

TOWN OF PERRYVILLE, MARYLAND
BASIC FINANCIAL STATEMENTS
AND REQUIRED AND OTHER SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

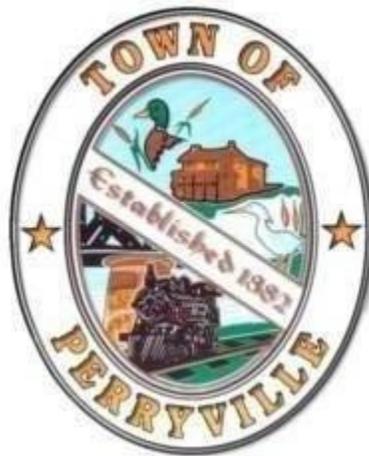


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RAGER, LEHMAN & HOUCK, P.C.
Opportunity Innovation Excellence

INDEPENDENT AUDITORS' REPORT

October 21, 2015

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

We have audited the accompanying financial statements of the governmental activities, 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, 2015, 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, 2015, 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.

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 17, 57, and 58 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, 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, 2015, 2014, and 2013 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedules comprising the other information for the year ended June 30, 2012 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Rager, Lehman & Houck, P.C.

Westminster, Maryland

Town of Perryville, Maryland

Management's Discussion and Analysis

June 30, 2015

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, 2015. It should be read in conjunction with the Town's basic financial statements, which begin on page 18, to enhance understanding of the Town's financial performance.

FINANCIAL HIGHLIGHTS (See Page 18 -19)

The total assets of the Town (Governmental and Business-Type), exceeded its liabilities at the close of the most recent fiscal year by \$39.2 million compared to \$38.6 million at June 30, 2014. Of the total of \$39.2 million, \$2.0 million is restricted for specific uses and \$10.6 million may be used to meet the Town's ongoing obligations to citizens and creditors compared to \$10.1 million at June 30, 2014. \$26.6 million represents the Town's Net Investment in Capital Assets which is not readily available for use.

- The \$2.0 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) 2015 by approximately \$695,000.
- The net position of the Business-Type activities decreased in FY 2015 by approximately \$179,000 due primarily to an impaired / disposed asset.
- At the close of the current fiscal year, the Town's governmental General Fund reported an ending fund balance of \$10.7 million (\$10.1 million at June 30, 2014), of which \$8.4 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 39.
- The total cost of all of the Town's programs was \$6.6 million (\$3.8 million for governmental activities and \$2.8 million for business-type activities) for FY 2015 approximately \$8,000 more than in FY 2014.

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 18 - 20 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 21 - 25 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 26 - 30 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 31 - 56 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 \$39.2 million at the close of the most recent fiscal year. By far, the largest portion of the Town’s net position (68%) 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 18 - 19):

	June 30, 2015			June 30, 2014		
	Govern- mental	Business Type	Total	Govern- mental	Business Type	Total
Current & Other Assets	\$ 10,963	\$ 2,325	\$ 13,288	\$ 10,361	\$ 2,251	\$ 12,612
Capital Assets, Net	8,810	32,116	40,926	8,738	33,093	41,831
Total Assets	<u>19,773</u>	<u>34,441</u>	<u>54,214</u>	<u>19,099</u>	<u>35,344</u>	<u>54,443</u>
Current Liabilities	236	1,012	1,248	265	962	1,227
Long-Term Liabilities	273	13,522	13,795	266	14,296	14,562
Total Liabilities	<u>509</u>	<u>14,534</u>	<u>15,043</u>	<u>531</u>	<u>15,258</u>	<u>15,789</u>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	8,650	17,900	26,550	8,563	18,119	26,682
Unrestricted	8,591	2,007	10,598	8,161	1,967	10,128
Restricted	2,023	-	2,023	1,844	-	1,844
Net Position	<u>\$ 19,264</u>	<u>\$ 19,907</u>	<u>\$ 39,171</u>	<u>\$ 18,568</u>	<u>\$ 20,086</u>	<u>\$ 38,654</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 20):

	<u>June 30, 2015</u>			<u>June 30, 2014</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	\$ 66	\$ 1,901	\$ 1,967	\$ 63	\$ 1,917	\$ 1,980
Operating Grants and Contributions	312	-	312	322	-	322
Capital Grants and Contributions	-	117	117	76	135	211
General Revenues			-			-
Taxes	3,276	-	3,276	3,511	-	3,511
Unrestricted Grants, Contributions, and Franchise Fees	810	605	1,415	1,054	261	1,315
Interest Income and Rents	21	4	25	14	5	19
Miscellaneous	24	-	24	47	-	47
Total Revenues	4,509	2,627	7,136	5,087	2,318	7,405
Expenses						
General Government	841	-	841	792	-	792
Planning and Zoning	256	-	256	215	-	215
Public Safety	1,387	-	1,387	1,372	-	1,372
Public Works	893	-	893	894	-	894
Parks and Recreation	430	-	430	430	-	430
Interest on Long-Term Debt	7	-	7	7	-	7
Water Services	-	1,152	1,152	-	1,143	1,143
Sewer Services	-	1,654	1,654	-	1,759	1,759
Total Expenses	3,814	2,806	6,620	3,710	2,902	6,612
Changes in Net Position	695	(179)	516	1,377	(584)	793
Net Position at Beginning of Year	18,569	20,086	38,655	17,191	20,670	37,861
Net Position at End of Year	\$ 19,264	\$ 19,907	\$ 39,171	\$ 18,568	\$ 20,086	\$ 38,654

For the current fiscal year, the Town is reporting an increase in its net position for its governmental activities and a decrease 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 20)

For the fiscal year ended June 30, 2015, revenues from governmental activities totaled approximately \$4.5 million. Property, Personal Property and Local Taxes represented the largest revenue source (73%), followed by Grants, Contribution and Franchise Fee (which include Local Impact Grants) (18%).

The largest components of the governmental activities, approximately \$1.4 million of expenses, Public Safety services (36%), followed by approximately \$892,000 for public works (23%), approximately \$841,000 general government (22%), and approximately \$431,000 for parks and recreation (11%).

BUSINESS-TYPE ACTIVITIES (See Page 20)

Of the approximately \$2.6 million of total revenues from business-type activities were water and sewer service charges (73%). Other non-operating revenues and capital contributions included Local Impact Grant capital contributions of approximately \$605,000, and other capital contributions primarily stemming from the VA portion of the waste water plant upgrade debt and other grants of approximately \$117,000.

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 59% of the expenses and water services account for 41% 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 21 - 25)

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 \$10.7 million, a net increase of approximately \$635,000 from the prior year amount, however of the \$10.7 million fund balance \$8.4 million is unassigned, \$2.0 million is restricted and approximately \$316,000 is assigned.

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 216% and 277% respectively.

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 46.55. For every dollar in current liabilities, there is \$46.55 in current assets.

PROPRIETARY FUNDS (See Pages 26 - 30)

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 \$19.9 million. Net position invested in capital assets, net of related debt, was \$17.9 million and unrestricted net position was \$2.0 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 2.25. For every dollar in current liabilities, there is \$2.25 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, 2015 was \$40.9 million, net of \$16 million of accumulated depreciation. This investment in capital assets includes land, land improvements, buildings, infrastructure and machinery and equipment.

Five (5) 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 \$144,000); Lower Ferry Park project (spent to date approximately \$11,000), Rodger's Tavern restoration project (spent to date approximately \$140,000); Roundhouse Drive Lighting (spent to date approximately \$9,600) and Elm Street project (spent to date approximately \$700).

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

- General Services replaced the clock at Town Hall totaling approximately \$8,000.
- Police capital outlays include the purchase of one (1) police vehicle at a cost of approximately \$30,000; purchase of body cameras totaling approximately \$5,000; and a copier totaling approximately \$3,000.
- Improvements to roads and sidewalks totaling approximately \$301,000.
- Public Works capital outlays include the purchase of a vehicle with a snow plow at a cost of approximately \$27,000; purchase of a generator of approximately \$10,000; and a salt spreader totaling approximately \$4,600.
- Parks and recreation capital outlays include the purchase of a vehicle at the cost of approximately \$27,000; repairs to the tennis courts totaling approximately \$7,500;

- purchase of a salt spreader totaling approximately \$4,600; and purchase of an ice breakers for the pier totaling approximately \$2,700.
- Rodger’s Tavern capital outlay includes the purchase of a computer and related equipment totaling approximately \$2,700.
 - There was an impairment of the belt filter press considered as a loss on the disposal of assets of approximately \$131,000 in the sewer proprietary fund.
 - Other water and sewer proprietary fund capital outlays of approximately \$121,000 consisting primarily of expenditures for the waste water treatment plant.

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

	June 30, 2015			June 30, 2014		
	Gov- ern- men- tal	Busi- ness Type	Total	Gov- ern- men- tal	Busi- ness Type	Total
Capital Assets, at Cost	\$ 13,086	\$ 43,816	\$ 56,902	\$ 12,649	\$ 43,862	\$ 56,511
Less: Accum. Depreciation	4,276	11,700	15,976	3,911	10,769	14,680
Net Capital Assets	<u>\$ 8,810</u>	<u>\$ 32,116</u>	<u>\$ 40,926</u>	<u>\$ 8,738</u>	<u>\$ 33,093</u>	<u>\$ 41,831</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 46 - 48)

At the end of the current fiscal year the Town had total long-term debt of \$14.5 million (\$15.3 million at June 30, 2014) of which approximately \$801,000 is due within one year and the remaining \$13.7 million is due in subsequent years. Most of the debt (\$14.3 million) was related to business-type activities while the approximate remaining \$248,000 was related to governmental activities.

Of the \$14.3 million debt related to business activities, \$9.2 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 \$5.1 million in debt related to business activities, \$4.5 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 \$797,000 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 57)

The Town amended its General Fund budget several times during the fiscal year. Total estimated revenues and expenditures were adjusted upward for approximately \$235,000 (primarily for increase in anticipated Local Impact and other grant funding) and \$1.4 million (primarily for increases in anticipated capital expenditures).

During the fiscal year, total actual revenues on a budgetary basis were approximately \$267,000 (or 6%) less than the final amended budget. Real and personal property tax revenues were 2% less than the final amended budget (approximately \$70,000) mainly due to the reassessment of the casino's real property assessment. Additional differences between the final amended budget and actual revenues were due mainly to the recognition of Intergovernmental - State revenues received that was 38% less than budgeted due mainly to the delay in projects, so grant money was not available in FY 2015 (approximately \$181,000); and Local Impact Grant revenues were 14% less than the final amended budget (approximately \$100,000) as a result of allocating more of these funds to the Water and Sewer Fund.

Actual expenditures on a budgetary basis were approximately \$2.1 million (or 35%) 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

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) 2016, the Mayor and Commissioners kept the real property tax rate at \$0.3130 / \$100 of assessed value which is the same as FY 2015. Perryville expects to receive \$1,401,794 in net real estate tax revenues for FY 2016, which, combined with \$1,532,000 anticipated in Personal Property Tax revenues, amounts to approximately 57% of the FY 2016 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 eleven (11) years after which time the agreed upon split of funds with Cecil County will be re-negotiated. Since the Baltimore license for Horseshoe Casino was issued in August 2016, 100% of the Local Impact Grants funds from the proceeds of the Video Lottery facilities are being distributed to the local jurisdictions. Prior to August 2015, 18% of the VLT funds were being allocated to Baltimore City via the Pimlico Community Development Authority and to Prince George's County for the community surrounding Rosecroft.

The Local Impact Grant funds must be used for the following purposes: Infrastructure Improvements, Facilities, Public Safety, Sanitation, Economic and Community Development (including housing), and Other Public Services and Improvements. The budget for the Local Impact Grant money went through an approval process that included public input and hearings. The "Town of Perryville Multi-Year Local Impact Budget" covering Fiscal Years 2016 through 2017 is available for review on the Town's website (www.perryvillemd.org) or by calling Town Hall. The Local Impact Budget is a three-year budget; however, it is reviewed annually and amended as needed. The Local Impact Grants are included in the FY 2016 General Fund Budget in the amount of \$450,386 or approximately 9% of the General Fund Operating Budget.

Included in the Local Impact Multi-Year Budget are short-term initiatives, such as equipment purchases, and long-term initiatives, such as the construction of new facilities. The existing budget also includes economic development incentives in the form of two grants programs, one for downtown revitalization efforts and the second to support local non-profits, and employees' salaries for two police officers and an Engineer.

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 2015, Perryville received approximately \$111,000 in HUR, and in FY 2016 the Town expects to receive \$128,988. The FY 2016 Perryville budget for roads and streets is significant and it includes \$55,000 for repairs, and \$757,000 in capital improvements, of which, \$577,000 is designated for the Elm Street project. In addition to Highway User Revenues, the FY 2016 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 2016 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 2016 Budget includes \$12,393 in refuse rebates, as compared to the prior year amount of \$14,459.

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 2016 directly as the refunds will begin in 2017, however, it is something that the town will need to consider during the budget process. Perryville's portion of that is expected to be around \$7,000.

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 did establish 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.

In July 2015, the Town adopted a policy to alter the definition of “capital expenditures” that have a useful life in excess of one year to the following:

Single items with an initial cost of more than \$5,000 instead of \$1,000

Like items purchased as a group of more than \$10,000 instead of \$2,000

In September 2015, the Developer for the Principio Health Center, Phase I dedicated the water and sewer lines to the Town and the Town agreed to accept full responsibility for all maintenance, repair and other costs of ownership and operation of the Facilities, as per the dedication agreement.

Notable FY 2016 budgeted General Fund projects include the following:

- The Town purchase of a document scanner, software & server totaling approximately \$20,000. These funds were not used in FY 2015.
- There is \$20,000 set aside to hire a consultant to perform survey services to update the Town’s Corporate Limits Map. The total cost of the project has been determined to be approximately \$120,000 which the Town has assigned funds to complete this project.
- There is \$212,000 set aside to replace the aging playground equipment at the Community Park of which \$100,000 being used is from reserves that were received as a result of the IKEA annexation several years ago.
- Restorations to historic Rodgers Tavern continue with \$2,000 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, and connection to the Town’s wastewater system. Further plans for the Tavern include restoration of the front porch, stone repointing, and lintel repair. Once the restoration is complete, the building is expected to house a museum and café. 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 \$757,000 set aside in the FY 2016 budget for Capital Outlay -Roads and Sidewalks, 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 Elm Street and Otsego Street. The Elm Street project is designed and out to bid, with construction expected to begin in the spring of 2016; \$577,000 is included in the budget for this project.
- 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 \$10,000 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 holes thus reducing the water level of the reservoir and alleviating pressure on the dam. Further work at the site to be considered in the upcoming year includes removal of the old water plant building.

- Lower Ferry Park construction is expected to begin during FY 2016. Lower Ferry Park, located at Broad Street and Roundhouse Drive across from Rodgers Tavern, is planned to be developed with a band shell, comfort station, a tot-lot, lighting, parking and trails. 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.
- Lastly, the General Fund is reserving funds for new facilities or improvements to existing facilities. A facilities bank account was established in June 2012 to set aside funds for facility construction and improvements. At the end of FY 2015, this account had a balance of approximately \$1,009,000 designated for the Town Hall with community center, Police department, and property for Little League complex. Note that Phase I of the project - the police department is under contract for design with Manns-Woodward Associates. Phase I had been delayed due to a problem with the stormwater outfall. ARRO stormwater outfall issue is addressed, we anticipate Phase I to go under construction late in FY 2016 or possibly in FY 2017. The Local Impact Grants are the primary source of funding for these initiatives.

While not a capital outlay, of important note, one that impacts the General, Water and Sewer Funds of the Town is that health insurance costs continue to increase. In FY 2016 health insurance costs increased 20% over the prior year. Health insurance is reviewed annually and the town selects the plan that best suits its needs while containing costs as much as possible.

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 \$460,000 and the annual debt service on the wastewater plant is approximately \$366,000. In the FY 2016 budget, Local Impact Grant spending totaling \$480,000 is budgeted towards the debt service payments. Additionally, the Town enacted a three-year water and sewer rate increase of approximately 4% per year. The rate increase is vital to the financial health of the water and sewer enterprise funds, but the rates must be reviewed annually 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, the town staff and board will pay particularly close attention to the rates in the upcoming year to help insure the future health and financial stability of the water and sewer funds. In addition to user rates, the town's water fund receives rents for the water tower logo and from communications companies [that place their antennas on the water towers or ground] as a source of revenue. In fiscal year 2016 the town expects to receive a net increase in rents of approximately \$8,400 due to entering into a new ground lease with a communication company, and giving a hardship waiver for one-year of rent on the water tower logo. Note that the VA is paying its proportionate share of the wastewater treatment plant debt service on the recent plant improvements.

Water and Sewer connection fee income and sewer facility fee income is budgeted at \$0 for FY 2016. These two fees are paid when a new user connects to the water and / or wastewater plants, which typically occurs with new development projects. Because of the unreliability of new development and related connection and facility fees, the Town took the conservative approach in budgeting \$0 for the FY 2016 budget for these fees.

While connection fees were not included in the water and sewer budgets as income, there are a few development projects that may come to fruition during FY 2016. These projects include starting construction on a single family housing development located off of Cedar Corner Road adjacent to the Gotham Bush development, a warehouse and office building at MD Route 7 and Coudon Boulevard in the Light Industrial zoning district of the Town, a commercial retail development with three pad-sites being considered at U.S. 40, and the possible connection of a MARC Maintenance and Layover Facility to Town utilities. The proposed MARC development is just outside of the incorporated town limits; however, the Maryland Transit Administration (MTA) has requested connection to the Town's utilities.

Notable FY 2016 Enterprise Fund budgeted projects include the following:

- Mixer for the Pilot Water Tower Tank \$50,000
- Solar Lights for the Intake structure \$5,000
- Water meters (for replacement and new construction) \$15,000
- Sewer main improvements \$40,000
- Money to be set aside to replace the Belt Filter Press for the wastewater plant \$125,000
- Camera for the Sewer lines \$30,000
- Portable Sewer Auger \$3,000

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, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT ASSETS			
Pooled Cash and Cash Equivalents			
Unrestricted	\$ 4,048,659	\$ 210,219	\$ 4,258,878
Restricted	2,036,003	1,446	2,037,449
Non-Pooled Cash and Cash Equivalents			
Unrestricted	2,085,476	1,373,140	3,458,616
Restricted	-	62,597	62,597
Certificate of Deposit	2,500,000	-	2,500,000
Accounts Receivable	37,535	139,638	177,173
Taxes Receivable	14,035	-	14,035
Local Impact Grant Receivable	113,596	109,141	222,737
Due from Other Governments	78,773	-	78,773
Unbilled Services	-	467,708	467,708
Internal Balances	38,776	(38,776)	-
Prepaid Expenses and Deposits	9,941	-	9,941
TOTAL CURRENT ASSETS	10,962,794	2,325,113	13,287,907
NON-CURRENT ASSETS			
Property and Equipment			
Construction in Progress	305,575	-	305,575
Land and Land Rights	2,467,808	20,822	2,488,630
Buildings and Improvements	2,286,216	40,397,633	42,683,849
Equipment	971,451	1,249,569	2,221,020
Infrastructure	6,304,591	2,062,957	8,367,548
Vehicles	750,244	85,168	835,412
	13,085,885	43,816,149	56,902,034
Less: Accumulated Depreciation	4,276,119	11,700,376	15,976,495
Net Property and Equipment	8,809,766	32,115,773	40,925,539
TOTAL NON-CURRENT ASSETS	8,809,766	32,115,773	40,925,539
TOTAL ASSETS	19,772,560	34,440,886	54,213,446
DEFERRED OUTFLOWS OF RESOURCES	-	-	-

See Accompanying Notes

TOWN OF PERRYVILLE, MARYLAND

STATEMENT OF NET POSITION

JUNE 30, 2015

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable and Accrued Expenses	63,467	71,320	134,787
Accrued Payroll and Related Benefits	73,903	35,492	109,395
Accrued Interest Payable	1,062	75,310	76,372
Unearned Revenues	69,587	200	69,787
Current Portion of Bonds and Loans Payable	15,000	765,267	780,267
Payable from Restricted Assets			
Accounts Payable and Accrued Expenses	12,302	-	12,302
Accrued Payroll and Related Benefits	161	1,446	1,607
Due to Other Governments	-	62,597	62,597
TOTAL CURRENT LIABILITIES	235,482	1,011,632	1,247,114
NON-CURRENT LIABILITIES			
Accrued Compensated Absences	87,583	55,008	142,591
Accrued Other Postemployment Benefits	40,533	16,693	57,226
Bonds and Loans Payable	145,000	13,450,527	13,595,527
TOTAL NON-CURRENT LIABILITIES	273,116	13,522,228	13,795,344
TOTAL LIABILITIES	508,598	14,533,860	15,042,458
DEFERRED INFLOWS OF RESOURCES	-	-	-
NET POSITION			
Net Investment in Capital Assets	8,649,766	17,899,979	26,549,745
Restricted	2,023,540	-	2,023,540
Unrestricted	8,590,656	2,007,047	10,597,703
TOTAL NET POSITION	\$ 19,263,962	\$ 19,907,026	\$ 39,170,988

See Accompanying Notes

TOWN OF PERRYVILLE, MARYLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

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	\$ 841,206	\$ 419	\$ -	\$ -	\$ (840,787)	\$ -	\$ (840,787)
Planning and Zoning	255,899	40,756	-	-	(215,143)	-	(215,143)
Public Safety	1,386,818	-	170,347	-	(1,216,471)	-	(1,216,471)
Public Works	892,667	651	129,169	-	(762,847)	-	(762,847)
Parks and Recreation	430,514	23,952	12,937	-	(393,625)	-	(393,625)
Interest on Long-term Debt	6,981	-	-	-	(6,981)	-	(6,981)
Total Governmental Activities	3,814,085	65,778	312,453	-	(3,435,854)	-	(3,435,854)
Business-Type Activities							
Water Services	1,152,162	980,309	-	534	-	(171,319)	(171,319)
Sewer Services	1,654,061	921,322	-	116,101	-	(616,638)	(616,638)
Total Business-Type Activities	2,806,223	1,901,631	-	116,635	-	(787,957)	(787,957)
TOTAL PRIMARY GOVERNMENT	\$ 6,620,308	\$ 1,967,409	\$ 312,453	\$ 116,635	(3,435,854)	(787,957)	(4,223,811)
GENERAL REVENUES							
Taxes							
Real Estate Taxes					1,385,464	-	1,385,464
Personal Property Taxes					1,498,703	-	1,498,703
Earned Income and Other Taxes					391,883	-	391,883
Grants, Contributions, and Franchise Fees Not Restricted to Specific Programs							
					810,238	604,767	1,415,005
Interest Income and Rents					20,750	4,193	24,943
Miscellaneous					24,070	-	24,070
TOTAL GENERAL REVENUES					4,131,108	608,960	4,740,068
CHANGES IN NET POSITION							
					695,254	(178,997)	516,257
Net Position - Beginning of Year					18,568,708	20,086,023	38,654,731
NET POSITION - END OF YEAR					\$ 19,263,962	\$ 19,907,026	\$ 39,170,988

See Accompanying Notes

TOWN OF PERRYVILLE, MARYLAND
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Non-Major Governmental Fund	Total Governmental Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
ASSETS			
Pooled Cash and Cash Equivalents			
Unrestricted	\$ 4,048,659	\$ -	\$ 4,048,659
Restricted	2,036,003		2,036,003
Non-Pooled Cash and Cash Equivalents			
Unrestricted	2,085,476	-	2,085,476
Certificate of Deposit	2,500,000	-	2,500,000
Accounts Receivable	37,535	-	37,535
Taxes Receivable	14,035	-	14,035
Local Impact Grant Receivable	113,596	-	113,596
Due from Other Governments	78,773	-	78,773
Due from Other Funds	34,937	3,839	38,776
Prepaid Expenses and Deposits	9,941	-	9,941
TOTAL ASSETS	10,958,955	3,839	10,962,794
DEFERRED OUTFLOWS OF RESOURCES			
	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 10,958,955	\$ 3,839	\$ 10,962,794

See Accompanying Notes

TOWN OF PERRYVILLE, MARYLAND
BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2015

	<u>General Fund</u>	<u>Non-Major Governmental Fund</u>	<u>Total Governmental Funds</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable and Accrued Expenses	\$ 63,467	\$ -	\$ 63,467
Accrued Payroll and Related Benefits	73,903	-	73,903
Accrued Interest Payable	1,062	-	1,062
Unearned Revenues	65,748	3,839	69,587
Payable from Restricted Assets			
Accounts Payable and Accrued Expenses	12,302	-	12,302
Accrued Payroll and Related Benefits	161	-	161
TOTAL LIABILITIES	<u>216,643</u>	<u>3,839</u>	<u>220,482</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Revenues	12,290	-	12,290
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>12,290</u>	<u>-</u>	<u>12,290</u>
FUND BALANCES			
Nonspendable	9,941	-	9,941
Restricted	2,023,540	-	2,023,540
Assigned	316,017	-	316,017
Unassigned	8,380,524	-	8,380,524
TOTAL FUND BALANCES	<u>10,730,022</u>	<u>-</u>	<u>10,730,022</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 10,958,955</u>	<u>\$ 3,839</u>	<u>\$ 10,962,794</u>

See Accompanying Notes

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

JUNE 30, 2015

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 10,730,022
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not available financial resources and, therefore, are not reported in the fund financial statements.	8,809,766
Property tax and related revenues are recognized in the period for which levied, rather than when "available". A portion of the property tax revenues are not available and, therefore, are deferred in the fund financial statements.	12,290
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.	(128,116)
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.	<u>(160,000)</u>
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 19,263,962</u></u>

See Accompanying Notes

TOWN OF PERRYVILLE, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Non-Major Governmental Fund	Total Governmental Funds
REVENUES			
Taxes			
Local Property Taxes	\$ 2,888,295	\$ -	\$ 2,888,295
Local Income and Other Taxes	362,072	-	362,072
Licenses and Permits	71,566	-	71,566
Intergovernmental			
State	297,994	-	297,994
County - Local Impact Grant	629,461	-	629,461
County - Other	173,327	-	173,327
Charges for Services	41,271	-	41,271
Interest Income	20,750	-	20,750
Miscellaneous	28,731	-	28,731
TOTAL REVENUES	4,513,467	-	4,513,467
EXPENDITURES			
General Government	789,480	-	789,480
Planning and Zoning	252,911	-	252,911
Public Safety			
Police	1,254,558	-	1,254,558
Volunteer Fire Company	34,711	-	34,711
Public Works			
Highways and Streets	513,577	-	513,577
Solid Waste Collection	258,077	-	258,077
Parks and Recreation	222,919	-	222,919
Debt Service			
Principal	15,000	-	15,000
Interest	6,981	-	6,981
Capital Outlays	529,914	-	529,914
TOTAL EXPENDITURES	3,878,128	-	3,878,128
NET CHANGES IN FUND BALANCES	635,339	-	635,339
Fund Balances - Beginning of Year	10,094,683	-	10,094,683
FUND BALANCES - END OF YEAR	\$ 10,730,022	\$ -	\$ 10,730,022

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, 2015

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ 635,339**

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	529,914
Less: Depreciation Expense	(458,634)

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
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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.	(4,128)
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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	(9,680)
Accrued Other Postemployment Benefits	(12,557)

CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 695,254**

TOWN OF PERRYVILLE, MARYLAND
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2015

	Water Fund	Sewer Fund	Total Proprietary Funds
ASSETS			
CURRENT ASSETS			
Pooled Cash and Cash Equivalents			
Unrestricted	\$ 116,021	\$ 94,198	\$ 210,219
Restricted	723	723	1,446
Non-Pooled Cash and Cash Equivalents			
Unrestricted	125,463	1,247,677	1,373,140
Restricted	-	62,597	62,597
Accounts Receivable	69,497	70,141	139,638
Local Impact Grant Receivable	53,457	55,684	109,141
Unbilled Services	215,690	252,018	467,708
TOTAL CURRENT ASSETS	580,851	1,783,038	2,363,889
NON-CURRENT ASSETS			
Property and Equipment			
Land and Land Rights	16,647	4,175	20,822
Buildings and Improvements	15,421,526	24,976,107	40,397,633
Equipment	427,677	821,892	1,249,569
Infrastructure	1,348,034	714,923	2,062,957
Vehicles	18,277	66,891	85,168
	17,232,161	26,583,988	43,816,149
Less: Accumulated Depreciation	3,236,775	8,463,601	11,700,376
Net Property and Equipment	13,995,386	18,120,387	32,115,773
TOTAL NON-CURRENT ASSETS	13,995,386	18,120,387	32,115,773
TOTAL ASSETS	14,576,237	19,903,425	34,479,662
DEFERRED OUTFLOWS OF RESOURCES	-	-	-

See Accompanying Notes

TOWN OF PERRYVILLE, MARYLAND
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2015

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable and Accrued Expenses	36,909	34,411	71,320
Accrued Payroll and Related Benefits	17,160	18,332	35,492
Accrued Interest Payable	34,431	40,879	75,310
Due to Other Funds	25,099	13,677	38,776
Unearned Revenues	200	-	200
Current Portion of Bonds and Loans Payable	432,457	332,810	765,267
Payable from Restricted Assets			
Accrued Payroll and Related Benefits	723	723	1,446
Due to Other Governments	-	62,597	62,597
TOTAL CURRENT LIABILITIES	<u>546,979</u>	<u>503,429</u>	<u>1,050,408</u>
NON-CURRENT LIABILITIES			
Accrued Compensated Absences	22,970	32,038	55,008
Accrued Other Postemployment Benefits	8,221	8,472	16,693
Bonds and Loans Payable	8,950,208	4,500,319	13,450,527
TOTAL NON-CURRENT LIABILITIES	<u>8,981,399</u>	<u>4,540,829</u>	<u>13,522,228</u>
TOTAL LIABILITIES	<u>9,528,378</u>	<u>5,044,258</u>	<u>14,572,636</u>
DEFERRED INFLOWS OF RESOURCES	-	-	-
NET POSITION			
Net Investment in Capital Assets	4,612,721	13,287,258	17,899,979
Unrestricted	435,138	1,571,909	2,007,047
TOTAL NET POSITION	<u>\$ 5,047,859</u>	<u>\$ 14,859,167</u>	<u>\$ 19,907,026</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, 2015

	Water Fund	Sewer Fund	Total Proprietary Funds
OPERATING REVENUES			
Charges for Services	\$ 879,926	\$ 911,916	\$ 1,791,842
Reading and Related Fees	6,268	9,406	15,674
TOTAL OPERATING REVENUES	886,194	921,322	1,807,516
OPERATING EXPENSES			
Contracted Services	29,188	12,683	41,871
Depreciation	388,341	578,933	967,274
Insurance	23,254	31,780	55,034
Other Administrative Expenses	24,746	40,726	65,472
Payroll Taxes and Fringe Benefits	95,395	104,266	199,661
Repairs and Maintenance	58,048	77,347	135,395
Salaries and Wages	335,225	346,709	681,934
Supplies and Materials	23,010	51,335	74,345
Utilities	86,951	192,735	279,686
TOTAL OPERATING EXPENSES	1,064,158	1,436,514	2,500,672
OPERATING LOSS	(177,964)	(515,192)	(693,156)
NON-OPERATING REVENUES (EXPENSES)			
Loss on Disposal of Assets	-	(131,281)	(131,281)
Interest Income	458	3,735	4,193
Rental Income	94,115	-	94,115
Interest Expense	(88,004)	(86,266)	(174,270)
TOTAL NON-OPERATING REVENUES (EXPENSES)	6,569	(213,812)	(207,243)
NET LOSS BEFORE CAPITAL CONTRIBUTIONS	(171,395)	(729,004)	(900,399)
Capital Contributions - Local Income Grant	296,212	308,555	604,767
Capital Contributions - Other	534	116,101	116,635
CHANGES IN NET POSITION	125,351	(304,348)	(178,997)
Net Position - Beginning of Year	4,922,508	15,163,515	20,086,023
NET POSITION - END OF YEAR	\$ 5,047,859	\$ 14,859,167	\$ 19,907,026

See Accompanying Notes

TOWN OF PERRYVILLE, MARYLAND
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Water Fund	Sewer Fund	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Inflows			
Cash Received From Customers	\$ 853,661	\$ 874,902	\$ 1,728,563
Outflows			
Cash Paid to Suppliers	255,935	224,862	480,797
Cash Paid to Employees	423,368	441,684	865,052
	679,303	666,546	1,345,849
NET CASH PROVIDED BY OPERATING ACTIVITIES	174,358	208,356	382,714
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Inflows			
Net Cash Received From Other Funds	-	150,818	150,818
Other Revenues	94,115	-	94,115
	94,115	150,818	244,933
Outflows			
Net Cash Paid to Other Funds	3,817	-	3,817
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	90,298	150,818	241,116
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Inflows			
Capital Contributions and Grants	246,796	400,530	647,326
Outflows			
Interest Paid	71,547	88,219	159,766
Purchase of Capital Assets	50,810	233,523	284,333
Payments on Long-Term Debt	429,865	327,961	757,826
	552,222	649,703	1,201,925
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(305,426)	(249,173)	(554,599)

See Accompanying Notes

TOWN OF PERRYVILLE, MARYLAND
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Water Fund	Sewer Fund	Total Proprietary Funds
CASH FLOWS FROM INVESTING ACTIVITIES			
Inflows			
Interest Received	458	3,735	4,193
	458	3,735	4,193
NET CASH PROVIDED BY INVESTING ACTIVITIES	458	3,735	4,193
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(40,312)	113,736	73,424
Cash and Cash Equivalents - Beginning of Year	282,519	1,291,459	1,573,978
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 242,207	\$ 1,405,195	\$ 1,647,402
 RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION			
CURRENT ASSETS			
Pooled Cash and Cash Equivalents			
Unrestricted	\$ 116,021	\$ 94,198	\$ 210,219
Restricted	723	723	1,446
Non-Pooled Cash and Cash Equivalents			
Unrestricted	125,463	1,247,677	1,373,140
Restricted	-	62,597	62,597
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 242,207	\$ 1,405,195	\$ 1,647,402

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 Authority during the year ended June 30, 2015 and the relating effects on the financial statements presentation and disclosure, as applicable:

GASB Statement No. 68, Accounting and Reporting for Pensions - The objective of this statement is to improve accounting and financial reporting by state and local governments for pensions, including improving information provided by state and local government employers about financial support for pensions that is provided by other entities, by requiring enhanced note disclosures and schedules of required supplementary information, and promoting more transparency and consistency amongst state and local government financial statements. The provisions of this statement were effective for periods beginning after June 15, 2014, and were implemented by the Town as of July 1, 2014 with no effect on financial statements presentation or disclosure.

TOWN OF PERRYVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* - The objective of this statement is to improve accounting and financial reporting by state and local governments for combinations in the governmental environment, and improve the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination agreements in when they engage and for disposals of government operations through transfer or sale. The provisions of this statement were effective for periods beginning after December 31, 2013, and were implemented by the Town as of July 1, 2014 with no effect on the financial statements presentation or disclosure.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* - The objective of this statement is to address an issue regarding application of the transition provision of Statement No. 68, *Accounting and Financial Reporting for Pensions* relating to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit plan after the measurement date of the government's beginning net pension liability. The provisions of this statement were effective for periods beginning after June 15, 2014, and were implemented by the Town as of July 1, 2014 in conjunction with GASB Statement No. 68 implementation above with no effect on the 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.

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

TOWN OF PERRYVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

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.

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.

TOWN OF PERRYVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

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

TOWN OF PERRYVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

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 a remaining maturity of three months or less when purchased, 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 subsequent billing quarter.

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 \$1,000 or more for a single item, or \$2,000 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, 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 inflow of resources.

TOWN OF PERRYVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

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, 2015 is reported as unearned revenues.

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 are 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

TOWN OF PERRYVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

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.

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 expenditures.

Proprietary Funds - A minimum of 35% to not more than 50% of the respective subsequent year's budgeted Proprietary 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.

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, 2015. 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

TOWN OF PERRYVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

estimates and assumptions affect the reported amounts of assets, deferred outflows of 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 21, 2015, the date the financial statements were available to be issued.

Note 2. Deposits and Investments

The deposits and investments held as of June 30, 2015 are as follows:

<u>Type</u>	<u>Rating/ Interest Rate</u>	<u>Maturities</u>	<u>Carrying Value</u>
Deposits:			
Cash on Hand			\$ 848
Certificate of Deposit	0.53%	02/20/2016	2,500,000
Demand Deposits			3,520,365
Investments:			
Maryland Local Government Investment Pool	AAAm/0.07%	51 Days Average	<u>6,296,327</u>
Total Deposits and Investments			<u>\$ 12,317,540</u>

Reconciliation to Statement of Net Position:

Current Assets		
Pooled Cash and Cash Equivalents		
Unrestricted		\$ 4,258,878
Restricted		<u>2,037,449</u>
Total Pooled Cash and Cash Equivalents	6,296,327
Non-Pooled Cash and Cash Equivalents		
Unrestricted		3,458,616
Restricted		<u>62,597</u>
Total Non-Pooled Cash and Cash Equivalents		...3,521,213
Certificate of Deposit		<u>2,500,000</u>
Total Current Assets		<u>\$ 12,317,540</u>

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 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, 2015, all pool holdings are in cash and cash equivalents.

Restricted cash and cash equivalents as of June 30, 2015 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	\$ 30,496	\$ -	\$ -
IKEA Contribution	200,000	-	-
Local Impact Grant Funding	1,799,696	723	723
Police Seizure Funds	5,811	-	-
Non-Pooled Cash and Cash Equivalents - Restricted			
Bay Restoration Collections	<u>-</u>	<u>-</u>	<u>62,597</u>
	<u>\$ 2,036,003</u>	<u>\$ 723</u>	<u>\$ 63,320</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 paragraph;
6. Commercial paper that has received the highest letter and numerical rating by at least one nationally recognized statistical rating organization as designated by the United States SEC, provided that such commercial paper may not exceed five percent of the total investments made by the Treasurer under this subsection;
7. Money market mutual funds that:
 - a. contain only securities of the organizations listed in items (1), (2), and (3) of this subsection;
 - b. are registered with the United States SEC under the Investment Company Act (ICA) of 1940, 15 U.S.C. § 80a-1 et seq., as amended; and
 - c. are operated in accordance with Rule 2A-7 of the ICA of 1940, 17 C.F.R. § 270.2A-7, as amended;
8. Any investment portfolio created under the MLGIP defined under Article 95, § 22G 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 \$ 6,071,478 as of June 30, 2015, \$5,071,478 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, 2015 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, 2015 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, 2015, 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>2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfer</u>	Balance June 30, <u>2015</u>
Governmental Activities					
Non-Depreciable Assets					
Construction in Progress	\$ 208,665	\$ 96,910	\$ -	\$ -	\$ 305,575
Land and Land Rights	<u>2,467,808</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,467,808</u>
Total Non-Depreciable Assets	<u>2,676,473</u>	<u>96,910</u>	<u>-</u>	<u>-</u>	<u>2,773,383</u>
Depreciable Assets					
Buildings and Improvements	2,286,216	-	-	-	2,286,216
Equipment	945,039	48,213	21,801	-	971,451
Infrastructure	6,003,890	300,701	-	-	6,304,591
Vehicles	<u>738,223</u>	<u>84,090</u>	<u>55,781</u>	<u>(16,288)</u>	<u>750,244</u>
Total Depreciable Assets	<u>9,973,368</u>	<u>433,004</u>	<u>77,582</u>	<u>(16,288)</u>	<u>10,312,502</u>
Total Capital Assets	<u>12,649,841</u>	<u>529,914</u>	<u>77,582</u>	<u>(16,288)</u>	<u>13,085,885</u>
Accumulated Depreciation					
Buildings and Improvements	930,718	79,991	-	-	1,010,709
Equipment	646,704	72,330	21,801	-	697,233
Infrastructure	1,812,929	226,731	-	-	2,039,660
Vehicles	<u>521,004</u>	<u>79,582</u>	<u>55,781</u>	<u>(16,288)</u>	<u>528,517</u>
Total Accumulated Depreciation	<u>3,911,355</u>	<u>458,634</u>	<u>77,582</u>	<u>(16,288)</u>	<u>4,276,119</u>
Total Capital Assets, Net	<u>\$ 8,738,486</u>	<u>\$ 71,280</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,809,766</u>

Depreciation expense for the year ended June 30, 2015 charged to governmental activities was as follows:

General Government	\$ 47,136
Planning and Zoning	1,154
Public Safety	86,347
Public Works	117,014
Parks and Recreation	<u>206,983</u>
	<u>\$ 458,634</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, 2015 are as follows:

Rodgers Tavern	\$ 140,392
Police Department Building	97,266
Baseball Park Re-Design	23,179
Town Hall Building	23,226
Lower Ferry Park	11,200
Round House Drive Lighting	9,633
Elm Street	<u>679</u>
	<u>\$ 305,575</u>

A summary of business-type activities follows:

	Balance July 1, <u>2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfer</u>	Balance June 30, <u>2015</u>
Business-Type Activities					
Non-Depreciable Assets					
Construction in Progress	\$ -	\$ -	\$ -	\$ -	\$ -
Land and Land Rights	<u>20,822</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,822</u>
Total Non-Depreciable Assets	<u>20,822</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,822</u>
Depreciable Assets					
Buildings and Improvements	40,591,059	-	193,426	-	40,397,633
Equipment	1,154,327	98,079	2,837	-	1,249,569
Infrastructure	2,027,219	35,738	-	-	2,062,957
Vehicles	<u>68,880</u>	<u>-</u>	<u>-</u>	<u>16,288</u>	<u>85,168</u>
Total Depreciable Assets	<u>43,841,485</u>	<u>133,817</u>	<u>196,263</u>	<u>16,288</u>	<u>43,795,327</u>
Total Capital Assets	<u>43,862,307</u>	<u>133,817</u>	<u>196,263</u>	<u>16,288</u>	<u>43,816,149</u>
Accumulated Depreciation					
Buildings and Improvements	9,140,512	832,603	49,645	-	9,923,470
Equipment	787,897	86,047	2,838	-	871,106
Infrastructure	773,988	46,797	-	-	820,785
Vehicles	<u>66,900</u>	<u>1,827</u>	<u>-</u>	<u>16,288</u>	<u>85,015</u>
Total Accumulated Depreciation	<u>10,769,297</u>	<u>967,274</u>	<u>52,483</u>	<u>16,288</u>	<u>11,700,376</u>
Total Capital Assets, Net	<u>\$ 33,093,010</u>	<u>\$ (833,457)</u>	<u>\$ 143,780</u>	<u>\$ -</u>	<u>\$ 32,115,773</u>

Depreciation expense for the year ended June 30, 2015 charged to business-type activities for the Water Fund and Sewer Fund totaled \$388,341 and \$578,933, respectively. A fully depreciated vehicle was transferred from governmental activities to Sewer Fund during the year causing a \$16,288 increase to both Vehicles and Accumulated Depreciation for Vehicles.

TOWN OF PERRYVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

Note 4. Long-Term Debt

Bonds and Loans Payable as of June 30, 2015 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 with remaining interest rates ranging from 3.375% to 4.20%. \$ 160,000

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%. 15,777

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 \$26,200 to \$35,500 with semi-annual interest payments with remaining interest rates ranging from 4.35% to 4.80%. 214,100

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%. 361,259

Total Bonds Payable751,136

Loans Payable

Water Quality Act Loan of 2007

\$12,053,769 authorized and \$11,534,299 issued. Interest at 0.40%, paid semi-annually. Principal to be repaid in annual payments through February 2037 ranging from \$402,325 to \$435,764. 9,152,788

Water Quality Act Loan of 2008

\$5,964,000 authorized \$5,923,965 and issued. Interest at 1.10%, paid semi-annually. Remaining principal to be repaid in annual payments through February 2029 ranging from \$299,866 to \$341,933. 4,471,870

Total Loans Payable ...13,624,658

Total Bonds and Loans Payable \$ 14,375,794

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 debt for the year ended June 30, 2015:

<u>Type of Debt</u>	Balance July 1, 2014	<u>Additions</u>	<u>Reductions</u>	Balance June 30, 2015	Due Within <u>One Year</u>
Governmental Activities					
Bonds Payable					
2004 CDA Infrastructure Bonds	\$ 175,000	\$ -	\$ 15,000	\$ 160,000	\$ 15,000
Accrued Compensated Absences	<u>77,902</u>	<u>9,681</u>	-	<u>87,583</u>	-
Total Governmental Activities	<u>\$ 252,902</u>	<u>\$ 9,681</u>	<u>\$ 15,000</u>	<u>\$ 247,583</u>	<u>\$ 15,000</u>
Business-Type Activities					
Bonds and Loans Payable					
1978 Water System Bonds	\$ 19,520	\$ -	\$ 3,743	\$ 15,777	\$ 3,932
1984 Sewer System Bond	392,616	-	31,357	361,259	32,944
2002 CDA Infrastructure Bonds	239,500	-	25,400	214,100	26,200
2007 Water Quality Act Loan	9,553,510	-	400,722	9,152,788	402,325
2008 Water Quality Act Loan	<u>4,768,474</u>	-	<u>296,604</u>	<u>4,471,870</u>	<u>299,866</u>
Total Bonds and Loans Payable	14,973,620	-	757,826	14,215,794	765,267
Accounts Payable and Accrued Expenses	42,430	-	21,281	21,149	21,149
Accrued Compensated Absences	<u>49,925</u>	<u>7,825</u>	<u>2,742</u>	<u>55,008</u>	-
Total Business-Type Activities	<u>\$ 15,065,975</u>	<u>\$ 7,825</u>	<u>\$ 781,849</u>	<u>\$ 14,291,951</u>	<u>\$ 786,416</u>

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, 2015 was \$6,981 and \$174,270, 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>
2016	\$ 15,000	\$ 6,250	\$ 765,267	\$ 114,222
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 - 2025	80,000	8,360	3,935,467	278,028
2026 - 2030	-	-	3,430,705	120,164
2031 - 2035	-	-	2,152,916	41,766
2036 - 2037	-	-	793,058	4,602
	<u>\$ 160,000</u>	<u>\$ 34,360</u>	<u>\$ 14,215,794</u>	<u>\$ 934,160</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, 2015 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	\$ -	\$ -	\$ 39,339	\$ 39,339
Non-Major Governmental Fund	3,839	-	-	3,839
Water Fund	563	-	-	563
Sewer Fund	-	<u>25,662</u>	-	<u>25,662</u>
Total	<u>\$ 4,402</u>	<u>\$ 25,662</u>	<u>\$ 39,339</u>	<u>\$ 69,403</u>

Note 6. Net Position and Fund Balances

Nonspendable fund balance in the General Fund as of June 30, 2015 is limited to prepaid expenses and deposits totaling \$9,941.

TOWN OF PERRYVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

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, 2015:

Community Activities	\$ 30,496
IKEA Contributions	200,000
Local Impact Grant Funding	1,787,233
Police Seizure Funds	<u>5,811</u>
	<u>\$ 2,023,540</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, 2015 is limited to the Parade Account totaling \$16,017 and the Facilities Reserve Account totaling \$300,000 to construct or maintain Town facilities.

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, 2015 were \$0.313 and \$0.94, respectively, per \$100 assessed property value.

TOWN OF PERRYVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

Note 8. 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:

2016	\$ 98,336
2017	93,956
2018	59,495
2019	29,443
2020	<u>16,280</u>
	<u>\$ 297,510</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, 2015 were \$94,115, all of which were recognized in the Water Fund.

Note 9. 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 employees 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 employee (and interest allocated to the employee's account) is fully vested at contribution. The Town contributed \$54,648 to the plan during the year ended June 30, 2015.

All amounts of compensation deferred under the plans 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.

TOWN OF PERRYVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

Note 10. 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 50 participants, 48 of which are active plan members and 2 are retirees receiving benefits, as of June 30, 2015.

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, 2015, the Town reimbursed premium costs of \$5,491 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. The following table shows the components of the Town's annual OPEB cost, the estimated actuarial amount contributed to the plan, and changes in the Town's governmental activities net OPEB obligation for the year ended June 30, 2015:

Annual Required Contribution	\$ 25,035
Interest on Net OPEB Obligation	1,784
Adjustment to Annual Required Contribution	<u>(2,434)</u>
Annual OPEB Cost	24,385
Contributions Made	<u>(6,799)</u>
Increase in Net OPEB Obligation	17,586
Net OPEB Obligation - Beginning of Year	<u>39,640</u>
Net OPEB Obligation - End of Year	<u><u>\$ 57,226</u></u>

TOWN OF PERRYVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

The net OPEB obligation of \$57,226 as of June 30, 2015 has been accrued as follows:

Governmental Activities	\$ 40,533
Business-Type Activities	
Water Fund	8,221
Sewer Fund	<u>8,472</u>
	<u>\$ 57,226</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>
2015	\$ 24,385	27.88%	\$ 57,226
2014	\$ 24,707	20.49%	\$ 39,640
2013	\$ 25,035	20.13%	\$ 19,995

C. Funded Status and Funding Progress

As of the July 1, 2012 valuation, the actuarial accrued liability for benefits was \$153,683, all of which was unfunded, the covered payroll (annual payroll of active employees covered by the plan) was \$2,055,518, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 7.48%.

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

TOWN OF PERRYVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

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, 2012 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 7.5% initially, reduced by 0.5% decrements to a rate of 5.5% in 2016. 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, 2012 valuation was 30 years.

Note 11. 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	\$ (177,964)	\$ (515,192)	\$ (693,156)
Adjustment to Reconcile Operating Loss to Net Cash Provided by Operating Activities			
Depreciation	388,341	578,933	967,274
(Increase) Decrease in Assets			
Accounts Receivable	(23,647)	1,457	(22,190)
Unbilled Services	(8,886)	(52,530)	(61,416)
Prepaid Expenses and Deposits	2,774	2,915	5,689
Increase (Decrease) in Liabilities			
Accounts Payable and Accrued Expenses	(13,512)	178,829	165,317
Accrued Payroll and Related Benefits	2,846	3,585	6,431
Accrued Compensated Absences	1,934	3,149	5,083
Accrued Other Postemployment Benefits	2,472	2,557	5,029
Due to Other Governments	<u>-</u>	<u>4,653</u>	<u>4,653</u>
Net Cash Provided by Operating Activities	<u>\$ 174,358</u>	<u>\$ 208,356</u>	<u>\$ 382,714</u>

TOWN OF PERRYVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

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, 2015, 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.

The Town is committed under the following contracts for construction projects as of June 30, 2015:

<u>Project</u>	<u>Contract Amount</u>	<u>Amount of Contract Not Incurred at June 30, 2015</u>
Lighting Project at Round House	<u>\$ 40,713</u>	<u>\$ 31,080</u>
Police Station Building	<u>\$ 123,070</u>	<u>\$ 35,745</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, 2015, \$85,500 remains to be remitted from future tax levy year property tax credits.

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.

TOWN OF PERRYVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

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, 2015, and the amount of settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

Note 14. 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.

Note 15. 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, 2015 were \$1,319,484, which represented 29% 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, 2015 were \$235,576, which represented 26% of the Town's Sewer Fund operating revenues.

Note 16. New Governmental Accounting Standards Board Pronouncement

The GASB issued a pronouncement prior to the year ended June 30, 2015 that has an effective date that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statement may have on the financial statements of the Town:

GASB Statement No. 72, Fair Value Measurement and Application, will be effective for the Town as of July 1, 2015. The objective of this statement is to address accounting and financial reporting issues by state and local governments for fair value measurements, including determining a fair value measurement for financial reporting purposes, applying fair value to certain investments, and requiring additional disclosures related to all fair value measurements.

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*, will be effective for the Town as of July 1, 2016. The objective of this statement is to complete the suite of pension standards, by establishing requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (those not covered by Statement 67 and 68) to be reflected in the measurements.

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 address the financial reports of defined benefit OPEB plans that are administered through trusts, by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position, and more extensive note disclosures and Required Supplementary Information (RSI) related to the measurement of the OPEB liabilities for which assets have been accumulated.

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 require governments to report a liability on the face of the financial statements for the OPEB plan they provide, and to present more extensive note disclosures and Required Supplementary Information (RSI) about their OPEB Liabilities.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, will be effective for the Town as of July 1, 2015. The objective of this statement is to identify the hierarchy of generally accepted accounting principles (GAAP) in the context of the current governmental financial reporting requirement. The statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event of the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

GASB Statement No. 77, *Tax Abatement Disclosures*, will be effective for the Town as of July 1, 2016. The objective of this statement is to assist users of financials statements in assessing 1) sufficiency for interperiod equity, 2) compliance with finance-related legal and contractual obligations, 3) financial resources of government entity and its use, and 4) government's financial position and economic condition and its impact of overtime change. Required disclosure of tax abatement information about a reporting government's own tax abatement and those entered into by other governments and reduce reporting government's tax revenues.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF PERRYVILLE, MARYLAND
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Taxes				
Local Property Taxes	\$ 2,958,516	\$ 2,958,516	\$ 2,888,295	\$ (70,221)
Local Income and Other Taxes	267,388	267,388	362,072	94,684
Licenses and Permits	58,110	58,110	71,566	13,456
Intergovernmental				
State	260,161	478,885	297,994	(180,891)
County - Local Impact Grant	729,045	729,045	629,461	(99,584)
County - Other	174,717	174,717	173,327	(1,390)
Charges for Services	62,650	62,650	41,271	(21,379)
Fines and Forfeitures	1,500	1,500	-	(1,500)
Interest Income	19,538	19,538	20,750	1,212
Miscellaneous	13,500	30,081	28,731	(1,350)
TOTAL REVENUES	4,545,125	4,780,430	4,513,467	(266,963)
EXPENDITURES				
General Government	852,527	992,676	789,480	203,196
Planning and Zoning	312,372	312,372	252,911	59,461
Public Safety				
Police	1,395,790	1,398,154	1,254,558	143,596
Volunteer Fire Company	52,000	52,000	34,711	17,289
Public Works				
Highways and Streets	538,900	555,700	513,577	42,123
Solid Waste Collection	268,150	268,150	258,077	10,073
Parks and Recreation	254,494	254,494	222,919	31,575
Debt Service				
Principal	15,000	15,000	15,000	-
Interest	7,021	7,021	6,981	40
Capital Outlays	848,871	2,107,103	529,914	1,577,189
TOTAL EXPENDITURES	4,545,125	5,962,670	3,878,128	2,084,542
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(1,182,240)	635,339	1,817,579
NET CHANGES IN FUND BALANCES	-	(1,182,240)	635,339	1,817,579
Fund Balances - Beginning of Year	10,094,683	10,094,683	10,094,683	-
FUND BALANCES - END OF YEAR	\$10,094,683	\$ 8,912,443	\$ 10,730,022	\$ 1,817,579

TOWN OF PERRYVILLE, MARYLAND
SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT
BENEFITS (OPEB) PLAN
FOR THE YEAR ENDED JUNE 30, 2015

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]
7/1/2012	\$ -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, 2012, 2013, 2014, AND 2015

	2012	2013	2014	2015
REVENUES				
Taxes				
Local Property Taxes	\$ 3,097,331	\$ 3,071,842	\$ 3,148,670	\$ 2,888,295
Local Income and Other Taxes	362,007	367,404	351,921	362,072
Licenses and Permits	69,830	68,575	68,954	71,566
Intergovernmental				
Federal	275,429	9,660	-	-
State	305,552	368,626	347,187	297,994
County - Local Impact Grant	1,510,947	972,023	877,005	629,461
County - Other	186,698	178,689	175,174	173,327
Charges for Services	28,966	22,112	37,556	41,271
Fines and Forfeitures	4,446	1,124	34,661	-
Interest Income	10,528	15,948	14,376	20,750
Miscellaneous	22,048	38,252	51,371	28,731
TOTAL REVENUES	<u>5,873,782</u>	<u>5,114,255</u>	<u>5,106,875</u>	<u>4,513,467</u>
EXPENDITURES				
General Government	576,176	771,152	733,782	789,480
Planning and Zoning	190,463	183,136	210,905	252,911
Public Safety				
Police	1,106,718	1,170,205	1,229,425	1,254,558
Volunteer Fire Company	51,106	111,095	52,903	34,711
Public Works				
Highways and Streets	694,166	659,340	509,934	513,577
Solid Waste Collection	220,143	256,351	261,177	258,077
Parks and Recreation	167,408	199,294	227,984	222,919
Debt Service				
Principal	22,500	15,000	15,000	15,000
Interest	10,005	7,900	7,429	6,981
Capital Outlays	1,328,596	573,509	749,483	529,914
TOTAL EXPENDITURES	<u>4,367,281</u>	<u>3,946,982</u>	<u>3,998,022</u>	<u>3,878,128</u>
NET CHANGES IN FUND BALANCES	1,506,501	1,167,273	1,108,853	635,339
Fund Balances - Beginning of Year	6,312,056	7,818,557	8,985,830	10,094,683
FUND BALANCES - END OF YEAR	<u>\$ 7,818,557</u>	<u>\$ 8,985,830</u>	<u>\$ 10,094,683</u>	<u>\$ 10,730,022</u>

TOWN OF PERRYVILLE, MARYLAND
SCHEDULES OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEARS ENDED JUNE 30, 2012, 2013, 2014, AND 2015

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
OPERATING REVENUES				
Charges for Services	\$ 1,902,454	\$ 1,941,193	\$ 1,812,184	\$ 1,791,842
Reading and Related Fees	20,362	11,529	17,129	15,674
TOTAL OPERATING REVENUES	<u>1,922,816</u>	<u>1,952,722</u>	<u>1,829,313</u>	<u>1,807,516</u>
OPERATING EXPENSES				
Contracted Services	99,732	21,151	40,578	41,871
Depreciation	964,379	972,864	957,180	967,274
Insurance	52,049	62,383	43,960	55,034
Other Administrative Expenses	63,814	66,120	141,521	65,472
Payroll Taxes and Fringe Benefits	160,398	195,226	198,898	199,661
Repairs and Maintenance	130,077	111,187	100,278	135,395
Salaries and Wages	557,063	660,301	693,140	681,934
Supplies and Materials	45,428	68,303	77,688	74,345
Utilities	215,527	256,417	305,837	279,686
TOTAL OPERATING EXPENSES	<u>2,288,467</u>	<u>2,413,952</u>	<u>2,559,080</u>	<u>2,500,672</u>
OPERATING LOSS	<u>(365,651)</u>	<u>(461,230)</u>	<u>(729,767)</u>	<u>(693,156)</u>
NON-OPERATING REVENUES				
(EXPENSES)				
Connection Charges	-	110,000	-	-
Gain (Loss) on Disposal of Assets	52,971	61,547	(178,438)	(131,281)
Interest Income	3,231	4,207	4,512	4,193
Rental Income	79,378	92,783	87,765	94,115
Interest Expense	(185,048)	(171,774)	(164,497)	(174,270)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(49,468)</u>	<u>96,763</u>	<u>(250,658)</u>	<u>(207,243)</u>
NET LOSS BEFORE CAPITAL CONTRIBUTIONS	<u>(415,119)</u>	<u>(364,467)</u>	<u>(980,425)</u>	<u>(900,399)</u>
Capital Contributions - Local				
Income Grant	354,225	228,005	261,204	604,767
Capital Contributions - Other	447,786	182,473	135,324	116,635
CHANGES IN NET POSITION	<u>386,892</u>	<u>46,011</u>	<u>(583,897)</u>	<u>(178,997)</u>
Net Position - Beginning of Year	20,237,017	20,623,909	20,669,920	20,086,023
NET POSITION - END OF YEAR	<u>\$ 20,623,909</u>	<u>\$ 20,669,920</u>	<u>\$ 20,086,023</u>	<u>\$ 19,907,026</u>