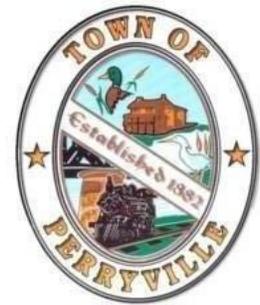


TOWN OF PERRYVILLE, MARYLAND
BASIC FINANCIAL STATEMENTS AND REQUIRED
AND OTHER SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016



RLH

**CPAs &
BUSINESS
ADVISORS**

WWW.RLHCPA.COM

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1 - 3
REQUIRED SUPPLEMENTARY INFORMATION	
• Management's Discussion and Analysis	4 - 19
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
• Statement of Net Position	20 - 21
• Statement of Activities	22
Fund Financial Statements	
• Balance Sheet - Governmental Funds	23 - 24
• Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	25
• Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	26
• Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	27
• Statement of Net Position - Proprietary Funds	28 - 29
• Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	30
• Statement of Cash Flows - Proprietary Funds	31 - 32
Notes to Basic Financial Statements	33 - 60
REQUIRED SUPPLEMENTARY INFORMATION	
• <i>Schedule "1"</i> - Budgetary Comparison Schedule - General Fund	61
• <i>Schedule "2"</i> - Schedule of Funding Progress - Other Postemployment Benefits (OPEB) Plan	62
OTHER INFORMATION	
• <i>Schedule "3"</i> - Schedules of Revenues, Expenditures, and Changes in Fund Balances - General Fund	63
• <i>Schedule "4"</i> - Schedules of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	64



INDEPENDENT AUDITORS' REPORT

October 7, 2016

To The Mayor and Commissioners of Perryville
Town of Perryville, Maryland
Perryville, Maryland

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 Perryville, Maryland (the "Town"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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 Perryville, Maryland as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Effect of Adopting New Accounting Standard

As discussed in Notes 1 and 8, the Town early implemented new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, that impacted the financial statements disclosures for the year ended June 30, 2016. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding progress - other postemployment benefits (OPEB) plan on pages 4 through 19, 61, and 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Perryville, Maryland's basic financial statements. The other information, included in *Schedules "3" and "4"*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedules comprising the other information for the years ended June 30, 2016, 2015, 2014, and 2013 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules comprising the other information for the years ended June 30, 2016, 2015, 2014, and 2013 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

RLH CPAs & Business Advisors, LLC

Westminster, Maryland

Town of Perryville, Maryland

Management's Discussion and Analysis

June 30, 2016

INTRODUCTION

As management of the Town of Perryville, Maryland ("Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the Town's financial activities for the fiscal year ended June 30, 2016. It should be read in conjunction with the Town's basic financial statements, which begin on page 20, to enhance understanding of the Town's financial performance.

FINANCIAL HIGHLIGHTS (See Page 20 -21)

The total assets of the Town (Governmental and Business-Type), exceeded its liabilities at the close of the most recent fiscal year by \$39.9 million compared to \$39.2 million at June 30, 2015. Of the total of \$39.9 million, \$1.8 million is restricted for specific uses and \$10.7 million may be used to meet the Town's ongoing obligations to citizens and creditors compared to \$10.6 million at June 30, 2015. \$27.4 million represents the Town's Net Investment in Capital Assets which is not readily available for use.

- The \$1.8 million restricted fund balance is due primarily to the Local Impact Grant funds. The Local Impact Grant funds are received from the operations of the Hollywood Casino Perryville as designated in state legislation allowing video lottery facilities and must be used for the purposes specified in the State of Maryland legislation.
- The net position of the Town's Governmental activities increased in Fiscal Year (FY) 2016 by approximately \$643,000.
- The net position of the Business-Type activities increased in FY 2016 by approximately \$68,000.
- At the close of the current fiscal year, the Town's governmental General Fund reported an ending fund balance of \$10.5 million (\$10.7 million at June 30, 2015), of which \$6.5 million is unassigned and available for spending at the Town's discretion. In February 2014, the Town adopted a policy to maintain minimum unrestricted fund balance/net position amounts. This policy is discussed in more detail on page 42.
- The total cost of all of the Town's programs was \$6.8 million (\$4.0 million for governmental activities and \$2.8 million for business-type activities) for FY 2016 approximately \$194,000 more than in FY 2015 mainly due to increases in salaries, insurance, and depreciation.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (Statement of Net Position and Statement of Activities) can be found on pages 20 - 22 of this report.

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

The Statement of Activities presents information showing how the Town'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 related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Town that are governmental activities (those principally supported by taxes and revenues from other governments) and functions of the Town that are business-type activities (those that are intended to recover all or a significant portion of their costs through user fees and charges). The governmental activities of the Town include general government, public safety, public works, planning and zoning, parks and recreation, and interest. The business-type activities of the Town include water and sewer service.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

GOVERNMENTAL FUNDS

The basic governmental fund financial statements can be found on pages 23 - 27 of this report.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluation of a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains two governmental funds, the General Fund and the Forest Conservation Fund. The Town adopts an annual budget for the General Fund and a budgetary comparison schedule has been provided within the Required Supplementary Information section to demonstrate compliance with the budget.

PROPRIETARY FUNDS

The basic water and sewer proprietary fund financial statements can be found on pages 28 - 32 of this report.

The Town maintains two enterprise type proprietary funds to account for the operations of providing water and sewer services, respectively. Enterprise funds are used to present the same functions as business-type functions in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

NOTES TO THE FINANCIAL STATEMENTS

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

The notes to the financial statements can be found on pages 33 - 60 of this report.

GOVERNMENT WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the Town, assets exceeded liabilities by approximately \$39.9 million at the close of the most recent fiscal year. By far, the largest portion of the Town's net position (69%) is its investment in capital assets (land, land improvements, buildings, infrastructure and machinery and equipment), less any related outstanding debt that was used to acquire those assets. The Town uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the debt.

A summary of the Town's condensed Statement of Net Position is as follows (\$,000 omitted) (See Pages 20 - 21):

	June 30, 2016			June 30, 2015		
	Govern- mental	Business Type	Total	Govern- mental	Business Type	Total
Current & Other Assets	\$ 10,693	\$ 2,462	\$ 13,155	\$ 10,963	\$ 2,325	\$ 13,288
Capital Assets, Net	9,795	31,239	41,034	8,810	32,116	40,926
Total Assets	<u>20,488</u>	<u>33,701</u>	<u>54,189</u>	<u>19,773</u>	<u>34,441</u>	<u>54,214</u>
Current Liabilities	288	966	1,254	236	1,012	1,248
Long-Term Liabilities	292	12,760	13,052	273	13,522	13,795
Total Liabilities	<u>580</u>	<u>13,726</u>	<u>14,306</u>	<u>509</u>	<u>14,534</u>	<u>15,043</u>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	9,581	17,789	27,370	8,650	17,900	26,550
Unrestricted	8,570	2,186	10,756	8,591	2,007	10,598
Restricted	1,757	-	1,757	2,023	-	2,023
Net Position	<u>\$ 19,908</u>	<u>\$ 19,975</u>	<u>\$ 39,883</u>	<u>\$ 19,264</u>	<u>\$ 19,907</u>	<u>\$ 39,171</u>

At the end of both the current and prior fiscal year, the Town is able to report positive balances in net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

A summary of the Town's condensed Statement of Activities for the current and prior fiscal years is as follows (\$,000 omitted) (See Page 22):

	<u>June 30, 2016</u>			<u>June 30, 2015</u>		
	<u>Govern- mental</u>	<u>Business Type</u>	<u>Total</u>	<u>Govern- mental</u>	<u>Business Type</u>	<u>Total</u>
Revenues						
Program Revenues						
Charges for Services	\$ 46	\$ 1,983	\$ 2,029	\$ 66	\$ 1,901	\$ 1,967
Operating Grants and Contributions	343	1	344	312	-	312
Capital Grants and Contributions	2	126	128	-	117	117
General Revenues			-			-
Taxes	3,500	-	3,500	3,276	-	3,276
Unrestricted Grants, Contributions, and Franchise Fees	679	771	1,450	810	605	1,415
Interest Income and Rents	30	5	35	21	4	25
Miscellaneous	41	-	41	24	-	24
Total Revenues	4,641	2,886	7,527	4,509	2,627	7,136
Expenses						
General Government	855	-	855	841	-	841
Planning and Zoning	260	-	260	256	-	256
Public Safety	1,478	-	1,478	1,387	-	1,387
Public Works	933	-	933	893	-	893
Parks and Recreation	465	-	465	430	-	430
Interest on Long-Term Debt	7	-	7	7	-	7
Water Services	-	1,203	1,203	-	1,152	1,152
Sewer Services	-	1,615	1,615	-	1,654	1,654
Total Expenses	3,997	2,818	6,815	3,814	2,806	6,620
Changes in Net Position	644	68	712	695	(179)	516
Net Position at Beginning of Year	19,264	19,907	39,171	18,569	20,086	38,655
Net Position at End of Year	\$ 19,908	\$ 19,975	\$ 39,883	\$ 19,264	\$ 19,907	\$ 39,171

For the current fiscal year, the Town is reporting an increase in its net position for its governmental activities and an increase in its net position for its business-type activities. Overall the Town is able to report an increase for the government as a whole.

GOVERNMENTAL ACTIVITIES (See Page 22)

For the fiscal year ended June 30, 2016, revenues from governmental activities totaled approximately \$4.6 million. Property, Personal Property and Local Taxes represented the largest revenue source (75%), followed by Grants, Contribution and Franchise Fee (which include Local Impact Grants) (15%).

The largest components of the governmental activities, approximately \$1.5 million of expenses, Public Safety services (37%), followed by approximately \$933,000 for public works (23%), approximately \$855,000 general government (21%), and approximately \$465,000 for parks and recreation (12%).

BUSINESS-TYPE ACTIVITIES (See Page 22)

Of the approximately \$2.9 million of total revenues from business-type activities were water and sewer service charges (69%). Other non-operating revenues and capital contributions included Local Impact Grant capital contributions of approximately \$771,000, and other capital contributions primarily stemming from the VA portion of the waste water plant upgrade debt and other grants of approximately \$126,000.

All of the approximately \$2.8 million of business-type activities expenses relate to the operation of the water and sewer plants and the related distribution and collection systems. Sewer services account for approximately 57% of the expenses and water services account for 43% of the expenses for the business type activities.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

GOVERNMENTAL FUNDS (See Pages 23 - 27)

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, 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. As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$10.5 million, a net decrease of approximately \$241,000 from the prior year amount, however of the \$10.5 million fund balance \$6.5 million is unassigned, \$1.8 million is restricted and approximately \$2.2 million is assigned. The assigned fund balance includes \$1.7 million allotted for the Town Police Station, \$350,000 allotted for Facilities Reserve, \$100,000 allotted for the Corporate Boundary Survey and approximately \$16,000 for Parades.

Two useful measures of liquidity are the portion of unassigned fund balance to total expenditures and total fund balance to total expenditures. At the end of the current fiscal year the General Fund showed a healthy 134% and 214% respectively. The unassigned

fund balance provides working capital for approximately 70 weeks of operations based on the FY 2016 expenditures decrease from the 216% (112 weeks) for the FY 2015. This decrease is mainly due to the use of funds for capital projects in process.

Another useful liquidity measurement is the current ratio. The concept behind this ratio is to ascertain whether the Town's short-term assets are readily available to pay off its short term liabilities. In theory, this ratio measures whether or not the Town has enough resources to pay its bills over the next 12 months. At the end of the fiscal year the General Fund's current ratio is 28.35. For every dollar in current liabilities, there is \$28.35 in current assets, which is a decrease of 39% from FY 2015 ratio, due to the Town reinvesting funds in a two (2) year CD. This CD is not considered a current asset this fiscal year.

PROPRIETARY FUNDS (See Pages 28 - 32)

The Town's proprietary funds provide the same type of information found in the business-type activities part of the government-wide financial statements, but in greater detail.

Total net position of the water and sewer proprietary fund at the fiscal year end was \$20.0 million. Net position invested in capital assets, net of related debt, was \$17.8 million and unrestricted net position was \$2.2 million. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

At the end of the fiscal year the Proprietary Fund's current ratio is 2.55. For every dollar in current liabilities, there is \$2.55 in current assets.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

The Town's investment in capital assets for governmental and business-type activities at June 30, 2016 was \$41.0 million, net of \$17.3 million of accumulated depreciation. This investment in capital assets includes land, land improvements, buildings, infrastructure and machinery and equipment.

Eight (8) Construction in Progress projects were in process at the end the fiscal year. Building & site design services for the police station, town hall, and the Trego ball field known as the Municipal complex (spent to date approximately \$220,000); Lower Ferry Park project (spent to date approximately \$258,000), Rodger's Tavern restoration project (spent to date approximately \$159,000), Elm Street project (spent to date approximately \$628,000), new computer server and installation (spent to date approximately \$18,000), and the Town Welcome sign and installation (spent to date approximately \$5,000).

Other major capital asset activity during the current fiscal year included:

- Improvements to roads and sidewalks totaling approximately \$103,000.
- Public Works capital outlays include the purchase of a Bobcat Mower totaling approximately \$9,000.
- Parks and recreation capital outlays include the purchase of new playground equipment at the cost of approximately \$211,000; the purchase of solar panels for the electric for the community park building totaling approximately \$46,000; and purchase of land adjacent to the Lower Ferry Park totaling approximately \$98,000.
- Other water and sewer proprietary fund capital outlays of approximately \$76,000 consisting primarily of expenditures for the waste water treatment plant.

Capital assets consisted of the following (\$,000 omitted):

	June 30, 2016			June 30, 2015		
	Gov- mental	Busi- ness Type	Total	Gov- mental	Busi- ness Type	Total
Capital Assets, at Cost	\$ 14,414	\$ 43,890	\$ 58,304	\$ 13,086	\$ 43,816	\$ 56,902
Less: Accum. Depreciation	4,619	12,651	17,270	4,276	11,700	15,976
Net Capital Assets	<u>\$ 9,795</u>	<u>\$ 31,239</u>	<u>\$ 41,034</u>	<u>\$ 8,810</u>	<u>\$ 32,116</u>	<u>\$ 40,926</u>

Additional information on the Town’s capital assets can be found in Note 3 in the notes to the financial statements.

DEBT ADMINISTRATION (See Pages 49)

At the end of the current fiscal year the Town had total long-term debt of \$13.8 million (\$14.5 million at June 30, 2015) of which approximately \$857,000 is due within one year and the remaining \$13.0 million is due in subsequent years. Most of the debt (\$13.5 million) was related to business-type activities while the approximate remaining \$317,000 was related to governmental activities.

Of the \$13.5 million debt related to business activities, \$8.8 million was for the Perryville Water Treatment Plant and Water Distribution System Improvements Project (“the Project”). The Project consisted of improvements to the Town’s drinking water system including (i) the construction of a new 1.0 mgd plant with membrane filtration to replace the existing 0.75 mgd water treatment plant, (ii) construction of a raw water pumping station and transmission main to replace the existing facilities, (iii) construction of a 1.0 million gallon elevated water storage tank and associated water transmission main, and (iv) related architectural, financial, legal, planning and engineering expenses. The new plant and water storage tank went online in early 2009. The Project was financed through the State of Maryland, Water Quality Financing Administration, Drinking Water Revolving Loan Fund (DWRLF). The final principal amount on the loan was \$11.5 million with an additional \$1.9 million disbursed to the Town as loan forgiveness for a total financing package of \$13.4 million.

Of the remaining \$4.7 million in debt related to business activities, \$4.2 million is allocated for the Perryville Waste Water Treatment Plant Upgrade project. Construction on the project is complete. The facility currently serves the approximately 4,400 residents of Perryville as well as the neighboring Perry Point Veterans Medical Hospital. This is a Water Quality Revolving Loan Fund and a BNR/ENR Grant project, which contributes to the health of the Chesapeake Bay by reducing the nutrient loading to the bay. The project is funded as follows: for each dollar, 46.52% is Water Quality Revolving Loan Fund share, 24.03% is BNR (Biological Nutrient Removal) Grant, and the remaining 29.45% is Bay Restoration ENR (Enhanced Nutrient Removal) Grant share. The Town received approximately \$7 million in grant funding to complete this project.

The Town's total debt decreased by approximately \$713,000 during the fiscal year, primarily due to principal pay down.

Additional information on the Town's long-term debt can be found in Note 4 in the notes to the financial statements.

GENERAL FUND BUDGETARY HIGHLIGHTS (See Page 60)

The Town amended its General Fund budget several times during the fiscal year. Total estimated revenues and expenditures were adjusted upward for approximately \$168,000 (primarily for increase in anticipated Local Impact and other grant funding) and \$1.7 million (primarily for increases in anticipated capital expenditures).

During the fiscal year, total actual revenues on a budgetary basis were approximately \$44,000 more than the final amended budget. Additional differences between the final amended budget and actual revenues were due mainly to the recognition of Intergovernmental - State revenues received that was 35% less than budgeted due mainly to the delay in projects, so grant money was not available in FY 2016 (approximately \$160,000); and miscellaneous revenues were \$41,000 more than the final amended budget mainly to the sale of surplus assets through Municibid.

Actual expenditures on a budgetary basis were approximately \$2.2 million (or 31%) less than the final amended budget. The primary reason budgeted expenditures were less than actual was due mainly to timing of expenditures for capital outlay projects not completed by fiscal year end which include the concept and design work for police station, town hall, Trego field and other facilities costs, and road and street improvement projects, and limited use of budgeted contingencies and reserves.

ECONOMIC FACTORS AND NEXT YEARS BUDGET

General Fund

The primary source of operating revenue for the General Fund of the Town of Perryville has historically been real and personal property tax revenues. For Fiscal Year (FY) 2017, the Mayor and Commissioners decreased the real property tax rate to \$0.3097 / \$100, which is the 6th decrease in 8 years. Perryville expects to receive \$1,401,517 in net real

estate tax revenues for FY 2017, which, combined with \$1,635,150 anticipated in Personal Property Tax revenues, amounts to approximately 62% of the FY 2017 General Fund Operating Budget.

As the municipality in Cecil County with a Video Lottery Terminal (V.L.T.) / Slots facility, Perryville is receiving Local Impact Grants. The Local Impact Grant Funds are intended, by the State of Maryland legislation, to mitigate the impacts of casino operations on the surrounding community, which for Perryville the funds are meant to mitigate the impacts of Hollywood Casino Perryville on the Town of Perryville. In 2011, Cecil County and the Town of Perryville entered into a 15-year agreement to split the Video Lottery Terminal Local Impact Grant Revenue with 65% of the revenue going to Cecil County and 35% going to the Town of Perryville. Assuming the casino remains an open and viable business entity in Perryville, the Town expects to receive this revenue stream, with the amount varying based upon actual casino earnings, for the next ten (10) years after which time the agreed upon split of funds with Cecil County will be re-negotiated.

Prior to the Baltimore Horseshoe Casino opening in August 2016, 18% of the V.L.T. Local Impact Grant Funds were allocated to Baltimore City via the Pimlico Community Development Authority and to Prince George's County for the community surrounding Rosecroft. Once Horseshoe Casino opened, 100% of the V.L.T. Local Impact Grant Funds are now being distributed to the local jurisdictions where the casinos are located. However, none of the revenues from the table games are presently included in the Local Impact Grant Funds. Once MGM National Harbor Casino in Prince George's County opens; 5% of the revenues from table games will go toward Local Impact Grant Funds. MGM is expected to open in December 2016. Perryville projects that its share of Local Impact Grant Funds will increase by approximately \$14,000 per month. Per legislation, another result of the Prince George's County casino opening is that Perryville will receive an annual distribution of \$70,000.

In order to remain an open and viable business, Hollywood Casino Perryville does what it can to expand its offerings. Visitors and patrons of the casino can expect to find V.L.T. machines, table games, food and entertainment; further, in October of 2016 the State approved a license for the Maryland Jockey Club to operate an off-track betting simulcast facility at Hollywood Casino.

During Fiscal Year 2016, the Town of Perryville received approximately \$1,264,000 in Local Impact Grant Funds from the operations of Hollywood Casino Perryville. Assuming VLT revenues remain constant, Perryville expects to receive an additional \$154,000 in Fiscal Year 2017 and \$238,000 annually thereafter due to the additional revenue from table games and the annual distribution mentioned above. These funds are used as required by law for the following purposes: Infrastructure Improvements, Facilities, Public Safety, Sanitation, Economic and Community Development (including housing), and Other Public Services and Improvements. Local Impact Grant Funds can, and are, used in both the Governmental and Business-Type Funds of the Town. Perryville's original Local Impact Budget covering Fiscal Years 2015 – 2017 is available online at <http://www.perryvillemd.org/finance> or by calling the Town's finance office.

During Fiscal Year 2017, Perryville will prepare the next triennial budget for the Local Impact Grant Funds.

Historically counties and towns received from the state 30% of the revenues generated by state taxes on gasoline and vehicle registrations, known as Highway User Revenues (HUR). The HUR revenue Perryville receives is used primarily for repairs, maintenance and improvements to town-owned roads. Due to state budget cuts, beginning in 2009 this source of shared revenue has been significantly cut. While still considerably lower than pre-2009 levels, the State has restored some of the HUR funding. In FY 2016, Perryville received approximately \$131,950 in HUR, and in FY 2017 the Town expects to receive \$137,377. The FY 2017 Perryville budget for roads and streets is significant and it includes \$55,000 for repairs, and \$165,000 in capital improvements (excluding Elm Street, which has been completed at a total cost of approximately \$632,000). The next major roads project expected to be done is Otsego Street, which is still in the early stages of design. In addition to Highway User Revenues, the FY 2017 Budget includes Local Income Taxes and State Aid for Police Protection funds from the state.

County shared revenues are received by the town as a set-off to avoid double-taxation for services that the town provides to residents. These services include police protection, road and street maintenance, sanitation and waste collection and parks. County shared revenues that are included in the FY 2017 Budget include tax rebate, refuse rebates and bank shares. In May of 2011 the County voted to phase out refuse rebates over the course of 10 years, so each year the amount received will be reduced in the town's budget until that source is extinguished. The FY 2017 Budget includes \$10,328 in refuse rebates, as compared to the prior year amount of \$12,393.

As a result of a Supreme Court decision in the Comptroller v Wynne case, Maryland municipalities will be required to pay back a portion of local income tax received from Maryland residents that earned income out of the state, but still paid the County "piggyback" tax on that income. Municipalities are affected by the Supreme Court decision because they receive 17% of the County "piggyback" tax. This will not impact FY 2017 directly as the refunds will begin in 2019, however, it is something that the town will need to consider during the budget process. Perryville's portion of is expected to be minimal.

When revenue is cut, whether that is income taxes, state-shared revenue, such as HUR or County shared revenue, such as Refuse Rebate, the Town must make up the difference through other means, so the Town monitors and adjusts its budget as needed to ensure a balanced budget each year.

As a further protective measure to ensure financial stability, Perryville established a Fund-Balance Policy in 2014, as recommended by Governmental Accounting Standards Board (GASB) Statement 54. The purpose of the Fund Balance Policy [Resolution 2014-05] is "to provide guidelines during the preparation and execution of the annual budget to ensure that sufficient reserves are maintained for unanticipated expenditures or revenue shortfalls. It also is intended to preserve flexibility throughout the fiscal year to make adjustments in funding for programs approved in connection with the annual budget."

The minimum unassigned General Fund balance is required to be not less than 50% and not more than 75% of the subsequent year's budgeted General Fund expenditures and outgoing transfers. The minimum unassigned Proprietary Fund balance range is 35 – 50%. The General Fund required minimum balances are higher due to its reliance on outside revenue sources, such as Local Impact Grants and state/county shared revenues. Currently, the Water Fund unrestricted fund balance is at approximately 31% of the Fiscal Year 2017 budgeted expenditures and outgoing transfers, or 4% below the required minimum balance. As per the policy, Perryville needs to develop a plan to replenish the unrestricted fund balance for the water fund within three (3) to five (5) years. We anticipate doing this during the budget process for the Fiscal Year 2018 budget. The General Fund and Sewer Fund unrestricted fund balances are well within the requirements established by the policy.

Of significant importance this year, Phase I Municipal Complex improvements are under construction. As a bit of history, the Town of Perryville has long been planning major changes to the Municipal Complex, where Town Hall and the Police Station are located, and where the public works department was once located. In 2003, Perryville entered into an agreement with CDG Architects and Planners to evaluate and propose improvements to the existing Town Hall building. Upon receiving the results of the evaluation, the Board at that time chose not to pursue improvements to the existing building, in part because the building would not be fully ADA accessible, there were some structural concerns voiced by Board members and the building would still be very close to the railroad tracks, which would be a concern when that freight line is expanded. The first step in the process was to build a new public works building and remove the old building. The new public works building was completed in 2011 and the old building removed shortly thereafter. The second step was to build a proper Police Station. The building that the police have been in for the past 11 years was only intended to be a temporary building when the Town police force was re-started. While going through the site design process for the police department, the Town was informed that a new stormwater outfall for the entire site needed to be designed and constructed (construction concurrent with Phase I construction). The Phase I construction including the Police Station, the site work and the stormwater outfall is underway. The Town entered into an agreement with North Point Builders to construct the Phase I improvements. The entire Phase I costs are expected to amount to approximately \$5.0 million. The Town has been putting money into reserve for facility improvements, some of which is from the Local Impact Grant Funds. However, in order to keep a healthy reserve, the Town took out a loan on the General Fund. The Community Development Administration (CDA) loan for approximately half of the costs to complete Phase I of the project was finalized in August 2016 for \$2.5 million; the loan has a 15-year payback at a cost of approximately \$200,000 per year. Phase I construction is expected to be complete by late summer 2017. Phase II of the project is to rebuild Trego Field and the associated amenities and Phase III is the construction of a new Town Hall. A purchase order was just issued to start the needs assessment for the Town Hall building.

Other notable FY 2017 Budgeted General Fund projects and programs include the following:

- The Town intends to purchase two (2) replacement Police vehicles.

- Funds have been set aside for new furniture for the new Police Station being constructed.
- Perryville received notice that the Governor's Office of Crime Control and Prevention (GOCCP) will not be providing funding for the Outreach Program this year due to a change in the grant criteria. However, the Town has opted to continue full funding of the program. The total cost to run the program is approximately \$177,000 and of that amount, \$45,000 comes from Local Impact Grant Funds.
- Two (2) replacement vehicles are scheduled to be purchased for the Public Works department.
- Restorations to historic Rodgers Tavern continues with \$20,000 set aside for museum equipment. There is also funding set aside in a restricted account to cover some of the restoration costs, with the funding source being Local Impact Grants. In recent years, the building received a new roof, electrical system, HVAC system, windows, interior plaster repair, connection to the Town's wastewater system, stone repointing and lintel repair. For the most part, the restoration is complete, except that work still needs to be completed on the porches. Work on establishing a museum in the tavern is underway. The town has a contractual curator and a volunteer committee diligently working on cataloging and organizing artifacts and other museum objects for display. The Town is also planning for a café to open in the lower level (tavern level) of Rodgers Tavern. To date, the Rodgers Tavern restorations have been funded primarily by grants with some matching funds provided by the Town, and Local Impact Grants, as mentioned above
- There is \$165,000 set aside in the FY 2017 budget for Capital Outlay -Roads and Sidewalks (excluding funds for Elm Street, which has now been completed), with an additional \$55,000 in repair money for Roads and Sidewalks. The Town intends to rehabilitate the roads, sidewalks and the storm water system on Otsego Street, though this project is still in the very early stages of design and not expected to be completed during FY 2017. The Elm Street project is completed and final payment is to be made in FY 2017. The total cost of the Elm Street work amounted to approximately \$632,000.
- The Town owns a dam that was once part of a water supply plant. The plant is no longer in operation and has not been for many years. In FY 2012, the General Fund of the Town purchased this property from the Water Fund of the Town. The dam is in need of repair, and funding was included in the FY 2016 budget to address the concerns with the dam. As a result of the evaluation and meetings with regulatory agencies, the decided course of action is to leave the dam in place, and address safety concerns by drilling a hole thus reducing the water level of the reservoir and alleviating pressure on the dam. The work was not completed in FY 2016, but is expected to be completed in FY 2017, and the Mayor and Commissioners just approved a Memorandum of Land Restrictions as required by the Maryland Department of the Environment in order to move forward with getting a permit to do the work. Besides drilling a hole in the dam, the town is planning to remove the pump house and storage tank. The Town anticipates spending \$20,000 on this work. In addition to the work to be done by the Town, a third-party received permission from Perryville to complete a stream restoration

- project at the site as mitigation for work that they are doing elsewhere in Cecil County. The stream restoration is expected to be completed during the spring of 2017, with the cost of approximately \$300,000 for the construction to borne by the third-party.
- Lower Ferry Park construction began during FY 2016. Located at Broad Street and Roundhouse Drive across from Rodgers Tavern, this park is being developed with a band shell, comfort station, a tot-lot, lighting, parking and trails. The total cost of the project is just under \$600,000. The Town has received grants to support this project including \$65,000 from the Maryland Heritage Area Authority (MHAA), and \$125,000 from the Maryland Department of Natural Resources Program Open Space – Community Parks and Playgrounds Program. In addition to the grants, there is \$102,100 in Local Impact Grant funding designated for this project and another \$100,000 being used from reserves that were received as a result of the IKEA annexation several years ago. In addition to the other sources of revenues mentioned, Perryville has contributed approximately \$200,000 from General Fund revenues for this park.
 - The Town contracted with the Singer Group to perform a review of the compensation plan of the Town. The plan presented is being considered by the Board. If adopted, it will affect the General, Water & Sewer Funds of the Town.

Water and Sewer Enterprise Funds

The main source of income for the water and sewer enterprise fund is user fees; however, in some years, connection charges and facilities fees add up to a sizeable amount of income. Effective July 1, 2016, the Town increased user fees, but the connection and facilities fees were not increased. The VA sewer revenue is billed as per the contract between the Town and the VA.

Due to the required improvements to the water and wastewater plants, the water and sewer fund has a significant amount of annual debt service. The annual debt service payment on the water plant and related improvements is approximately \$480,000 and the annual debt service on the wastewater plant is approximately \$400,000. In the FY 2017 budget, Local Impact Grant spending totaling \$570,000 is budgeted towards the debt service payments. Note that the VA is paying its proportionate share of the wastewater treatment plant debt service on the recent plant improvements. In 2014 the Town enacted a three-year water and sewer rate increase of 4% per year, with Fiscal Year 2017 being the final year of increases from that action. Setting proper rates is vital to the financial health of the water and sewer enterprise funds; it is important to ensure that adequate funds are brought in to cover the operations and maintenance costs of the plants, debt service, continued regulatory compliance and to set aside money for future capital improvements. Since the Town is relying on Local Impact Grants to cover a large portion of the debt service, and since the current fiscal year is the last of the approved rate increases; a contract has been issued to conduct a rate study to ensure the future health and financial stability of the water and sewer funds.

In addition to user rates, the town's water fund receives rent from advertising on the Town's water tower and from communications companies [that place their antennas on

the water towers or ground] as a source of revenue. In fiscal year 2017 the town expects to receive \$99,800 in rents. With the closing of the Outlet Center, the \$6,000 annual rent for the advertising logo on the water tower ceases. Perryville also received notice from Cricket Communications (now part of AT&T) that it intends to terminate its lease. This will result in a reduction in rents of approximately \$8,600 per year, though we anticipate receiving a termination fee equivalent to 12-months' rent, so the impact will be felt beginning in FY 2018. On a brighter note, Perryville did enter into an agreement with PEG Bandwidth for a small (16 sq. ft.) lease. This lease will bring in \$1,800 per year. This is clearly not enough to offset the revenue reductions mentioned above, but every bit helps.

Water and Sewer connection fee income and sewer facility fee income is budgeted at \$0 for FY 2017. These two fees are paid when a new user connects to the water and / or wastewater plants, which typically occurs with new development projects. While connection fees were not included in the water and sewer budgets as income, there are still a few development projects that may come to fruition during FY 2017. These projects include starting construction on a small single family housing development located off of Greenway (between the Fairgreen Senior Apartments and Aiken Avenue), a warehouse at MD Route 7 and Coudon Boulevard in the Light Industrial zoning district of the Town, and a convenience store located at MD 222 and Heather Lane. In last year's report, the construction of a MARC Maintenance and Layover Facility was mentioned; however that project has been delayed by the State until at least 2023.

Notable FY 2017 Enterprise Fund budgeted projects include the following:

- Interior cleaning and installation of mixers and aerators at both of the town-owned water storage tanks budgeted at \$80,000, but increased to \$132,062 by budget amendment. Note, that Perryville anticipates that this capital outlay will fix the problem that was causing the TTHM and HAA5 water violations that have been received.
- LED Beacon and Controller at the water storage tank by the casino \$15,000.
- Water meters (for replacement and new construction) \$40,000
- Replacement of the Belt Filter Press at the wastewater plant \$489,050. The belt filter press is part of the sludge management process at the wastewater plant. It is important for Perryville to replace the belt filter press so when it is time to clean-out and replant the reed bed, that there is a means to process sludge instead of paying excessively high fees to transport it off-site. The reed bed was planted in 2010 and will likely need to be cleaned-out and replanted by 2020. Additionally, it is a requirement of the Maryland Department of the Environment to have redundancy in sludge management processes at the wastewater plant.
- Replacing fabric on the disc filters \$30,000
- Compost pad cleaning equipment \$40,000
- Sewer main improvements \$40,000
- Front Street pump station alarm / SCADA system \$8,000

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Town Administrator, Town of Perryville, 515 Broad Street, P.O. Box 773, Perryville, MD 21903.

BASIC FINANCIAL STATEMENTS

TOWN OF PERRYVILLE, MARYLAND

STATEMENT OF NET POSITION

JUNE 30, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT ASSETS			
Pooled Cash and Cash Equivalents			
Unrestricted	\$ 4,189,556	\$ 211,183	\$ 4,400,739
Restricted	1,758,954	898	1,759,852
Non-Pooled Cash and Cash Equivalents			
Unrestricted	2,010,407	1,343,751	3,354,158
Restricted	-	61,739	61,739
Accounts Receivable	15,181	149,433	164,614
Taxes Receivable	32,430	-	32,430
Local Impact Grant Receivable	82,989	129,803	212,792
Due from Other Governments	138,686	-	138,686
Unbilled Services	-	478,225	478,225
Internal Balances	(86,929)	86,929	-
Prepaid Expenses and Deposits	20,588	-	20,588
TOTAL CURRENT ASSETS	8,161,862	2,461,961	10,623,823
NON-CURRENT ASSETS			
Certificate of Deposit	2,530,832	-	2,530,832
Property and Equipment			
Construction in Progress	1,288,589	20,000	1,308,589
Land and Land Rights	2,565,808	20,822	2,586,630
Buildings and Improvements	2,286,216	40,397,633	42,683,849
Equipment	1,136,986	1,315,391	2,452,377
Infrastructure	6,483,357	2,062,957	8,546,314
Vehicles	652,704	73,669	726,373
	14,413,660	43,890,472	58,304,132
Less: Accumulated Depreciation	4,618,931	12,650,749	17,269,680
Net Property and Equipment	9,794,729	31,239,723	41,034,452
TOTAL NON-CURRENT ASSETS	12,325,561	31,239,723	43,565,284
TOTAL ASSETS	20,487,423	33,701,684	54,189,107
DEFERRED OUTFLOWS OF RESOURCES	-	-	-

See Accompanying Notes

TOWN OF PERRYVILLE, MARYLAND

STATEMENT OF NET POSITION

JUNE 30, 2016

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable and Accrued Expenses	184,132	44,162	228,294
Accrued Payroll and Related Benefits	22,498	10,737	33,235
Accrued Interest Payable	1,062	75,310	76,372
Unearned Revenues	63,241	200	63,441
Current Portion of Bonds and Loans Payable	15,000	773,193	788,193
Payable from Restricted Assets			
Accounts Payable and Accrued Expenses	1,905	-	1,905
Accrued Payroll and Related Benefits	95	898	993
Due to Other Governments	-	61,739	61,739
TOTAL CURRENT LIABILITIES	287,933	966,239	1,254,172
NON-CURRENT LIABILITIES			
Accrued Compensated Absences	103,285	58,563	161,848
Accrued Other Postemployment Benefits	58,778	24,438	83,216
Bonds and Loans Payable	130,000	12,677,334	12,807,334
TOTAL NON-CURRENT LIABILITIES	292,063	12,760,335	13,052,398
TOTAL LIABILITIES	579,996	13,726,574	14,306,570
DEFERRED INFLOWS OF RESOURCES	-	-	-
NET POSITION			
Net Investment in Capital Assets	9,580,738	17,789,196	27,369,934
Restricted	1,756,954	-	1,756,954
Unrestricted	8,569,735	2,185,914	10,755,649
TOTAL NET POSITION	\$ 19,907,427	\$ 19,975,110	\$ 39,882,537

See Accompanying Notes

TOWN OF PERRYVILLE, MARYLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT							
Governmental Activities							
General Government	\$ 854,765	\$ 260	\$ -	\$ -	\$ (854,505)	\$ -	\$ (854,505)
Planning and Zoning	260,084	23,406	-	-	(236,678)	-	(236,678)
Public Safety	1,477,859	-	171,256	-	(1,306,603)	-	(1,306,603)
Public Works	932,844	682	171,358	-	(760,804)	-	(760,804)
Parks and Recreation	464,837	21,213	490	1,500	(441,634)	-	(441,634)
Interest on Long-term Debt	6,514	-	-	-	(6,514)	-	(6,514)
Total Governmental Activities	3,996,903	45,561	343,104	1,500	(3,606,738)	-	(3,606,738)
Business-Type Activities							
Water Services	1,202,915	990,487	563	-	-	(211,865)	(211,865)
Sewer Services	1,614,727	992,509	563	125,763	-	(495,892)	(495,892)
Total Business-Type Activities	2,817,642	1,982,996	1,126	125,763	-	(707,757)	(707,757)
TOTAL PRIMARY GOVERNMENT	\$ 6,814,545	\$ 2,028,557	\$ 344,230	\$ 127,263	(3,606,738)	(707,757)	(4,314,495)
GENERAL REVENUES							
Taxes							
Real Estate Taxes					1,398,465	-	1,398,465
Personal Property Taxes					1,671,266	-	1,671,266
Earned Income and Other Taxes					430,133	-	430,133
Grants, Contributions, and Franchise Fees Not Restricted to Specific Programs							
Interest Income and Rents					678,889	771,138	1,450,027
Miscellaneous					30,443	4,703	35,146
					41,007	-	41,007
TOTAL GENERAL REVENUES					4,250,203	775,841	5,026,044
CHANGES IN NET POSITION							
Net Position - Beginning of Year					643,465	68,084	711,549
					19,263,962	19,907,026	39,170,988
NET POSITION - END OF YEAR					\$ 19,907,427	\$ 19,975,110	\$ 39,882,537

See Accompanying Notes

TOWN OF PERRYVILLE, MARYLAND
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Non-Major Governmental Fund	Total Governmental Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
ASSETS			
Pooled Cash and Cash Equivalents			
Unrestricted	\$ 4,189,556	\$ -	\$ 4,189,556
Restricted	1,758,954		1,758,954
Non-Pooled Cash and Cash Equivalents			
Unrestricted	2,010,407	-	2,010,407
Certificate of Deposit	2,530,832	-	2,530,832
Accounts Receivable	15,181	-	15,181
Taxes Receivable	32,430	-	32,430
Local Impact Grant Receivable	82,989	-	82,989
Due from Other Governments	138,686	-	138,686
Due from Other Funds	-	3,839	3,839
Prepaid Expenses and Deposits	20,588	-	20,588
TOTAL ASSETS	10,779,623	3,839	10,783,462
 DEFERRED OUTFLOWS OF RESOURCES			
	-	-	-
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 10,779,623	\$ 3,839	\$ 10,783,462

See Accompanying Notes

TOWN OF PERRYVILLE, MARYLAND
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Non-Major Governmental Fund	Total Governmental Funds
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable and Accrued Expenses	\$ 115,141	\$ -	\$ 115,141
Accrued Payroll and Related Benefits	22,498	-	22,498
Accrued Interest Payable	1,062	-	1,062
Due to Other Funds	90,768	-	90,768
Unearned Revenues	59,402	3,839	63,241
Payable from Restricted Assets			
Accounts Payable and Accrued Expenses	1,905	-	1,905
Accrued Payroll and Related Benefits	95	-	95
TOTAL LIABILITIES	290,871	3,839	294,710
DEFERRED INFLOWS OF RESOURCES			
	-	-	-
FUND BALANCES			
Nonspendable	20,588	-	20,588
Restricted	1,756,954	-	1,756,954
Assigned	2,165,997	-	2,165,997
Unassigned	6,545,213	-	6,545,213
TOTAL FUND BALANCES	10,488,752	-	10,488,752
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 10,779,623	\$ 3,839	\$ 10,783,462

See Accompanying Notes

TOWN OF PERRYVILLE, MARYLAND
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 10,488,752
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not available financial resources and, therefore, are not reported in the fund financial statements.</p>	9,794,729
<p>Long-term accrued compensated absences and accrued other postemployment benefits are not payable in the current period and, therefore, are reported as wages in the period during which the absence or benefit occurs in the fund financial statements.</p>	(162,063)
<p>Long-term liabilities, including both current and non-current portions of bonds and loans payable, are not due and payable in the current period and, therefore, are not reported in the fund financial statements.</p>	(213,991)
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 19,907,427</u>

TOWN OF PERRYVILLE, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Non-Major Governmental Fund	Total Governmental Funds
REVENUES			
Taxes			
Local Property Taxes	\$ 3,082,021	\$ -	\$ 3,082,021
Local Income and Other Taxes	396,741	-	396,741
Licenses and Permits	72,263	-	72,263
Intergovernmental			
Federal	27,014	-	27,014
State	293,611	-	293,611
County - Local Impact Grant	493,025	-	493,025
County - Other	183,117	-	183,117
Charges for Services	26,421	-	26,421
Fines and Forfeitures	3,397	-	3,397
Interest Income	30,443	-	30,443
Miscellaneous	44,605	-	44,605
TOTAL REVENUES	4,652,658	-	4,652,658
EXPENDITURES			
General Government	796,158	-	796,158
Planning and Zoning	258,143	-	258,143
Public Safety			
Police	1,349,192	-	1,349,192
Volunteer Fire Company	32,512	-	32,512
Public Works			
Highways and Streets	528,976	-	528,976
Solid Waste Collection	260,669	-	260,669
Parks and Recreation	226,374	-	226,374
Debt Service			
Principal	15,000	-	15,000
Interest	6,514	-	6,514
Capital Outlays	1,420,390	-	1,420,390
TOTAL EXPENDITURES	4,893,928	-	4,893,928
NET CHANGES IN FUND BALANCES	(241,270)	-	(241,270)
Fund Balances - Beginning of Year	10,730,022	-	10,730,022
FUND BALANCES - END OF YEAR	\$ 10,488,752	\$ -	\$ 10,488,752

See Accompanying Notes

TOWN OF PERRYVILLE, MARYLAND
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ (241,270)**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.

Add: Capital Outlays	1,420,390
Less: Depreciation Expense	(497,464)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and trade-ins) is to decrease net position.	(6,953)
--	---------

Repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	15,000
---	--------

Property tax and related revenues in the statement of activities that do not provide current financial resources and, therefore, are not reported as revenues in the governmental funds.	(12,291)
--	----------

In the statement of activities, certain expenses do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These expenses include the change in:

Accrued Compensated Absences	(15,702)
Accrued Other Postemployment Benefits	(18,245)

CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>643,465</u>
---	--------------------------

TOWN OF PERRYVILLE, MARYLAND
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2016

	Water Fund	Sewer Fund	Total Proprietary Funds
ASSETS			
CURRENT ASSETS			
Pooled Cash and Cash Equivalents			
Unrestricted	\$ 116,644	\$ 94,539	\$ 211,183
Restricted	330	568	898
Non-Pooled Cash and Cash Equivalents			
Unrestricted	31,131	1,312,620	1,343,751
Restricted	-	61,739	61,739
Accounts Receivable	74,457	74,976	149,433
Local Impact Grant Receivable	48,942	80,861	129,803
Unbilled Services	215,496	262,729	478,225
Due from Other Funds	67,852	19,077	86,929
TOTAL CURRENT ASSETS	554,852	1,907,109	2,461,961
NON-CURRENT ASSETS			
Property and Equipment			
Construction in Progress	-	20,000	20,000
Land and Land Rights	16,647	4,175	20,822
Buildings and Improvements	15,421,526	24,976,107	40,397,633
Equipment	442,589	872,802	1,315,391
Infrastructure	1,348,034	714,923	2,062,957
Vehicles	18,277	55,392	73,669
	17,247,073	26,643,399	43,890,472
Less: Accumulated Depreciation	3,625,433	9,025,316	12,650,749
Net Property and Equipment	13,621,640	17,618,083	31,239,723
TOTAL NON-CURRENT ASSETS	13,621,640	17,618,083	31,239,723
TOTAL ASSETS	14,176,492	19,525,192	33,701,684
DEFERRED OUTFLOWS OF RESOURCES	-	-	-

See Accompanying Notes

TOWN OF PERRYVILLE, MARYLAND
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2016

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable and Accrued Expenses	15,793	28,369	44,162
Accrued Payroll and Related Benefits	5,409	5,328	10,737
Accrued Interest Payable	34,431	40,879	75,310
Unearned Revenues	200	-	200
Current Portion of Bonds and Loans Payable	435,463	337,730	773,193
Payable from Restricted Assets			
Accrued Payroll and Related Benefits	330	568	898
Due to Other Governments	-	61,739	61,739
TOTAL CURRENT LIABILITIES	<u>491,626</u>	<u>474,613</u>	<u>966,239</u>
NON-CURRENT LIABILITIES			
Accrued Compensated Absences	30,900	27,663	58,563
Accrued Other Postemployment Benefits	12,037	12,401	24,438
Bonds and Loans Payable	8,514,745	4,162,589	12,677,334
TOTAL NON-CURRENT LIABILITIES	<u>8,557,682</u>	<u>4,202,653</u>	<u>12,760,335</u>
TOTAL LIABILITIES	<u>9,049,308</u>	<u>4,677,266</u>	<u>13,726,574</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Net Investment in Capital Assets	4,671,432	13,117,764	17,789,196
Unrestricted	455,752	1,730,162	2,185,914
TOTAL NET POSITION	<u>\$ 5,127,184</u>	<u>\$ 14,847,926</u>	<u>\$ 19,975,110</u>

See Accompanying Notes

TOWN OF PERRYVILLE, MARYLAND
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Water Fund	Sewer Fund	Total Proprietary Funds
OPERATING REVENUES			
Charges for Services	\$ 883,886	\$ 980,802	\$ 1,864,688
Reading and Related Fees	5,011	11,707	16,718
TOTAL OPERATING REVENUES	888,897	992,509	1,881,406
OPERATING EXPENSES			
Contracted Services	8,274	12,049	20,323
Depreciation	388,746	582,810	971,556
Insurance	21,981	31,787	53,768
Other Administrative Expenses	24,476	50,779	75,255
Payroll Taxes and Fringe Benefits	109,790	125,899	235,689
Repairs and Maintenance	111,222	100,544	211,766
Salaries and Wages	362,048	372,863	734,911
Supplies and Materials	21,610	67,735	89,345
Utilities	86,118	187,626	273,744
TOTAL OPERATING EXPENSES	1,134,265	1,532,092	2,666,357
OPERATING LOSS	(245,368)	(539,583)	(784,951)
NON-OPERATING REVENUES			
(EXPENSES)			
Gain on Disposal of Assets	-	735	735
Interest Income	432	4,271	4,703
Rental Income	101,590	-	101,590
Interest Expense	(68,650)	(83,370)	(152,020)
TOTAL NON-OPERATING REVENUES			
(EXPENSES)	33,372	(78,364)	(44,992)
NET LOSS BEFORE			
CAPITAL CONTRIBUTIONS	(211,996)	(617,947)	(829,943)
Capital Contributions - Local Income Grant	290,758	480,380	771,138
Capital Contributions - Other	563	126,326	126,889
CHANGES IN NET POSITION	79,325	(11,241)	68,084
Net Position - Beginning of Year	5,047,859	14,859,167	19,907,026
NET POSITION - END OF YEAR	\$ 5,127,184	\$ 14,847,926	\$ 19,975,110

See Accompanying Notes

TOWN OF PERRYVILLE, MARYLAND
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Water Fund	Sewer Fund	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Inflows			
Cash Received From Customers	\$ 884,131	\$ 976,105	\$ 1,860,236
Outflows			
Cash Paid to Suppliers	294,797	456,562	751,359
Cash Paid to Employees	472,236	512,367	984,603
	767,033	968,929	1,735,962
NET CASH PROVIDED BY OPERATING ACTIVITIES	117,098	7,176	124,274
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Inflows			
Other Revenues	101,590	-	101,590
Outflows			
Net Cash Paid to Other Funds	92,951	32,754	125,705
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	8,639	(32,754)	(24,115)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Inflows			
Capital Contributions and Grants	295,836	581,529	877,365
Proceeds from Sale of Capital Assets	-	810	810
	295,836	582,339	878,175
Outflows			
Interest Paid	68,650	83,370	152,020
Purchase of Capital Assets	15,000	80,581	95,581
Payments on Long-Term Debt	432,457	332,810	765,267
	516,107	496,761	1,012,868
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(220,271)	85,578	(134,693)

See Accompanying Notes

TOWN OF PERRYVILLE, MARYLAND
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Water Fund	Sewer Fund	Total Proprietary Funds
CASH FLOWS FROM INVESTING ACTIVITIES			
Inflows			
Interest Received	432	4,271	4,703
NET CASH PROVIDED BY INVESTING ACTIVITIES	432	4,271	4,703
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(94,102)	64,271	(29,831)
Cash and Cash Equivalents - Beginning of Year	242,207	1,405,195	1,647,402
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 148,105	\$ 1,469,466	\$ 1,617,571
 RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION			
CURRENT ASSETS			
Pooled Cash and Cash Equivalents			
Unrestricted	\$ 116,644	\$ 94,539	\$ 211,183
Restricted	330	568	898
Non-Pooled Cash and Cash Equivalents			
Unrestricted	31,131	1,312,620	1,343,751
Restricted	-	61,739	61,739
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 148,105	\$ 1,469,466	\$ 1,617,571

See Accompanying Notes

TOWN OF PERRYVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Reporting Entity

The Town of Perryville, Maryland (the “Town”) was incorporated in 1882 and adopted its present charter February 6, 1990, as amended. The Town operates under a Mayor - Commissioner supervised form of government and provides the following services as authorized by its charter: general administrative, public safety and enforcement, streets, recreation and parks, planning and zoning, water services, and sewer and sanitation services.

The Town’s financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The basis for determining component units is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, and the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no separate component units of the Town.

New Accounting Pronouncements Adopted

The following summarizes GASB Statements implemented by the Town during the year ended June 30, 2016 and the relating effects on the financial statements presentation and disclosure, as applicable:

GASB Statement No. 72, Fair Value Measurement and Application - The objective of this statement is provide guidance for determining fair value measurements for financial reporting purposes, and guidance for applying fair value to certain investments, disclosures related to all fair value measurements. The provisions of this statement were effective for periods beginning after June 15, 2015, and were implemented by the Town as of July 1, 2015 with no effect on financial statements presentation or disclosure.

TOWN OF PERRYVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68* - The objective of this statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The provisions of this statement were effective for periods beginning after June 15, 2015, and were implemented by the Town as of July 1, 2015 with no effect on financial statements presentation or disclosure.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* - The objective of this statement is to identify - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP) to improve financial reporting and usefulness of financial statement information. The provisions of this statement were effective for periods beginning after June 15, 2015, and were implemented by the Town as of July 1, 2015 with no effect on financial statements presentation or disclosure.

GASB Statement No. 77, *Tax Abatement Disclosures* - The objective of this statement is to improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public concerning nature and magnitude of tax abatements. The provisions of this statement were effective for periods beginning after December 15, 2015, and were early implemented by the Town as of July 1, 2015, and reflected on the financial statements disclosures, as further disclosed in Note 8.

GASB Statement No. 78, *Pensions Provided through Certain Multi-Employer Defined Benefit Pension Plans* - The objective of this statement is to address a practice issue regarding the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The provisions of this statement are effective for periods beginning after December 15, 2015, and were early implemented by the Town as of July 1, 2015 with no effect on financial statements presentation or disclosure.

GASB Statement No. 79, *Certain Investment Pools and Pool Participants* - The objective of this statement is to improve accounting and financial reporting for external investment pools and their participants resulting from changes in the regulatory provisions significantly amended in 2014 by the Securities and Exchange Commission, particularly those in relation to the Investment Company Act of 1940, Rule 2a7. The provisions of this statement are effective for periods beginning after December 15, 2015, and were early implemented by the Town as of July 1, 2015 with no effect on financial statements presentation or disclosure.

TOWN OF PERRYVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

GASB Statement No. 80, *Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14* - The objective of this statement is to improve accounting and financial reporting by clarifying the financial statement presentation requirements for certain component units, specifically blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The provisions of this statement are effective for periods beginning after June 15, 2016, and were early implemented by the Town as of July 1, 2015, with no effect on financial statements presentation or disclosure.

GASB Statement No. 81, *Irrevocable Split Interest Agreements* - The objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance when the government is a beneficiary of the agreement. The provisions of this Statement are effective for periods beginning after December 15, 2016, and was early implemented by the Town as of July 1, 2015, with no effect on financial statements presentation or disclosure.

GASB Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73* - The objective of this statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The provisions of this Statement are effective for periods beginning after June 15, 2016, and was early implemented by the Town as of July 1, 2015, with no effect on financial statements presentation or disclosure.

Basic Financial Statements - Government-Wide Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund (reporting the Town's major funds) financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's general administrative, planning and zoning, public safety, public works, and parks and recreation are classified as governmental activities. The Town's water and sewer services are classified as business-type activities.

In the government-wide statement of net position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full-accrual, economic-resource basis, which recognizes all long-term assets, receivables, and deferred outflows of resources as well as long-term debt and obligation and deferred inflows of resources. The Town's net position is reported in three parts - net investment in capital assets; restricted net position; and unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities.

TOWN OF PERRYVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

The government-wide statement of activities reports both the gross and net cost per functional category (public works, recreation and parks, etc.), which are otherwise being supported by general government revenues (property taxes, certain intergovernmental revenues, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues and operating and capital grants and contributions. The program revenues must be directly associated with the function or business-type activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other general revenues not restricted to specific program functions are reported instead as general revenues.

The net costs (by function or program) are normally covered by general revenue (property and income taxes, intergovernmental revenues, interest income, etc.). The Town does not allocate indirect costs.

This government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

Basic Financial Statements - Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The Town utilizes various criteria (percentage of the assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

Governmental Funds

Governmental funds are those through which most governmental functions of the Town are financed. Governmental funds reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets and deferred inflows of resources are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities and deferred outflows of resources are assigned to the fund from which they will be paid.

The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance.

TOWN OF PERRYVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

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

General Fund - The General Fund is the primary operating fund of the Town. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

The following is a description of the Town's Non-Major Governmental Fund:

Forest Conservation Fund - The Forest Conservation Fund accounts for financial resources received and used for the afforestation or reforestation, including site identification, acquisition, and preparation, within the Town in accordance with the Forest Conservation Fund local program.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The accounting principles generally accepted in the United States of America applicable are those similar to businesses in the private sector. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues for the Town's proprietary funds are charges for water services and sewer services. Operating expenses for the Town's proprietary funds include personnel services, contracted services, utilities, supplies and materials, repairs and maintenance, administrative and general, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as non-operating revenues and expenses.

The Town's proprietary funds are all classified as enterprise funds. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. The following is a description of the Town's major enterprise funds:

Water Fund - The Water Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing water services to the general public on a continuing basis are partially financed through user charges.

Sewer Fund - The Sewer Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses,

TOWN OF PERRYVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

including depreciation) of providing sewer services to the general public on a continuing basis are partially financed through user charges.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual - Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligible requirements imposed by the provider have been met.

Modified Accrual - The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

In applying the "susceptible to accrual" concept to intergovernmental revenues, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met should, under most circumstances, be reported as advances by the provider and as unearned revenues or deferred outflows of resources by the recipient.

Cash and Cash Equivalents

For purposes of the statement of cash flows, all highly liquid investments, with an initial maturity of three months or less, are considered to be cash equivalents. The carrying amount approximates estimated fair value because of the short maturity of those instruments.

Unbilled Services

Unbilled customer service receivables for water consumption and related sewer charges are based upon the actual quantity of water used during the current year, but not billed until next fiscal year.

TOWN OF PERRYVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

Capital Assets and Depreciation

Capital assets used in governmental fund type operations are accounted for in the government-wide financial statements, rather than in governmental funds.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Capital assets are capitalized by the Town if they have a value of \$5,000 or more for a single item, or \$10,000 or more for like items purchased as a group, with an estimated useful life in excess of one year. Capital assets are depreciated using the straight-line, full-year method over the following estimated useful lives:

Buildings and Improvements	20 - 50 years
Infrastructure	50 years
Machinery, Equipment, and Vehicles	5 - 20 years
Water and Sewer Improvements	10 - 50 years
Water and Sewer Plants, Lines, and Tanks	50 years

Government-Wide Statements

In the government-wide financial statements, capital assets used in operations are accounted for as property and equipment. General infrastructure assets acquired prior to July 1, 2003 are not reported in the basic financial statements. All general infrastructure assets, including all roads, bridges, and other infrastructure assets, acquired subsequent to July 1, 2003 are reported at historical cost. The Town has elected not to retroactively report intangible assets, including capital assets identified as having indefinite useful lives or being internally generated, prior to July 1, 2009. All intangible assets acquired subsequent to July 1, 2009 are reported at historical cost.

Depreciation of all exhaustible capital assets is recorded as a direct expense in the statement of activities, with accumulated depreciation reflected in the statement of net position.

Additions are recorded at cost or, if contributed property, at their estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of capital assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

TOWN OF PERRYVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

Capital assets used in proprietary fund operations are accounted for the same as in the government-wide financial statements.

Interfund Activity

Sales of goods and services between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds, and after non-operating revenues/expenses in proprietary funds.

In the fund financial statements, interfund loans and centralized processing balances outstanding are classified as interfund receivables/payables. These amounts are eliminated in the statement of net position, except for amounts due between governmental and business-type activities, which are presented as internal balances.

The Town allocates a percentage of salaries and wages and related costs of personnel who perform general and administrative services to the Water and Sewer Funds but are paid through the General Fund.

Accrued Compensated Absences

The Town permits employees to accumulate unused vacation time to a maximum of 240 hours, earned equally from each pay based on the employee's length of service. Upon termination from employment, an employee will be paid for annual vacation leave accumulated to the date of separation up to 240 hours, plus any accumulated annual leave earned up to the time of termination during the calendar year. Sick leave is permitted to be accrued with no maximum, and at termination, a maximum of 30 days (240 hours) will be paid for any accumulation of time over 120 days (960 hours). Compensatory time is permitted to be accrued to a maximum of 20 hours for Department Heads and 40 hours for the Police Chief, all of which will be paid to employees in full upon termination of employment.

The salary-related payments representing the employer's share of Social Security and Medicare taxes have been accrued. The vested annual leave is expensed as incurred in the appropriate funds.

Deferred and Unearned Revenues

In the governmental funds financial statements, taxes receivable that were not collected within the available period are recorded as deferred revenue in deferred inflows of resources. Revenues under reimbursable grant agreements are recognized in the period in which the qualified expenditures are made. Grant agreement funding received in advance and unexpended as of June 30, 2016 is reported as unearned revenues.

TOWN OF PERRYVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

Net Position and Fund Balances

In the government-wide financial statements and proprietary fund financial statements, net position is classified in the following categories:

Net Investment in Capital Assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce this category.

Restricted Net Position - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This category represents the net position of the Town that is not restricted for any project or other purpose. However, these funds may be constrained for specific projects or purposes in the fund financial statements.

In the fund financial statements, fund balances are classified in the following categories:

Nonspendable Fund Balance - This category represents amounts that are not in spendable form (such as inventory and long-term receivables) or are required to be maintained intact.

Restricted Fund Balance - This category represents amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed Fund Balance - This category represents amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint. For committed fund balance, the Town's highest level of decision-making authority is the Mayor and Commissioners. The formal action that is required to be taken to establish and modify or rescind a fund balance commitment is an ordinance.

Assigned Fund Balance - This category represents amounts a government intends to use for a specific purpose. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. For assigned fund balance, the Mayor and Commissioners are authorized to assign amounts to a specific purpose. The authorization policy is a formal motion.

Unassigned Fund Balance - This category represents amounts that are available for any purpose.

TOWN OF PERRYVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

For the classification of fund balances, the Town considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balance, the Town considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classification could be used. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

The Town has a policy in place for maintaining minimum unrestricted fund balance/net position amounts as follows:

General Fund - A minimum of 50% to not more than 75% of the subsequent year's budgeted General Fund expenditures and outgoing transfers is to be maintained, and requires a developed plan to replenish shortfalls within three to five years. Any amounts in excess of 75% will be considered surplus balances for one-time, non-recurring expenses.

Proprietary Funds - A minimum of 35% to not more than 50% of the respective subsequent year's budgeted for each Propriety Funds expenses and outgoing transfers is to be maintained, and requires a developed plan to replenish shortfalls within three to five years. Any amounts in excess of 50% will be considered surplus balances for one-time, non-recurring expenses.

Based on the fund balance policy, the Town has maintained a surplus of unrestricted fund balance/net position for both General Fund and Sewer Fund, as of June 30, 2016. The Water Fund has not maintained the minimum unrestricted fund balance as of June 30, 2016, and the Town is developing a water rate study to help replenish shortfalls in the next few years.

Budgets and Budgetary Analysis

The Town adopts an annual budget for the General, Water, and Sewer Funds on a basis consistent with accounting principles generally accepted in the United States of America. All appropriations lapse at the end of the budget year to the extent they have not been expended or lawfully encumbered. Budget amendments require approval of the Mayor and Commissioners, and there were several budget amendments approved by the Mayor and Commissioners during the year ended June 30, 2016. Both original and final budgets of the General Fund have been included in the presentation of the Town's required supplementary information.

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, deferred outflows of

TOWN OF PERRYVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

resources, liabilities, deferred inflows of resources, the disclosure of contingencies, and the reported revenues and expenditures/expenses. Actual results could vary from the estimates that were used.

Subsequent Events

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through October 7, 2016, the date the financial statements were available to be issued.

Note 2. Deposits and Investments

The deposits and investments held as of June 30, 2016 are as follows:

<u>Type</u>	<u>Rating/ Interest Rate</u>	<u>Maturities</u>	<u>Carrying Value</u>
Deposits:			
Cash on Hand			\$ 828
Certificate of Deposit	0.50%	02/20/2018	2,530,832
Demand Deposits			3,415,069
Pooled Cash and Cash Equivalents:			
Maryland Local Government		37 Days	
Investment Pool	AAAam/0.37%	Average	<u>6,160,591</u>
Total Deposits and Investments			<u>\$ 12,107,320</u>

Reconciliation to Statement of Net Position:

Current Assets

Pooled Cash and Cash Equivalents

Unrestricted \$ 4,400,739

Restricted 1,759,852

Total Pooled Cash and Cash Equivalents 6,160,591

Non-Pooled Cash and Cash Equivalents

Unrestricted 3,354,158

Restricted 61,739

Total Non-Pooled Cash and Cash Equivalents 3,415,897

Total Current Assets 9,576,488

Non-Current Assets

Certificate of Deposit 2,530,832

Total Current and Non-Current Assets \$ 12,107,320

TOWN OF PERRYVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

The Town is a participant of the Maryland Local Government Investment Pool (MLGIP), which provides all local government units of the State an investment vehicle for short-term investment of funds. The State Legislature created MLGIP with the passage of Article 95 22G, of the Annotated Code of Maryland. The MLGIP, under the administrative control of the State treasurer, has been managed by a single financial institution. An MLGIP advisory committee of current participants reviews, on a quarterly basis, the activities of the fund and provides suggestions to enhance the pool.

Short-term investments of the pool are reported at amortized cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates, and investments that do not have an established market value are reported at estimated fair value as determined by management. The fair value of the pool is the same as the value of the pool shares. As of June 30, 2016, all pool holdings are in cash and cash equivalents.

Restricted cash and cash equivalents as of June 30, 2016 is comprised as follows:

	<u>General Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>
Current Assets			
Pooled Cash and Cash Equivalents - Restricted			
Community Activities	\$ 20,233	\$ -	\$ -
IKEA Contribution	26,695	-	-
Local Impact Grant Funding	1,707,289	330	568
Police Seizure Funds	4,737	-	-
Non-Pooled Cash and Cash Equivalents - Restricted			
Bay Restoration Collections	<u>-</u>	<u>-</u>	<u>61,739</u>
	<u>\$ 1,758,954</u>	<u>\$ 330</u>	<u>\$ 62,307</u>

Restricted assets are classified as current when they are restricted for payment of current liabilities. Otherwise, they are non-current in nature.

The Town is governed by the deposit and investment limitations of Maryland law. The Town's formal investment policy does not limit its investment choices beyond the limitations of state law as follows:

1. An obligation for which the United States has pledged its faith and credit for the payment of the principal and interest;
2. An obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress;

TOWN OF PERRYVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

3. A repurchase agreement collateralized in an amount not less than 102% of the principal amount by an obligation of the United States, its agencies or instrumentalities, provided the collateral is held by a custodian other than the seller designated by the buyer;
4. Bankers' acceptances guaranteed by a financial institution with a short-term debt rating in the highest letter and numerical rating by at least one nationally recognized statistical rating organization as designated by either the United States Securities and Exchange Commission (SEC) or the Treasurer;
5. With respect to amounts treated by the Internal Revenue Service as bond sale proceeds only, bonds, notes, or other obligations of investment grade in the highest quality letter and numerical rating by at least one nationally recognized statistical rating organization as designated by the United States SEC issued by or on behalf of this or any other state or any agency, department, county, municipal or public corporation, special district, authority, or political subdivision thereof, or in any fund or trust that invests only in securities of the type described in this item;
6. Commercial paper that has received the highest letter and numerical rating by at least two nationally recognized statistical rating organizations as designated by the United States SEC, provided that such commercial paper may not exceed 10% of the total investments made by the Treasurer under this subsection;
7. Money market mutual funds that:
 - a. are registered with the Securities and Exchange Commission under the Investment Company Act (ICA) of 1940, 15 U.S.C. § 80a-1 et seq., as amended;
 - b. are operated in accordance with Rule 2A-7 of the ICA of 1940, 17 C.F.R. § 270.2A-7, as amended; and
 - c. have received the highest possible rating from at least one nationally recognized statistical rating organization as designated by the United States SEC; and
8. Any investment portfolio created under the Maryland Local Government Investment Pool (MLGIP) defined under §§ 17-301 through 17-309 of the Local Government Article of the Code that is administered by the Office of the State Treasurer;

TOWN OF PERRYVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

Custodial Credit Risks

Deposits in financial institutions, reported as components of non-pooled cash and cash equivalents and certificates of deposit, had a bank balance of \$6,406,575 as of June 30, 2016, \$5,406,575 of which was exposed to custodial credit risk and was uninsured, but was collateralized by securities pledged and held by the financial institutions' trust departments or agents, not in the Town's name.

Interest Rate and Credit Risks

The Town's formal investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates as follows: a portion of the Town's investment portfolio can contain investments with maturities up to two years provided they are limited to direct federal government obligations and securities issued by the United States Government agencies. Maturities of investments held as of June 30, 2016 are provided in the previous schedule.

The Town's formal investment policy limits investments in banker's acceptances to those with a short-term rating of A1 from Standard and Poor's (S&P) Corporation and P1 from Moody's Investor Service, money market mutual funds to those with the highest possible rating from at least one nationally recognized statistical rating organization, and commercial paper to those with a minimum A1/P1 rating by at least one nationally recognized rating agency. Credit ratings on investment held as of June 30, 2016 are provided in the previous schedule.

Investments Concentration of Credit Risk

The Town's formal investment policy limits the amount of concentration in the following investments: 80% collateralized certificates of deposit (only through Maryland commercial banks), 40% banker's acceptances, 60% money market mutual funds, and 5% commercial paper. As of June 30, 2016, the Town had no concentration of credit risk.

TOWN OF PERRYVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

Note 3. Capital Assets and Depreciation

A summary of governmental activities follows:

	Balance July 1, <u>2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfer</u>	Balance June 30, <u>2016</u>
Governmental Activities					
Non-Depreciable Assets					
Construction in Progress	\$ 305,575	\$ 1,021,864	\$ -	\$ (38,850)	\$ 1,288,589
Land and Land Rights	<u>2,467,808</u>	<u>98,000</u>	<u>-</u>	<u>-</u>	<u>2,565,808</u>
Total Non-Depreciable Assets	<u>2,773,383</u>	<u>1,119,864</u>	<u>-</u>	<u>(38,850)</u>	<u>3,854,397</u>
Depreciable Assets					
Buildings and Improvements	2,286,216	-	-	-	2,286,216
Equipment	971,451	220,499	54,964	-	1,136,986
Infrastructure	6,304,591	149,016	9,100	38,850	6,483,357
Vehicles	<u>750,244</u>	<u>-</u>	<u>109,039</u>	<u>11,499</u>	<u>652,704</u>
Total Depreciable Assets	<u>10,312,502</u>	<u>369,515</u>	<u>173,103</u>	<u>50,349</u>	<u>10,559,263</u>
Total Capital Assets	<u>13,085,885</u>	<u>1,489,379</u>	<u>173,103</u>	<u>11,499</u>	<u>14,413,660</u>
Accumulated Depreciation					
Buildings and Improvements	1,010,709	133,160	-	-	1,143,869
Equipment	697,235	100,648	52,978	-	744,905
Infrastructure	2,039,660	188,602	4,136	-	2,224,126
Vehicles	<u>528,517</u>	<u>75,054</u>	<u>109,039</u>	<u>11,499</u>	<u>506,031</u>
Total Accumulated Depreciation	<u>4,276,121</u>	<u>497,464</u>	<u>166,153</u>	<u>11,499</u>	<u>4,618,931</u>
Total Capital Assets, Net	<u>\$ 8,809,764</u>	<u>\$ 991,915</u>	<u>\$ 6,950</u>	<u>\$ -</u>	<u>\$ 9,794,729</u>

A fully depreciated vehicle was transferred from the Sewer Fund to governmental activities during the year, causing an \$11,499 increase to both Vehicles and Accumulated Depreciation for Vehicles.

Depreciation expense for the year ended June 30, 2016 charged to governmental activities was as follows:

General Government	\$ 47,069
Planning and Zoning	908
Public Safety	76,385
Public Works	139,032
Parks and Recreation	<u>234,070</u>
	<u>\$ 497,464</u>

TOWN OF PERRYVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

Accumulated costs attributable to governmental activities projects included in construction in progress as of June 30, 2016 are as follows:

Baseball Park Re-Design	\$	34,212
Elm Street		628,159
Lower Ferry Park		258,334
Police Department Building		150,659
Rodgers Tavern		159,292
Town Hall Building		34,252
Town Hall Computer Server		18,436
Town Welcome Sign		<u>5,245</u>
		<u>\$ 1,288,589</u>

A summary of business-type activities follows:

	Balance July 1, <u>2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfer</u>	Balance June 30, <u>2016</u>
Business-Type Activities					
Non-Depreciable Assets					
Construction in Progress	\$ -	\$ 20,000	\$ -	\$ -	\$ 20,000
Land and Land Rights	<u>20,822</u>	-	-	-	<u>20,822</u>
Total Non-Depreciable Assets	<u>20,822</u>	<u>20,000</u>	-	-	<u>40,822</u>
Depreciable Assets					
Buildings and Improvements	40,397,633	-	-	-	40,397,633
Equipment	1,249,569	75,581	9,759	-	1,315,391
Infrastructure	2,062,957	-	-	-	2,062,957
Vehicles	<u>85,168</u>	-	-	<u>(11,499)</u>	<u>73,669</u>
Total Depreciable Assets	<u>43,795,327</u>	<u>75,581</u>	<u>9,759</u>	<u>(11,499)</u>	<u>43,849,650</u>
Total Capital Assets	<u>43,816,149</u>	<u>95,581</u>	<u>9,759</u>	<u>(11,499)</u>	<u>43,890,472</u>
Accumulated Depreciation					
Buildings and Improvements	9,923,470	828,985	-	-	10,752,455
Equipment	871,106	94,195	9,684	-	955,617
Infrastructure	820,785	48,223	-	-	869,008
Vehicles	<u>85,015</u>	<u>153</u>	-	<u>(11,499)</u>	<u>73,669</u>
Total Accumulated Depreciation	<u>11,700,376</u>	<u>971,556</u>	<u>9,684</u>	<u>\$(11,499)</u>	<u>12,650,749</u>
Total Capital Assets, Net	<u>\$ 32,115,773</u>	<u>\$ (875,975)</u>	<u>\$ 75</u>	<u>\$ -</u>	<u>\$ 31,239,723</u>

Depreciation expense for the year ended June 30, 2016 charged to business-type activities for the Sewer Fund and Water Fund totaled \$582,810 and \$388,746, respectively.

Accumulated costs attributable to the Sewer Fund project of the replacement of the belt filter press is included in construction in progress as of June 30, 2016 for \$20,000.

TOWN OF PERRYVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

Note 4. Long-Term Liabilities

Bonds and Loans Payable as of June 30, 2016 consists of the following:

Bonds Payable

CDA Infrastructure Financing Bonds - 2004 Series B

\$300,000 authorized and issued. Remaining principal to be repaid in annual installments of \$15,000 and \$20,000 through May 2024 with semi-annual interest payments at remaining interest rates ranging from 3.375% to 4.20%. \$ 145,000

Water System Bonds of 1978

\$79,100 authorized and issued. Semi-annual payments of \$2,336 are to be paid through January 2019 including interest at 5.00%. 11,845

CDA Infrastructure Financing Bonds - 2002 Series A

\$474,000 authorized and issued. Remaining principal to be repaid in annual installments through May 2022 ranging from \$27,400 to \$35,500 with semi-annual interest payments at remaining interest rates ranging from 4.35% to 4.80%. 187,900

Sewer System Bond of 1984

\$857,000 authorized and issued. Semi-annual payments of \$25,299 are to be paid through February 2024 including interest at 5.00%. 328,315

Total Bonds Payable 673,060

Loans Payable

Water Quality Act Loan of 2007

\$12,053,769 authorized and \$11,534,299 issued. Interest at 0.40% to be paid semi-annually. Remaining principal to be repaid in annual payments through February 2037 ranging from \$403,934 to \$435,764. 8,750,463

Water Quality Act Loan of 2008

\$5,964,000 authorized and \$5,923,965 issued. Interest at 1.10% to be paid semi-annually. Remaining principal to be repaid in annual payments through February 2029 ranging from \$303,165 to \$341,933. 4,172,004

Total Loans Payable 12,922,467

Total Bonds and Loans Payable \$ 13,595,527

All bonds and loans payable are secured by the credit and taxing power of the Town.

TOWN OF PERRYVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

The following is a summary of changes in long-term liabilities for the year ended June 30, 2016:

<u>Type of Debt</u>	Balance July 1, 2015	<u>Additions</u>	<u>Reductions</u>	Balance June 30, 2016	<u>Due Within One Year</u>
Governmental Activities					
Bonds Payable					
2004 CDA Infrastructure Bonds	\$ 160,000	\$ -	\$ 15,000	\$ 145,000	\$ 15,000
Accounts Payable	-	68,991	-	68,991	68,991
Accrued Compensated Absences	<u>87,583</u>	<u>15,702</u>	<u>-</u>	<u>103,285</u>	<u>-</u>
Total Governmental Activities	<u>\$ 247,583</u>	<u>\$ 84,693</u>	<u>\$ 15,000</u>	<u>\$ 317,276</u>	<u>\$ 83,991</u>
Business-Type Activities					
Bonds and Loans Payable					
1978 Water System Bonds	\$ 15,777	\$ -	\$ 3,932	\$ 11,845	\$ 4,129
1984 Sewer System Bond	361,259	-	32,944	328,315	34,565
2002 CDA Infrastructure Bonds	214,100	-	26,200	187,900	27,400
2007 Water Quality Act Loan	9,152,788	-	402,325	8,750,463	403,934
2008 Water Quality Act Loan	<u>4,471,870</u>	<u>-</u>	<u>299,866</u>	<u>4,172,004</u>	<u>303,165</u>
Total Bonds and Loans Payable	<u>14,215,794</u>	<u>-</u>	<u>765,267</u>	<u>13,450,527</u>	<u>773,193</u>
Accounts Payable and Accrued Expenses	21,149	-	21,149	-	-
Accrued Compensated Absences	<u>55,008</u>	<u>3,555</u>	<u>-</u>	<u>58,563</u>	<u>-</u>
Total Business-Type Activities	<u>\$ 14,291,951</u>	<u>\$ 3,555</u>	<u>\$ 786,416</u>	<u>\$ 13,509,090</u>	<u>\$ 773,193</u>

Accounts payable noted in the schedule above represent retainage payable of \$68,991 held on two constructions projects (Elm Street and Lower Ferry Park), which were not completed as of June 30, 2016, as further disclosed at Note 12.

Accrued compensated absences in governmental activities are liquidated from general revenues in the General Fund. Other long-term liabilities in business-type activities are liquidated from general revenues in the respective Water and Sewer Funds.

Interest and related costs incurred for governmental and business-type activities for the year ended June 30, 2016 was \$6,514 and \$152,020, respectively, all of which was expensed.

TOWN OF PERRYVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

The principal and interest requirements to maturity of the bonds and loans payable debt are as follows:

Years Ending June 30	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 15,000	\$ 5,740	\$ 773,193	\$ 106,330
2018	15,000	5,215	781,750	98,127
2019	15,000	4,675	789,422	89,727
2020	20,000	4,120	794,016	81,194
2021	20,000	3,320	802,705	72,595
2022 - 2026	60,000	5,040	3,886,006	240,183
2027 - 2031	-	-	3,104,613	97,198
2032 - 2036	-	-	2,161,528	33,154
2037	-	-	<u>357,294</u>	<u>1,430</u>
	<u>\$ 145,000</u>	<u>\$ 28,110</u>	<u>\$ 13,450,527</u>	<u>\$ 819,938</u>

Note 5. Interfund Transactions

All interfund receivable/payable balances resulted from the time lag between the dates that (1) interfund goods and services are provided and reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Interfund balances as of June 30, 2016 consisted of the following, all of which are expected to be repaid within the following year and related to timing differences due to various centralized payable and receipt processing functions:

<u>Due to</u>	<u>General Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
General Fund	\$ -	\$ -	\$ 75,010	\$ 75,010
Non-Major Governmental Fund	3,839	-	-	3,839
Water Fund	161,939	-	-	161,939
Sewer Fund	-	<u>94,087</u>	-	<u>94,087</u>
	<u>\$ 165,778</u>	<u>\$ 94,087</u>	<u>\$ 75,010</u>	<u>\$ 334,875</u>

Note 6. Net Position and Fund Balances

Nonspendable fund balance in the General Fund as of June 30, 2016 is limited to prepaid expenses and deposits totaling \$20,588.

The following is a summary of restricted net position in the governmental activities and restricted fund balance in the General Fund as of June 30, 2016:

TOWN OF PERRYVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

Community Activities	\$	20,233
IKEA Contributions		26,695
Local Impact Grant Funding		1,705,289
Police Seizure Funds		4,737
		<u>\$ 1,756,954</u>

Community Activities - Accumulation of contributions and funding restricted for use in community-related activities.

IKEA Contribution - Contribution of funds restricted for use in support of the Perryville Volunteer Fire Department and/or the improvement, enhancement, and/or expansion of recreation and parks programs and facilities in the Town.

Local Impact Grant Funding - State-distributed Video Lottery Terminal (VLT) facility revenues, in the form of local impact grants, restricted based on the Town's approved spending plan.

Police Seizure Funds - Local law enforcement seized funds restricted until court awarded.

Assigned fund balance in the General Fund as of June 30, 2016 is limited to the Parade Account totaling \$15,997, the Facilities Reserve Account totaling \$350,000 to construct or maintain Town facilities, the Corporate Boundary Survey Account totaling \$100,000 to conduct a corporate boundary survey, and the Town Police Station Account totaling \$1,700,000 to construct the new Town Police Station.

Note 7. Property Taxes

From the effective date of the budget, the amount stated thereon as the amount to be raised by property taxes shall constitute a determination of the amount of the tax levies in the corresponding tax year. The Town's real property taxes are levied each July 1 on the assessed value listed as of July 1 for all real property located in the Town. Real property taxes are due in one installment between July 1 and September 30, with 2% discount if paid in full by July 31, and become delinquent after October 1. For those qualifying for semi-annual billing, real property taxes are due in two equal installments, half between July 1 and September 30, with 2% discount if first half paid in full by July 31, and half between October 1 and December 31. Property taxes are reported net of discounts. Business personal property taxes are due within 30 days of billing, which occurs as assessment information is received by the State. Interest accrues on all delinquent accounts at a rate of 1% per month until paid. The tax rates for real and business personal property for the year ended June 30, 2016 were \$0.313 and \$0.94, respectively, per \$100 assessed property value.

TOWN OF PERRYVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

Note 8. Tax Abatements

The Town enters into property tax abatement agreements with local businesses under the Maryland Property Tax Code, Section 7-506.1 to accept certain negotiated payments in lieu of real property taxes to facilitate the rehabilitation and operation of these businesses and retain them within the Town's jurisdiction. These tax abatements mainly assist businesses within Town's jurisdiction that provide assistance to citizens of low or moderate income.

The Town has entered into 3 similar tax abatement agreements, abating a total of \$16,673 in property taxes under this program for the year ended June 30, 2016. Additionally, the Town has entered into another tax abatement agreement, which sets a maximum property tax of \$15,930 to be charged annually, and abates any property tax above this capped amount. As of June 30, 2016, no tax abatement was recognized under this separate agreement, as the calculated property tax did not exceed the capped amount.

Note 9. Lease Agreements

The Town has entered into communication tower lease agreements, which are expected to provide the following future minimum receipts for the years ending June 30:

2017	\$ 99,800
2018	53,840
2019	24,038
2020	18,179
2021	<u>1,858</u>
	<u>\$ 197,715</u>

All lease agreements have various consecutive renewal options at the lessee's discretion, and the future minimum receipts noted above are limited to the current renewal periods under the relating non-cancelable agreements. Lease revenues generated for the year ended June 30, 2016 were \$101,590, all of which were recognized in the Water Fund.

Note 10. Defined Contribution Plan

Effective January 1, 2014, the Town offers a defined contribution plan created in accordance with IRC Section 457(b). The Plan permits all full-time employees to defer a portion of their salary until future years. The employee's contribution is fully vested at the contribution date. Employees can defer the lesser of \$18,000, and up to an additional \$6,000 catch-up for employees age 50 or over, or 100% of their includable salaries over the Plan year. The Town matches an employee's elective contribution to the plan up to a maximum of 3% of gross pay, based on annual approval by the Mayor and Commissioners. The Town's contribution for each

TOWN OF PERRYVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

employee (and interest allocated to the employee's account) is fully vested at contribution. The Town contributed \$53,189 to the Plan during the year ended June 30, 2016.

All amounts of compensation deferred under the Plan and all income attributable to those amounts are held in trust for the exclusive benefit of participants and their beneficiaries. The assets will not be diverted to any other purpose. The Plan Administrator, M&T Securities, is the trustee of the investments.

Note 11. Other Postemployment Benefits Plan

A. Plan Description and Funding Policies

The Town administers a single-employer defined benefit healthcare plan for the employees of the Town, which provides healthcare premium reimbursement postemployment benefits (OPEB) for eligible retirees. For full-time employees who retire with at least 30 years of service, the Town will contribute up to \$235 per month towards reimbursement of retiree-incurred health insurance for the lifetime of the retiree. For employees who retire on or after age 55 with at least 20 years of service but less than 30, the Town will contribute up to \$165 per month towards reimbursement of retiree-incurred health insurance for the lifetime of the retiree. Benefit provisions are established through Resolution 2005-01 as approved by the Mayor and Commissioners on January 4, 2005. The plan does not issue a publically available financial report.

Membership of the plan consisted of 49 participants, 47 of which are active plan members and 2 are retirees receiving benefits, as of June 30, 2016.

The plan is unfunded, with premium reimbursement payments made by the Town directly to the retirees on a pay-as-you-go basis. For the year ended June 30, 2016, the Town reimbursed premium costs of \$5,640 to the retirees. There are no retiree contributions to the plan.

B. Annual OPEB Cost and Net OPEB Obligation

The Town's annual OPEB cost is calculated based on the *annual required contribution of the employer (ARC)*, which is actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed 30 years.

TOWN OF PERRYVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

The following table shows the components of the Town's annual OPEB cost, the estimated actuarial amount contributed to the plan, and changes in net OPEB obligation for the Town's governmental activities and business-type activities for the year ended June 30, 2016:

Annual Required Contribution	\$ 33,750
Interest on Net OPEB Obligation	2,575
Adjustment to Annual Required Contribution	<u>(3,513)</u>
Annual OPEB Cost	32,812
Contributions Made	<u>(6,822)</u>
Increase in Net OPEB Obligation	25,990
Net OPEB Obligation - Beginning of Year	<u>57,226</u>
Net OPEB Obligation - End of Year	<u>\$ 83,216</u>

The net OPEB obligation of \$83,216 as of June 30, 2016 has been accrued as follows:

Governmental Activities	\$ 58,778
Business-Type Activities	
Water Fund	12,037
Sewer Fund	<u>12,401</u>
	<u>\$ 83,216</u>

The following table shows trend information for the Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation.

<u>Trend Information</u>			
Years Ended <u>June 30.</u>	Annual OPEB <u>Cost</u>	Percentage of Annual OPEB <u>Cost Contributed</u>	Net OPEB <u>Obligation</u>
2016	\$ 32,812	20.79%	\$ 83,216
2015	\$ 24,385	27.88%	\$ 57,226
2014	\$ 24,707	20.49%	\$ 39,640

C. Funded Status and Funding Progress

As of the July 1, 2015 valuation, the actuarial accrued liability for benefits was \$237,614, all of which was unfunded, the covered payroll (annual payroll of active employees covered by the plan) was \$2,191,821, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 10.84%.

TOWN OF PERRYVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

D. Actuarial Assumptions and Methods

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the Town and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Town and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

For the July 1, 2015 actuarial valuation, the entry age normal actuarial cost method was used, based on assumption that 50% of eligible employees will retire upon attainment of 62 years of age, and that all remaining employees will retire upon attainment of 65 years of age. The valuation assumes that 90% of eligible retirees will elect coverage in the plan.

The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on the Town's General Fund assets, and an annual healthcare cost trend rate of 6.0% initially, reduced by 0.5% decrements to a rate of 5.5% in 2016 through 2020. Both rates included a 2.5% annual salary increase for all employees. The UAAL is being amortized as a level dollar of projected payroll on an open basis. The remaining amortization period at the July 1, 2015 valuation was 30 years.

Note 12. Commitments and Contingencies

The Town participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Town may be required to reimburse the grantor government. As of June 30, 2016, significant amounts of grant expenditures have not been audited by the appropriate grantor government, but the Town believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual funds or the overall financial position of the Town.

TOWN OF PERRYVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

The Town is committed under the following contracts for projects as of June 30, 2016:

<u>Project</u>	<u>Type of Project</u>	<u>Contract Amount</u>	<u>Amount of Contract Not Incurred at June 30, 2016</u>
Elm Street	Construction	<u>\$ 629,315</u>	<u>\$ 13,225</u>
Lower Ferry Park	Construction	<u>\$ 189,802</u>	<u>\$ 115,982</u>
Police Station Building	Construction	<u>\$ 123,070</u>	<u>\$ 12,212</u>
Town Hall Building	Construction	<u>\$ 66,445</u>	<u>\$ 19,170</u>
Corporate Boundary Map	Other	<u>\$ 120,150</u>	<u>\$ 103,780</u>

In July 2016, the Town entered into the following new contracts for construction projects:

<u>Project</u>	<u>Contract Amount</u>
Belt Filter Press	<u>\$ 383,700</u>
Casino and Pilot Water Tanks	<u>\$ 132,062</u>
Police Station Building	<u>\$ 4,415,103</u>

Through Resolution 2002-11, the Town is committed to rebate \$28,500 annually in Enterprise Zone tax credits provided by the State of Maryland to a wholesale company within the Town limits beginning July 1, 2003 until \$427,500 in Enterprise Zone tax credits received by the Town have been remitted to the company. The remittances to the company are contingent on receipt of the Enterprise Zone tax credits in each tax levy year. As of June 30, 2016, \$57,000 remains to be remitted from future tax levy year property tax credits.

In June 2015, the Supreme Court of the United States affirmed its ruling on docket 13-485 (Maryland State Comptroller of the Treasury v. Brian Wynne) (“Wynne decision”) regarding income tax credits received by Maryland residents for taxes paid to other states. This ruling is expected to impact future income tax appropriations to the Town. Through July 29, 2016, the Comptroller of Maryland has determined that the Town’s future income tax appropriations will be reduced by \$2,748. The Town has the option to make a one-time payment of this liability by March 31, 2019, or reduce future income tax appropriations over 20 quarterly reductions, from May 2019 through February 2024.

TOWN OF PERRYVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

Note 13. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town is a member in the Local Government Insurance Trust (LGIT), a public entity risk pool that is owned and directed by local governments (participants) that subscribe to its insurance coverages. LGIT provides the Town's general, automobile, employee, health, police, and public officials' legal liability insurance coverage. The LGIT is managed by a Board of Trustees and a contract administration company. The trustees are elected by a majority vote of the participants with each participant having one vote. The Town does not exercise any control over the LGIT's operations.

The maximum coverage under the liability pool of the LGIT is \$1,000,000 per claim. The Town also participates in an excess liability pool, which has maximum coverage of \$2,000,000. Premiums are charged to the Town, with no provision made for claim liability in addition to premiums, unless an assessment is made by the Trust. There have been no assessments during the year ended June 30, 2016, and the amount of settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

Note 14. Concentrations and Economic Dependencies

The Town provides various services to its residents. The Town is located in Cecil County, Maryland. Credit is granted to its residents for taxes, water and sewer bills. The Town may place a lien on any property associated with unpaid taxes and water and sewer services; therefore, an allowance for uncollectible amounts is not considered necessary.

The Town receives a substantial portion of its revenues in the General Fund from a wholesale company. Revenues from this company for the year ended June 30, 2016 were \$1,453,385, which represented 31% of the Town's General Fund revenues.

The Town also receives a substantial portion of its operating revenues in the Sewer Fund from a local hospital. Operating revenues from the hospital for the year ended June 30, 2016 were \$297,928, which represented 30% of the Town's Sewer Fund operating revenues.

Note 15. Environmental Concerns

The Town operates a sewer facility and has above-ground storage tanks for its diesel and other fuel. If a leak or contamination occurred, the Town could become liable for the cost to clean up the spill.

TOWN OF PERRYVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

Note 16. Reconciliations of Operating Loss to Net Cash Provided by Operating Activities

	<u>Water Fund</u>	<u>Sewer Fund</u>	Total Proprietary <u>Funds</u>
Operating Loss	\$ (245,368)	\$ (539,583)	\$ (784,951)
Adjustment to Reconcile Operating Loss to Net Cash Provided by Operating Activities			
Depreciation	388,746	582,810	971,556
(Increase) Decrease in Assets			
Accounts Receivable	(4,960)	(4,835)	(9,795)
Unbilled Services	194	(10,711)	(10,517)
Increase (Decrease) in Liabilities			
Accounts Payable and Accrued Expenses	(21,116)	(6,042)	(27,158)
Accrued Payroll and Related Benefits	(12,144)	(13,159)	(25,303)
Accrued Compensated Absences	7,930	(4,375)	3,555
Accrued Other Postemployment Benefits	3,816	3,929	7,745
Due to Other Governments	-	(858)	(858)
Net Cash Provided by Operating Activities	<u>\$ 117,098</u>	<u>\$ 7,176</u>	<u>\$ 124,274</u>

Note 17. New Governmental Accounting Standards Board Pronouncement

The GASB issued several pronouncements prior to the year ended June 30, 2016 that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the Town:

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, will be effective for the Town as of July 1, 2016. The objective of this statement is to improve the usefulness of information about OPEB included in financial reports of state and local governmental OPEB plans for making decisions and assessing accountability where OPEB plans are administered through trusts. The implementation of this statement, is not expected to have significant effect on the government-wide financial statements of the Town's in the year of implementation; however, the effects of said implementation are not yet quantifiable.

TOWN OF PERRYVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, will be effective for the Town as of July 1, 2017. The objective of this statement is to improve the usefulness of information about OPEB included in financial reports of state and local governmental OPEB plans for making decisions and assessing accountability for all employers with OPEB plans. The implementation of this statement, is expected to have significant effect on the government-wide financial statements of the Town's in the year of implementation; however, the effects of said implementation are not yet quantifiable.

Note 18. Subsequent Events

In August 2016, the Town authorized and issued \$2,500,000 Local Government Infrastructure Financing Bonds through the Maryland Department of Housing and Community Development Administration (CDA) to fund the Town's construction costs for the police station capital project. Principal payments to be made in annual installments starting in April 2017 through April 2031 ranging from \$115,000 to \$195,000 with semi-annual true interest cost (TIC) payments at 2.20%.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF PERRYVILLE, MARYLAND
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Taxes				
Local Property Taxes	\$ 2,935,944	\$ 3,035,944	\$ 3,082,021	\$ 46,077
Local Income and Other Taxes	328,388	328,388	396,741	68,353
Licenses and Permits	55,900	55,900	72,263	16,363
Intergovernmental				
Federal	-	-	27,014	27,014
State	409,697	453,610	293,611	(159,999)
County - Local Impact Grant	450,386	450,386	493,025	42,639
County - Other	172,737	195,737	183,117	(12,620)
Charges for Services	62,650	62,650	26,421	(36,229)
Fines and Forfeitures	1,500	2,137	3,397	1,260
Interest Income	20,038	20,038	30,443	10,405
Miscellaneous	3,500	4,075	44,605	40,530
TOTAL REVENUES	4,440,740	4,608,865	4,652,658	43,793
EXPENDITURES				
General Government	872,630	1,001,783	796,158	205,625
Planning and Zoning	328,620	433,720	258,143	175,577
Public Safety				
Police	1,451,800	1,472,026	1,349,192	122,834
Volunteer Fire Company	32,000	32,000	32,512	(512)
Public Works				
Highways and Streets	565,889	591,614	528,976	62,638
Solid Waste Collection	268,150	268,150	260,669	7,481
Parks and Recreation	262,137	283,862	226,374	57,488
Debt Service				
Principal	15,000	15,000	15,000	-
Interest	6,514	6,514	6,514	-
Capital Outlays	1,370,000	3,061,183	1,420,390	1,640,793
TOTAL EXPENDITURES	5,172,740	7,165,852	4,893,928	2,271,924
NET CHANGES IN FUND BALANCES	(732,000)	(2,556,987)	(241,270)	2,315,717
Fund Balances - Beginning of Year	10,730,022	10,730,022	10,730,022	-
FUND BALANCES - END OF YEAR	\$ 9,998,022	\$ 8,173,035	\$ 10,488,752	\$ 2,315,717

TOWN OF PERRYVILLE, MARYLAND
SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT
BENEFITS (OPEB) PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b-a)/c]
7/1/2015	\$ -0-	\$ 237,614	\$ 237,614	0.00%	\$ 2,191,821	10.84%
7/1/2012	\$ -0-	\$ 153,683	\$ 153,683	0.00%	\$ 2,055,518	7.48%

OTHER INFORMATION

TOWN OF PERRYVILLE, MARYLAND
SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GENERAL FUND
FOR THE YEARS ENDED JUNE 30, 2013, 2014, 2015, AND 2016

	2013	2014	2015	2016
REVENUES				
Taxes				
Local Property Taxes	\$ 3,071,842	\$ 3,148,670	\$ 2,888,295	\$ 3,082,021
Local Income and Other Taxes	367,404	351,921	362,072	396,741
Licenses and Permits	68,575	68,954	71,566	72,263
Intergovernmental				
Federal	9,660	-	-	27,014
State	368,626	347,187	297,994	293,611
County - Local Impact Grant	972,023	877,005	629,461	493,025
County - Other	178,689	175,174	173,327	183,117
Charges for Services	22,112	37,556	41,271	26,421
Fines and Forfeitures	1,124	34,661	-	3,397
Interest Income	15,948	14,376	20,750	30,443
Miscellaneous	38,252	51,371	28,731	44,605
TOTAL REVENUES	5,114,255	5,106,875	4,513,467	4,652,658
EXPENDITURES				
General Government	771,152	733,782	789,480	796,158
Planning and Zoning	183,136	210,905	252,911	258,143
Public Safety				
Police	1,170,205	1,229,425	1,254,558	1,349,192
Volunteer Fire Company	111,095	52,903	34,711	32,512
Public Works				
Highways and Streets	659,340	509,934	513,577	528,976
Solid Waste Collection	256,351	261,177	258,077	260,669
Parks and Recreation	199,294	227,984	222,919	226,374
Debt Service				
Principal	15,000	15,000	15,000	15,000
Interest	7,900	7,429	6,981	6,514
Capital Outlays	573,509	749,483	529,914	1,420,390
TOTAL EXPENDITURES	3,946,982	3,998,022	3,878,128	4,893,928
NET CHANGES IN FUND BALANCES	1,167,273	1,108,853	635,339	(241,270)
Fund Balances - Beginning of Year	7,818,557	8,985,830	10,094,683	10,730,022
FUND BALANCES - END OF YEAR	\$ 8,985,830	\$ 10,094,683	\$ 10,730,022	\$ 10,488,752

TOWN OF PERRYVILLE, MARYLAND
SCHEDULES OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEARS ENDED JUNE 30, 2013, 2014, 2015, AND 2016

	2013	2014	2015	2016
OPERATING REVENUES				
Charges for Services	\$ 1,941,193	\$ 1,812,184	\$ 1,791,842	\$ 1,864,688
Reading and Related Fees	11,529	17,129	15,674	16,718
TOTAL OPERATING REVENUES	1,952,722	1,829,313	1,807,516	1,881,406
OPERATING EXPENSES				
Contracted Services	21,151	40,578	41,871	20,323
Depreciation	972,864	957,180	967,274	971,556
Insurance	62,383	43,960	55,034	53,768
Other Administrative Expenses	66,120	141,521	65,472	75,255
Payroll Taxes and Fringe Benefits	195,226	198,898	199,661	235,689
Repairs and Maintenance	111,187	100,278	135,395	211,766
Salaries and Wages	660,301	693,140	681,934	734,911
Supplies and Materials	68,303	77,688	74,345	89,345
Utilities	256,417	305,837	279,686	273,744
TOTAL OPERATING EXPENSES	2,413,952	2,559,080	2,500,672	2,666,357
OPERATING LOSS	(461,230)	(729,767)	(693,156)	(784,951)
NON-OPERATING REVENUES				
(EXPENSES)				
Connection Charges	110,000	-	-	-
Gain (Loss) on Disposal of Assets	61,547	(178,438)	(131,281)	735
Interest Income	4,207	4,512	4,193	4,703
Rental Income	92,783	87,765	94,115	101,590
Interest Expense	(171,774)	(164,497)	(174,270)	(152,020)
TOTAL NON-OPERATING REVENUES (EXPENSES)	96,763	(250,658)	(207,243)	(44,992)
NET LOSS BEFORE CAPITAL CONTRIBUTIONS	(364,467)	(980,425)	(900,399)	(829,943)
Capital Contributions - Local Income Grant	228,005	261,204	604,767	771,138
Capital Contributions - Other	182,473	135,324	116,635	126,889
CHANGES IN NET POSITION	46,011	(583,897)	(178,997)	68,084
Net Position - Beginning of Year	20,623,909	20,669,920	20,086,023	19,907,026
NET POSITION - END OF YEAR	\$ 20,669,920	\$ 20,086,023	\$ 19,907,026	\$ 19,975,110