented in a single column.

**Governmental Funds**

Town activities pertaining to general government, public safety, public works, recreation, culture, and the visitors' center are reported in the governmental funds. All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

**Revenue Recognition**

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e. collectible within the current year or within two months of year-end and available to pay obligations of the current period). These include property taxes, franchise taxes, investment earnings, charges for services and intergovernmental revenues.

Some revenues, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, some revenues are recorded as receivables and deferred inflows of resources.

Other revenues, including licenses and permits, certain charges for services, and miscellaneous revenues, are recorded as revenue when received in cash because they are generally not measurable until actually received.

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Expenditure Recognition**

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid.

Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

**Proprietary Funds**

The proprietary funds are accounted for using the accrual basis of accounting. The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to business in the private sector. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. The primary operating revenues of the Town's enterprise funds are charges for water and sewer services, and rental income from the Marina. Operating expenses of the Town's enterprise funds include salaries and related benefits and taxes, utilities, maintenance costs, administrative costs, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

The following is a description of the Town's major enterprise funds:

- Utilities Commission: Provides town water and wastewater services
- Chestertown Marina: Operates the Town of Chestertown Marina

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Cash and Cash Equivalents**

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

**Investments**

Investments held at June 30, 2021, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

**Receivables**

Receivables at June 30, 2021, consist of taxes, accounts (billings for user charged services, including utility services), special assessments, and other receivables. All receivables are deemed collectible in full, and the allowance for doubtful accounts at June 30, 2021 is \$0.

**Inventory of Supplies**

Inventories, including meter equipment, are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental type funds, and expenses in the proprietary type funds when used.

**Capital Assets and Depreciation**

Capital assets, which include property, plant, equipment and infrastructure assets including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems, and similar items are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Town defines capital assets as assets with an initial individual cost of \$5,000 or more, and an estimated useful life in excess of one year. The valuation bases for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated. The Town recognizes intangible assets if identifiable, and are amortized over their useful lives if they do not have indefinite useful lives.

The costs of normal maintenance and repairs that do not add value to the asset or materiality extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Property and equipment are not reported in governmental funds. In the fund financial statements, the cost of assets acquired in the governmental funds is charged to the capital outlay expenditures of the department financing the acquisition. Depreciation is not reported in governmental funds.

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

Buildings and improvements	10 – 40 years
Sewer systems	20 – 40 years
Equipment	5 – 10 years
Water system	25 – 50 years
Infrastructure	20 – 50 years

**Deferred Outflows and Inflows of Resources**

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 (expense/expenditure) until then. Likewise, 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 that time.

As of June 30, 2021, deferred inflows of resources in the general fund consisted of income taxes of \$287,297.

**Local Tax Reserve Fund**

At June 30, 2021, the Town was advised by the State of Maryland that \$287,297 of the Local Tax Reserve Fund was allocable to the Town. The Town recorded receivable and deferred inflows of resources in the amount of \$287,297 in the fund financial statements. The change in this amount from the prior year is reflected in current year income tax revenue in the government-wide financial statements in accordance with full accrual accounting.

**Restricted Reserves**

The Town uses restricted resources first when an expense is incurred with constraint limitations, for purposes for which both restricted and unrestricted net position is available.

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**Interest Expense**

Interest is expensed as incurred except when interest is incurred during the construction period, and is capitalized as part of the cost of the asset.

**Compensated Absences**

Permanent full-time employees are granted vacation benefits in varying amounts up to specified maximums, depending on tenure with the town. The estimated current portion of the liability for vested vacation benefits attributable to the Town's governmental funds is recorded as an expenditure and liability in the respective funds. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. Sick leave does not vest and is accounted for as an expenditure or expense when it is paid, except when an employee is eligible for retirement based on the state pension system. All accrued compensated absences are recorded in the government-wide financial statements.

**Estimates**

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues, expenditures, and expenses. Actual results could vary from the estimates that were used.

**Equity Classifications**

Equity is classified as net position and is displayed in three components:

*Net investment in capital assets* – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings, and reduced or increased by deferred inflows and outflows attributable to the acquisition, construction or improvement of those assets.

*Restricted net position* – Consists of net position with constraints placed on their use either by 1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation and are reduced by liabilities and deferred inflows of resources related to those constraints.

*Unrestricted net position* – the remaining net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

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

**Governmental Fund Balances**

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

1. Non-Spendable Fund Balance – amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.
2. Restricted Fund Balance – amounts that can be spent only for specific purposes because of restrictions imposed externally by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by the Town Charter, Town Code or enabling legislation.
3. Committed Fund Balance – amounts that can be used only for specific purposes determined by a formal action by Town Council, the Town's highest level of decision-making authority, ordinance or resolution.
4. Assigned Fund Balance – amounts that are constrained by the Town's intent that they will be used for specific purposes but are neither restricted nor committed. Pursuant to the Town Charter, the Town Council and Town management are authorized to assign amounts for specific purposes.
5. Unassigned Fund Balance – all amounts not included in other spendable classifications.

The Town considers restricted fund balances to be spent for governmental expenditures with constraint limitations first when both restricted and unrestricted resources are available. The Town also considers committed fund balances to spend first when other unrestricted fund balance classifications are available for use.

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

**NOTE 2 – COMPLIANCE AND ACCOUNTABILITY**

**Budget Requirements, Accounting, and Reporting**

**Requirements for all funds:**

Annual budgets are adopted for the Town’s general and enterprise funds. The Mayor and Town Council may subsequently amend the budget, and the budget was not amended during fiscal year 2021. The annual budget of the general fund is prepared in accordance with the basis of accounting utilized by that fund, with the exception that depreciation expense was included in the general fund budget. Because depreciation in the general fund only applies to the government-wide statements, depreciation expense is not included in the required supplementary information. The budget for the proprietary fund is adopted under a governmental basis, showing capital outlay, debt service, and non-operating income and expense items. The fiscal year 2021 budget included depreciation for all proprietary funds.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

**Deposit Policies**

The Mayor and Council are authorized to invest in United States Government bonds or other evidence of indebtedness, or Maryland State or local government securities. They are also authorized to invest in federal insured banking institutions that pledge United States Treasury bills, notes or other obligations to secure, in full, funds so deposited. Deposit sources include unexpended revenues from taxation, bond sales, lawful distributions of funds from other governmental agencies or any other funds properly received and deposited until it determines the funds are needed for proper public purposes. The Town’s deposits are insured or collateralized with securities held by the Town, its agent, or by the pledging financial institution’s trust department, or agent in the name of the Town.

**Deposits**

**Custodial credit risk** for deposits is the risk that in the event of a bank failure, the Town’s deposits may not be returned, or the Town will not be able to recover collateral securities in the possession of an outside party. The Town’s policy requires deposits to be insured by FDIC, and balances exceeding FDIC limits be secured by collateral valued at 100 percent of principal and accrued interest. Collateral is to be held by the Town, its agent, or by the pledging financial institution’s trust department or agent, in the name of the Town.

At year-end, the carrying amounts of the Town’s deposits were \$2,812,093 and the bank balances totaled \$3,055,947. At year end, the Town’s bank balances were not exposed to any custodial credit risk because all deposits were fully insured or collateralized.

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

**NOTE 3 – DEPOSITS AND INVESTMENTS - continued**

The Town is also authorized to invest in the Maryland Local Government Investment Pool (MLGIP), where deposits are recorded at cost. Due to the nature of the Town's MLGIP investment, it is considered a cash equivalent. MLGIP is not covered by the FDIC, but it is collateralized by United States Treasury instruments. The Maryland State Treasurer oversees the MLGIP.

**Investment Policies**

**Credit Risk** is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

**Interest Rate Risk** is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Town's policy provides that to the extent practicable, investments are matched with anticipated cash flows.

**Concentration of Credit Risk** is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town has no policy regarding concentration of credit risk.

For investments, **custodial credit risk** is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities in the possession of an outside party. Town policy provides that investment collateral is held by a third-party custodian with whom the Town has a current custodial agreement in the Town's name.

**Investments**

Certificates of deposit that have maturities of three months or less are classified as cash equivalents.

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

**NOTE 3 – DEPOSITS AND INVESTMENTS - continued**

A reconciliation of cash and cash equivalents per the statement of cash flows to the statement of net position follows:

	Utilities	Marina
Cash and cash equivalents - unrestricted	\$ 1,163,663	\$ 148,887
Certificates of Deposit	1,072,070	-
Total cash and cash equivalents	\$ 2,235,733	\$ 148,887

**NOTE 4 – ACCOUNTS RECEIVABLE**

At June 30, 2021, due from other governments consisted of the following:

Highway User	\$ 43,397
Hotel tax	12,597
Income taxes	48,742
Police protection	16,067
	\$ 120,803

**NOTE 5 – PROPERTY TAX**

Real estate and personal property taxes are levied based on the State of Maryland assessments. Property taxes include amounts levied against all real and public utility property used in businesses located in the Town. Real property taxes are levied on the first day of July on the assessed value. When taxes are overdue, a lien is placed against the property. Taxes are due and payable on the first day of July in the year for which they are levied and become overdue and in arrears on the first day of the following October. Penalties and interest are charged on any unpaid taxes. The property tax rate for fiscal year 2021 is \$.4332 per \$100 of assessed value for real property, \$.90 per \$100 of assessed value for utilities, and \$.00 per \$100 of assessed value for personal property.

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

**NOTE 6 – CAPITAL ASSETS AND DEPRECIATION**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Not being depreciated:				
Land	\$ 2,001,788	\$ -	\$ -	\$ 2,001,788
Construction in progress	3,773	5,576	-	9,349
Subtotal	<u>2,005,561</u>	<u>5,576</u>	<u>-</u>	<u>2,011,137</u>
Depreciable capital assets:				
Buildings	3,721,519	-	-	3,721,519
Land improvements	11,185,066	-	-	11,185,066
Furniture, equipment and vehicles	1,536,793	36,759	-	1,573,552
Subtotal	<u>16,443,378</u>	<u>36,759</u>	<u>-</u>	<u>16,480,137</u>
Total capital assets	<u>18,448,939</u>	<u>42,335</u>	<u>-</u>	<u>18,491,274</u>
Accumulated depreciation:				
Buildings	1,666,123	82,571	-	1,748,694
Land improvements	3,270,416	316,913	-	3,587,329
Furniture, equipment and vehicles	1,250,213	71,091	-	1,321,304
Subtotal, accumulated depreciation	<u>6,186,752</u>	<u>470,575</u>	<u>-</u>	<u>6,657,327</u>
Net capital assets	<u>\$ 12,262,187</u>	<u>\$ (428,240)</u>	<u>\$ -</u>	<u>\$ 11,833,947</u>

Depreciation was charged to functions as follows:

Government activities:	
General government	\$ 347,467
Public safety	30,987
Public works	70,350
Tourism	21,771
Total government activities depreciation expense	<u>\$ 470,575</u>

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

**NOTE 6 – CAPITAL ASSETS AND DEPRECIATION - continued**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Not being depreciated:				
Land	\$ 1,646,039	\$ -	\$ -	\$ 1,646,039
Construction in progress	18,777	-	-	18,777
Subtotal	<u>1,664,816</u>	-	-	<u>1,664,816</u>
Other depreciable capital assets:				
Buildings	77,711	-	-	77,711
Land improvements	19,788,738	-	-	19,788,738
Furniture, equipment and vehicles	1,231,626	96,076	81,837	1,245,865
Subtotal	<u>21,098,075</u>	<u>96,076</u>	<u>81,837</u>	<u>21,112,314</u>
Total capital assets	<u>22,762,891</u>	<u>96,076</u>	<u>81,837</u>	<u>22,777,130</u>
Accumulated depreciation:				
Buildings	41,309	2,803	-	44,112
Land improvements	12,357,088	591,412	-	12,948,500
Furniture, equipment and vehicles	877,083	68,975	81,837	864,221
Subtotal accumulated depreciation	<u>13,275,480</u>	<u>663,190</u>	<u>81,837</u>	<u>13,856,833</u>
Net capital assets	<u>\$ 9,487,411</u>	<u>\$ (567,114)</u>	<u>\$ -</u>	<u>\$ 8,920,297</u>

Depreciation was charged as follows:

Business-type activities:	
Utilities fund	\$ 652,021
Marina	11,169
Total business-type activities depreciation expense	<u>\$ 663,190</u>

As of June 30, 2021, the Town had no material construction commitments.

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

**NOTE 7 – LONG-TERM DEBT**

**Governmental Activities**

An unsecured \$1,000,000 variable rate revolving line of credit was available to the Town for capital purposes during fiscal year 2021. The credit line calls for interest at 60% of the prime rate, less 1%, adjusted periodically. During the year ended June 30, 2021, the Town did not borrow from this line of credit. The interest rate at June 30, 2021, was 2.85%. The balance as of June 30, 2021, is \$0.

An unsecured \$2,500,000 variable rate revolving line of credit was available from Chesapeake Bank & Trust to the Town for capital purposes during fiscal year 2021. The credit line calls for interest at 60% of the prime rate, less 1%, adjusted periodically. During the year ended June 30, 2021 the Town did borrow from this line of credit. The interest rate at June 30, 2021 was 3.0%. The balance as of June 30, 2021, is \$0.

An unsecured \$1,100,000 fixed rate revolving line of credit was available from the Peoples Bank to the Town for capital purposes during fiscal year 2021. During the year ended June 30, 2021, the Town did not borrow from this line of credit. The interest rate at June 30, 2021, was 3.1%. The balance as of June 30, 2021, is \$0.

Loan payable to the People's Bank for new police station in the amount of \$500,000; interest at 2.99%; payments of principal and interest in the amount of \$3,450; payable in monthly installments through January 2030. The balance as of June 30, 2021, is \$313,020.

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

**NOTE 7 – LONG-TERM DEBT – continued**

Capital lease payable to TCF Equipment Financing for the purchase of a compactor truck in the amount of \$82,000; interest at 3.39%; payable in monthly installments of \$1,256 through November 2023; collateralized by the vehicle. The balance as of June 30, 2021, is \$34,944.

<u>Year Ending June 30,</u>	
2022	\$ 15,080
2023	15,080
2024	<u>6,283</u>
Total minimum lease payments	<u>\$ 36,443</u>
Less interest	<u>(1,499)</u>
Present value of minimum lease payments	<u><u>\$ 34,944</u></u>

Capital lease payable to TCF Equipment Financing for the purchase of a Dodge truck in the amount of \$56,964; interest at 4.66%; payable in quarterly installments of \$3,209 through March 2024; collateralized by the vehicle. The balance as of June 30, 2021, is \$32,953.

<u>Year Ending June 30,</u>	
2022	\$ 12,836
2023	12,836
2024	<u>9,627</u>
Total minimum lease payments	<u>\$ 35,299</u>
Less interest	<u>(2,346)</u>
Present value of minimum lease payments	<u><u>\$ 32,953</u></u>

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

**NOTE 7 – LONG-TERM DEBT – continued**

Capital lease payable to Ford Motor Credit for the purchase of a Ford truck in the amount of \$36,759; interest at 5.99%; payable in quarterly installments of \$2,562 through December 2024; collateralized by the vehicle. The balance as of June 30, 2021, is \$32,146.

<u>Year Ending June 30,</u>	
2022	\$ 10,249
2023	10,249
2024	10,249
2025	<u>5,125</u>
Total minimum lease payments	<u>\$ 35,872</u>
Less interest	<u>(3,726)</u>
Present value of minimum lease payments	<u><u>\$ 32,146</u></u>

Capital lease payable to Chesapeake Supply for the purchase of a skid steer in the amount of \$35,000; interest at 1.0%; payable in monthly installments of \$1,200 through March 2021; collateralized by the equipment. The balance as of June 30, 2021, is \$0.

Loan payable to USDA for the renovation of the marina in the amount of \$598,000; interest at 1.375%; payable in quarterly installments of \$4,868 through December 2058. The balance as of June 30, 2021, is \$569,437.

The changes in general long-term debt as of June 30, 2021, are summarized as follows:

Lender	Beginning Balance July 1, 2020	New Loans During Year	Retired During Year	Ending Balance June 30, 2021	Amount Due Within 1 Year
LOC - Chesapeake Bank	\$ -	\$ -	\$ -	\$ -	\$ -
TCF Equipment Financing	48,587	-	13,643	34,944	13,644
TCF Equipment Financing	43,935	-	10,982	32,953	10,980
Chesapeake Supply	10,177	-	10,177	-	-
Peoples Bank	344,629	-	31,609	313,020	31,531
Ford Motor Credit	-	36,759	4,613	32,146	-
USDA Loan - Marina	580,981	-	11,544	569,437	11,543
	<u>\$ 1,028,309</u>	<u>\$ 36,759</u>	<u>\$ 82,568</u>	<u>\$ 982,500</u>	<u>\$ 67,698</u>

Interest costs charged to expense during the year ended June 30, 2021, was \$21,146.

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

**NOTE 7 – LONG-TERM DEBT - continued**

**Business-Type Activities**

Water quality bond payable – water treatment upgrade; interest at 0.4%; payable in annual installments of principal and interest of \$98,379 through February 2025; unsecured. The balance as of June 30, 2021, was \$355,580.

Water quality bond payable – Waste water treatment plant upgrade; interest at 0.4%; interest payable semi-annually; annual payments of principal and interest of \$180,468 through February 2027; unsecured. The balance as of June 30, 2021, was \$909,865.

Infrastructure bond payable – Series 2012A; interest at 3.562%; interest due semi-annually; annual payments of principal and interest of \$143,549 to \$148,627 through May 2032; secured by all current and future bank deposits and investments. The balance as of June 30, 2021, was \$1,268,800.

The changes in long-term debt during the year ended June 30, 2021, follows:

	Beginning Balance July 1, 2020	New Loans During Year	Retired During Year	Ending Balance June 30, 2021	Amount Due Within 1 Year
Water quality bond - 2005	\$ 452,150	\$ -	\$ 96,570	\$ 355,580	\$ 96,957
Water quality bond - 2006	1,084,856	-	174,991	909,865	175,690
Infrastructure Bond - 2012	1,362,300	-	93,500	1,268,800	96,500
	<u>\$ 2,899,306</u>	<u>\$ -</u>	<u>\$ 365,061</u>	<u>\$ 2,534,245</u>	<u>\$ 369,147</u>

The principal and interest requirements to maturity of the long-term debt of all funds are as follows:

Year(s) Ended June 30	Principal			Interest		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
2022	\$ 78,316	\$ 369,147	\$ 447,463	\$ 21,146	\$ 54,965	\$ 76,111
2023	81,015	372,537	453,552	18,991	51,296	70,287
2024	71,739	378,331	450,070	16,814	47,396	64,210
2025	52,738	346,353	399,091	14,637	42,931	57,568
2026	48,971	288,518	337,489	13,152	38,301	51,453
2027-2031	204,862	640,059	844,921	46,448	135,577	182,025
2032-2036	69,002	139,300	208,302	29,299	16,217	45,516
Thereafter	375,857	-	375,857	66,982	-	66,982
	<u>\$ 982,500</u>	<u>\$ 2,534,245</u>	<u>\$ 3,140,888</u>	<u>\$ 227,469</u>	<u>\$ 386,683</u>	<u>\$ 547,170</u>

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

**NOTE 7 – LONG-TERM DEBT – continued**

In May 2008, the Town issued a \$65,500,000 revenue bond (Washington College Project 2008A) pursuant to the provisions of Maryland existing law in order to lend the proceeds to Washington College for the purpose of paying off a \$10,000,000 revenue bond 1998 series and to finance college construction projects. The bond and interest are limited obligations of the Town payable solely from receipts and revenues from the loan made to Washington College. The bond does not constitute an indebtedness or pledge of faith and credit of the Town. The principal amount payable for the 2008A Series at June 30, 2021, was \$42,709,000.

In November 2015, the Town issued a \$20,206,000 economic development revenue bond (Washington College 2015 Project) pursuant to the provisions of Maryland existing law in order to lend the proceeds to Washington College for the purpose of constructing a residence hall, a new academic building and other miscellaneous capital projects on the main campus. The bond and interest are limited obligations of the Town payable by Washington College. The bond does not constitute an indebtedness or pledge of faith and credit of the Town. The principal amount payable for the 2015 Series at June 30, 2021, is \$17,893,000.

In September 2013, the Town issued a \$29,295,000 revenue bond (Heron Point of Chestertown Project) pursuant to the provisions of Maryland existing law in order to lend the proceeds to Heron Point of Chestertown, Inc. for the purpose of paying off a \$19,600,000 revenue bond 1998 series, paying off a loan and line of credit of \$6,988,475 and to finance construction projects. The bond and interest are limited obligations of the Town payable solely from receipts and revenues from the loan made to Heron Point of Chestertown, Inc. The bond does not constitute an indebtedness or pledge of faith and credit of the Town. The principal amount payable for the 2013 Series at June 30, 2021, was \$22,634,533.

**NOTE 8 – RETIREMENT PLAN**

The Town has adopted GASB No. 68 – Accounting and Financial Reporting for Pensions (“GASB 68”) for the year ended June 30, 2015. The Town participates in the Maryland State Pension System (the “System”) described below and qualifies as a Participating Governmental Unit (“PGU”). The State Retirement Agency (the “Agency”) is the Plan administrator and fiduciary. GASB No. 68 requires that a PGU recognize its proportionate share of the System’s net pension liability (i.e., unfunded pension liability) and pension expense. The Town’s proportionate share of the net pension liability is based on total System contributions and approximates \$2,588,328 as of the measurement date of June 30, 2020.

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

**NOTE 9 – RETIREMENT PLAN - continued**

The Town has also adopted GASB No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB No. 68. GASB No. 71 requires that contributions to the pension plan subsequent to the measurement date be recognized as a deferred outflow of resources. The Town’s fiscal 2021 contribution of \$123,568 is therefore recognized as a pension-related deferred outflow of resources.

The Town pays its obligation to the SRPS in full each year. Each participant’s account is credited with their personal contributions as well as income earned in that account.

The Plan has a five-year vesting schedule beginning with the date of employment. An employee is 100% vested after 5 years of credited service. For new members enrolled on or after July 1, 2011, vesting requires 10 years of credited service.

Under the terms of the general plan, a plan participant may retire with full benefits after completing 30 years of eligible service regardless of age or at age 62 or older with 5 years of eligible service. Early retirement is possible at age 55 with at least 15 years of eligibility service, but with reduced retirement benefit. For new members enrolled on or after July 1, 2011, service retirement will be at age 65 with 10 years of eligibility service when the member’s age plus service equals 90. Early retirement increases to age 60 with at least 15 years of eligibility service. Under the LEOPS plan, a plan participant can retire after 25 years of service or age 50. Benefits are also payable as a result of an employee’s disability.

**A. Description of Plans**

The State of Maryland identifies multiple-employer defined benefit pension plans as cost-sharing plans.

Benefits are established under the State Personnel and Pensions Article of the Annotated Code of Maryland. The plan is administered by the Maryland State Retirement Agency.

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

**NOTE 9 – RETIREMENT PLAN - continued**

The Maryland State Retirement Agency issues a comprehensive annual financial report that includes disclosures regarding: plan assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position. The pension plans' fiduciary net position has been determined on the same basis used by the pension plans. The pension plans' financial statements are prepared on the accrual basis of accounting and are prepared in accordance with principles generally accepted in the United States of America that apply to governmental accounting for fiduciary funds. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. Actual employer contributions billed to participating governmental units for the year ending June 30, 2020, are used as the basis for determining each employer's proportionate share of the collective pension amounts reported in the Schedule of Employer Allocations. Because the State of Maryland contributed 100% of the actuarial determined contributions, there were no adjustments for the year ended June 30, 2021. This report can be obtained from the agency's office as follows:

State Retirement and Pension System of Maryland  
 120 E. Baltimore Street, Suite 1601  
 Baltimore, Maryland 21202-1600

*Funding Policy*

Obligations to contribute to the plans are under the Annotated Code of Maryland. Members of the pension plan contribute 7% of annual compensation during employment. The required contribution rate is determined on an actuarially determined basis. During the year ended June 30, 2021, the Town contributed \$123,568. The Town contributed 100% of its required contribution for the year ended June 30, 2020. For members of the pension plan, full-service pension allowances equal 2% of average final compensation (AFC) up to a maximum benefit of 60% of AFC (30 years of credit).

Required contributions under the plans are not funded by both employee and Town contributions but are funded entirely by the Town. Contributions by the Town take place during the fiscal year and are based upon salaries for the preceding fiscal year. The Town contributions for the year ending June 30, 2021, are based on salaries for the year ending June 30, 2020. The contribution requirements of plan members of the reporting entity are established and may be amended by the Maryland State Pension System Board of Trustees, and contributions by the Town are authorized by the Town Council. The required and actual contributions for the fiscal years ending June 30<sup>th</sup> were as follows:

	Fiscal Year Ending June 30		
	2021	2020	2019
Retirement plan contributions	<u>\$ 123,568</u>	<u>\$ 252,589</u>	<u>\$ 260,359</u>

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

**NOTE 9 – RETIREMENT PLAN - continued**

The Town contributed \$123,568 to the System for fiscal year 2021 which was actuarially determined based on statutory provisions. The Town has also recognized in Pension Expense its proportionate share of the System’s deferred inflows of resources (an increase in Pension Expense) attributable to the net difference between projected and actual investment earnings on pension plan assets and its proportionate share of the System’s deferred outflows of resources (a decrease in Pension Expense) attributable to changes in assumptions.

Required disclosures aggregate for the plan:

	<u>Maryland State Pension System</u>
Total pension liability	\$ 77,187,397,000
Total fiduciary net position	54,586,037,000
Town's proportionate share of total pension liabilities	2,588,328
Town's proportionate share of net pension liabilities	0.011421%
Total pension assets	54,586,037,000
Measurement date of collective net pension liability	June 30, 2020
Date of actuarial valuation	June 30, 2020
Deferred outflows related to pensions	391,486
Deferred inflows related to pensions	48,195
Pension expense/expenditures for the period	339,977

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

**NOTE 9 – RETIREMENT PLAN - continued**

*Actuarial assumptions*

The annual required contribution for the current year was determined as part of the actuarial valuation on July 1, 2019, rolled forward to June 30, 2020. The key assumptions used to perform the June 30, 2020, pension liability calculation for the System are as follows:

Actuarial Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Asset valuation method	5-year smoothed market; 20% collar
Inflation (b)	2.60% general, 3.10% wage
Salary Increases	3.10%
Discount Rate (a)	7.40%
Investment Rate of Return (b)	7.40%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2018 valuation pursuant to an experience study of the period July 1, 2014 to July 30, 2018.
Mortality	Public Sector 2010 Mortality Tables calibrated to MSRPS experience with generational projections using MP-2018 (2-dimensional) mortality improvement scale.

- (a) Discount rate at prior measurement date was 7.40%.
- (b) There were no benefit changes during the year. Adjustments to the roll-forward liabilities were made to reflect the following assumption changes in the 2020 valuation:
  - a. Investment return assumption remained the same at 7.40%.
  - b. Inflation assumption decreased from 2.65% to 2.60%.

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

**NOTE 9 – RETIREMENT PLAN - continued**

The components of the net pension liability for the System as of June 30, 2020, calculated in accordance with GASB Statement No. 67, are shown in the following table:

Total pension liability	\$ 77,187,397,000
Plan Fiduciary Net Position	<u>54,586,037,000</u>
Net Pension Liability	<u><u>\$ 22,601,360,000</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u><u>70.72%</u></u>

**Investments**

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

Asset Class	Target Allocations	Long-term Expected Real Rate of Return
Public equity	37%	5.2%
Private equity	13%	6.5%
Rate sensitive	19%	-0.3%
Credit opportunity	9%	2.8%
Real assets	14%	4.3%
Absolute return	8%	1.8%
Total	100%	

The above was the Pension System’s Board of Trustee’s adopted asset allocation policy and best estimate of geometric real rates of return for each major asset class as of June 30, 2020.

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

**NOTE 9 – RETIREMENT PLAN - continued**

**Discount Rate**

A single discount rate of 7.40% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.40%. 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 System’s net pension liability and the Town’s proportionate share of the System’s net pension liability, calculated using a single discount rate of 7.40%, a single discount rate that is 1-percentage point lower (i.e., 6.40%), and a single discount rate that is 1-percentage point higher (i.e., 8.40%).

	1% Lower - 6.40%	Current Rate - 7.40%	1% Higher - 8.40%
The System's Net Pension Liability	\$ 32,176,695,000	\$ 22,601,360,000	\$ 14,626,005,000
The Town's Proportionate Share of Net Pension Liability	3,684,904	2,588,328	1,674,983

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

At June 30, 2021, the Town reported a liability of \$2,588,328 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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 a projection of the Town’s long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental units, actuarially determined. At June 30, 2020, the Town’s proportion was approximately 0.01145 percent.

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

**NOTE 9 – RETIREMENT PLAN - continued**

For the year ended June 30, 2021, the Town recognized pension expense of \$120,160. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Changes of assumptions	\$ -	\$ -
Net difference in investment earnings	190,626	-
Difference in actual and expected experience	-	4,181
Contributions subsequent to the measurement date	123,568	-
<b>Total</b>	<b>\$312,194</b>	<b>\$4,181</b>

The deferred outflow of resources of \$123,568 relating to contributions subsequent to the measurement date will be recognized as a reduction of the Town’s net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources are being amortized over a five-year period beginning in fiscal year 2021. These unamortized amounts will be ratably recognized in pension expense over the next four years.

**Net Pension Liability**

The components of the Town’s proportionate share of the Pension System’s net pension liability as of the measurement date of June 30, 2020, were as follows:

Total pension liability	\$ 77,187,397,000
Plan Fiduciary Net Position	54,586,037,000
Net Pension Liability	<u>\$ 22,601,360,000</u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 <u>70.72%</u>

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

**NOTE 10 – DEFERRED COMPENSATION PLAN**

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all Town Employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

In compliance with the Internal Revenue Code Section 457(g), all assets and income of the plan are held in trust for the exclusive benefit of participants and their beneficiaries. Accordingly, the investments designated for compensation benefits are not reflected in the Town’s financial statements.

Nationwide Retirement Solutions administers the Plan.

Town employees also participate in a Code Section 125 pre-tax medical insurance plan.

**NOTE 11 – OTHER POST EMPLOYMENT BENEFITS**

**Plan Description and Benefits Provided**

The Town has a single-employer defined benefit gap healthcare program entitled Town of Chestertown Retiree Medical Program (the “Program”). The Program provides lifetime healthcare insurance for eligible employees who retire at or after the age of 65. The Program provides for the Town to contribute up to \$5,000 of the cost of supplemental health insurance premiums for retirees.

**Funding policy, funding status and funding progress**

The Town’s contributions are financed on a pay-as you-go basis. The Town has not established an OPEB trust as of June 30, 2021.

**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	7
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	37
	<hr/>
	44
	<hr/> <hr/>

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

**NOTE 11 – OTHER POST EMPLOYMENT BENEFITS – continued**

**Total OPEB Liability**

The Town’s total OPEB liability of \$238,294 was measured as of June 30, 2021, and was determined by an actuarial valuation as of June 30, 2020.

**Actuarial Assumptions and Other Inputs**

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all period included in the measurement, unless otherwise specified:

Actuarial cost method	Entry age normal
Discount rate	1.92%
Healthcare cost trend rates	0%

The discount rate was based on the 20-year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher, or 1.92%.

**Changes in the Total OPEB Liability**

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance as of June 30, 2020 for FY2020	\$ 217,459	\$ -	\$ 217,459
Changes for the year:			
Service cost	7,463	-	7,463
Interest	5,229	-	5,229
Changes in benefit terms	-	-	-
Experience losses/(gains)	(1,079)	-	(1,079)
Trust contribution - employer	-	7,000	(7,000)
Net investment income	-	-	-
Changes in assumptions	16,222	-	16,222
Benefit paymentst (net of retiree contributions)	(7,000)	(7,000)	-
Administrative expense	-	-	-
Net changes	20,835	-	20,835
Balance as of June 30, 2021 for FY2021	<u>\$ 238,294</u>	<u>\$ -</u>	<u>\$ 238,294</u>

Changes of assumptions reflects a change in the discount rate from 2.45% to 1.92%.

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

**NOTE 11 – OTHER POST EMPLOYMENT BENEFITS – continued**

*Sensitivity of the total OPEB liability to changes in the discount rate*

The following presents the Town’s Total and Net OPEB liability, as well as what the Town’s Total and Net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (0.92%) or 1-percentage-point higher (2.92%) than the current discount rate:

Discount Rate	1% Decrease 0.92%	Current Discount Rate 1.92%	1% Increase 2.92%
Total OPEB Liability	\$ 273,882	\$ 238,294	\$ 208,997
Net OPEB Liability/(Asset)	\$ 273,882	\$ 238,294	\$ 208,997

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate*

The following presents the Town’s Total and Net OPEB liability, as well as what the Town’s Total and Net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

Ultimate Trend	1% Decrease N/A*	Current Medical Trend N/A	1% Increase N/A*
Total OPEB Liability	N/A*	\$ 238,294	N/A*
Net OPEB Liability/(Asset)	N/A*	\$ 238,294	N/A*

\*Medical trends do not affect this valuation. The benefit is not dependent on future medical costs.

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

**NOTE 11 – OTHER POST EMPLOYMENT BENEFITS – continued**

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

For the year ended June 30, 2021, the Town recognized OPEB expense of \$18,714. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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

Fiscal Year ended June 30:	
2022	\$ 6,022
2023	6,022
2024	6,022
2025	6,022
2026	6,019
Thereafter	<u>13,944</u>
Total	<u><u>\$ 44,051</u></u>

**NOTE 12 – LEASE COMMITMENTS**

The Utilities Commission has leased ground space to four telecommunications companies. The five-year leases are renewable.

**NOTE 13 – CONCENTRATIONS**

The Town derives most of its revenues, except grants, from its citizens. The Town provides various services to its residents. The Town is located in Kent County, Maryland. Credit is granted to its residents for back taxes and water bills. The Town may place a lien on any property associated with taxes and water services.

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

**NOTE 14 – RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to workers; and natural disasters.

For general, property and excess liability coverage, the Town is a member of the Maryland Local Government Insurance Trust (LGIT). This trust is a public entity risk pool that is owned and directed by the local governments that subscribe to its coverage and operates under the terms of a Trust Agreement.

The Town pays LGIT an annual premium. Claims are processed and recoveries and administrative costs are paid by LGIT. Similar to a commercial insurance carrier, recoveries are subject to deductibles and to annual aggregate/per occurrence dollar limits. There have been no assessments during the year ended June 30, 2021, and no insurance settlements have exceeded the Town's coverage during each of the last three years.

The Town is fully insured for workers compensation through insurance and employees are bonded to limit the loss to the Town in the event of employees committing acts of fraud.

**NOTE 15 – COMMITMENTS AND CONTINGENCIES**

**Grants**

The Town receives grants from time-to-time. Expenditures from certain grants are subject to audit by the grantor, and the Town is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of the Town's management, no material refunds will be required as a result of disallowed expenditures.

**Chestertown Volunteer Fire Company Loan Guarantee**

In December 2013, the Town Council voted to enter into an agreement to guarantee a loan made by the Chestertown Volunteer Fire Company (the Company) for a fire truck. The Company is a legally separate entity that does not constitute a component unit of the Town. The loan amount is \$839,988 and matures in December 2034. In the event the Company is unable to make a payment, the Town will be required to make that payment. No liability is reported for this loan in the Town's financial statements as of June 30, 2021.

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

**NOTE 16 – COMPTROLLER OF THE TREASURY OF MARYLAND V. WYNNE**

In 2015, in *Comptroller of the Treasury of Maryland v. Wynne*, the Supreme Court invalidated a portion of Maryland’s personal income tax scheme after determining that it inherently burdened the earnings of individuals who resided in one state but earned income in another.

In response, Maryland has enacted corrective legislation allowing a credit for Maryland residents against personal income tax for income taxed by other states. The Court had ruled that the failure of Maryland law to allow such a credit rendered Maryland’s personal income tax scheme unconstitutional.

The original impact of the ruling on the Town was \$99,263 in total. During FY2021, the Comptroller’s Office stated repayment will be made in 80 withholdings over 20 years, beginning in May 2021. During 2021, the Town opted to pay the entire amount rather than through withholdings over 20 years. The changes in this liability are as follows:

	Balance June 30, 2020	Retired During Year	Balance June 30, 2021	Amount Due Within 1 Year
State of Maryland	\$ 99,263	\$ 99,263	\$ -	\$ -

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

**NOTE 17 – FUND BALANCE REPORTING**

Fund balances for the Town’s governmental funds consisted of the following as of June 30, 2021:

**Non-spendable Fund Balance**

At June 30, 2021, there was \$37,611 in non-spendable fund balance pertaining to prepaid expenses.

**Unassigned Fund Balance**

Unassigned fund balance totals \$2,397,482.

**NOTE 18 – DEFICIT OF UNRESTRICTED NET POSITION**

The Marina Fund had a deficit of unrestricted net position of (\$577,466) as of June 30, 2021. The Town anticipates increased revenues in future years will eliminate this deficit.

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

**NOTE 19 – NEW ACCOUNTING PRONOUNCEMENTS**

The GASB has issued the following statements:

Statement No. 87, *Leases*, issued June 2017, effective for reporting periods beginning after June 15, 2021.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, issued June 2018, effective for reporting periods beginning after December 15, 2020.

Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, issued August 2018, effective for reporting periods beginning after December 15, 2019.

Statement No. 91, *Conduit Debt Obligations*, issued May 2019, effective for reporting periods beginning after December 15, 2021.

Statement No. 92, *Omnibus 2020*, issued January 2020, effective for reporting periods beginning after June 15, 2021.

Statement No. 93, *Replacement of Interbank Offered Rates*, issued March 2020, effective for reporting periods beginning after June 15, 2021.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, issued March 2020, effective for reporting periods beginning after June 15, 2021.

Statement No. 96, *Subscription-Based Information Technology Arrangements*, issued May 2020, effective for reporting periods beginning after June 15, 2022.

Statement No. 97, issued June 2020, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, effective for reporting periods beginning after June 15, 2021.

The Town will implement these statements as necessary as of their effective dates. While the Town is still in the process of determining the effect of implementing these GASB statements, they are not expected to have a material effect on the financial position of the Town.

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

**NOTE 20 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 28, 2021, the date that the financial statements were available to be issued. No significant subsequent events have been identified that would require adjustment of or disclosure in the accompanying financial statements.

**Town of Chestertown, MD**  
**SCHEDULES OF REQUIRED PENSION-RELATED**  
**SUPPLEMENTARY INFORMATION**

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

	2014	2015	2016	2017	2018	2019	2020
Town's proportion (%) of collective net pension liability	0.005%	0.01%	0.012%	0.01155%	0.01052%	0.01296%	0.011421%
Town's proportionate share (\$) of collective net pension liability	\$ 1,746,076	\$ 2,146,529	\$ 2,836,572	\$ 2,497,010	\$ 2,205,756	\$ 2,544,609	\$ 2,588,328
Town's covered payroll(\$)	\$ 1,890,091	\$ 1,897,053	\$ 1,899,997	\$ 1,972,183	\$ 1,971,281	\$ 1,892,136	\$ 1,796,681
Town's proportionate share of collective net pension liability as a percentage of its covered payroll	92.38%	113.15%	113.15%	126.61%	111.89%	134.48%	144.06%
Pension plan's fiduciary net position as a percentage of the total pension liability	71.87%	68.78%	65.79%	65.79%	71.18%	73.68%	70.72%

The above dates refer to the measurement date.

**SCHEDULE OF THE TOWN'S PENSION PLAN CONTRIBUTIONS**  
**Last 10 Fiscal Years**

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 123,568	\$ 252,589	\$ 260,359	\$ 260,359	\$ 218,087	\$ 239,132	\$ 217,706	229,281
Contributions in relation to the contractually required contribution	123,568	252,589	260,359	260,359	218,087	239,132	217,706	229,281
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
Town's covered payroll	1,796,681	1,892,136	1,971,281	1,972,183	1,899,997	1,897,053	1,890,091	1,699,232
Contributions as a percentage of covered-employee payroll	6.9%	13.3%	13.2%	13.2%	11.5%	12.6%	11.5%	13.5%

The above schedules are presented to illustrate the requirement for specific information for 10 years; however, until a full 10-year trend is compiled, information is only presented for those years for which information is available.

**TOWN OF CHESTERTOWN, MARYLAND**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF REVENUES -BUDGET AND ACTUAL (BUDGETARY BASIS) - General Fund**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Taxes - local				
Real and property				
Real property	\$ 2,567,259	\$ 2,567,259	\$ 2,638,829	\$ 71,570
Real property - penalties	10,500	10,500	26,316	15,816
Total real and personal property	<u>2,577,759</u>	<u>2,577,759</u>	<u>2,665,145</u>	<u>87,386</u>
Income taxes	<u>450,000</u>	<u>450,000</u>	<u>555,744</u>	<u>105,744</u>
Total taxes - local	3,027,759	3,027,759	3,220,889	193,130
Taxes - state shared				
Highway users	212,343	212,343	220,336	7,993
Admissions and amusements	8,000	8,000	121	(7,879)
Bank shares	2,532	2,532	2,532	-
Total shared taxes	<u>222,875</u>	<u>222,875</u>	<u>222,989</u>	<u>114</u>
Licenses and permits				
Building permits	90,500	90,500	112,345	21,845
Traders	22,000	22,000	-	(22,000)
Cable TV franchise fees	60,000	60,000	55,833	(4,167)
Building code revenue	12,000	12,000	18,463	6,463
Total licenses and permits	<u>184,500</u>	<u>184,500</u>	<u>186,641</u>	<u>2,141</u>
Grants from state government				
Police protection	68,892	68,892	67,705	(1,187)
Other state grants	11,000	11,000	554,908	543,908
Total grants from state government	<u>79,892</u>	<u>79,892</u>	<u>622,613</u>	<u>542,721</u>
Grants from county government				
Tax differential grant and hotel tax	125,000	125,000	70,396	(54,604)
Police overtime reimbursements	-	-	-	-
Police forfeiture funds	-	-	-	-
County CARES funding	-	-	1,119	1,119
Total grants from county government	<u>125,000</u>	<u>125,000</u>	<u>71,515</u>	<u>(53,485)</u>
Total intergovernmental revenue	<u>3,640,026</u>	<u>3,640,026</u>	<u>4,324,647</u>	<u>684,621</u>

**TOWN OF CHESTERTOWN, MARYLAND**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF REVENUES -BUDGET AND ACTUAL (BUDGETARY BASIS) - General Fund**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Charges for services				
General government	\$ 12,000	\$ 12,000	\$ 18,387	\$ 6,387
Sidewalk	1,000	1,000	288	(712)
Zoning appeals board	1,000	1,000	1,000	-
Highways and streets	2,500	2,500	6,725	4,225
Waste collection fees	8,000	8,000	8,551	551
Parking fines and parking meter	2,500	2,500	3,609	1,109
Municipal infractions	100,000	100,000	111,640	11,640
Total charges for services	<u>127,000</u>	<u>127,000</u>	<u>150,200</u>	<u>23,200</u>
Miscellaneous revenue				
Interest income	3,500	3,500	329	(3,171)
Donations	-	-	5,698	5,698
Private grant	37,500	37,500	28,125	(9,375)
Rental income	18,400	18,400	17,537	(863)
Sale of assets	-	-	-	-
Other revenues	500	500	21,475	20,975
Total miscellaneous revenue	<u>59,900</u>	<u>59,900</u>	<u>73,164</u>	<u>13,264</u>
Total Revenues	<u>\$ 3,826,926</u>	<u>\$ 3,826,926</u>	<u>\$ 4,548,011</u>	<u>\$ 721,085</u>

**TOWN OF CHESTERTOWN, MARYLAND**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (BUDGETARY BASIS) - General Fund**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Expenditures				
General Government				
Legislative				
Council salaries	\$ 10,500	\$ 10,500	\$ 10,097	\$ 403
Payroll taxes	803	803	773	30
Pension expense	1,866	1,866	2,007	(141)
Workers' compensation	56	56	60	(4)
Other legislative expenditures	503	503	58	445
Meetings and travel	6,000	6,000	1,273	4,727
Total legislative	<u>19,728</u>	<u>19,728</u>	<u>14,268</u>	<u>5,460</u>
Executive				
Council expense	-	-	770	(770)
Manager and secretarial salaries	189,917	189,917	190,768	(851)
Payroll taxes	14,529	14,529	14,984	(455)
Workers' compensation	1,306	1,306	1,386	(80)
Medical and life insurance	45,778	45,778	60,728	(14,950)
Pension expense	19,947	19,947	23,685	(3,738)
Professional fees and other expenditures	1,160	1,160	531	629
Meetings and travel	200	200	107	93
Total executive	<u>272,837</u>	<u>272,837</u>	<u>292,959</u>	<u>(20,122)</u>
Financial administration				
Finance salaries	57,473	57,473	59,691	(2,218)
Payroll taxes	4,397	4,397	4,454	(57)
Workers' compensation	113	113	120	(7)
Medical and life insurance	32,791	32,791	30,003	2,788
Pension expense	6,218	6,218	6,063	155
Office supplies	7,500	7,500	5,760	1,740
Dues nad subscriptions	300	300	293	7
Postage	2,700	2,700	2,021	679
Telephone	5,000	5,000	5,242	(242)
Accounting and auditing fees	17,550	17,550	16,039	1,511
Professional fees	6,000	6,000	2,410	3,590
Data processing fees	3,650	3,650	2,952	698
Office equipment	3,000	3,000	4,822	(1,822)
Training and other expenses	350	350	54	296
Total financial administration	<u>147,042</u>	<u>147,042</u>	<u>139,924</u>	<u>7,118</u>

**TOWN OF CHESTERTOWN, MARYLAND**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (BUDGETARY BASIS) - General Fund**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Expenditures				
Law				
Legal council	\$ 8,500	\$ 8,500	\$ 13,340	\$ (4,840)
Legal notices	1,200	1,200	859	341
Total law	<u>9,700</u>	<u>9,700</u>	<u>14,199</u>	<u>(4,499)</u>
Planning and zoning				
Planning commission	-	-	-	-
Building and housing inspection fees	15,000	15,000	11,896	3,104
Building permit software	850	850	400	450
Dues and subscriptions	900	900	1,037	(137)
Office supplies expense	500	500	420	80
Meetings and travel	700	700	231	469
Telephone	600	600	585	15
Plan reviews	-	-	-	-
Historic district surveys	-	-	-	-
Recodification service	500	500	495	5
Repairs and maintenance	-	-	312	(312)
Board of appeals	650	650	658	(8)
Total planning and zoning	<u>19,700</u>	<u>19,700</u>	<u>16,034</u>	<u>3,666</u>
Municipal building				
Utilities	20,500	20,500	13,097	7,403
Insurance property and liability	4,588	4,588	4,710	(122)
Repairs and maintenance	8,000	8,000	10,093	(2,093)
Operating supplies and cleaning	6,800	6,800	6,663	137
Total municipal building	<u>39,888</u>	<u>39,888</u>	<u>34,563</u>	<u>5,325</u>
Other general government expenditures				
Dues and subscriptions	9,438	9,438	9,170	268
Other operating expenditures	10,025	10,025	15,677	(5,652)
Cannon street infrastructure	-	-	-	-
Community development	-	-	-	-
Total other general government expenditures	<u>19,463</u>	<u>19,463</u>	<u>24,847</u>	<u>(5,384)</u>
Total General Government	<u>528,358</u>	<u>528,358</u>	<u>536,794</u>	<u>(8,436)</u>

**TOWN OF CHESTERTOWN, MARYLAND**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (BUDGETARY BASIS) - General Fund**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Public Safety				
Police				
Police salaries	\$ 791,953	\$ 791,953	\$ 776,371	\$ 15,582
Payroll taxes	60,584	60,584	58,244	2,340
Workers' compensation	77,548	77,548	82,299	(4,751)
Medical and life insurance	198,914	198,914	112,904	86,010
Pension expenses	141,185	141,185	89,770	51,415
Uniforms and clothing	11,250	11,250	10,607	643
Training and education	5,000	5,000	3,118	1,882
Meetings and travel	1,500	1,500	1,040	460
Utilities	13,000	13,000	10,355	2,645
General insurance	23,160	23,160	14,713	8,447
Gas and oil - vehicles	30,000	30,000	26,758	3,242
Heating	9,000	9,000	6,183	2,817
Repairs and maintenance	38,500	38,500	31,154	7,346
Supplies - operating	5,000	5,000	4,415	585
Legal fees and services	2,050	2,050	5,698	(3,648)
Office supplies and equipment	9,800	9,800	11,129	(1,329)
Telephone	12,000	12,000	10,617	1,383
Equipment	5,000	5,000	4,675	325
Canine maintenance	3,000	3,000	1,914	1,086
Public relations	650	650	569	81
Speed camera processing fees	51,000	51,000	43,455	7,545
Camera upgrades and maintenance	3,500	3,500	9,827	(6,327)
Other operating expenditures	7,450	7,450	7,639	(189)
Total Police	<u>1,501,044</u>	<u>1,501,044</u>	<u>1,323,454</u>	<u>177,590</u>
Crossing guard/meter monitor				
Medical and life insurance	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Total crossing guard/meter monitor	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Other public safety expenditures				
Volunteer fire company	48,871	48,871	48,588	283
Rescue squad	<u>20,500</u>	<u>20,500</u>	<u>19,993</u>	<u>507</u>
Total other public safety expenditures	<u>69,371</u>	<u>69,371</u>	<u>68,581</u>	<u>790</u>
Total Public Safety	<u>1,571,415</u>	<u>1,571,415</u>	<u>1,392,035</u>	<u>179,380</u>

**TOWN OF CHESTERTOWN, MARYLAND**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (BUDGETARY BASIS) - General Fund**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Public Works				
Highways and streets				
Salaries	\$ 436,631	\$ 436,631	\$ 354,423	\$ 82,208
Payroll taxes	33,402	33,402	26,385	7,017
Workers' compensation	16,037	16,037	17,019	(982)
Medical and life insurance	133,275	133,275	96,720	36,555
Pension expense	43,796	43,796	42,427	1,369
Parking lot rent	5,000	5,000	5,000	-
Dues and subscriptions	45	45	40	5
Uniforms and clothing	12,500	12,500	8,015	4,485
Training and education	250	250	-	250
Office equipment	150	150	-	150
Property and liability insurance	12,305	12,305	13,474	(1,169)
Gas and oil - vehicles	22,000	22,000	14,655	7,345
Building repairs and maintenance	3,500	3,500	1,829	1,671
Vehicle repairs and maintenance	15,000	15,000	4,730	10,270
Equipment repairs and maintenance	31,000	31,000	55,353	(24,353)
Street repairs and rehabilitation	25,000	25,000	5,315	19,685
Brick sidewalk & curb & concrete work	22,500	22,500	9,359	13,141
Tree maintenance and planting	10,000	10,000	6,370	3,630
Operating supplies	11,768	11,768	16,682	(4,914)
Street lighting	120,000	120,000	119,170	830
Snow removal	20,000	20,000	15,552	4,448
Utilities	15,200	15,200	14,123	1,077
Office expenses	-	-	706	(706)
Total streets and roadways	<u>989,359</u>	<u>989,359</u>	<u>827,347</u>	<u>162,012</u>
Sanitation				
Waste collection	126,000	126,000	126,000	-
Recycling and landfill costs	86,275	86,275	97,004	(10,729)
Curbside recycling pick up	62,400	62,400	62,400	-
Mosquito and weed control	2,550	2,550	2,388	162
Total sanitation	<u>277,225</u>	<u>277,225</u>	<u>287,792</u>	<u>(10,567)</u>
Total Public Works	<u>1,266,584</u>	<u>1,266,584</u>	<u>1,115,139</u>	<u>151,445</u>

**TOWN OF CHESTERTOWN, MARYLAND**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (BUDGETARY BASIS) - General Fund**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Recreation				
KRM-SDF	\$ -	\$ -	500,000	\$ (500,000)
Park maintenance	20,000	20,000	21,742	(1,742)
Community relations - recreation	3,000	3,000	554	2,446
Total recreation and parks	<u>23,000</u>	<u>23,000</u>	<u>522,296</u>	<u>(499,296)</u>
Visitors' Center/Tourism				
Salaries/wages	82,615	82,615	82,796	(181)
Payroll taxes and pension expense	15,284	15,284	13,748	1,536
Insurance	18,518	18,518	23,813	(5,295)
Fireworks/holiday programs	-	-	675	(675)
Tourism events	2,200	2,200	6,325	(4,125)
Housekeeping and operating supplies	10,000	10,000	14,630	(4,630)
Meetings and travel	500	500	-	500
Office and other expenditures	425	425	251	174
Telephone	2,450	2,450	3,118	(668)
Repairs and maintenance	9,000	9,000	10,349	(1,349)
Web management	9,000	9,000	9,000	-
Utilities	7,000	7,000	5,334	1,666
Total visitors' center/tourism	<u>156,992</u>	<u>156,992</u>	<u>170,039</u>	<u>(13,047)</u>
Miscellaneous				
Community affairs	8,860	8,860	8,059	801
Other miscellaneous expenses	3,500	3,500	5,392	(1,892)
Total miscellaneous	<u>12,360</u>	<u>12,360</u>	<u>13,451</u>	<u>(1,091)</u>
Debt Service				
Principal				
General	11,543	11,543	110,807	(99,264)
Public safety	31,531	31,531	36,222	(4,691)
Public works	35,992	35,992	34,802	1,190
Total principal payments	<u>79,066</u>	<u>79,066</u>	<u>181,831</u>	<u>(102,765)</u>

**TOWN OF CHESTERTOWN, MARYLAND**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (BUDGETARY BASIS) - General Fund**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Interest expense				
Public safety police	\$ 9,875	\$ 9,875	\$ 9,781	\$ 94
General government	7,929	7,929	7,921	8
Public works - highway and streets	3,341	3,341	6,891	(3,550)
Total interest expense	<u>21,145</u>	<u>21,145</u>	<u>24,593</u>	<u>(3,448)</u>
Capital outlay				
Vehicle	-	-	36,759	(36,759)
Construction in progress	-	-	5,576	(5,576)
Total capital outlay	<u>-</u>	<u>-</u>	<u>42,335</u>	<u>(42,335)</u>
Total Expenditures	3,658,920	3,658,920	3,998,513	(339,593)
Excess of revenue over expenditures	168,006	168,006	549,498	381,492
Other financing sources (uses)				
Sale of assets	-	-	2,790	2,790
Proceed from long-term debt	-	-	36,759	36,759
Budget contingencies	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>39,549</u>	<u>39,549</u>
Excess of revenues and other financing sources over expenditures	<u>\$ 168,006</u>	<u>\$ 168,006</u>	\$ 589,047	<u>\$ 421,041</u>
Fund balance, beginning of year			<u>1,846,046</u>	
Fund balance, end of year			<u>\$ 2,435,093</u>	

**Required Supplemental Information**  
**Schedule of Changes in the Net OPEB Liability and Related Ratios**

Disclosure for fiscal year ending: Measurement date:	2021 <u>6/30/2021</u>	2020 <u>6/30/2020</u>	2019 <u>6/30/2019</u>
Total OPEB Liability			
Service cost	\$ 7,463	\$ 40,569	\$ 37,207
Interest cost	5,229	23,054	23,939
Changes in benefit terms	-	(593,495)	-
Differences between expected and actual experience	(1,079)	(41,531)	(12,060)
Changes of assumptions	16,222	56,642	42,227
Benefit payments	<u>(7,000)</u>	<u>(18,289)</u>	<u>(16,260)</u>
Net change in Total OPEB Liability	20,835	(533,050)	75,053
Total OPEB Liability - beginning of year	<u>217,459</u>	<u>750,509</u>	<u>675,456</u>
Total OPEB Liability - end of year	<u><u>238,294</u></u>	<u><u>217,459</u></u>	<u><u>750,509</u></u>

**Required Supplemental Information**  
**Schedule of OPEB Contributions**

Disclosure for fiscal year ending: Measurement date:	2021 <u>6/30/2021</u>	2020 <u>6/30/2020</u>	2019 <u>6/30/2019</u>
Contributions - employer	\$ 7,000	\$ 18,289	\$ 16,260
Net investment income	-	-	-
Benefit payments (net of retiree contributions)	(7,000)	(18,289)	(16,260)
Administrative expense	-	-	-
Net change in Fiduciary Net Position	<u>-</u>	<u>-</u>	<u>-</u>
Fiduciary Net Position - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fiduciary Net Position - end of year	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Net OPEB Liability	<u>238,294</u>	<u>217,459</u>	<u>750,509</u>
Fiduciary Net Position as a % of Total OPEB Liability	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Covered-employee payroll	2,588,328	1,796,681	1,971,281
Net OPEB Liability as a % of payroll	<u>9.21%</u>	<u>12.10%</u>	<u>38.07%</u>
Expected Average remaining service years of all participants	10	10	9

**Benefit Changes:**

The maximum benefit was reduced from \$5,000 to \$1,000.

Also, the benefit eligibility was changed from age 50 or 25 years of service to age 62 and 20 years of service.

**Changes of assumptions:**

The discount rate was changed as follows: 1.92%                      2.45%                      3.13%

The above schedules are presented to illustrate the requirement for specific information for 10 years; however, until a full audit is compiled, information is only presented for those years for which information is available.

## **SUPPLEMENTAL SCHEDULES**

**TOWN OF CHESTERTOWN, MARYLAND**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**BUDGET AND ACTUAL - UTILITY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating Revenues				
Charges for services				
Sewer fees	\$ 820,500	\$ 820,500	\$ 783,812	\$ (36,688)
Water fees	847,850	847,850	809,365	(38,485)
Sewer connections	100,000	100,000	90,000	(10,000)
Water connections	120,000	120,000	106,800	(13,200)
Other water and sewer charges	57,050	57,050	75,211	18,161
Rental income	2,600	2,600	2,600	-
Tower leases	50,000	50,000	48,860	(1,140)
Other income	30,750	30,750	32,790	2,040
Total Operating Revenues	<u>2,028,750</u>	<u>2,028,750</u>	<u>1,949,438</u>	<u>(79,312)</u>
Operating Expenses				
Salaries	606,282	606,282	619,925	(13,643)
Council expenses	16,500	16,500	15,797	703
Chemicals	66,000	66,000	86,138	(20,138)
Data processing	7,700	7,700	11,108	(3,408)
General insurance	13,555	13,555	15,018	(1,463)
Workers' compensation	16,048	16,048	14,917	1,131
Medical and life insurance	109,768	109,768	88,483	21,285
Payroll taxes	47,643	47,643	47,326	317
Pension	64,938	64,938	53,224	11,714
Uniforms and clothing	5,000	5,000	2,833	2,167
Meter parts	20,000	20,000	36,335	(16,335)
Safety equipment	1,500	1,500	3,974	(2,474)
Supplies	10,000	10,000	5,605	4,395
Small tools	3,500	3,500	3,463	37
Office supplies	3,500	3,500	3,618	(118)
Legal services	10,200	10,200	276	9,924
Accounting and audit services	11,150	11,150	16,631	(5,481)
Other professional fees	15,000	15,000	2,410	12,590
Repairs and maintenance				
Vehicles	6,000	6,000	7,246	(1,246)
Water lines	75,000	75,000	30,053	44,947
Water tower	10,000	10,000	-	10,000
Buildings and plants	21,000	21,000	351	20,649
Equipment	120,000	120,000	123,947	(3,947)
Grounds	10,000	10,000	4,155	5,845
Office equipment	2,500	2,500	-	2,500
Postage - freight	2,800	2,800	2,978	(178)
Telephone	7,600	7,600	6,807	793
Travel and training	2,500	2,500	100	2,400
Gas and oil - vehicles	15,000	15,000	10,799	4,201
Utilities	200,000	200,000	147,188	52,812
Lab fees and testing	35,000	35,000	22,539	12,461
Loan administration fees	-	-	13,165	(13,165)
Depreciation expense	-	-	652,021	(652,021)
Hospital oil spill	8,000	8,000	5,300	2,700
Miscellaneous	5,585	5,585	3,957	1,628
Total Operating Expenses	<u>1,549,269</u>	<u>1,549,269</u>	<u>2,057,687</u>	<u>(508,418)</u>
OPERATING INCOME (LOSS)	<u>\$ 479,481</u>	<u>\$ 479,481</u>	<u>\$ (108,249)</u>	<u>\$ (587,730)</u>

**TOWN OF CHESTERTOWN, MARYLAND**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**BUDGET AND ACTUAL - UTILITY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
NONOPERATING REVENUE (EXPENSES)				
Interest income	\$ 12,050	\$ 12,050	\$ 19,628	\$ 7,578
Principal reduction	-	-	-	-
Interest expense	-	-	(5,062)	(5,062)
TOTAL NONOPERATING REVENUE (EXPENSES)	12,050	12,050	14,566	2,516
 CHANGE IN NET POSITION	 <u>\$ 491,531</u>	 <u>\$ 491,531</u>	 (93,683)	 <u>\$ (585,214)</u>
 NET POSITION, BEGINNING OF YEAR			 <u>8,948,084</u>	
 NET POSITION, END OF YEAR			 <u>\$ 8,854,401</u>	

**TOWN OF CHESTERTOWN, MARYLAND**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**BUDGET AND ACTUAL - MARINA FUND**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Operating Revenues</b>				
Rental income				
Slip rental	\$ 54,000	\$ 54,000	\$ 78,956	\$ 24,956
Winter storage	6,000	6,000	11,365	5,365
Utilities	5,000	5,000	10,931	5,931
Transient slip rental	31,000	31,000	92,653	61,653
Marina rent	13,648	13,648	13,648	-
Cannon Street pier rent	2,500	2,500	2,500	-
Fuel sales	82,000	82,000	83,337	1,337
Other income	4,350	4,350	11,654	7,304
Total Operating Revenues	<u>198,498</u>	<u>198,498</u>	<u>305,044</u>	<u>106,546</u>
<b>Operating Expenses</b>				
Advertising	350	350	-	350
Credit card fees	-	-	8	(8)
Conventions, meetings and travel	150	150	-	150
Depreciation expense	-	-	11,169	(11,169)
Dues and subscriptions	100	100	864	(764)
Housekeeping/supplies	4,000	4,000	7,189	(3,189)
Fuel - diesel	25,000	25,000	23,242	1,758
Fuel - gasoline	35,000	35,000	35,127	(127)
Insurance - liability/property	4,500	4,500	4,012	488
Legal services	150	150	240	(90)
Licenses and permits	150	150	150	-
Medical life	15,693	15,693	16,001	(308)
Office supplies	1,000	1,000	934	66
Operating supplies	1,200	1,200	3,399	(2,199)
Payroll taxes	4,143	4,143	3,880	263
Pension expense	4,893	4,893	4,767	126
Uniforms and clothing	500	500	300	200
Workman's compensation	1,306	1,306	1,144	162
Property taxes	1,000	1,000	2,002	(1,002)
Repairs and maintenance				
Buildings	1,000	1,000	211	789
Docks	1,000	1,000	-	1,000
Grounds	1,000	1,000	429	571
Equipment	2,000	2,000	1,060	940
Salaries	54,161	54,161	52,128	2,033
Boating Supplies	1,000	1,000	664	336
Telephone	5,200	5,200	5,933	(733)
Trash removal	1,400	1,400	1,320	80
Water and sewer	4,000	4,000	-	4,000
Utilities	8,000	8,000	14,930	(6,930)
Plaques	-	-	143	(143)
Total Operating Expenses	<u>177,896</u>	<u>177,896</u>	<u>191,246</u>	<u>(13,350)</u>
<b>OPERATING INCOME (LOSS)</b>	<u>\$ 20,602</u>	<u>\$ 20,602</u>	<u>\$ 113,798</u>	<u>\$ 93,196</u>
<b>NONOPERATING REVENUE (EXPENSES)</b>				
Interest income	50	50	63	13
Interest expense	(50,519)	(50,519)	(50,088)	431
<b>TOTAL NONOPERATING REVENUE (EXPENSES)</b>	<u>(50,469)</u>	<u>(50,469)</u>	<u>(50,025)</u>	<u>444</u>
Transfers from other funds	-	-	-	-
<b>CHANGE IN NET POSITION</b>	<u>\$ (29,867)</u>	<u>\$ (29,867)</u>	<u>63,773</u>	<u>\$ 93,640</u>
NET POSITION, BEGINNING OF YEAR			<u>(386,644)</u>	
NET POSITION, END OF YEAR			<u>\$ (322,871)</u>	

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**Independent Auditor’s Report**

Honorable Mayor  
Members of the Town Council  
Town of Chestertown, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Chestertown, Maryland (the “Town”), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town’s basic financial statements, and have issued our report thereon dated October 28, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Town’s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

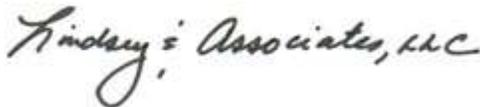
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Lindsay Associates, LLC". The signature is written in black ink on a white background.

October 28, 2021

October 28, 2021

To the Mayor and Town Council  
Town of Chestertown, Maryland

We audited the financial statements of the governmental activities and each major fund of the Town of Chestertown, Maryland (the “Town”) for the year ended June 30, 2021, and have issued our report thereon dated October 28, 2021. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U. S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U. S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the Town’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting.

As part of obtaining reasonable assurance about whether the Town’s financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Town’s compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Town are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2021, except as may be explained in Note 1 to the financial statements. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

### *Difficulties Encountered in Performing the Audit*

The audit was delayed due to delays in obtaining an OPEB actuarial report.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We proposed one adjustment pertaining to income tax. Management has made all such adjustments.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representation from management that is included in the management representation letter dated October 28, 2021.

*Management Consultations with Other Independent Accountants*

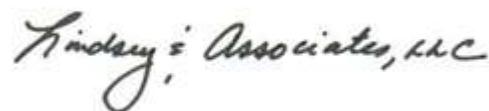
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationships and our responses were not a condition to our retention.

This information is intended solely for the use of the Mayor and Town Council and Town management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Hindley & Associates, LLC". The signature is written in black ink and is enclosed within a thin, light-colored rectangular border.