



*Perryville*  
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**TOWN OF PERRYVILLE, MARYLAND**  
**BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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# TOWN OF PERRYVILLE, MARYLAND

## TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
Entity-wide Financial Statements:	
- Statement of Net Position	19
- Statement of Activities	20
Fund Financial Statements:	
- Balance Sheet - Governmental Funds	21
- Reconciliation of Balance Sheet - Governmental Funds to Statement of Net Position	22
- Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	23
- Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to Statement of Activities	24
- Budgetary Comparison Statement - General Fund	25
- Budgetary Comparison Statement - Local Impact Fund	26
- Statement of Net Position - Proprietary Funds	27
- Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	28
- Statement of Cash Flows - Proprietary Funds	29
Notes to Financial Statements	30
REQUIRED SUPPLEMENTARY INFORMATION	
- Schedule of the Town's Net OPEB Liability and Related Ratios	56
- Schedule of Town OPEB Contributions	57

TOWN OF PERRYVILLE, MARYLAND

TABLE OF CONTENTS

	<u>PAGE</u>
SUPPLEMENTARY INFORMATION	
- Schedule of Revenues, Expenditures, and Changes in Fund Balances - General Fund	58
- Schedule of Revenues, Expenditures, and Changes in Fund Net Position - Proprietary Funds	59
OTHER REPORT	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	60



## INDEPENDENT AUDITOR'S REPORT

October 29, 2020

Mayor and Commissioners  
Town of Perryville, Maryland  
Perryville, Maryland

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Perryville, Maryland ("the Town"), as of and for the year ended June 30, 2020, 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

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation

Mayor and Commissioners  
Town of Perryville, Maryland

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, and each major fund of the Town of Perryville, Maryland, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparison for the general and local impact funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Emphasis of a Matter

As discussed in Note 16 to the financial statements, the Town of Perryville has restated the beginning business-type activities, and sewer fund net position as a result of receivables being billed in previous years that were billed in error. Our opinion is not modified with respect to this matter.

#### Report on Summarized Comparative Information

We have previously audited the Town's June 30, 2019 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, and each major fund in our report dated October 30, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### Other Matters

##### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 19 and the schedule of the Town's net OPEB liability and related ratios and schedule of Town OPEB contributions on pages 56 through 57 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

Mayor and Commissioners  
Town of Perryville, Maryland

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's basic financial statements. The schedule of revenues, expenditures, and changes in fund balances - general fund and schedule of revenues, expenditures, and changes in fund net position - proprietary funds ("supplementary information") are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report October 29, 2020, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

  
BARBACANE, THORNTON & COMPANY LLP

**TOWN OF PERRYVILLE, MARYLAND  
MANAGEMENT DISCUSSION ANALYSIS – UNAUDITED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**INTRODUCTION**

As management of the Town of Perryville, Maryland ("the 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, 2020. It should be read in conjunction with the Town's basic financial statements, which begin on page 19, to enhance understanding of the Town's financial performance.

**FINANCIAL HIGHLIGHTS** (see pages 19 - 20)

The total assets and deferred outflows of resources of the Town (governmental and business-type), exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$41.4 million compared to \$40.9 million at June 30, 2019. Of the total of \$41.4 million, \$1.4 million is restricted for specific uses, and \$7.0 million may be used to meet the Town's ongoing obligations to citizens and creditors compared to \$7.8 million at June 30, 2019. A total of \$33.0 million represents the Town's net investment in capital assets which is not readily available for use.

- The net position of the Town's governmental activities increased in fiscal year ("FY") 2020 by \$56,551.
- The net position of the business-type activities increased in FY 2020 by \$463,536.
- The total cost of all of the Town's programs was \$7.7 million (\$4.6 million for governmental activities and \$3.1 million for business-type activities) for FY 2020.
- The \$1,281,079 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.
- At the close of the current fiscal year, the Town's governmental General Fund reported an ending fund balance of \$7.0 million (\$7.2 million at June 30, 2019), of which \$6.3 million is unassigned and available for spending at the Town's discretion. In February 2014, the Town adopted a policy to maintain minimum unassigned fund balance/unrestricted net position amounts. This policy is discussed in more detail on pages 36 - 38.

**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.

**TOWN OF PERRYVILLE, MARYLAND  
MANAGEMENT DISCUSSION ANALYSIS – UNAUDITED (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements (Statement of Net Position and Statement of Activities) can be found on pages 19 - 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, capital projects, 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 five categories: governmental funds, capital projects, local impact, proprietary funds, and fiduciary funds.

**Governmental Funds**

The basic governmental fund financial statements can be found on pages 21 - 26 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.



**TOWN OF PERRYVILLE, MARYLAND  
MANAGEMENT DISCUSSION ANALYSIS – UNAUDITED (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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 four governmental funds: the General Fund, Capital Projects Fund, Local Impact Fund, and the Forest Conservation Fund. The Town adopts an annual budget for the budgetary comparison schedule which has been provided to demonstrate compliance with the budget. During 2017, the need for a Capital Projects Fund arose. In 2018, a Local Impact Fund was established. Assets were reallocated from the General Fund to create these perpetual funds. A more detailed presentation is disclosed on pages 21 and 23.

Proprietary Funds

The basic water and sewer proprietary fund financial statements can be found on pages 27 - 29 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 30 - 55 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by approximately \$41.4 million at the close of the most recent fiscal year. By far, the largest portion of the Town's net position (80 percent 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.

**TOWN OF PERRYVILLE, MARYLAND**  
**MANAGEMENT DISCUSSION ANALYSIS – UNAUDITED (CONT'D)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

A summary of the Town's condensed Statement of Net Position is as follows (see page 19):

	June 30, 2020			June 30, 2019		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current assets	\$ 7,931,625	\$ 1,676,210	\$ 9,607,835	\$ 8,602,566	\$ 1,925,960	\$10,528,526
Noncurrent assets	15,795,116	29,514,654	45,309,770	15,592,462	29,695,328	45,287,790
Total Assets	23,726,741	31,190,864	54,917,605	24,195,028	31,621,288	55,816,316
Deferred Outflows of Resources	8,746	3,522	12,268	9,493	3,824	13,317
Current liabilities	340,238	1,088,327	1,428,565	752,618	1,177,312	1,929,831
Long-term liabilities	2,188,309	9,648,837	11,837,146	2,331,853	10,464,859	12,796,712
Total Liabilities	2,528,547	10,737,164	13,265,711	3,084,471	11,642,072	14,726,543
Deferred Inflows of Resources	177,380	40,420	217,800	147,041	29,774	176,815
Net investment in capital assets	13,795,116	19,202,573	32,997,689	13,417,462	18,589,231	32,006,693
Restricted	1,281,079	123,269	1,404,348	1,153,365	-	1,153,365
Unrestricted	5,953,365	1,090,960	7,044,325	6,402,182	1,364,035	7,766,217
Total Net Position	21,029,560	20,416,802	41,446,362	\$ 20,973,009	\$ 19,953,266	\$40,926,275

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 (see page 20):

	June 30, 2020			June 30, 2019		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
<b>REVENUES</b>						
Program Revenues:						
Charges for service	\$ 36,472	\$ 2,066,982	\$ 2,103,454	\$ 29,492	\$ 2,252,301	\$ 2,281,793
Operating grants	475,807	-	475,807	483,994	-	483,994
Capital grants	-	661,602	661,602	-	73,000	73,000
General Revenues:						
Taxes	3,446,234	-	3,446,234	3,384,001	-	3,384,001
Franchise fees	74,898	-	74,898	90,384	-	90,384
Unrestricted grants	1,131,969	-	1,131,969	1,493,359	-	1,493,359
Investment earnings	94,188	141,056	235,244	149,829	134,125	283,954
Transfers in (out)	(690,017)	690,017	-	(864,177)	864,177	-
Miscellaneous	65,503	-	65,503	39,868	-	39,868
Total Revenues	4,635,054	3,559,657	8,194,711	4,806,750	3,323,603	8,130,353

**TOWN OF PERRYVILLE, MARYLAND**  
**MANAGEMENT DISCUSSION ANALYSIS – UNAUDITED (CONT'D)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	June 30, 2020			June 30, 2019		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
(cont'd)						
EXPENSES						
General government	1,248,351	-	1,248,351	1,345,271	-	1,345,271
Public safety	1,746,910	-	1,746,910	1,812,386	-	1,812,386
Public works	1,111,761	-	1,111,761	1,053,379	-	1,053,379
Parks and recreation	424,811	-	424,811	491,225	-	491,225
Interest expense	46,670	-	46,670	48,580	-	48,580
Water	-	1,306,295	1,306,295	-	1,328,585	1,328,585
Sewer	-	1,789,826	1,789,826	-	1,998,094	1,998,094
Total Expenses	4,578,503	3,096,121	7,674,624	4,750,841	3,326,679	8,077,520
CHANGE IN NET POSITION	\$ 56,551	\$ 463,536	\$ 520,087	\$ 55,909	\$ (3,076)	\$ 52,833

For the current fiscal year, the Town is reporting an increase in its net position for both, its governmental activities and business-type activities. Overall, the Town reports an increase for the government as a whole of \$520,087.

**Governmental Activities** (see page 20)

For the fiscal year ended June 30, 2020, revenues from governmental activities (excluding interfund transfers) totaled approximately \$5.3 million. Property, personal property, and local taxes represented the largest revenue source (65 percent), followed by restricted grants and franchise fees, which includes local impact grants, (23 percent).

The largest components of the governmental activities expenses were approximately \$1.7 million of expenses for public safety services (38 percent), followed by approximately \$1.2 million for general government (27 percent), approximately \$1.1 million for public works (24 percent), and approximately \$0.4 million for parks and recreation (9 percent).

A 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 the Town has enough resources to pay its bills over the next 12 months. At the end of the fiscal year, the governmental activities current ratio is 23.28. For every dollar in current liabilities, there is \$23.28 in current assets. This is an increase of 104 percent from the FY 2019 ratio mainly due to a decrease in accounts payable, which was much larger in 2019 due to the timing of expenditures associated with the construction of the Little League field.

**Business-type Activities** (see page 20)

Of the approximately \$2.9 million of total revenues from business-type activities (excluding interfund transfers), water and sewer service charges were approximately \$2.1 million (96 percent). The allocation of Local Impact revenue to the business-type activities was approximately \$0.7 million in FY 2020. Investment earnings totaled approximately \$141,000. Included in the sewer service charges are revenues of approximately \$535,000 stemming from the VA portion of the wastewater plant production.

**TOWN OF PERRYVILLE, MARYLAND  
MANAGEMENT DISCUSSION ANALYSIS – UNAUDITED (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

All of approximately \$3.1 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 58 percent of the expenses, and water services account for 42 percent 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 - 26)

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 approximately \$7.7 million, a net decrease of approximately \$0.3 million from the prior year \$8.0 million. Of the \$7.7 million fund balance, approximately \$5.9 million is unassigned, \$1.3 million is restricted, and approximately \$0.5 million is assigned. The assigned fund balance includes amounts allotted for facilities reserve (new Town Hall, Little League field renovations, and Ice House park), capital improvements, and parades.

Two useful measures of liquidity are the portion of unassigned fund balance to total expenditures and total fund balance to total expenditures. At the end of the current fiscal year, the General Fund showed 129 percent and 143 percent, respectively. These ratios are significantly different from the prior year due to the large capital expenditures in 2019, which increased total expenditures relevant to the total fund balances. The unassigned fund balance provides working capital for approximately 67 weeks of operations based on the FY 2020 expenditure budget, a decrease from the 70 weeks for FY 2019. This decrease is mainly due to the use of funds being utilized for capital projects.

**Proprietary Funds** (see pages 27 - 29)

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 funds at the fiscal year end was approximately \$20.4 million. Net position invested in capital assets, net of related debt was \$19.2 million, restricted net position was \$0.1 million, and unrestricted net position was \$1.1 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 1.16. For every dollar in current liabilities, there is \$1.16 in current assets.

**TOWN OF PERRYVILLE, MARYLAND  
MANAGEMENT DISCUSSION ANALYSIS – UNAUDITED (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The Town's investment in capital assets for governmental and business-type activities at June 30, 2020 was approximately \$45.3 million, net of accumulated depreciation. This investment in capital assets includes construction-in-progress, land, land rights, buildings, infrastructure, equipment, and vehicles.

Six projects were construction-in-progress at the end the fiscal year. The Municipal Complex Project is comprised of three parts; Police Station, Town Hall, and a Little League field (Trego Park). The construction of the new Police Station was completed in FY 2018 for a total expense of \$4,571,552. Only stormwater management and building and site design services have been done for the Town Hall (spent to date, approximately \$289,413). Stormwater management had been done to Trego field in prior years (\$294,145) with actual construction of the ball field started in FY 2019. It was approximately 99.6 percent complete at year end. (Construction costs in FY 2020 were \$2,010,193). Other construction-in-progress projects were improvements to Community Park Trails, erection of a Pennsylvania Railroad monument at Lower Ferry, an ENR Refinement Study and a Wastewater Upgrades Project. Accumulated costs were \$4,250, \$12,071, \$141,568, and \$635,297, respectively.

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

- Improvements to roads and sidewalks expended approximately \$75,863.
- Vehicle purchases for the year were \$101,162. The Police purchased one new SUV and one pickup truck via a capital lease purchase plan. The Sewer Department bought a new pickup truck.
- Parks and Recreation bought a 72" Suer Z Mower for \$10,915.
- Parks and Recreation spent \$2,958 on electrical improvements at Lower Ferry.
- The Outreach Cilfaldo building had another \$8,787 spent on improvements.
- Water Department expended \$11,350 to install a raw water pump, \$12,642 for a Turbiwell Analyzer and \$5,082 for a Hustler 48" mower.
- The Sewer Department also purchased a new SCADA computer for \$45,000.
- A Rotary Lobe Pump was purchased by the Water Department for \$15,129.
- Other water proprietary fund capital outlays of approximately \$55,095 consisted primarily of water meters.

**TOWN OF PERRYVILLE, MARYLAND  
MANAGEMENT DISCUSSION ANALYSIS – UNAUDITED (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Capital assets consisted of the following:

	June 30, 2020			June 30, 2019		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Capital assets at cost	\$ 22,486,205	\$ 46,276,922	\$ 68,763,127	\$ 21,675,941	\$ 45,387,259	\$ 67,063,200
Less: Accumulated depreciation	6,691,089	16,762,268	23,453,357	6,083,479	15,691,931	21,775,410
Net capital assets	<u>\$ 15,795,116</u>	<u>\$ 29,514,654</u>	<u>\$ 45,309,770</u>	<u>\$ 15,592,462</u>	<u>\$ 29,695,328</u>	<u>\$ 45,287,790</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 page 43)

- At the end of the current fiscal year, the Town had total long-term debt of \$12.3 million (13.3 million at June 30, 2019), of which approximately \$1.0 million is due within one year and the remaining \$11.3 million is due in subsequent years. Most of the debt (\$10.3 million) was related to business-type activities while the approximate remaining \$2.0 million was related to governmental activities.

Of the \$10.3 million in debt related to business activities, \$7.2 million was for the Perryville Water Treatment Plant and Water Distribution System Improvements Project that was completed in 2009 at a total cost of \$13.4 million. 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.

Of the remaining debt related to business activities, \$3.1 million is allocated for the Perryville Waste Water Treatment Plant Upgrade project. Construction on the project was completed in 2010. The facility currently serves the approximately 4,400 residents of the Town 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 percent is Water Quality Revolving Loan Fund share, 24.03 percent is Biological Nutrient Removal ("BNR") Grant, and the remaining 29.45 percent is Bay Restoration Enhanced Nutrient Removal ("ENR") Grant share. The Town received approximately \$7 million in grant funding to complete this project.

In FY 2017, the Town took on \$2.5 million in governmental debt for the construction of a new Police Department. The building itself is approximately 8,100 square feet, has three holding cells, a sally port (allowing the police to bring arrestees securely into the building for processing), chief and lieutenant offices, interview and observation rooms, a lobby and administration area, squad and detective rooms, bunk and kitchen space, and a conference room that will also serve as a small community meeting

**TOWN OF PERRYVILLE, MARYLAND  
MANAGEMENT DISCUSSION ANALYSIS – UNAUDITED (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

room. The total project came in just under \$5 million, half of which was paid for from a combination of unrestricted fund balances and Local Impact Funds and the other half was financed through the MD - DHCD - Community Development Administration - Infrastructure Financing Program. The loan has an interest rate of 2.2 percent and annual debt service payments of approximately \$200,000 per year for 15 years. The balance outstanding balance at June 30, 2020 amounted to approximately \$2.0 million.

In compliance with GASB Statement No. 75, which became effective last fiscal year, the Town's financial statements now disclose the liability for Other Postemployment Benefits ("OPEB"). A valuation was performed by the actuarial firm of Conrad Siegel as of July 1, 2019. The resulting calculated liability was included in the Town's financials.

No additional debt was incurred during the fiscal year.

Additional information on the Town's long-term debt can be found in Note 5 of the notes to the financial statements.

**GENERAL FUND AND LOCAL IMPACT FUND BUDGETARY HIGHLIGHTS** (see pages 25 - 26)

The Town amended its General Fund budget several times during the fiscal year. Total estimated revenues were adjusted upward approximately \$73,000 and expenditures were adjusted downward \$1.26 million. The Town used approximately \$2.8 million of fund balance reserves to balance the adjusted budget.

During FY 2018, the Town established a separate Local Impact Fund as part of total governmental activities. In the past, although Local Impact had its own budget, the activity was combined with other revenues and expenditures reflected in the General, Water, and Sewer Funds. However, at the close of each fiscal year, all unspent Local Impact Funds in the Water and Sewer Funds reverted back to the General Fund restricted fund balance. Local Impact Funds are often budgeted for long-term capital outlay expenditures. Consequently, the same funds would often have been brought forward year after year via budget amendments. To avoid any confusion this may have caused, management established a perpetual fund for Local Impact Funds. Any funds unspent at fiscal year-end will automatically roll forward to the next year.

Local Impact Funds are received as a result of the Hollywood Casino being located in Cecil County and the Town. The Local Impact Funds are intended to mitigate the impacts of casino operations on the surrounding community. In 2011, Cecil County and the Town entered into a 15-year agreement to split the Video Lottery Terminal Local Impact Grant Revenue with 65 percent of the revenue going to Cecil County and 35 percent going to the Town. Assuming the casino remains an open and viable business entity in the Town, the Town expects to receive this revenue stream, with the amount varying based upon actual casino earnings, for the next six years, after which time the agreed-upon split of funds with Cecil County will be renegotiated.

**TOWN OF PERRYVILLE, MARYLAND  
MANAGEMENT DISCUSSION ANALYSIS – UNAUDITED (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**ECONOMIC FACTORS AND NEXT YEARS BUDGET**

**General Fund**

**Revenues**

The FY 2021 General Fund Budget for the Town of Perryville totals \$5,133,020 as adopted. The primary source of operating revenue for the General Fund has historically been real and personal property tax revenues. The real property tax rate was held at \$0.3597 / \$100, which should generate \$1,687,204 in revenue. The Mayor and Commissioners maintained the Personal Property Tax Rate at \$0.94 / \$100 of assessment, and Perryville expects to receive \$1,507,000 in Personal Property Tax revenues, which is a decrease of \$134,000 from last year's budget. This decrease is a result of a reduced assessment from one large corporation in town, and is a substantial reduction to overcome. Other large sources of revenue in the General Fund budget include Local Income Taxes, Local Impact Fund Grants (LIF Grants), the County Tax Differential and Highway User Revenues.

**Expenditures**

Perryville is still recovering from a significant revenue shortfall from FY 2020. Hollywood Casino was closed due to the COVID-19 pandemic. As a result, Perryville lost \$268,435 in revenue. Additionally, a large corporation in town amended its prior year Personal Property Tax returns and had a current year reduction in assessed value resulting in a revenue loss of \$248,210. Between the two, the FY 2020 revenue hit amounted to \$516,645. During the latter part of FY 2020, the Town made every effort to make up the revenue shortfall to include limiting purchases to essential purchases only, hiring freeze, employee layoffs, and furloughs. Due to continued insecurity surrounding the COVID-19 pandemic, purchases are still limited to essential purchases only and certain employees that were laid off were not rehired at the start of the fiscal year. By putting these measures into place, we expect to continue making up for the FY 2020 revenue shortfall and to avoid potential problems in FY 2021.

There are no substantial capital projects in the FY 2021 General Fund budget. There is pay-as-you-go capital such as new vehicles and road improvements and a few relatively small grant funded projects such as archaeological work around Rodgers Tavern and solar lights for Lower Ferry Park. Total budgeted capital is \$448,390 across all General Fund departments.

**Municipal Separate Storm Sewer System (MS4) Permit**

The Town of Perryville is the owner of a stormwater system (MS4). Effective October 31, 2018, Perryville was required to comply with and to begin implementing the requirements of a National Pollutant Discharge Elimination System (NPDES) General Permit issued by the State governing and regulating the MS4. The cost to implement the permit is approximately \$50,000 per year. In addition to the annual costs, by the year 2025, the Town is required to make progress toward Chesapeake Bay restoration goals by restoring 20 percent of existing developed lands that have inadequate or no stormwater management. The estimated costs to do this restoration work is approximately \$1.5 million.



**TOWN OF PERRYVILLE, MARYLAND  
MANAGEMENT DISCUSSION ANALYSIS – UNAUDITED (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

There is no dedicated source of funding from either the State or Federal government to help permittees meet the requirements of the permit. There are competitive grant programs that the Town can and will apply for, but those grants are mainly for the capital projects for the restoration efforts and do not address the other required aspects of the permit. This means that the entire cost of implementing this permit falls on the residents of the Town of Perryville. Right now, since Perryville does not have a storm water fee and has no plans at this time to enact one, this means that the General Revenues of the town will cover the costs (Real Estate Taxes and Personal Property Taxes mainly). There is \$100,000 in the FY 2021 budget to cover current year costs associated with this program and to set aside for the required mitigation. This is not nearly enough to cover the cost of the restoration, but it's a start.

Other notable FY 2021 budgeted General Fund projects and programs include the following:

- \$95,000 was budgeted to fund town grant programs (Revitalization, Business Development and 501(C) Non-Profits). All \$95,000 of the funding was through the Local Impact Funds (LIF) Grant funds.
- \$100,000 was budgeted to help the town implement impending MS4 Stormwater Permit Requirements.
- \$20,000 was budgeted to demolish the old Outreach building.
- \$34,426 was budgeted to acquire rights-of-way for the MD222 sidewalk project.
- \$10,000 was budgeted to buy digital speed cameras.
- \$68,014 was budgeted for capital lease of new police vehicles.
- \$75,000 was budgeted to provide funding to the Community Fire Company of Perryville, MD, Inc. \$70,000 of that amount is a direct donation to the fire company, \$2,000 is a donation to the Fire. Police and \$3,000 is a pass-through grant for the fire company.
- Operations for the Outreach Program will cost \$227,594 in FY 2021.
- \$293,000 was budgeted for roads and sidewalks repairs and improvements.
- The contract for town trash and recyclables pickup will cost the town \$290,140 in FY 2021.
- Parks and Recreation has been allocated \$10,000 to purchase outdoor exercise equipment for the Community Park, and \$30,000 for solar lights for Lower Ferry Park (\$15,000 is covered by a grant).
- The Town has continued the contract for a part-time curator at Rodgers Tavern at a cost of \$43,680.

**TOWN OF PERRYVILLE, MARYLAND  
MANAGEMENT DISCUSSION ANALYSIS – UNAUDITED (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

- \$39,750 was budgeted for archaeological work around Rodgers Tavern (\$16,000 is covered by a grant), and \$8,000 for an LSHG mini-grant for the creation of new exhibits at the Rodgers Tavern Museum (\$4,000 is covered by a grant).
- \$224,820 was budgeted in the General Fund to cover the cost of Debt Service. \$201,236 of that amount is attributable to the Police Department Construction Project and the balance of \$23,584 is for a 2004 streets project.

As mentioned previously, some projects are on hold while the Town continues to make up for revenue shortfalls and to further evaluate incoming revenues that might be reduced due to the COVID-19 pandemic. Additionally, the town received notice of a cut to Highway User Revenues in the amount of \$20,886; therefore, the capital budget for roads and sidewalks has been reduced by the same amount.

Development Projects

For the last several years, Perryville's Strategic Plan focus has been on Increasing Business and Residential Development. Last year we were encouraged due to an upturn in the economy showing promise for new development in Perryville. Two significant developments in the downtown area started. Those two were renovation of the former, and long vacant, H. Muller-Thym milk factory building into a microbrewery and restaurant and renovation of the marina at the former Perryville Yacht Club along with the development of a water-front restaurant on the site. Additionally, the Town began working on a major development, construction of a Great Wolf Lodge, in the northern part of Town. Unfortunately, all three of those major developments were impacted and delayed due to the COVID-19 pandemic. We are optimistic that 2021 will bring about these developments. The Planning and Zoning staff is still working with residential developers on single-family housing developments. At least one of these developments is expected to go under construction in FY 2021. If we see these developments come to fruition, they will spur economic growth in Perryville; tax revenues will increase, new jobs will become available, new tourism related money will be spent in town. Costs will increase as well, but ultimately, the benefits will outweigh the costs.

Local Impact Funds

There is a total of \$1,425,000 of LIF in the FY 2021 budget. The LIF are funds resulting from the operations of Hollywood Casino that are meant to offset the impacts of the casino to the Town. Of that amount, \$472,000 is budgeted in the General Fund, \$280,000 is budgeted in the Water Fund, and \$673,000 is budgeted in the Sewer Fund.

Water and Sewer Enterprise Funds

**Income**

Typically, the main source of income for the Water and Sewer Enterprise Funds is user fees. In the FY 2021 budget, the water and sewer user rates remained the same as for FY 2020. However, the Town hired a consultant to evaluate the water and sewer rates and the recommendation is to increase water

**TOWN OF PERRYVILLE, MARYLAND  
MANAGEMENT DISCUSSION ANALYSIS – UNAUDITED (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

rates by 3 percent and sewer rates by 15 percent. Rate increases are anticipated for FY 2022 per the recommendations of the rate study. In FY 2021, water user fee income is budgeted at \$1,150,899 and sewer user fee income is budgeted at \$875,000 with an additional income of \$380,000 from the VA for sewer use.

Other large sources of income for the Water Fund are Local Impact Grant Funds totaling \$280,000 and rental fees from communication company leases totaling \$124,522. Of the income from communication company leases, \$21,600 is from Sprint and \$32,782 is from T-Mobile. Those two companies merged and the effect of the merger on the leases is yet to be determined. It is possible that the merged companies will find the two sites to be redundant and decide to terminate one of the leases. The Town will continue to monitor the merger between the two companies as it has the potential to impact Water Fund income. Other large sources of income for the Sewer Fund are a grant from Maryland Department of the Environment in the amount of \$980,000 for the Enhanced Nutrient Removal (denitrification filter) project at the sewer plant and \$673,000 in Local Impact Grant Funds.

The FY 2021 budget for the Sewer Fund includes a \$6,681,884 decrease to retained earnings, which was to be put toward the Sewer Improvement Project. However, the substantial Connection Fee income expected to provide the funding for this project was not received in FY 2020 as expected and budgeted since the project generating that income was put on hold due to the COVID-19 pandemic. Except for the design costs, the related expenses for the Sewer Improvement Project remained unspent as well. Further, the Sewer Improvement Project will not move forward until the Connection Fee revenue covering the bulk of the project cost is received.

## **Expenses**

### **Debt Service**

Due to required improvements to the water and wastewater plants, the Water and Sewer Funds have 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 \$365,000. In the FY 2021 budget, the LIF is covering \$605,000 of the debt service payments.

### **Sewer System Improvement Project**

The Town plans to undertake a \$7.2 million sewer collection system improvements project. The project design is substantially complete and construction was planned for calendar year 2020; however, it was put on hold due to the COVID-19 pandemic. The Great Wolf Lodge project that was expected to go under construction in 2020 was put on hold due to the pandemic and the Great Wolf Lodge project was to provide the major source of funding for the Sewer Improvement Project. We anticipate this project proceeding in 2021. The improvements are needed to accommodate additional wastewater flows expected from new development in town. The improvements will create additional capacity in the wastewater collection system and pumping stations of 75,000 gallons per day over and above what is needed for the Great Wolf Lodge. The FY 2021 Sewer Fund budget includes \$6,681,884 for this project.

**TOWN OF PERRYVILLE, MARYLAND  
MANAGEMENT DISCUSSION ANALYSIS – UNAUDITED (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The Town is utilizing the water and sewer connection fees to be paid by Great Wolf Lodge of \$4,812,000 to cover much of the costs. Additionally, the General Fund is loaning the Sewer Fund \$2.2 million for the project. Because some of the connection fees being paid by Great Wolf are for the Water Fund, the Water fund is loaning the Sewer Fund \$2,600,000 as well. Since additional capacity is being created in the system, connection fees, when received from impending new development, will go toward covering the costs of the improvements.

Other notable FY 2021 Enterprise Fund budgeted expenses include the following:

- \$41,300 was budgeted to undertake a Preliminary Engineering Report (PER) for expansion of the membrane filters at the water plant.
- \$70,000 was budgeted check valves, fuses, new permeate flow meters and distribution pump rebuild.
- \$85,000 is budgeted in the Water Fund as a reserve for future replacement of membrane filters at the water plant.
- \$14,000 for a new distribution pump was also budgeted for the water distribution system, \$6,000 was budgeted to replace a water main valve, \$14,000 to install a new meter at Owens Landing condos, and \$60,000 to purchase new meters to upgrade to AMR process.
- \$99,726 is in the budget for water fund contingency.
- \$100,000 was budgeted for electricity costs at the sewer plant
- \$106,644 was budgeted to repay a loan to the General Fund\*
- \$130,000 was budgeted to repay a loan to the Water Fund\*
- \$980,000 was budgeted for the Enhanced ENR (denitrification filter) project at the wastewater plant - this expense is covered 100 percent by a grant from MDE.
- \$40,281 is budgeted for sewer fund contingency.
- \$152,000 is in the budget for contractual Inflow and Infiltration (I&I) work.
- \$50,000 is budgeted for waste pump station equipment repairs.
- \$50,000 is budgeted to repair sewer lines.

\*Both of these loans are on hold until the Sewer Improvement Project proceeds.

**TOWN OF PERRYVILLE, MARYLAND  
MANAGEMENT DISCUSSION ANALYSIS – UNAUDITED (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**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.

**TOWN OF PERRYVILLE, MARYLAND**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**  
**(With Summarized Comparative Data for June 30, 2019)**

	Governmental Activities	Business-type Activities	Totals	
			2020	2019
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 6,663,920	\$ 1,575,489	\$ 8,239,409	\$ 6,856,085
Restricted cash	218,145	123,269	341,414	162,100
Investments	-	-	-	2,569,080
Accounts receivable	87,573	856,714	944,287	772,531
Taxes receivable	29,165	-	29,165	10,393
Due from other governments	49,991	-	49,991	155,590
Due from other funds	879,262	(879,262)	-	-
Prepaid expenses	3,569	-	3,569	2,747
Total Current Assets	<u>7,931,625</u>	<u>1,676,210</u>	<u>9,607,835</u>	<u>10,528,526</u>
Noncurrent Assets:				
Construction-in-progress	2,610,073	776,864	3,386,937	2,024,497
Land and land rights	2,565,808	20,822	2,586,630	2,586,630
Buildings and improvements	6,943,595	40,396,789	47,340,384	47,331,597
Equipment	1,315,640	2,925,402	4,241,042	4,085,829
Infrastructure	8,166,927	2,062,957	10,229,884	10,135,238
Vehicles	884,162	94,088	978,250	899,409
Accumulated depreciation	(6,691,089)	(16,762,268)	(23,453,357)	(21,775,410)
Total Noncurrent Assets	<u>15,795,116</u>	<u>29,514,654</u>	<u>45,309,770</u>	<u>45,287,790</u>
<b>TOTAL ASSETS</b>	<u>23,726,741</u>	<u>31,190,864</u>	<u>54,917,605</u>	<u>55,816,316</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows - OPEB	8,746	3,522	12,268	13,317
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>8,746</u>	<u>3,522</u>	<u>12,268</u>	<u>13,317</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 23,735,487</u>	<u>\$ 31,194,386</u>	<u>\$ 54,929,873</u>	<u>\$ 55,829,633</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>				
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable and accrued expenses	\$ 123,615	\$ 109,011	\$ 232,626	\$ 711,671
Accrued payroll and related benefits	25,956	23,690	49,646	83,492
Accrued interest	10,667	29,653	40,320	43,992
Due to other governments	-	123,269	123,269	121,659
Bonds and loans payable - current	180,000	802,704	982,704	969,017
Total Current Liabilities	<u>340,238</u>	<u>1,088,327</u>	<u>1,428,565</u>	<u>1,929,831</u>
Noncurrent Liabilities:				
Bonds and loans payable	1,820,000	9,509,377	11,329,377	12,312,080
Compensated absences	158,172	54,833	213,005	173,971
Net OPEB liability	210,137	84,627	294,764	310,661
Total Noncurrent Liabilities	<u>2,188,309</u>	<u>9,648,837</u>	<u>11,837,146</u>	<u>12,796,712</u>
<b>TOTAL LIABILITIES</b>	<u>2,528,547</u>	<u>10,737,164</u>	<u>13,265,711</u>	<u>14,726,543</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unearned revenue	77,012	-	77,012	73,108
Deferred inflows - OPEB	100,368	40,420	140,788	103,707
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>177,380</u>	<u>40,420</u>	<u>217,800</u>	<u>176,815</u>
<b>NET POSITION</b>				
Net investment in capital assets	13,795,116	19,202,573	32,997,689	32,006,693
Restricted	1,281,079	123,269	1,404,348	1,153,365
Unrestricted	5,953,365	1,090,960	7,044,325	7,766,217
<b>TOTAL NET POSITION</b>	<u>21,029,560</u>	<u>20,416,802</u>	<u>41,446,362</u>	<u>40,926,275</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u>\$ 23,735,487</u>	<u>\$ 31,194,386</u>	<u>\$ 54,929,873</u>	<u>\$ 55,829,633</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF PERRYVILLE, MARYLAND  
STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2020**

**(With Summarized Comparative Data for the Year Ended June 30, 2019)**

	Program Revenues		Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
						Totals
					2020	2019
<b>GOVERNMENTAL ACTIVITIES</b>						
General government	\$ 1,248,351	\$ 2,614	\$ 176,599	\$ -	\$ (1,069,138)	\$ (1,149,619)
Public safety	1,746,910	-	109,338	-	(1,637,572)	(1,685,763)
Public works	1,111,761	1,470	151,140	-	(959,151)	(918,033)
Parks and recreation	424,811	32,388	38,730	-	(353,693)	(435,360)
Interest expense	46,670	-	-	-	(46,670)	(48,580)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>4,578,503</b>	<b>36,472</b>	<b>475,807</b>	<b>-</b>	<b>(4,066,224)</b>	<b>(4,237,355)</b>
<b>BUSINESS-TYPE ACTIVITIES</b>						
Water	1,306,295	1,169,782	-	-	(136,513)	(286,591)
Sewer	1,789,826	897,200	-	661,602	(231,024)	(714,787)
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>3,096,121</b>	<b>2,066,982</b>	<b>-</b>	<b>661,602</b>	<b>(367,537)</b>	<b>(1,001,378)</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 7,674,624</b>	<b>\$ 2,103,454</b>	<b>\$ 475,807</b>	<b>\$ 661,602</b>	<b>(4,066,224)</b>	<b>(5,238,733)</b>
<b>GENERAL REVENUES</b>						
Taxes:						
Real estate taxes				1,668,090	-	1,668,090
Personal property taxes				1,299,055	-	1,299,055
Earned income and other taxes				479,089	-	479,089
Franchise fees, licenses, and permits				74,898	-	74,898
Grants and contributions not restricted to specific programs				1,131,969	-	1,131,969
Investment earnings				94,188	141,056	235,244
Gain on sale of capital asset				4,000	-	4,000
Transfers in (out)				(690,017)	690,017	-
Miscellaneous				61,503	-	61,503
<b>TOTAL GENERAL REVENUES</b>				<b>4,122,775</b>	<b>831,073</b>	<b>4,953,848</b>
<b>CHANGE IN NET POSITION</b>				56,551	463,536	520,087
<b>NET POSITION, BEGINNING OF YEAR (RESTATED)</b>				20,973,009	19,953,266	40,926,275
<b>NET POSITION, END OF YEAR</b>				<b>\$ 21,029,560</b>	<b>\$ 20,416,802</b>	<b>\$ 40,926,275</b>

The accompanying notes are an integral part of these financial statements.

**TOWN OF PERRYVILLE, MARYLAND**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2020**  
**(With Summarized Comparative Data for June 30, 2019)**

	General	Capital Projects	Local Impact Fund	Non-Major Governmental Fund	Totals	
					2020	2019
<b>ASSETS</b>						
Cash and cash equivalents	\$ 4,976,334	\$ 533,817	\$ 1,153,769	\$ -	\$ 6,663,920	\$ 6,140,243
Restricted cash	218,145	-	-	-	218,145	40,441
Investments	-	-	-	-	-	2,569,080
Accounts receivable	21,921	-	65,652	-	87,573	22,306
Taxes receivable	29,165	-	-	-	29,165	10,393
Due from other governments	49,991	-	-	-	49,991	155,590
Due from other funds	2,667,665	-	647,345	3,839	3,318,849	1,471,253
Prepaid expenditures	3,569	-	-	-	3,569	2,747
<b>TOTAL ASSETS</b>	<b>\$ 7,966,790</b>	<b>\$ 533,817</b>	<b>\$ 1,866,766</b>	<b>\$ 3,839</b>	<b>\$ 10,371,212</b>	<b>\$ 10,412,053</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICIT)</b>						
<b>LIABILITIES:</b>						
Accounts payable	\$ 123,615	-	-	-	\$ 123,615	\$ 497,715
Accrued payroll and related benefits	25,956	-	-	-	25,956	68,707
Due to other funds	751,029	884,726	803,832	-	2,439,587	1,809,487
<b>TOTAL LIABILITIES</b>	<b>900,600</b>	<b>884,726</b>	<b>803,832</b>	<b>-</b>	<b>2,589,158</b>	<b>2,375,909</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>						
Unearned revenue	73,173	-	-	3,839	77,012	73,108
<b>FUND BALANCES (DEFICIT):</b>						
Nonspendable	3,569	-	-	-	3,569	2,747
Restricted	218,145	-	1,062,934	-	1,281,079	1,153,365
Assigned	475,711	-	-	-	475,711	475,711
Unassigned (deficit)	6,295,592	(350,909)	-	-	5,944,683	6,331,213
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<b>6,993,017</b>	<b>(350,909)</b>	<b>1,062,934</b>	<b>-</b>	<b>7,705,042</b>	<b>7,963,036</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICIT)</b>	<b>\$ 7,966,790</b>	<b>\$ 533,817</b>	<b>\$ 1,866,766</b>	<b>\$ 3,839</b>	<b>\$ 10,371,212</b>	<b>\$ 10,412,053</b>

The accompanying notes are an integral part of these financial statements.



**TOWN OF PERRYVILLE, MARYLAND**  
**RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS TO**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

TOTAL GOVERNMENTAL FUND BALANCES	\$	7,705,042
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		15,795,116
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Some liabilities are not payable in the current period and, therefore, are not reported in the funds. Those items consist of:

Interest payable	\$	(10,667)	
Compensated absences		(158,172)	
Bonds and notes payable		(2,000,000)	
Net OPEB liability		<u>(210,137)</u>	(2,378,976)

Deferred inflows and outflows of resources related to the Town's OPEB liability are based on the differences between actuarially determined actual and expected investment returns, changes of benefit terms, and changes of assumptions. These amounts will be amortized over the estimated remaining average service life of the employees.

Deferred outflows of resources - OPEB		8,746	
Deferred inflows of resources - OPEB		<u>(100,368)</u>	<u>(91,622)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>21,029,560</u></u>
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The accompanying notes are an integral part of these financial statements.

**TOWN OF PERRYVILLE, MARYLAND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**  
**(With Summarized Comparative Data for June 30, 2019)**

	General	Capital Projects	Local Impact Fund	Non-Major Governmental Fund	Totals	
					2020	2019
<b>REVENUES</b>						
Taxes:						
Local property taxes	\$ 2,967,145	-	\$ -	-	\$ 2,967,145	\$ 2,941,416
Local income and other taxes	479,089	-	-	-	479,089	442,585
Licenses and permits	74,898	-	-	-	74,898	90,384
Intergovernmental revenues:						
State	289,208	-	-	-	289,208	266,434
County - local impact	-	-	-	-	-	-
County - other	186,599	-	1,131,969	-	1,131,969	1,493,359
Charges for services	36,472	-	-	-	36,472	217,560
Fines and forfeitures	5,461	-	-	-	5,461	29,492
Interest, dividends, and rents	79,807	8,774	-	-	84,581	2,614
Miscellaneous revenue	56,042	-	5,607	-	61,649	149,829
<b>TOTAL REVENUES</b>	<b>4,174,721</b>	<b>8,774</b>	<b>1,137,576</b>	<b>-</b>	<b>5,321,071</b>	<b>5,667,057</b>
<b>EXPENDITURES</b>						
General government:						
Mayor and commissioners	44,217	-	-	-	44,217	50,246
Administrative	284,423	-	-	-	284,423	298,163
Finance	145,269	-	-	-	145,269	150,600
Accounting and legal	52,872	-	-	-	52,872	51,853
Planning and zoning	185,808	-	-	-	185,808	324,604
Economic development	72,027	-	-	-	72,027	43,425
General service	300,810	-	-	-	300,810	313,356
Engineer	32,009	-	-	-	32,009	33,653
Public safety:						
Police	1,576,218	-	-	-	1,576,218	1,655,566
Volunteer fire company	74,483	-	-	-	74,483	70,000
Public works:						
Highway general services	578,892	-	-	-	578,892	692,588
Solid waste collection	436,071	-	-	-	436,071	300,739
Parks and recreation	887,750	-	-	-	887,750	1,686,823
Debt service:						
Principal	175,000	-	-	-	175,000	170,000
Interest and other charges	47,199	-	-	-	47,199	48,979
<b>TOTAL EXPENDITURES</b>	<b>4,893,048</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,893,048</b>	<b>5,890,595</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(718,327)</b>	<b>8,774</b>	<b>1,137,576</b>	<b>-</b>	<b>428,023</b>	<b>(223,538)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	497,549	-	-	-	497,549	516,032
Transfers out	-	-	(1,187,566)	-	(1,187,566)	(1,380,209)
Proceeds from sale of capital assets and equipment	4,000	-	-	-	4,000	3,870
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>501,549</b>	<b>-</b>	<b>(1,187,566)</b>	<b>-</b>	<b>(686,017)</b>	<b>(860,307)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(216,778)</b>	<b>8,774</b>	<b>(49,990)</b>	<b>-</b>	<b>(257,994)</b>	<b>(1,083,845)</b>
<b>FUND BALANCES (DEFICIT), BEGINNING OF YEAR</b>	<b>7,209,795</b>	<b>(359,683)</b>	<b>1,112,924</b>	<b>-</b>	<b>7,963,036</b>	<b>9,046,881</b>
<b>FUND BALANCES (DEFICIT), END OF YEAR</b>	<b>\$ 6,993,017</b>	<b>\$ (350,909)</b>	<b>\$ 1,062,934</b>	<b>\$ -</b>	<b>\$ 7,705,042</b>	<b>\$ 7,963,036</b>

The accompanying notes are an integral part of these financial statements.

**TOWN OF PERRYVILLE, MARYLAND**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (257,994)

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 cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the effect of these differences:

Capital outlays	\$ 832,585	
Depreciation expense	<u>(629,931)</u>	202,654

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

175,000

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Accrued interest payable	529	
Compensated absences	<u>(47,789)</u>	(47,260)

OPEB expenses in the statement of activities differ from the amount reported in the governmental funds because OPEB expenses are recognized on the statement of activities based on the changes in the actuarially determined net OPEB liability, whereas OPEB expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists.

(15,849)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 56,551</u></u>
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The accompanying notes are an integral part of these financial statements.

**TOWN OF PERRYVILLE, MARYLAND**  
**BUDGETARY COMPARISON STATEMENT - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Original Appropriated Budget	Final Appropriated Budget	Actual Amounts (Budgetary Basis)	Favorable (Unfavorable) Variance
<b>REVENUES</b>				
Taxes:				
Local property taxes	\$ 3,308,049	\$ 3,215,090	\$ 2,967,145	\$ (247,945)
Local income and other taxes	453,000	453,000	479,089	26,089
Licenses and permits	5,500	5,500	74,898	69,398
Intergovernmental revenues:				
State	159,053	263,856	289,208	25,352
County - local impact	586,551	679,510	-	(679,510)
County - other	223,824	131,566	186,599	55,033
Charges for services	64,100	64,100	36,472	(27,628)
Fines and forfeitures	400	400	5,461	5,061
Interest, dividends, and rents	86,756	86,756	79,807	(6,949)
Miscellaneous revenue	275,023	335,232	56,042	(279,190)
<b>TOTAL REVENUES</b>	<u>5,162,256</u>	<u>5,235,010</u>	<u>4,174,721</u>	<u>(1,060,289)</u>
<b>EXPENDITURES</b>				
General government:				
Mayor and commissioners	107,509	82,736	44,217	38,519
Administrative	320,551	321,351	284,423	36,928
Finance	165,474	165,474	145,269	20,205
Accounting and legal	53,000	53,000	52,872	128
Planning and zoning	286,642	286,642	185,808	100,834
Economic development	115,381	115,381	72,027	43,354
General service	2,501,352	2,516,328	300,810	2,215,518
Engineer	36,257	36,257	32,009	4,248
Public safety:				
Police	1,844,473	1,897,673	1,576,218	321,455
Volunteer fire company	-	-	74,483	(74,483)
Public works:				
Highway general services	760,601	760,601	578,892	181,709
Solid waste collection	438,098	438,098	436,071	2,027
Parks and recreation	2,336,377	1,029,528	887,750	141,778
Rodgers Tavern	117,470	117,470	-	117,470
Debt service:				
Principal	175,000	175,000	175,000	-
Interest and other charges	47,201	47,201	47,199	2
<b>TOTAL EXPENDITURES</b>	<u>9,305,386</u>	<u>8,042,740</u>	<u>4,893,048</u>	<u>3,149,692</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<u>(4,143,130)</u>	<u>(2,807,730)</u>	<u>(718,327)</u>	<u>2,089,403</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	-	-	497,549	497,549
Proceeds from sale of capital assets	-	10,000	4,000	(6,000)
Fund balance appropriated	4,143,130	2,797,730	-	(2,797,730)
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>4,143,130</u>	<u>2,807,730</u>	<u>501,549</u>	<u>(2,306,181)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(216,778)</u>	<u>\$ (216,778)</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>			<u>7,209,795</u>	
<b>FUND BALANCE, END OF YEAR</b>			<u>\$ 6,993,017</u>	

The accompanying notes are an integral part of these financial statements.

**TOWN OF PERRYVILLE, MARYLAND**  
**BUDGETARY COMPARISON STATEMENT - LOCAL IMPACT FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Original Appropriated Budget	Final Appropriated Budget	Actual Amounts (Budgetary Basis)	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental revenues:				
County - local impact	\$ 1,400,000	\$ 1,583,354	\$ 1,131,969	\$ (451,385)
Interest, dividends, and rents	-	-	5,607	5,607
TOTAL REVENUES	1,400,000	1,583,354	1,137,576	(445,778)
EXPENDITURES				
General government:				
General service	100,000	50,000	-	50,000
Economic development	95,000	95,000	-	95,000
Engineer	33,941	33,941	-	33,941
Public safety:				
Fire	-	40,000	-	-
Police	283,000	283,000	-	283,000
Public works:				
Highway general services	14,610	84,610	-	84,610
Water	272,592	220,000	-	220,000
Sewer	463,657	776,803	-	776,803
Capital Outlay	137,200	-	-	-
TOTAL EXPENDITURES	1,400,000	1,583,354	-	1,543,354
EXCESS OF REVENUES OVER EXPENDITURES	-	-	1,137,576	1,137,576
OTHER FINANCING USES				
Transfers out	-	-	(1,187,566)	(1,187,566)
TOTAL OTHER FINANCING USES	-	-	(1,187,566)	(1,187,566)
NET CHANGE IN FUND BALANCE	\$ -	\$ -	(49,990)	\$ (49,990)
FUND BALANCE, BEGINNING OF YEAR			1,112,924	
FUND BALANCE, END OF YEAR			<u>\$ 1,062,934</u>	

The accompanying notes are an integral part of these financial statements.

**TOWN OF PERRYVILLE, MARYLAND**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**JUNE 30, 2020**  
**(With Summarized Comparative Data for June 30, 2019)**

	Water Fund	Sewer Fund	Totals	
			2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 1,026,755	\$ 548,734	\$ 1,575,489	\$ 715,842
Restricted cash	-	123,269	123,269	121,659
Accounts receivable	-	10,264	10,264	19,007
Unbilled services	469,162	377,288	846,450	731,218
Due from other funds	356,872	1,457,365	1,814,237	405,441
Total Current Assets	<u>1,852,789</u>	<u>2,516,920</u>	<u>4,369,709</u>	<u>1,993,167</u>
Noncurrent Assets:				
Land and land rights	16,647	4,175	20,822	20,822
Construction-in-progress	-	776,864	776,864	61,806
Buildings and improvements	15,421,526	24,975,263	40,396,789	40,396,789
Equipment	1,417,713	1,507,689	2,925,402	2,781,104
Infrastructure	1,348,034	714,923	2,062,957	2,062,957
Vehicles	29,389	64,699	94,088	63,781
	<u>18,233,309</u>	<u>28,043,613</u>	<u>46,276,922</u>	<u>45,387,259</u>
Less: Accumulated depreciation	(5,411,195)	(11,351,073)	(16,762,268)	(15,691,931)
Total Noncurrent Assets	<u>12,822,114</u>	<u>16,692,540</u>	<u>29,514,654</u>	<u>29,695,328</u>
TOTAL ASSETS	<u>14,674,903</u>	<u>19,209,460</u>	<u>33,884,363</u>	<u>31,688,495</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - OPEB	1,774	1,748	3,522	3,824
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,774</u>	<u>1,748</u>	<u>3,522</u>	<u>3,824</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 14,676,677</u>	<u>\$ 19,211,208</u>	<u>\$ 33,887,885</u>	<u>\$ 31,692,319</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued expenses	\$ 5,605	\$ 103,406	\$ 109,011	\$ 213,956
Accrued payroll and related benefits	11,845	11,845	23,690	14,785
Accrued interest payable	12,426	17,227	29,653	32,796
Due to other governments	-	123,269	123,269	121,659
Due to other funds	910,560	1,782,939	2,693,499	67,207
Current portion of loans payable	410,436	316,725	727,161	722,081
Current portion of bonds payable	33,400	42,143	75,543	71,936
Total Current Liabilities	<u>1,384,272</u>	<u>2,397,554</u>	<u>3,781,826</u>	<u>1,244,420</u>
Noncurrent Liabilities:				
Loans payable	6,714,570	2,622,465	9,337,035	10,064,196
Bonds payable	35,500	136,842	172,342	247,884
Accrued compensated absences	28,901	25,932	54,833	63,588
Net OPEB liability	42,623	42,004	84,627	89,191
Total Noncurrent Liabilities	<u>6,821,594</u>	<u>2,827,243</u>	<u>9,648,837</u>	<u>10,464,859</u>
TOTAL LIABILITIES	<u>8,205,866</u>	<u>5,224,797</u>	<u>13,430,663</u>	<u>11,709,279</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - OPEB	20,358	20,062	40,420	29,774
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>20,358</u>	<u>20,062</u>	<u>40,420</u>	<u>29,774</u>
NET POSITION				
Net investment in capital assets	5,628,208	13,574,365	19,202,573	18,589,231
Restricted	-	123,269	123,269	121,659
Unrestricted	822,245	268,715	1,090,960	1,242,376
TOTAL NET POSITION	<u>6,450,453</u>	<u>13,966,349</u>	<u>20,416,802</u>	<u>19,953,266</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 14,676,677</u>	<u>\$ 19,211,208</u>	<u>\$ 33,887,885</u>	<u>\$ 31,692,319</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF PERRYVILLE, MARYLAND**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**  
**(With Summarized Comparative Data for June 30, 2019)**

	Enterprise Funds		Totals	
	Water Fund	Sewer Fund	2020	2019
OPERATING REVENUES				
Charges for services	\$ 1,140,472	\$ 863,754	\$ 2,004,226	\$ 2,208,619
Reading and related fees	3,200	3,150	6,350	7,500
Miscellaneous revenue	620	11,096	11,716	17,982
<b>TOTAL OPERATING REVENUES</b>	<b>1,144,292</b>	<b>878,000</b>	<b>2,022,292</b>	<b>2,234,101</b>
OPERATING EXPENSES				
Contracted services	16,965	94,292	111,257	176,116
Depreciation	494,614	575,723	1,070,337	1,080,912
Insurance	19,142	32,091	51,233	52,147
Other administrative expenses	51,330	63,543	114,873	119,685
Payroll taxes and fringe benefits	106,360	109,204	215,564	217,501
Repairs and maintenance	86,166	197,790	283,956	431,998
Salaries and wages	389,686	431,242	820,928	794,031
Supplies and materials	23,236	96,849	120,085	137,515
Utilities	84,609	145,064	229,673	230,023
<b>TOTAL OPERATING EXPENSES</b>	<b>1,272,108</b>	<b>1,745,798</b>	<b>3,017,906</b>	<b>3,239,928</b>
<b>OPERATING LOSS</b>	<b>(127,816)</b>	<b>(867,798)</b>	<b>(995,614)</b>	<b>(1,005,827)</b>
NONOPERATING REVENUES (EXPENSES)				
Connection charges	25,490	19,200	44,690	18,200
Interest income	7,818	5,592	13,410	14,175
Rental income	127,646	-	127,646	119,950
Interest expense	(34,187)	(44,028)	(78,215)	(86,751)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>126,767</b>	<b>(19,236)</b>	<b>107,531</b>	<b>65,574</b>
<b>NET LOSS BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<b>(1,049)</b>	<b>(887,034)</b>	<b>(888,083)</b>	<b>(940,253)</b>
Capital contributions - other	-	661,602	661,602	73,000
Transfers in	186,618	503,399	690,017	864,177
<b>CHANGE IN NET POSITION</b>	<b>185,569</b>	<b>277,967</b>	<b>463,536</b>	<b>(3,076)</b>
<b>NET POSITION, BEGINNING OF YEAR (RESTATED)</b>	<b>6,264,884</b>	<b>13,688,382</b>	<b>19,953,266</b>	<b>19,956,342</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$ 6,450,453</b>	<b>\$ 13,966,349</b>	<b>\$ 20,416,802</b>	<b>\$ 19,953,266</b>

The accompanying notes are an integral part of these financial statements.

**TOWN OF PERRYVILLE, MARYLAND**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**  
**(With Summarized Comparative Data for June 30, 2019)**

	Enterprise Funds			
	Water Fund	Sewer Fund	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash receipts from customers	\$ 1,069,382	\$ 846,419	\$ 1,915,801	\$ 2,274,596
Cash payments to suppliers	(297,770)	(716,642)	(1,014,412)	(952,076)
Cash payments to employees	(485,418)	(544,540)	(1,029,958)	(1,007,593)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>286,194</u>	<u>(414,763)</u>	<u>(128,569)</u>	<u>314,927</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Net cash received from other funds	984,545	922,968	1,907,513	23,814
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>984,545</u>	<u>922,968</u>	<u>1,907,513</u>	<u>23,814</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Capital contributions	-	661,602	661,602	73,000
Connection charges	25,490	19,200	44,690	18,200
Purchase of capital assets	(99,300)	(790,363)	(889,663)	(248,112)
Payments on long-term debt	(440,601)	(353,415)	(794,016)	(789,484)
Interest paid	(35,118)	(46,238)	(81,356)	(89,952)
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(549,529)</u>	<u>(509,214)</u>	<u>(1,058,743)</u>	<u>(1,036,348)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Rental income	127,646	-	127,646	119,950
Investment earnings	7,818	5,592	13,410	14,175
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>135,464</u>	<u>5,592</u>	<u>141,056</u>	<u>134,125</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	856,674	4,583	861,257	(563,482)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>170,081</u>	<u>667,420</u>	<u>837,501</u>	<u>1,400,983</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 1,026,755</u>	<u>\$ 672,003</u>	<u>\$ 1,698,758</u>	<u>\$ 837,501</u>
Cash and cash equivalents	\$ 1,026,755	\$ 548,734	\$ 1,575,489	\$ 715,842
Restricted cash	-	123,269	123,269	121,659
<b>Total cash and cash equivalents</b>	<u>\$ 1,026,755</u>	<u>\$ 672,003</u>	<u>\$ 1,698,758</u>	<u>\$ 837,501</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>				
Operating loss	\$ (127,816)	\$ (867,798)	\$ (995,614)	\$ (1,005,827)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:				
Depreciation expense	494,614	575,723	1,070,337	1,080,912
Decrease (Increase) in assets:				
Accounts receivable	1,129	7,612	8,741	(50,881)
Unbilled services	(76,039)	(39,193)	(115,232)	91,376
Deferred amounts related to OPEB	152	150	302	(1,993)
Increase (Decrease) in liabilities:				
Accounts payable	(16,322)	(88,623)	(104,945)	127,561
Accrued payroll	4,496	4,409	8,905	675
Due to other governments	-	1,610	1,610	67,847
Compensated absences	2,917	(11,672)	(8,755)	(2,984)
Net OPEB liability	(2,299)	(2,265)	(4,564)	9,895
Deferred amounts related to OPEB	5,362	5,284	10,646	(1,654)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 286,194</u>	<u>\$ (414,763)</u>	<u>\$ (128,569)</u>	<u>\$ 314,927</u>

The accompanying notes are an integral part of these financial statements.



## TOWN OF PERRYVILLE, MARYLAND

### NOTES TO THE FINANCIAL STATEMENTS

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Perryville, Maryland's ("the Town") financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established by GAAP and used by the Town are discussed below.

##### Reporting Entity

The Town was incorporated in 1882 and adopted its present charter on 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.

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.

##### Basis of Presentation

###### *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 government, 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 and (b) 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 obligation and deferred inflows of resources. The Town's net position is reported in three parts – net investment in capital assets,

TOWN OF PERRYVILLE, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 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.

TOWN OF PERRYVILLE, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 are descriptions 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.

*Capital Projects Fund* – The Capital Projects Fund accounts for financial resources used for the acquisition and construction of major capital facilities funded by debt issuances, grants, and General Fund appropriations. This fund includes costs for the construction projects of the Town Hall.

*Local Impact Fund* – The Local Impact Fund accounts for financial resources from state legislation allowing video lottery facilities and must be used for the purposes specified in the State of Maryland's legislation.

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 (loss), changes in net position, financial position, and cash flows. The applicable accounting principles generally accepted in the United States of America 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

TOWN OF PERRYVILLE, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 are descriptions of the Town's major proprietary 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.

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.

TOWN OF PERRYVILLE, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 inflows of resources by the recipient.

Cash and Cash Equivalents

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

Restricted Cash

Restricted cash includes amounts for community activities, local impact funds, police seized funds, and bay restoration collections.

Investments

Investments consist of certificates of deposit which are reported at amortized cost.

Unbilled Services

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

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the entity-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of any allowances for uncollectibles. There are no allowances at June 30, 2020.

Capital Assets and Depreciation

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the entity-wide financial statements as well as the proprietary fund financial statements. Capital assets are defined by the Town as assets with an estimated useful life in excess of one year and a value of \$5,000 or more for a single item

TOWN OF PERRYVILLE, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

or \$10,000 or more for like items purchased as a group. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Buildings and improvements	10 - 50 years
Equipment	5 - 20 years
Infrastructure	50 years
Vehicles	5 years

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The Town reports deferred OPEB contributions subsequent to the measurement date of the net OPEB liability and certain other items which represent differences related to changes in the net OPEB liability which will be amortized over future periods. In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element represents a source of net position that applies to future periods. The Town reports certain items which represent differences related to changes in the net OPEB liability which will be amortized over future periods.

Grant agreement funding received in advance and unexpended as of June 30, 2020 is reported as a deferred inflow of resources in the governmental funds balance sheet and statement of net position.

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

TOWN OF PERRYVILLE, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the entity-wide statements; and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

Net Position

Net position represents the difference between assets, deferred outflows, liabilities, and deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by grantors, creditors, or laws or regulations of other governments. Amounts not meeting the definition of restricted or net investment in capital assets are reported as unrestricted.

The Town applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance (Deficit)

Fund balance will be displayed in the following classifications (if applicable) depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

*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.

TOWN OF PERRYVILLE, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

*Unassigned Fund Balance* – This category represents amounts that are available for any purpose. The General Fund is the only fund that would report a positive amount in unassigned fund balance. Residual deficit amounts of other governmental funds would also be reported as unassigned.

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 classifications could be used. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, restricted resources are applied first.

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

*General Fund* – A minimum of 50 percent to not more than 75 percent 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 percent will be considered surplus balances for one-time, non-recurring expenses.

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



TOWN OF PERRYVILLE, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

As of June 30, 2020, based on the fund balance policy, the Town has maintained a surplus of unassigned fund balance for the General Fund. The Water and Sewer Funds have maintained the minimum unrestricted net position as of June 30, 2020.

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Town's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. Presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the Town's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

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, 2020. Both original and final budgets of the General Fund have been included in the presentation of the Town's Budgetary Comparison Schedule.

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets, deferred outflows of 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.

NOTE 2 DEPOSITS AND INVESTMENTS

***Deposits***

Cash and Cash Equivalents

At June 30, 2020, the carrying amount of the City's deposits was \$8,580,823, and the bank balance was \$8,769,556. Of the bank balance, \$500,000 was covered by federal depository insurance, \$2,141,050 was collateralized and held in the Town's name.

TOWN OF PERRYVILLE, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2      DEPOSITS AND INVESTMENTS (cont'd)

The remaining cash and cash equivalents were held in a pool at MLGIP, which provides all local government units of the State a safe 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 PNC Capital Advisors, LLC. An MLGIP Advisory Committee comprised of current participants was formed to review, on a quarterly basis, the activities of the fund and to provide suggestions to enhance the pool. Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, MLGIP acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent annual audit. These external investment pools are considered 2a7-like pools and are recorded at amortized cost. The amortized cost, which approximates fair value of the pool, is determined by the pool's share price. As of June 30, 2020, MLGIP was rated AA by a nationally recognized statistical rating organization. As of June 30, 2020, the Town had \$6,128,506 invested in MLGIP.

Restricted Cash

Restricted cash as of June 30, 2020 is comprised as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Community activities	\$ 29,823	\$ -
Facility reserve	177,784	-
Police seizure funds	10,538	-
Bay restoration collections	-	123,269
	<u>-</u>	<u>123,269</u>
Total	<u>\$ 218,145</u>	<u>\$ 123,269</u>

***Investments***

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 of America 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 THE FINANCIAL STATEMENTS

NOTE 2      DEPOSITS AND INVESTMENTS (cont'd)

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

TOWN OF PERRYVILLE, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 DEPOSITS AND INVESTMENTS (cont'd)

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.

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 investments held as of June 30, 2020 are provided in the previous schedule.

Investments Concentration of Credit Risk

The Town's formal investment policy sets limits for the maximum thresholds of investments held in the portfolio in order to diversify the portfolio. The portfolio has the following limits: eighty percent collateralized certificates of deposit (only through Maryland commercial banks), forty percent banker's acceptances, sixty percent money market mutual funds, and five percent commercial paper. As of June 30, 2020, the Town had no concentration of credit risk.

The Town measures investments in non-negotiable certificates of deposit on the amortized cost basis, consistent with accounting principles generally accepted in the United States of America. At June 30, 2020, the Town's investment in non-negotiable certificates of deposit was \$0.

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities</i>				
Capital assets not being depreciated:				
Construction-in-progress	\$ 1,962,691	\$ 663,207	\$ (15,825)	\$ 2,610,073
Land and land rights	<u>2,565,808</u>	<u>-</u>	<u>-</u>	<u>2,565,808</u>
Total Capital Assets Not Being Depreciated	<u>4,528,499</u>	<u>663,207</u>	<u>(15,825)</u>	<u>5,175,881</u>

TOWN OF PERRYVILLE, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3      CAPITAL ASSETS (cont'd)

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Buildings and improvements	6,934,808	8,787	-	6,943,595
Equipment	1,304,725	10,915	-	1,315,640
Infrastructure	8,072,281	94,646	-	8,166,927
Vehicles	835,628	70,855	(22,321)	884,162
Total Capital Assets Being Depreciated	17,147,442	185,203	(22,321)	17,310,324
Accumulated depreciation	6,083,479	629,931	(22,321)	6,691,089
Total Capital Assets Being Depreciated, Net	11,063,963	(444,728)	-	10,619,235
Governmental Activities Capital Assets, Net	<u>\$15,592,462</u>	<u>\$ 218,479</u>	<u>\$ (15,825)</u>	<u>\$15,795,116</u>
<i>Business-type Activities</i>				
Capital assets not being depreciated:				
Land and land rights	\$ 20,822	\$ -	\$ -	\$ 20,822
Construction-in-progress	61,806	715,058	-	776,864
Total Capital Assets Not Being Depreciated	82,628	715,058	-	797,686
Capital assets being depreciated:				
Buildings and improvements	40,396,789	-	-	40,396,789
Equipment	2,781,104	144,298	-	2,925,402
Infrastructure	2,062,957	-	-	2,062,957
Vehicles	63,781	30,307	-	94,088
Total Capital Assets Being Depreciated	45,304,631	174,605	-	45,479,236
Accumulated depreciation	15,691,931	1,070,337	-	16,762,268
Total Capital Assets Being Depreciated, Net	29,612,700	(895,732)	-	28,716,968
Business-type Activities Capital Assets, Net	<u>\$29,695,328</u>	<u>\$ (180,674)</u>	<u>\$ -</u>	<u>\$29,514,654</u>

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

Governmental Activities:

Administrative	\$ 441
Financial	504
Planning and zoning	2,583
General government	75,214
Public safety	158,176
Public works	189,609
Parks and recreation	203,404

Total Depreciation Expense – Governmental Activities      \$ 629,931

TOWN OF PERRYVILLE, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 CAPITAL ASSETS (cont'd)

Business-type Activities:

Water	\$ 494,614
Sewer	<u>575,723</u>

Total Depreciation Expense – Business-type Activities	<u>\$ 1,070,337</u>
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NOTE 4 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

All interfund receivable/payable balances, with the exception of the significant transaction described below, 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, 2020 consisted of the following, all of which are expected to be repaid within the following year and are related to timing differences due to various centralized payable and receipt processing functions:

	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>
General fund	\$ (751,029)	\$ 2,667,665
Capital projects fund	(884,726)	-
Local impact fund	(803,832)	647,345
Non-major fund	-	3,839
Water fund	(910,560)	356,872
Sewer fund	<u>(1,782,939)</u>	<u>1,457,365</u>
Total	<u>\$ (5,133,086)</u>	<u>\$ 5,133,086</u>

Local impact funding is received and recorded in the local impact fund. This funding is then allocated and moved to the Town's other funds through the use of interfund transfers. Transfers between funds for the year ended June 30, 2020 are summarized below.

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 497,549	\$ -
Local impact fund	-	(1,187,566)
Water fund	186,618	-
Sewer fund	<u>503,399</u>	<u>-</u>
Total	<u>\$ 1,187,566</u>	<u>\$ (1,187,566)</u>

TOWN OF PERRYVILLE, MARYLAND  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5      LONG-TERM LIABILITIES

Bonds and loans payable as of June 30, 2020 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 ranging from \$15,000 to \$20,000 through May 2024 with semi-annual interest payments at remaining interest rates ranging from 4.01% to 4.20%. \$      80,000

CDA Infrastructure Financing Bonds – 2016 Series A

\$2,500,000 authorized and issued – Remaining principal to be repaid in annual installments through April 2031 ranging from \$155,000 to \$195,000 with semi-annual interest payments at remaining interest rates ranging from 1.86% to 2.67%. 1,920,000

Total Governmental Activities 2,000,000

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 \$29,000 to \$35,500 with semi-annual interest payments at interest rates ranging from 4.65% to 4.80%. 68,900

Sewer System Bond of 1984

\$857,000 authorized and issued – Semi-annual payments of \$25,299 are to be paid through February 2024 including interest at 5.00%. 178,985

Total Business-type Activities 247,885

Total Bonds Payable 2,247,885

**Loans Payable**

Water Quality Act Loan of 2007

\$12,053,769 authorized and \$11,534,299 issued – Interest at 0.40% to be paid semi-annually. Remaining principal to be repaid in annual payments through February 2037 ranging from \$405,550 to \$435,764. 7,125,006

TOWN OF PERRYVILLE, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 LONG-TERM LIABILITIES (cont'd)

Water Quality Act Loan of 2008

\$5,964,000 authorized and \$5,923,965 issued – Interest at 1.10% to be paid semi-annually. Remaining principal to be repaid in annual payments through February 2029 ranging from \$306,499 to \$341,933.

	<u>2,939,190</u>
Total Loans payable	<u>10,064,196</u>
Total Bonds and Loans Payable	<u>\$ 12,312,081</u>

All bonds and loans payable are secured by the credit and taxing power of the Town. The following is a summary of changes in long-term liabilities for the year ended June 30, 2020:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 2,175,000	\$ -	\$ 175,000	\$ 2,000,000	\$ 180,000
Net OPEB liability	221,470	-	11,333	210,137	-
Compensated absences	110,383	47,789	-	158,172	-
Governmental Activities, Long-term Liabilities	<u>\$ 2,506,853</u>	<u>\$ 47,789</u>	<u>\$ 186,333</u>	<u>\$ 2,368,309</u>	<u>\$ 180,000</u>
Business-type Activities:					
General obligation bonds	\$ 319,820	\$ -	\$ 71,935	\$ 247,885	\$ 75,543
Loans payable	10,786,277	-	722,081	10,064,196	727,161
Net OPEB liability	89,191	-	4,564	84,627	-
Compensated absences	63,588	-	8,755	54,833	-
Governmental Activities, Long-term Liabilities	<u>\$11,258,876</u>	<u>\$ -</u>	<u>\$ 807,335</u>	<u>\$10,451,541</u>	<u>\$ 802,704</u>

Long-term liabilities 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 expense for governmental and business-type activities for the year ended June 30, 2020 was \$46,670 and \$78,215, respectively. Interest expense in the business-type activities was split between water and sewer with \$34,187 being recorded to water and \$44,028 being recorded to sewer.



TOWN OF PERRYVILLE, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 LONG-TERM LIABILITIES (cont'd)

The schedule of future principal maturities and annual interest of the bonds and loans payable at June 30, 2020 is as follows:

Governmental Activities

<u>Maturity Year</u>	<u>Principal</u>	<u>Annual Interest</u>	<u>Total</u>
2021	\$ 180,000	\$ 43,777	\$ 223,777
2022	180,000	40,945	220,945
2023	185,000	37,673	222,673
2024	185,000	34,077	219,077
2025	170,000	30,234	200,234
2026-2030	905,000	94,294	99,294
2031	195,000	5,206	200,206
Totals	<u>\$ 2,000,000</u>	<u>\$ 286,206</u>	<u>\$ 2,286,206</u>

Business-type Activities

<u>Maturity Year</u>	<u>Principal</u>	<u>Annual Interest</u>	<u>Total</u>
2021	\$ 802,704	\$ 72,593	\$ 875,297
2022	812,088	63,706	875,794
2023	784,002	54,588	838,590
2024	788,798	47,016	835,814
2025	747,806	40,187	787,993
2026-2030	3,430,707	120,165	3,550,872
2031-2035	2,152,915	41,760	2,194,675
2036-2037	793,061	4,601	797,662
Totals	<u>\$ 10,312,081</u>	<u>\$ 444,616</u>	<u>\$ 10,756,697</u>

NOTE 6 FUND BALANCE

As of June 30, 2020, fund balances are composed of the following:

TOWN OF PERRYVILLE, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 FUND BALANCE (cont'd)

	General Fund	Capital Projects	Local Impact	Total Government Funds
Nonspendable:				
Prepaid expenditures	\$ 3,569	\$ -	\$ -	\$ 3,569
Restricted:				
Community activities	218,145	-	-	218,145
Local impact funds	-	-	1,062,934	1,062,934
Assigned for capital projects:				
Ice House Park	17,000	-	-	17,000
Parade	15,997	-	-	15,997
New Town Hall	442,714	-	-	442,714
Unassigned (deficit)	<u>6,295,592</u>	<u>(350,909)</u>	<u>-</u>	<u>5,944,683</u>
Total Fund Balance	<u>\$ 6,993,017</u>	<u>\$ (350,909)</u>	<u>\$ 1,062,934</u>	<u>\$ 7,705,042</u>

The following is a summary of restricted net position in the governmental activities and restricted fund balance in the General Fund and Local Impact Fund as of June 30, 2020:

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

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

The Town’s Capital Projects Fund had a fund balance deficit as of June 30, 2020. The deficit was caused by construction expenses in excess of bond proceeds and local impact grant revenue for the following projects: the police department building, the Town Hall building, and the baseball park redesign. This deficit is not considered a violation of any law and is expected to be eliminated through General Fund transfers from previously assigned funds.

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 two percent discount if paid in full by July 31, and become delinquent after October 1. For those qualifying for semi-annual billing,

TOWN OF PERRYVILLE, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 PROPERTY TAXES (cont'd)

real property taxes are due in two equal installments, half between July 1 and September 30, with two percent discount if first half is 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 one percent per month until paid. The tax rates for real and business personal property for the year ended June 30, 2020 were \$0.3097 and \$0.94, respectively, per \$100 assessed property value.

NOTE 8 TAX ABATEMENTS

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

The Town has entered into three similar tax abatement agreements, abating a total of \$19,238 in property taxes under this program for the year ended June 30, 2020. Additionally, the Town has entered into another tax abatement agreement, which sets a maximum property tax of \$15,930 to be charged annually and abates any property tax above this capped amount. As of June 30, 2020, no tax abatement was recognized under this separate agreement, as the calculated property tax did not exceed the capped amount.

NOTE 9 LEASE AGREEMENTS

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

Fiscal Year Ended June 30,

2021	\$ 123,608
2022	77,528
2023	<u>21,786</u>
Total Fund Balance	<u>\$ 222,922</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, 2020 were \$103,912, all of which were recognized in the Water Fund.

TOWN OF PERRYVILLE, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 DEFINED CONTRIBUTION PLAN

Effective January 1, 2014, the Town offers a defined contribution plan created in accordance with IRC Section 457(b). The plan permits all full-time employees to defer a portion of their salary until future years. The employee's contribution is fully vested at the contribution date. Employees can defer the lesser of \$19,500, and up to an additional \$6,000 catch-up for employees age 50 or over, or 100 percent of their includable salaries over the plan year. The Town matches an employee's elective contribution to the plan up to a maximum of three percent 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 \$61,648 to the plan during the year ended June 30, 2020.

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

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description

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 publicly available financial report.

As of June 30, 2020, the plan had 43 participants, consisting of 41 active participants, 0 vested former participants, and 2 retired participants.

Funding Policy

The contribution requirements of plan members are established and may be amended by the Board of Commissioners. The Town has no assets accumulated in a trust or equivalent arrangement for the purpose of administering the OPEB plan. The required contribution is based on projected pay-as-you-go financing requirements, with any additional amount to prefund as determined annually by the Board of Commissioners. For fiscal year 2020, the Town paid \$5,640 to plan members eligible for receiving benefits.

TOWN OF PERRYVILLE, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN (cont'd)

Actuarial Assumptions and Other Inputs

The total OPEB liability was measured as of July 1, 2019. The total OPEB liability as of June 30, 2020 was determined using census information as of the July 1, 2019 measurement date along with the actuarial assumptions noted below.

Discount Rate

The discount used to measure the total OPEB liability was 3.36 percent based on S&P Municipal Bond 20-year High Grade Rate Index at July 1, 2019.

Salary Increases

An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, annual salary increases are assumed to be 2.5 percent.

Withdrawal

Rates of withdrawal vary by age, gender, and years of service. Sample rates for employees with more than 10 years of service are shown below. Rates for new employees start at 5.50 percent and decrease with age and service.

<u>Age</u>	<u>Rate</u>
20	5.50%
25	5.00%
30	4.00%
35	2.50%
40	1.00%
45	0.50%
50	0.00%
55	0.00%
60	0.00%

Mortality Rates

The Adjusted RP-2014 Total Mortality Table is used to assume mortality rates. Incorporate into the table are rates projected generationally using Scale MP-2016 to reflect mortality improvement.

TOWN OF PERRYVILLE, MARYLAND  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 11     POSTEMPLOYMENT HEALTHCARE PLAN (cont'd)

Disability

No disability was assumed.

Retirement

Rates of retirement for participants eligible to retire are as follows:

<u>Age</u>	<u>Rate</u>
62	50%
63	0%
64	0%
65	100%

Percent of Eligible Retirees Electing Coverage in Plan

Ninety percent of all employees are assumed to elect coverage.

Per Capita Claims Cost

The per capita claims cost is equal to the amount of reimbursement.

Retiree Contributions

There are no retiree contributions.

Healthcare Cost Trend

The healthcare cost trend was 6.0 percent in 2018 and 5.5 percent in 2019 through 2021. Rates gradually decrease from 5.4 percent in 2022 to 3.8 percent in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

Actuarial Value of Assets

The actuarial value of assets was equal to the market value of assets.

Actuarial Cost Method – Entry Age Normal

Under the entry age normal cost method, the normal cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over

TOWN OF PERRYVILLE, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN (cont'd)

the earnings of an individual between the date of hire and the assumed retirement age. The accrued liability as of the valuation date is the excess of the present value of future benefits over the present value of future normal cost. The unfunded accrued liability is the excess of the accrued liability over the actuarial value of assets. Actuarial gains and losses serve to reduce or increase the unfunded accrued liability.

Participant Data

Participant data is based on census information as of July 1, 2019.

Sensitivity Analysis

The following presents the net OPEB liability, calculated using the valuation discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	1% Decrease 2.36%	Current Rate Discount Rate 3.36%	1% Increase 4.36%
Total OPEB liability	\$ 345,098	\$ 294,764	\$ 253,692
Fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 345,098</u>	<u>\$ 294,764</u>	<u>\$ 253,692</u>

The following presents the net OPEB liability, calculated using the valuation healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one percentage point lower each year or one percentage point higher each year than the current rate.

	1% Decrease	Current Healthcare Trend Rate	1% Increase
Total OPEB liability	\$ 294,764	\$ 294,764	\$ 294,764
Fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 294,764</u>	<u>\$ 294,764</u>	<u>\$ 294,674</u>

TOWN OF PERRYVILLE, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN (cont'd)

Changes in Total OPEB Liability

Total OPEB obligation as of June 30, 2019	\$ 310,661
Service cost	25,725
Interest on OPEB obligation	9,922
Difference between expected and actual experience	(27,306)
Effect of assumption changes or inputs	(17,917)
Benefit payments	(6,321)
	<hr/>
Total OPEB obligation as of June 30, 2020	\$ 294,764

The amount of OPEB expense for the single employer plan recognized by the Town was \$27,873 for the year ended June 30, 2020. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources relating to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<hr/>	<hr/>
Change in assumptions	\$ 6,628	\$ 53,330
Difference between actual and expected experience	-	87,458
Benefits paid subsequent to the date of measurement	5,640	-
	<hr/>	<hr/>
	\$ 12,268	\$ 140,788
	<hr/>	<hr/>

An amount of \$5,640 is reported as deferred outflows of resources resulting from the Town's contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources related to OPEB and will be recognized in OPEB expense as follows:

Year Ending June 30,

2021	\$ (7,774)
2022	(7,774)
2023	(7,774)
2024	(7,774)
2025	(7,774)
Thereafter	(95,290)
	<hr/>
	\$ (134,160)
	<hr/>



TOWN OF PERRYVILLE, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 CONCENTRATIONS

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 bills, and sewer bills. The Town may place a lien on any property associated with unpaid taxes, water services, and/or 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, 2020 were \$1,110,216, which represented 27 percent 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, 2020 were \$534,602, which represented 61 percent of the Town's Sewer Fund operating revenues.

NOTE 13 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, 2020, 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 currently has three large projects in the various stages of completion: the town hall project, the little league renovation project, and the wastewater upgrade project. Contracted costs for construction in progress amount to \$3,123,182. At June 30, 2020, \$2,509,817 has been completed under these contracts resulting in a remaining commitment of \$613,365. The remaining \$877,120 balance of construction in progress represents costs that were not incurred under fixed cost contracts.

NOTE 14 UNCERTAINTIES

COVID-19 Pandemic

As a result of the spread of the COVID-19 coronavirus which was ongoing at June 30 2020, economic and operational uncertainties have arisen which may impact the Town in fiscal year 2021. The extent of the potential impact is unknown as the COVID-19 pandemic continues to develop.

TOWN OF PERRYVILLE, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15 RISK MANAGEMENT

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

The maximum coverage under the liability pool of the LGIT is \$1,000,000 per claim. The Town also participates in an excess liability pool, which has maximum coverage of \$2,000,000. Premiums are charged to the Town, with no provision made for claim liability in addition to premiums, unless an assessment is made by the Trust. There have been no assessments during the year ended June 30, 2020, and the amount of settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

NOTE 16 PRIOR PERIOD ADJUSTMENT

The Town has decreased its July 1, 2019 net position by \$86,764 in the business-type activities and sewer fund due to billing issues in previous years resulting in differences between billing and accounting software modules. The Town was carrying receivables of \$86,764 which were not going to be collected as result as they represented billing errors. These receivables have been removed from the 2019 receivable balance.

NOTE 17 SUBSEQUENT EVENTS

The Town has evaluated all subsequent events through October 29, 2020, the date the financial statements were available to be issued.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF PERRYVILLE, MARYLAND**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE TOWN'S NET OPEB LIABILITY AND RELATED RATIOS**

	MEASUREMENT DATE		
	July 1, 2019	July 1, 2018	July 1, 2017
TOTAL OPEB LIABILITY			
Service cost	\$ 25,725	\$ 24,181	\$ 30,789
Interest on total OPEB liability	9,922	9,294	9,567
Effect of change in assumptions	(17,917)	7,364	(42,773)
Differences between expected and actual experience	(27,306)	-	(72,458)
Benefit payments	(6,321)	(6,377)	(5,112)
NET CHANGE IN TOTAL OPEB LIABILITY	(15,897)	34,462	(79,987)
TOTAL OPEB LIABILITY, BEGINNING OF YEAR	310,661	276,199	356,186
TOTAL OPEB LIABILITY, END OF YEAR	<u>\$ 294,764</u>	<u>\$ 310,661</u>	<u>\$ 276,199</u>
PLAN FIDUCIARY NET POSITION			
Contributions - employer	\$ -	\$ -	\$ -
Net investment income	-	-	-
Benefit payments	-	-	-
Administrative expenses	-	-	-
NET CHANGE IN PLAN FIDUCIARY NET POSITION	-	-	-
PLAN FIDUCIARY NET POSITION, BEGINNING OF YEAR	-	-	-
PLAN FIDUCIARY NET POSITION, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOWN'S NET OPEB LIABILITY	<u>\$ 294,764</u>	<u>\$ 310,661</u>	<u>\$ 276,199</u>
Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%	0.00%
Covered employee payroll	\$ 2,280,192	\$ 2,162,364	\$ 2,162,364
Town's net OPEB liability as a percentage of covered payroll	12.93%	14.37%	12.77%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**TOWN OF PERRYVILLE, MARYLAND  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF TOWN OPEB CONTRIBUTIONS**

<u>Year</u>	<u>Actuarial Determined Contribution</u>	<u>Contributions from Employer</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contribution as a Percentage of Payroll</u>
2020	\$ -	\$ -	\$ -	\$ 2,280,192	0.00%
2019	-	-	-	2,162,364	0.00%
2018	-	-	-	2,162,364	0.00%

**Notes to Schedule:**

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

*Valuation Date:*

July 1, 2019

*Methods and Assumptions Used to Determine Contribution Rates:*

Actuarial cost method	Entry age normal
Asset valuation method	Market value
Discount rate	3.36%
Healthcare trend rates	5.5% in 2020 through 2021 and 5.4% in 2022 to 3.8% in 2075

## **SUPPLEMENTARY INFORMATION**

**TOWN OF PERRYVILLE, MARYLAND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GENERAL FUND**  
**FOR THE YEARS ENDED JUNE 30, 2016, 2017, 2018, 2019, AND 2020**

	2016	2017	2018	2019	2020
<b>REVENUES</b>					
Taxes	\$ 3,478,762	\$ 3,599,526	\$ 3,392,901	\$ 3,384,001	\$ 3,446,234
Licenses and permits	72,263	76,066	87,588	90,384	74,898
Intergovernmental revenues	996,767	575,719	447,757	483,994	475,807
Charges for services/fees	26,421	28,882	37,548	29,492	36,472
Fines, forfeits, and costs	3,397	-	2,729	2,614	5,461
Interest, dividends, and rents	30,443	43,850	74,746	140,336	79,807
Miscellaneous revenue	44,605	15,348	34,026	33,384	56,042
<b>TOTAL REVENUES</b>	<u>4,652,658</u>	<u>4,339,391</u>	<u>4,077,295</u>	<u>4,164,205</u>	<u>4,174,721</u>
<b>EXPENDITURES</b>					
Current:					
General government	796,158	843,488	1,200,419	1,265,900	1,117,435
Public safety	1,381,704	1,432,892	2,998,408	1,725,566	1,650,701
Public works	789,645	831,731	1,055,081	993,327	1,014,963
Planning and zoning	258,143	318,865	-	-	-
Culture and parks	226,374	249,988	260,192	1,686,823	887,750
Debt service:					
Principal	15,000	130,000	170,000	170,000	175,000
Interest and other charges	6,514	37,242	49,247	48,979	47,199
Capital outlay	1,420,390	766,109	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>4,893,928</u>	<u>4,610,315</u>	<u>5,733,347</u>	<u>5,890,595</u>	<u>4,893,048</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<u>(241,270)</u>	<u>(270,924)</u>	<u>(1,656,052)</u>	<u>(1,726,390)</u>	<u>(718,327)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Interfund transfers	-	229,371	(437,685)	516,032	497,549
Proceeds from sale of capital assets and equipment	-	31,446	31,375	3,870	4,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>260,817</u>	<u>(406,310)</u>	<u>519,902</u>	<u>501,549</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(241,270)</u>	<u>(10,107)</u>	<u>(2,062,362)</u>	<u>(1,206,488)</u>	<u>(216,778)</u>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>10,730,022</u>	<u>10,488,752</u>	<u>10,478,645</u>	<u>8,416,283</u>	<u>7,209,795</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 10,488,752</u>	<u>\$ 10,478,645</u>	<u>\$ 8,416,283</u>	<u>\$ 7,209,795</u>	<u>\$ 6,993,017</u>

**TOWN OF PERRYVILLE, MARYLAND**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS**  
**FOR THE YEARS ENDED JUNE 30, 2016, 2017, 2018, 2019, AND 2020**

	2016	2017	2018	2019	2020
<b>OPERATING REVENUES</b>					
Charges for services	\$ 1,864,688	\$ 1,871,255	\$ 2,153,494	\$ 2,208,619	\$ 2,004,226
Reading and related fees	16,718	18,008	6,175	7,500	6,350
Miscellaneous revenue	-	-	10,554	17,982	11,716
<b>TOTAL OPERATING REVENUES</b>	<u>1,881,406</u>	<u>1,889,263</u>	<u>2,170,223</u>	<u>2,234,101</u>	<u>2,022,292</u>
<b>OPERATING EXPENSES</b>					
Contracted services	20,323	33,293	126,322	176,116	111,257
Depreciation	971,556	969,962	1,046,655	1,080,912	1,070,337
Insurance	53,768	52,834	93,136	52,147	51,233
Other administrative expenses	75,255	71,983	114,238	119,685	114,873
Payroll taxes and fringe benefits	235,689	224,350	170,414	217,501	215,564
Repairs and maintenance	211,766	276,756	344,248	431,998	283,956
Salaries and wages	734,911	759,260	785,502	794,031	820,928
Supplies and materials	89,345	109,191	125,659	137,515	120,085
Utilities	273,744	268,382	239,352	230,023	229,673
<b>TOTAL OPERATING EXPENSES</b>	<u>2,666,357</u>	<u>2,766,011</u>	<u>3,045,526</u>	<u>3,239,928</u>	<u>3,017,906</u>
<b>OPERATING LOSS</b>	<u>(784,951)</u>	<u>(876,748)</u>	<u>(875,303)</u>	<u>(1,005,827)</u>	<u>(995,614)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Gain (loss) on disposal of assets	735	(2,467)	-	-	-
Connection charges	-	11,000	68,900	18,200	44,690
Interest income	4,703	5,432	10,111	14,175	13,410
Rental income	101,590	109,313	100,333	119,950	127,646
Interest expense	(152,020)	(144,193)	(58,913)	(86,751)	(78,215)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(44,992)</u>	<u>(20,915)</u>	<u>120,431</u>	<u>65,574</u>	<u>107,531</u>
<b>NET LOSS BEFORE CAPITAL CONTRIBUTIONS</b>	<u>(829,943)</u>	<u>(897,663)</u>	<u>(754,872)</u>	<u>(940,253)</u>	<u>(888,083)</u>
Capital contributions - Local Income Grant	771,138	743,408	-	-	-
Capital contributions - other	126,889	118,262	75,000	73,000	661,602
Transfers in	-	-	852,667	864,177	690,017
<b>CHANGE IN NET POSITION</b>	<u>68,084</u>	<u>(35,993)</u>	<u>172,795</u>	<u>(3,076)</u>	<u>463,536</u>
<b>RESTATEMENT</b>					
	-	(68,806)	-	(86,764)	-
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>19,907,026</u>	<u>19,975,110</u>	<u>19,870,311</u>	<u>20,043,106</u>	<u>19,953,266</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 19,975,110</u>	<u>\$ 19,870,311</u>	<u>\$ 20,043,106</u>	<u>\$ 19,953,266</u>	<u>\$ 20,416,802</u>



## OTHER REPORT



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

October 29, 2020

Mayor and Commissioners  
Town of Perryville, Maryland  
Perryville, Maryland

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Perryville, Maryland ("the Town") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and we have issued our report thereon dated October 29, 2020.

Internal Control over Financial Reporting

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

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

Mayor and Commissioners  
Town of Perryville, Maryland

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

#### Compliance and Other Matters

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

#### Purpose of This Report

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

*Barbacane, Thornton & Company LLP*  
BARBACANE, THORNTON & COMPANY LLP