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TOWN OF PERRYVILLE, MARYLAND
BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

TOWN OF PERRYVILLE, MARYLAND

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
Entity-wide Financial Statements:	
- Statement of Net Position	20
- Statement of Activities	21
Fund Financial Statements:	
- Balance Sheet - Governmental Funds	22
- Reconciliation of Balance Sheet - Governmental Funds to Statement of Net Position	23
- Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	24
- Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to Statement of Activities	25
- Budgetary Comparison Statement - General 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	55
- Schedule of Town OPEB Contributions	56

TOWN OF PERRYVILLE, MARYLAND

TABLE OF CONTENTS

	<u>PAGE</u>
SUPPLEMENTARY INFORMATION	
- Schedule of Revenues, Expenditures, and Changes in Fund Balances - General Fund	57
- Schedule of Revenues, Expenditures, and Changes in Net Position - Proprietary Funds	58
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 <i>Government Auditing Standards</i>	59



INDEPENDENT AUDITOR'S REPORT

February 28, 2024

Mayor and Commissioners
Town of Perryville, Maryland
Perryville, Maryland

Report on the Audit of the Financial Statements

Opinions

We have audited 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, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Perryville, Maryland, as of June 30, 2023 and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

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

Mayor and Commissioners
Town of Perryville, Maryland

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

Report on Summarized Comparative Information

We have previously audited the Town's 2022 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 December 23, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 19 and the schedule of the Town's net OPEB liability and related ratios and schedule of Town OPEB contributions on pages 55 and 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The schedule of revenues, expenditures, and changes in fund balances – general fund and schedule of revenues, expenditures, and changes in net position – proprietary funds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of revenues, expenditures, and changes in fund balances – general fund and schedule of revenues, expenditures, and changes in net position – proprietary funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues, expenditures, and changes in fund balances – general fund and schedule of revenues, expenditures, and changes in net position – proprietary funds are fairly stated in all material respects in relation to the basic financial statements as a whole.

Mayor and Commissioners
Town of Perryville, Maryland

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2024, 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
BARBACANE, THORNTON & COMPANY LLP

**TOWN OF PERRYVILLE, MARYLAND
MANAGEMENT DISCUSSION ANALYSIS – UNAUDITED
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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, 2023. It should be read in conjunction with the Town's basic financial statements, which begin on page 20, to enhance understanding of the Town's financial performance.

FINANCIAL HIGHLIGHTS (see pages 20 - 21)

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 \$49.9 million compared to \$48.7 million at June 30, 2022. Of the total of \$49.8 million, \$487 thousand is restricted for specific uses, and \$12.1 million may be used to meet the Town's ongoing obligations to citizens and creditors compared to \$12.4 million at June 30, 2022. A total of \$37.2 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") 2023 by \$822,976.
- The net position of the business-type activities increased in FY 2023 by \$340,539.
- The total cost of all of the Town's programs was \$8.8 million (\$5.4 million for governmental activities and \$3.4 million for business-type activities) for FY 2023.
- At the close of the current fiscal year, the Town's governmental General Fund reported an ending fund balance of \$12.4 million (\$11.6 million at June 30, 2022), of which \$11.9 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 page 36.
- The \$385,866 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.

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, 2023**

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (Statement of Net Position and Statement of Activities) can be found on pages 20 - 21 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 four categories: governmental funds, capital projects, proprietary funds, and fiduciary funds.

Governmental Funds

The basic governmental fund financial statements can be found on pages 22 - 25 of this report.

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

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar

**TOWN OF PERRYVILLE, MARYLAND
MANAGEMENT DISCUSSION ANALYSIS – UNAUDITED (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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 three governmental funds: the General Fund (which includes Local Impact Activity), Capital Projects 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. Assets were reallocated from the General Fund to create these restricted funds. During the current year the Local Impact Fund was closed out. A more detailed presentation is disclosed on pages 22 and 24.

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 - 54 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 \$49.8 million at the close of the most recent fiscal year. By far, the largest portion of the Town's net position (75 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, 2023**

A summary of the Town's condensed Statement of Net Position is as follows (see page 20):

	June 30, 2023			June 30, 2022		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current assets	\$ 14,627,729	\$ 3,836,555	\$ 18,464,284	\$ 13,815,040	\$ 3,571,964	\$ 17,387,004
Noncurrent assets	15,051,729	33,090,025	48,141,754	15,280,155	31,996,859	47,277,014
Total Assets	29,679,458	36,926,580	66,606,038	29,095,195	35,568,823	64,664,018
Deferred Outflows of Resources	54,345	23,391	77,736	59,312	23,272	82,584
Current liabilities	551,902	3,314,377	3,866,279	567,252	1,484,130	2,051,382
Long-term liabilities	1,756,287	7,274,235	9,030,522	2,023,411	8,053,722	10,077,133
Total Liabilities	2,308,189	10,588,612	12,896,801	2,590,663	9,537,852	12,128,515
Deferred Inflows of Resources	2,489,284	1,423,004	3,912,288	2,450,490	1,456,427	3,906,917
Net investment in capital assets	13,451,107	23,789,398	37,240,505	13,383,527	21,859,030	35,242,557
Restricted	385,866	101,586	487,452	877,667	137,114	1,014,781
Unrestricted	11,099,357	1,047,371	12,146,728	9,852,160	2,601,672	12,453,832
Total Net Position	\$ 24,936,330	\$ 24,938,355	\$ 49,874,685	\$ 24,113,354	\$ 24,597,816	\$ 48,711,170

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 21):

	June 30, 2023			June 30, 2022		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
REVENUES						
Program Revenues:						
Charges for service	\$ 91,788	\$ 2,925,389	\$ 3,017,177	\$ 49,997	\$ 2,493,252	\$ 2,543,249
Operating grants	781,007	-	781,007	514,010	-	514,010
Capital grants	-	644,029	644,029	-	618,000	618,000
General Revenues:						
Taxes	3,520,656	-	3,520,656	3,513,378	-	3,513,378
Franchise fees	215,543	-	215,543	78,616	-	78,616
Unrestricted grants	1,013,203	-	1,013,203	1,140,164	-	1,140,164
Investment earnings	477,047	224,535	701,582	8,832	145,341	154,173
Transfers in (out)	53,275	(53,275)	-	2,510,558	(2,510,558)	-
Miscellaneous	28,292	-	28,292	27,104	-	27,104
Total Revenues	6,180,811	3,740,678	9,921,489	7,842,659	746,035	8,588,694

**TOWN OF PERRYVILLE, MARYLAND
MANAGEMENT DISCUSSION ANALYSIS – UNAUDITED (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	June 30, 2023			June 30, 2022		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
(cont'd)						
EXPENSES						
General government	1,541,735	-	1,541,735	1,279,964	-	1,279,964
Public safety	1,971,914	-	1,971,914	2,005,777	-	2,005,777
Public works	1,260,917	-	1,260,917	1,206,161	-	1,206,161
Parks and recreation	545,384	-	545,384	547,679	-	547,679
Interest expense	37,885	-	37,885	41,238	-	41,238
Water	-	1,348,761	1,348,761	-	1,371,602	1,371,602
Sewer	-	2,051,378	2,051,378	-	2,114,660	2,114,660
Total Expenses	5,357,835	3,400,139	8,757,974	5,080,819	3,486,262	8,567,081
CHANGE IN NET POSITION	<u>\$ 822,976</u>	<u>\$ 340,539</u>	<u>\$ 1,163,515</u>	<u>\$ 2,761,840</u>	<u>\$ (2,740,227)</u>	<u>\$ 21,613</u>

For the current fiscal year, the Town is reporting an increase in its net position for its governmental fund and a decrease in its business-type activities. Overall, the Town reports an increase for the government as a whole of \$1,163,515.

Governmental Activities (see page 21)

For the fiscal year ended June 30, 2023, revenues from governmental activities (excluding interfund transfers) totaled approximately \$6.1 million. Property, personal property, and local taxes represented the largest revenue source (57.5 percent), followed by unrestricted grants and franchise fees, which includes local impact grants, (20.1 percent).

The largest components of the governmental activities expenses were approximately \$2.0 million of expenses for public safety services (36.8 percent), followed by approximately \$1.5 million for general government (28.8 percent), approximately \$1.3 million for public works (23.5 percent), and approximately \$0.5 million for parks and recreation (10.2 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 26.5. For every dollar in currently liabilities there is \$26.5 in current assets. This is comparable to last year being a 9 percent increase.

Business-type Activities (see page 21)

Of the approximately \$3.8 million of total revenues from business-type activities (excluding interfund transfers), water and sewer service charges were approximately \$2.9 million (77.1 percent). The allocation of Local Impact revenue to the business-type activities was approximately \$0.6 million in FY 2023. Investment earnings totaled approximately \$0.2 million. Included in the sewer service charges are revenues of approximately \$0.4 million 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, 2023**

All of the approximately \$3.4 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 60.3 percent of the expenses, and water services account for 39.7 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 22 - 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 \$12 million, a net increase of approximately \$800 hundred thousand from the prior year \$11.2 million. Of the \$12 million fund balance, approximately \$11.6 million is unassigned and approximately \$0.1 million is committed. The committed fund balance includes amounts allotted for facilities reserve (new Town Hall and Ice House Park).

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 222 percent and 231 percent, respectively. The unassigned fund balance provides working capital for approximately 70.2 weeks of operations based on the FY 2023 expenditure budget, an increase from the 22 weeks for FY 2022. This increase is mainly due to increases in fund balance.

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 \$24.9 million. Net position invested in capital assets, net of related debt was \$23.8 million, restricted net position was \$0.1 million, and unrestricted net position was \$1.0 million. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

At the end of the fiscal year, the Proprietary Fund's current ratio is 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, 2023**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for governmental and business-type activities at June 30, 2023 was approximately \$46.8 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 \$290,591). Stormwater management had been done to Trego field in prior years with actual construction of the ball field started in FY 2019. It was completed in FY 2021 for a total cost of \$2,311,049. Nothing additional was done for Town Hall during FY 2023. One construction-in-progress project in FY 2022 was finalized in FY 2023. This was the water service for Station 16 Fire House completed for a total cost of \$172,014. Construction-in-progress projects still ongoing at the end of the fiscal year include an ENR Refinement Study, a Wastewater Upgrades Project, Water System Study, and reconstruction of Otsego Street. Accumulated costs were \$536,414, \$4,737,200, \$31,000, and \$13,029, respectively. In FY 2022, the Town Board voted to utilize funds received from the American Rescue Plan to expand our water treatment plant. That project started in FY 2022 with \$343,782 expended to date.

Other major capital asset activity during the fiscal year included:

- Improvements to roads and sidewalks expended approximately \$78,003.
- Vehicle purchases for the year were \$262,176. The Police purchased two new SUVs, Public Works got two pickups, and Sewer received one truck. All vehicles were purchased via a capital lease purchase plan. Several of these vehicles were ordered in the prior year but not delivered until FY 2022 due to supply chain issues.
- Both Public Works and Parks and Recreation each bought a Hustler Mower for around \$13,000. They also each purchased a salt spreader for \$5,581.
- Other water proprietary fund capital outlays of approximately \$34,006 consisted primarily of water meters.
- Trego Field's basketball court had a fence installed on its third side for \$10,500.
- One of the Waste Water Pump Stations had a "Muffin Monster" installed for \$37,923.
- The Police Department bought 2 portable radios for \$12,951.

**TOWN OF PERRYVILLE, MARYLAND
MANAGEMENT DISCUSSION ANALYSIS – UNAUDITED (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Capital assets consisted of the following:

	June 30, 2023			June 30, 2022		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Capital assets at cost	\$ 23,412,355	\$ 51,549,782	\$ 74,962,137	\$ 23,035,968	\$ 49,388,554	\$ 72,424,522
Less: Accumulated depreciation	8,360,626	19,847,099	28,207,725	7,755,813	18,832,237	26,588,050
Net capital assets	\$ 15,051,729	\$ 31,702,683	\$ 46,754,412	\$ 15,280,155	\$ 30,556,317	\$ 45,836,472

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

Debt Administration (see pages 43 - 46)

At the end of the current fiscal year, the Town had total long-term debt of \$9.5 million (\$10.6 million at June 30, 2022), of which approximately \$1.0 million is due within one year and the remaining \$8.5 million is due in subsequent years. Most of the debt (\$7.9 million) was related to business-type activities while the approximate remaining \$1.7 million was related to governmental activities.

Of the \$7.9 million in debt related to business activities, \$5.9 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, \$2.0 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, 2023**

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 bears interest ranging from 1.86 percent to 2.67 percent and annual debt service payments of approximately \$200,000 per year for 15 years. The outstanding balance at June 30, 2023 amounted to approximately \$1.4 million.

In FY 2023, the Town participated in a bond offering by the Maryland CDA for an approximate \$2,300,000 loan to finance the complete reconstruction of Otsego Street. The project is expected to begin in late calendar year 2023 and be completed within a year. The terms are for 20 years with an interest rate of not more than 3.0576 percent. The bond was issued at a premium with a stated redemption price at maturity of \$2,019,276.

In compliance with GASB Statement No. 75, which became effective in fiscal year 2019, 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, 2021. 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 BUDGETARY HIGHLIGHTS (see page 26)

Actual revenues exceeded final budgeted amounts by \$866,953. Actual expenditures came in under final budgeted amounts by \$3,399,127.

The Town amended its General Fund budget several times during the fiscal year. Total estimated revenues were adjusted upward approximately \$659,291, and expenditures were adjusted upward \$3.1 million. The Town used approximately \$778,360 of fund balance reserves to balance the adjusted budget.

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 four 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, 2023**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

General Fund

Revenues

The FY 2024 General Fund Budget for the Town of Perryville totals \$9,001,624, 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 \$0.3634 / \$100, which should generate \$2,124,478 in revenue. The Mayor and Commissioners maintained the Personal Property Tax Rate at \$0.94 / \$100 of assessment, and Perryville expects to receive \$1,294,000 in Personal Property Tax revenues. 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.

The Town of Perryville was the recipient of an award of \$4,355,491 from the State of Maryland as a part of the American Rescue Plan Act Coronavirus Local Fiscal Recovery Funds Program ("SLFRF"). Maryland was responsible for distribution of federal funds to all NEUs within the State. NEUs stands for "Non-Entitlement Units." These are municipalities with a population under 50,000. The awards were disbursed in two tranches. In July 2021, the Town received \$2,176,931 from Maryland. The second tranche of \$2,178,560 came in August 2022.

Expenditures

Every year, the Town receives revenues from Maryland's Highway User Fund (HUR). These restricted funds must be used for the construction, reconstruction, or maintenance of the roads owned by the Town. Debt service for loans used for those purposes is also permitted. Unfortunately, the amount of the annual revenue has never been enough to do major renovations of any of these roads. Therefore, starting in FY 2024, the Town's HUR funds will be used to cover annual loan payments on the bond the Town received from the Maryland CDA in FY 2023.

In addition, there is pay-as-you-go capital such as new vehicles and road improvements and a reserve for a new roof for Rodgers Tavern. Total budgeted capital is \$400,816 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, the Town 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 was approximately \$1.5 million.

**TOWN OF PERRYVILLE, MARYLAND
MANAGEMENT DISCUSSION ANALYSIS – UNAUDITED (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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. Right now, since the Town 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 \$50,000 in the FY 2023 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 2024 budgeted General Fund projects and programs include the following:

- \$100,000 is budgeted to fund normal town grant programs (Revitalization, Business Development and 501(C) Non-Profits). All \$100,000 of the funding was through the Local Impact Funds (LIF) Grant funds.
- \$135,000 of LIF funds has been allocated to cover the majority of the salary expenses for two new Police Officers.
- \$21,340 is budgeted to begin implementing our new Record Retention Program.
- \$100,000 is budgeted to help the Town implement impending MS4 Stormwater Permit Requirements. This is also being funded by LIF funds.
- \$100,300 is allocated to cover the leasing of 10 prior year vehicles for the Police.
- \$56,977 is budgeted to cover new lease for two 350 pickup trucks with a snowplow for Public Works. Also in the budget were the funds for prior year leases.
- \$56,500 has been budgeted for much-needed Town Hall improvements. The Lobby is to be enclosed, the Meeting Room will get a small makeover, and a new Audio System will be installed.
- \$96,000 is budgeted for the purchase of a new Backhoe and a Salt Spreader for Public Works.
- \$66,600 is budgeted to provide funding to the Community Fire Company of Perryville, MD, Inc. \$60,000 of that amount is a direct donation to the fire company, \$2,000 is a donation to the Fire Police, and \$4,600 is a pass-through grant for the fire company. Of the \$60,000 direct donation, \$40,000 will be from LIF funds.
- Operations for the Outreach Program will cost \$293,745 in FY 2024.
- In addition to the \$2,350,000 allocated to the reconstruction of Otsego Street, another \$245,212 is budgeted for roads and sidewalks improvements.

**TOWN OF PERRYVILLE, MARYLAND
MANAGEMENT DISCUSSION ANALYSIS – UNAUDITED (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

- The contract for town trash and recyclables pickup will cost the Town \$484,700 in FY 2024.
- Parks and Recreation has been allocated \$35,794 to purchase a MULE UTV replacement and a salt spreader. Funds were also allocated to pay for lease payments on their new truck.
- The Town has continued the contract for a part-time curator at Rodgers Tavern at a cost of \$45,864.
- \$219,678 was budgeted in the General Fund to cover the cost of Debt Service. Of that amount, \$198,574 is attributable to the Police Department Construction Project, and the balance of \$21,104 is for a 2004 streets project.

Development Projects

In January 2023, the Town adopted a new Strategic Plan that continues to focus on Increasing Business and Residential Development. New development opportunities are coming about, and old development plans are coming back to life. Great Wolf Lodge opened in June, and is the brand's largest resort and employs more than 1,100 people. 5th Company Brewing opened in the long vacant H. Muller-Thym milk factory building. Chesapeake Overlook began the necessary excavation to develop the Stewart's commercial property on Route 222. The construction of 22 new homes near Aiken Avenue Extended were approved by the Planning Commission. In addition, there have been numerous inquiries from developers about vacant properties located in town, and there have been several annexation requests.

Local Impact Funds

There is a total of \$1,862,359 of LIF revenue in the FY 2024 budget, of which \$362,350 were funds rolled over from prior years. 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, \$1,176,359 is budgeted in the General Fund, \$100,000 is budgeted in the Water Fund, and \$586,000 is budgeted in the Sewer Fund.

Income

Typically, the main source of income for the Water and Sewer Enterprise Funds is user fees. In the FY 2024 budget, the water and sewer user rates were both increased over FY 2023 rates. The Town hired a consultant to evaluate the water and sewer rates, and the recommendation was to increase water rates by 3 percent and sewer rates by 15 percent. The Board voted instead to phase in the rates over a longer period. For the FY 2024, the water rate was increased by 2% and the sewer rate by 5%. In FY 2024, water user fee income is budgeted at \$1,836,942, and sewer user fee income is budgeted at \$1,420,092 with an additional income of \$440,000 from the VA for sewer use.

Other large sources of income for the Water Fund are Local Impact Grant Funds totaling \$100,000 and rental fees from communication company leases totaling \$80,046. In the past, income from communication company leases included \$21,600 from Sprint and \$33,273 from T-Mobile. Those two companies merged, and the effect of the merger was the elimination on one of the leases. The other

**TOWN OF PERRYVILLE, MARYLAND
MANAGEMENT DISCUSSION ANALYSIS – UNAUDITED (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

lease expired in FY 2023 and was not able to be renegotiated. There is currently no income budgeted for these two leases in FY 2024. The remaining rents are from Verizon, SBA, Atlantic Broadband and Everstream.

As mentioned previously, the Town was the recipient of an award from the American Rescue Fund. The total amount which was received in 2021 and 2022 was \$4,355,491. This income was appropriated to expand our Water Plant operations. That project is projected to finish in late FY 2024.

Income budgeted from other sources for the Sewer Fund include a grant from Maryland Department of the Environment in the amount of \$5,905,654 for the Enhanced Nutrient Removal (denitrification filter) project at the sewer plant and \$586,000 in Local Impact Grant Funds. In FY 2023, the Town worked with the Maryland Department of the Environment to finalize the award for a grant to cover over 96 percent of the construction costs of the Denitrification system. This amount is reflected in the budget.

The FY 2024 budget for the Sewer Fund includes a \$6,259,939 expansion of the Town's sewer lines to the Chesapeake Outlook area. Considerable connection fees were paid in late FY 2021 by the Great Wolf Lodge, a resort being built in that area. The Lodge paid \$2,778,000 in water connection fees, \$2,778,000 in sewer connection fees, and \$436,000 in sewer facilities fees. After receipt of the fees, the Water Fund lent \$2,000,000 to the Sewer Fund to be used for the project. In addition, the General Fund lent \$1,065,496 to the Sewer Fund. As the project had been delayed due to COVID-19, only design costs had been expended as of the end of FY 2021. Therefore, the remaining projected costs of the expansion were rolled over in FY 2022 and funded by a decrease in retained earnings. The project construction began in FY 2022 with a substantial portion completed in that year. The remaining expenses were rolled over to FY 2023 and then again into FY 2024 along with matching revenue again funded by a decrease in retained earnings.

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 \$460,047. Excluding interfund loan payments, the annual debt service on the wastewater plant is approximately \$413,404. In the FY 2024 budget, the LIF is covering \$386,000 for the Sewer Department debt service payments.

Sewer System Improvement Project

The Town is undertaking a \$6.7 million sewer collection system improvements project. The project design was complete, and construction was originally 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 also put on hold due to the pandemic. The Great Wolf Lodge was to provide the major source of funding for the Sewer Improvement Project. The project proceeded in Fall 2021. The improvements are needed to accommodate additional wastewater flows expected from new

**TOWN OF PERRYVILLE, MARYLAND
MANAGEMENT DISCUSSION ANALYSIS – UNAUDITED (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

development in town. The improvements will create additional capacity in the wastewater collection system and pumping stations of 900,000 gallons per day, over and above what is needed for the Great Wolf Lodge. The FY 2024 Sewer Fund budget includes \$6,187,774 for this project.

The Town utilized the water and sewer connection fees to be paid by Great Wolf Lodge of \$5,992,000 to cover much of the costs. Additionally, the General Fund loaned the Sewer Fund \$1,065,496 for the project. Because some of the connection fees being paid by Great Wolf were for the Water Fund, the Water fund loaned the Sewer Fund \$2,000,000 as well. (Water lines were already on site in that area). 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 2024 Enterprise Fund budgeted expenses include the following:

- \$50,000 is budgeted in the Water Fund as a reserve to clean and paint the exterior of the Town's two Water Towers.
- \$64,750 is budgeted for one half of the cost of a TTHM removal system for both water towers. The remainder was budgeted in FY 2022.
- \$150,000 is budgeted in the Water Fund as a reserve for future replacement of membrane filters at the water plant.
- \$50,000 is budgeted for check valve replacement and \$65,000 to purchase new meters to upgrade to AMR process.
- \$158,427 is in the budget for water fund contingency.
- \$4,100,565 is in the budget to complete the expansion of the Water Plant. Two new membranes will be installed. The complete project is being funded by ARPA funds.
- \$6,187,774 is budgeted for the Enhanced ENR (denitrification filter) project at the wastewater plant – this expense is covered 96 percent by a grant from MDE.
- 53,275 is budgeted to repay a loan to the General Fund.
- \$100,000 is budgeted to repay a loan to the Water Fund.
- \$30,784 is budgeted for sewer fund contingency.
- \$150,00 is in the budget for contractual Inflow and Infiltration (I&I) work.
- \$100,000 is budgeted for a Sewer Jet and \$70,000 for a Muffin Monster.

**TOWN OF PERRYVILLE, MARYLAND
MANAGEMENT DISCUSSION ANALYSIS – UNAUDITED (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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, 2023
(With Summarized Comparative Data for June 30, 2022)

	Governmental Activities	Business-type Activities	Totals	
			2023	2022
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 9,554,504	\$ 7,296,005	\$ 16,850,509	\$ 15,893,861
Restricted cash	385,866	101,586	487,452	589,554
Accounts receivable	21,183	674,160	695,343	614,480
Taxes receivable	15,660	-	15,660	27,943
Due from other governments	227,965	134,155	362,120	210,497
Due from other funds	4,422,551	(4,422,551)	-	-
Prepaid expenses	-	-	-	2,091
Lease receivable	-	53,200	53,200	48,578
Total Current Assets	14,627,729	3,836,555	18,464,284	17,387,004
Noncurrent Assets:				
Lease receivable	-	1,387,342	1,387,342	1,440,542
Construction-in-progress	303,620	5,648,398	5,952,018	4,056,045
Land and land rights	2,602,508	20,822	2,623,330	2,623,330
Buildings and improvements	6,969,895	40,396,789	47,366,684	47,356,184
Equipment	1,446,317	3,120,373	4,566,690	4,444,815
Infrastructure	10,774,469	2,234,972	13,009,441	12,759,423
Vehicles	1,315,546	128,428	1,443,974	1,184,725
Accumulated depreciation	(8,360,626)	(19,847,099)	(28,207,725)	(26,588,050)
Total Noncurrent Assets	15,051,729	33,090,025	48,141,754	47,277,014
TOTAL ASSETS	29,679,458	36,926,580	66,606,038	64,664,018
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - OPEB	54,345	23,391	77,736	82,584
TOTAL DEFERRED OUTFLOWS OF RESOURCES	54,345	23,391	77,736	82,584
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 29,733,803	\$ 36,949,971	\$ 66,683,774	\$ 64,746,602
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued expenses	\$ 210,440	\$ 184,127	\$ 394,567	\$ 773,656
Accrued payroll and related benefits	90,475	41,599	132,074	83,858
Accrued interest	8,449	19,836	28,285	32,249
Unearned revenue	-	2,178,560	2,178,560	-
Due to other governments	-	101,586	101,586	137,114
Bonds and loans payable - current	185,000	788,669	973,669	969,002
Lease liability - current	57,538	-	57,538	55,503
Total Current Liabilities	551,902	3,314,377	3,866,279	2,051,382
Noncurrent Liabilities:				
Bonds and loans payable	1,270,000	7,124,616	8,394,616	9,368,285
Compensated absences	213,780	70,241	284,021	246,261
Lease liability	88,084	-	88,084	145,622
Net OPEB liability	184,423	79,378	263,801	316,965
Total Noncurrent Liabilities	1,756,287	7,274,235	9,030,522	10,077,133
TOTAL LIABILITIES	2,308,189	10,588,612	12,896,801	12,128,515
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue	2,274,888	-	2,274,888	2,278,645
Deferred inflows - lease receivable	-	1,330,726	1,330,726	1,389,000
Deferred inflows - OPEB	214,396	92,278	306,674	239,272
TOTAL DEFERRED INFLOWS OF RESOURCES	2,489,284	1,423,004	3,912,288	3,906,917
NET POSITION				
Net investment in capital assets	13,451,107	23,789,398	37,240,505	35,242,557
Restricted:				
Bay restoration	-	101,586	101,586	137,114
Local impact funds	362,350	-	362,350	425,227
Police seizure funds	23,516	-	23,516	452,440
Unrestricted	11,099,357	1,047,371	12,146,728	12,453,832
TOTAL NET POSITION	24,936,330	24,938,355	49,874,685	48,711,170
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 29,733,803	\$ 36,949,971	\$ 66,683,774	\$ 64,746,602

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

TOWN OF PERRYVILLE, MARYLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023
(With Summarized Comparative Data for the Year Ended June 30, 2022)

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
							2023	2022
GOVERNMENTAL ACTIVITIES								
General government	\$ 1,541,735	\$ 923	\$ 325,632	\$ -	\$ (1,215,180)	\$ -	\$ (1,215,180)	\$ (1,088,080)
Public safety	1,971,914	-	144,097	-	(1,827,817)	-	(1,827,817)	(1,898,712)
Public works	1,260,917	39,994	250,358	-	(970,565)	-	(970,565)	(1,001,969)
Parks and recreation	545,384	50,871	60,920	-	(433,593)	-	(433,593)	(486,813)
Interest expense	37,885	-	-	-	(37,885)	-	(37,885)	(41,238)
TOTAL GOVERNMENTAL ACTIVITIES	5,357,835	91,788	781,007	-	(4,485,040)	-	(4,485,040)	(4,516,812)
BUSINESS-TYPE ACTIVITIES								
Water	1,348,761	1,582,587	-	-	-	233,826	233,826	(183,532)
Sewer	2,051,378	1,342,802	-	644,029	-	(64,547)	(64,547)	(191,478)
TOTAL BUSINESS-TYPE ACTIVITIES	3,400,139	2,925,389	-	644,029	-	169,279	169,279	(375,010)
TOTAL PRIMARY GOVERNMENT	<u>\$ 8,757,974</u>	<u>\$ 3,017,177</u>	<u>\$ 781,007</u>	<u>\$ 644,029</u>	<u>(4,485,040)</u>	<u>169,279</u>	<u>(4,315,761)</u>	<u>(4,891,822)</u>
GENERAL REVENUES								
Taxes:								
Real estate taxes					1,737,691	-	1,737,691	1,714,137
Personal property taxes					1,159,685	-	1,159,685	1,188,240
Local income and other taxes					623,280	-	623,280	611,001
Franchise fees, licenses, and permits					215,543	-	215,543	78,616
Grants and contributions not restricted to specific programs					1,013,203	-	1,013,203	1,140,164
Investment earnings					477,047	224,535	701,582	154,173
Gain on sale of capital asset					-	-	-	11,665
Transfers in (out)					53,275	(53,275)	-	-
Miscellaneous					28,292	-	28,292	15,439
TOTAL GENERAL REVENUES					<u>5,308,016</u>	<u>171,260</u>	<u>5,479,276</u>	<u>4,913,435</u>
CHANGE IN NET POSITION					822,976	340,539	1,163,515	21,613
NET POSITION, BEGINNING OF YEAR					<u>24,113,354</u>	<u>24,597,816</u>	<u>48,711,170</u>	<u>48,689,557</u>
NET POSITION, END OF YEAR					<u>\$ 24,936,330</u>	<u>\$ 24,938,355</u>	<u>\$ 49,874,685</u>	<u>\$ 48,711,170</u>

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

TOWN OF PERRYVILLE, MARYLAND
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023
(With Summarized Comparative Data for June 30, 2022)

	General	Capital Projects	Non-Major Governmental Fund	Totals	
				2023	2022
ASSETS					
Cash and cash equivalents	\$ 8,455,158	\$ 1,099,346	\$ -	\$ 9,554,504	\$ 12,933,394
Restricted cash	385,866	-	-	385,866	452,440
Accounts receivable	21,183	-	-	21,183	14,787
Taxes receivable	15,660	-	-	15,660	27,943
Due from other governments	227,965	-	-	227,965	164,032
Due from other funds	5,833,643	-	3,839	5,837,482	1,392,434
Prepaid expenditures	-	-	-	-	2,091
TOTAL ASSETS	<u>\$ 14,939,475</u>	<u>\$ 1,099,346</u>	<u>\$ 3,839</u>	<u>\$ 16,042,660</u>	<u>\$ 14,987,121</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICIT)					
LIABILITIES:					
Accounts payable	\$ 210,440	\$ -	\$ -	\$ 210,440	\$ 266,289
Accrued payroll and related benefits	90,475	-	-	90,475	51,182
Due to other funds	-	1,414,931	-	1,414,931	1,172,081
TOTAL LIABILITIES	<u>300,915</u>	<u>1,414,931</u>	<u>-</u>	<u>1,715,846</u>	<u>1,489,552</u>
DEFERRED INFLOWS OF RESOURCES:					
Unearned revenue	<u>2,271,049</u>	<u>-</u>	<u>3,839</u>	<u>2,274,888</u>	<u>2,278,645</u>
FUND BALANCES (DEFICIT):					
Nonspendable	-	-	-	-	2,091
Restricted	385,866	-	-	385,866	877,667
Committed	85,921	-	-	85,921	83,050
Unassigned (deficit)	<u>11,895,724</u>	<u>(315,585)</u>	<u>-</u>	<u>11,580,139</u>	<u>10,256,116</u>
TOTAL FUND BALANCES (DEFICIT)	<u>12,367,511</u>	<u>(315,585)</u>	<u>-</u>	<u>12,051,926</u>	<u>11,218,924</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICIT)	<u>\$ 14,939,475</u>	<u>\$ 1,099,346</u>	<u>\$ 3,839</u>	<u>\$ 16,042,660</u>	<u>\$ 14,987,121</u>

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, 2023

TOTAL GOVERNMENTAL FUND BALANCES	\$ 12,051,926
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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.	15,051,729
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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	\$ (8,449)	
Compensated absences	(213,780)	
Bonds and notes payable	(1,455,000)	
Lease liability	(145,622)	
Net OPEB liability	<u>(184,423)</u>	(2,007,274)

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	54,345	
Deferred inflows of resources - OPEB	<u>(214,396)</u>	<u>(160,051)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 24,936,330</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, 2023
(With Summarized Comparative Data for the Year Ended June 30, 2022)

	General	Capital Projects	Non-Major Governmental Fund	Totals	
				2023	2022
REVENUES					
Taxes:					
Local property taxes	\$ 2,897,376	\$ -	\$ -	\$ 2,897,376	\$ 2,902,377
Local income and other taxes	624,168	-	-	624,168	611,889
Licenses and permits	215,543	-	-	215,543	78,616
Intergovernmental revenues:					
State	596,673	-	-	596,673	318,394
County - local impact	1,013,203	-	-	1,013,203	1,140,164
County - other	185,285	-	-	185,285	202,978
Charges for services	54,192	-	-	54,192	49,109
Fines and forfeitures	38,328	-	-	38,328	47
Interest, dividends, and rents	442,958	34,089	-	477,047	8,832
Miscellaneous revenue	25,721	-	-	25,721	8,030
TOTAL REVENUES	<u>6,093,447</u>	<u>34,089</u>	<u>-</u>	<u>6,127,536</u>	<u>5,320,436</u>
EXPENDITURES					
General government:					
Mayor and commissioners	52,759	-	-	52,759	31,541
Administrative	335,653	-	-	335,653	308,603
Finance	165,981	-	-	165,981	160,882
Accounting and legal	76,652	-	-	76,652	64,567
Planning and zoning	296,711	-	-	296,711	236,744
Economic development	73,760	-	-	73,760	28,488
General service	537,889	-	-	537,889	319,146
Engineer	42,257	-	-	42,257	42,166
Public safety:					
Police	1,936,817	-	-	1,936,817	1,824,765
Volunteer fire company	54,519	-	-	54,519	198,848
Public works:					
Highway general services	853,516	-	-	853,516	784,357
Solid waste collection	359,873	-	-	359,873	367,603
Parks and recreation	337,708	-	-	337,708	352,941
Debt service:					
Principal	185,000	-	-	185,000	180,000
Interest and other charges	38,714	-	-	38,714	41,986
TOTAL EXPENDITURES	<u>5,347,809</u>	<u>-</u>	<u>-</u>	<u>5,347,809</u>	<u>4,942,637</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>745,638</u>	<u>34,089</u>	<u>-</u>	<u>779,727</u>	<u>377,799</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	53,275	-	-	53,275	6,032,293
Transfers out	-	-	-	-	(3,521,735)
Proceeds from sale of capital assets and equipment	-	-	-	-	11,665
TOTAL OTHER FINANCING SOURCES (USES)	<u>53,275</u>	<u>-</u>	<u>-</u>	<u>53,275</u>	<u>2,522,223</u>
NET CHANGE IN FUND BALANCES	798,913	34,089	-	833,002	2,900,022
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	<u>11,568,598</u>	<u>(349,674)</u>	<u>-</u>	<u>11,218,924</u>	<u>8,318,902</u>
FUND BALANCES (DEFICIT), END OF YEAR	<u>\$ 12,367,511</u>	<u>\$ (315,585)</u>	<u>\$ -</u>	<u>\$ 12,051,926</u>	<u>\$ 11,218,924</u>

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, 2023

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 833,002

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	\$ 379,314	
Depreciation expense	<u>(607,740)</u>	(228,426)

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 government funds. Neither transaction, however, has any effect on net position.

240,503

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	829	
Compensated absences	<u>(18,635)</u>	(17,806)

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.

(4,297)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 822,976

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, 2023

	Original Appropriated Budget	Final Appropriated Budget	Actual Amounts (Budgetary Basis)	Favorable (Unfavorable) Variance
REVENUES				
Taxes:				
Local property taxes	\$ 3,246,405	\$ 3,246,405	\$ 2,897,376	\$ (349,029)
Local income and other taxes	575,000	575,000	624,168	49,168
Licenses and permits	103,000	103,000	215,543	112,543
Intergovernmental revenues:				
State	343,555	551,274	596,673	45,399
County - local impact	-	-	1,013,203	1,013,203
County - other	201,140	201,140	185,285	(15,855)
Charges for services	48,088	48,088	54,192	6,104
Fines and forfeitures	600	600	38,328	37,728
Interest, dividends, and rents	3,975	429,705	442,958	13,253
Miscellaneous revenue	45,440	71,282	25,721	(45,561)
TOTAL REVENUES	4,567,203	5,226,494	6,093,447	866,953
EXPENDITURES				
General government:				
Mayor and commissioners	63,987	67,987	52,759	15,228
Administrative	363,473	361,682	335,653	26,029
Finance	187,215	184,471	165,981	18,490
Accounting and legal	70,237	92,238	76,652	15,586
Planning and zoning	296,709	316,859	296,711	20,148
Economic development	78,712	79,912	73,760	6,152
General service	459,367	1,025,134	537,889	487,245
Engineer	46,404	50,104	42,257	7,847
Public safety:				
Police	2,030,285	2,255,389	1,936,817	318,572
Volunteer fire company	55,000	56,000	54,519	1,481
Public works:				
Highway general services	967,786	3,300,010	853,516	2,446,494
Solid waste collection	363,500	363,500	359,873	3,627
Parks and recreation	369,917	310,311	269,504	40,807
Rodgers Tavern	104,106	118,106	68,204	49,902
Debt service:				
Principal	185,000	185,000	185,000	-
Interest and other charges	38,715	38,715	38,714	1
TOTAL EXPENDITURES	5,680,413	8,805,418	5,347,809	3,457,609
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,113,210)	(3,578,924)	745,638	4,324,562
OTHER FINANCING SOURCES (USES)				
Transfers in	785,275	787,382	53,275	(734,107)
Proceeds from sale of capital assets	7,000	7,000	-	(7,000)
Proceeds from bond issue	-	2,250,000	-	(2,250,000)
Contingency	-	(243,818)	-	243,818
Fund balance appropriated	320,935	778,360	-	(778,360)
TOTAL OTHER FINANCING SOURCES (USES)	1,113,210	3,578,924	53,275	(3,525,649)
NET CHANGE IN FUND BALANCE	\$ -	\$ -	798,913	\$ 798,913
FUND BALANCE, BEGINNING OF YEAR			11,568,598	
FUND BALANCE, END OF YEAR			\$ 12,367,511	

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

TOWN OF PERRYVILLE, MARYLAND
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2023
(With Summarized Comparative Data for the Year Ended June 30, 2022)

	Water Fund	Sewer Fund	Totals	
			2023	2022
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 4,968,451	\$ 2,327,554	\$ 7,296,005	\$ 2,960,467
Restricted cash	-	101,586	101,586	137,114
Accounts receivable	15,845	159,251	175,096	80,699
Due from other governments	68,710	65,445	134,155	46,465
Unbilled services	283,052	216,012	499,064	518,994
Due from other funds	-	-	-	2,617,952
Current portion - lease receivable	53,200	-	53,200	48,578
Total Current Assets	5,389,258	2,869,848	8,259,106	6,410,269
Noncurrent Assets:				
Lease receivable	1,387,342	-	1,387,342	1,440,542
Land and land rights	16,647	4,175	20,822	20,822
Construction-in-progress	374,784	5,273,614	5,648,398	3,765,454
Buildings and improvements	15,421,526	24,975,263	40,396,789	40,396,789
Equipment	1,574,761	1,545,612	3,120,373	3,048,444
Infrastructure	1,520,049	714,923	2,234,972	2,062,957
Vehicles	29,389	99,039	128,428	94,088
	20,324,498	32,612,626	52,937,124	50,829,096
Less: Accumulated depreciation	(6,823,293)	(13,023,806)	(19,847,099)	(18,832,237)
Total Noncurrent Assets	13,501,205	19,588,820	33,090,025	31,996,859
TOTAL ASSETS	18,890,463	22,458,668	41,349,131	38,407,128
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - OPEB	11,435	11,956	23,391	23,272
TOTAL DEFERRED OUTFLOWS OF RESOURCES	11,435	11,956	23,391	23,272
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 18,901,898	\$ 22,470,624	\$ 41,372,522	\$ 38,430,400
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued expenses	\$ 48,935	\$ 135,192	\$ 184,127	\$ 507,367
Accrued payroll and related benefits	19,305	22,294	41,599	32,676
Accrued interest payable	9,815	10,021	19,836	22,971
Unearned Revenue	2,178,560	-	2,178,560	-
Due to other governments	-	101,586	101,586	137,114
Due to other funds	9,014	4,413,537	4,422,551	2,838,305
Current portion of loans payable	-	45,995	45,995	46,544
Current portion of bonds payable	415,381	327,293	742,674	737,458
Total Current Liabilities	2,681,010	5,055,918	7,736,928	4,322,435
Noncurrent Liabilities:				
Loans payable	5,473,385	1,651,231	7,124,616	7,867,290
Bonds payable	-	-	-	45,995
Accrued compensated absences	35,290	34,951	70,241	51,116
Net OPEB liability	38,805	40,573	79,378	89,321
Total Noncurrent Liabilities	5,547,480	1,726,755	7,274,235	8,053,722
TOTAL LIABILITIES	8,228,490	6,782,673	15,011,163	12,376,157
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - lease receivable	1,330,726	-	1,330,726	1,389,000
Deferred inflows - OPEB	45,112	47,166	92,278	67,427
TOTAL DEFERRED INFLOWS OF RESOURCES	1,375,838	47,166	1,423,004	1,456,427
NET POSITION				
Net investment in capital assets	6,225,097	17,564,301	23,789,398	21,859,030
Restricted	-	101,586	101,586	137,114
Unrestricted	3,072,473	(2,025,102)	1,047,371	2,601,672
TOTAL NET POSITION	9,297,570	15,640,785	24,938,355	24,597,816
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 18,901,898	\$ 22,470,624	\$ 41,372,522	\$ 38,430,400

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, 2023
(With Summarized Comparative Data for the Year Ended June 30, 2022)

	Enterprise Funds		Totals	
	Water Fund	Sewer Fund	2023	2022
OPERATING REVENUES				
Charges for services	\$ 1,123,069	\$ 1,322,289	\$ 2,445,358	\$ 2,403,567
Reading and related fees	2,100	2,100	4,200	5,560
Miscellaneous revenue	448,218	10,113	458,331	71,565
TOTAL OPERATING REVENUES	1,573,387	1,334,502	2,907,889	2,480,692
OPERATING EXPENSES				
Contracted services	25,005	113,679	138,684	304,563
Depreciation	460,192	554,670	1,014,862	1,025,373
Insurance	26,168	38,204	64,372	56,951
Other administrative expenses	40,636	110,272	150,908	123,786
Payroll taxes and fringe benefits	115,027	119,342	234,369	210,966
Repairs and maintenance	64,245	274,926	339,171	508,309
Salaries and wages	447,089	511,936	959,025	854,787
Supplies and materials	31,701	106,207	137,908	102,701
Utilities	114,175	195,208	309,383	238,177
TOTAL OPERATING EXPENSES	1,324,238	2,024,444	3,348,682	3,425,613
OPERATING INCOME (LOSS)	249,149	(689,942)	(440,793)	(944,921)
NONOPERATING REVENUES (EXPENSES)				
American rescue funds	-	-	-	12,560
Connection charges	9,200	8,300	17,500	12,560
Interest income	58,715	89,741	148,456	59,565
Rental income	76,079	-	76,079	85,776
Interest expense	(24,523)	(26,934)	(51,457)	(60,649)
TOTAL NONOPERATING REVENUES (EXPENSES)	119,471	71,107	190,578	97,252
NET LOSS BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	368,620	(618,835)	(250,215)	(847,669)
Capital contributions - other	-	644,029	644,029	618,000
Transfers in	100,000	-	100,000	100,000
Transfers out	-	(153,275)	(153,275)	(2,610,558)
CHANGE IN NET POSITION	468,620	(128,081)	340,539	(2,740,227)
NET POSITION, BEGINNING OF YEAR	8,828,950	15,768,866	24,597,816	27,338,043
NET POSITION, END OF YEAR	\$ 9,297,570	\$ 15,640,785	\$ 24,938,355	\$ 24,597,816

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, 2023
(With Summarized Comparative Data for the Year Ended June 30, 2022)

	Enterprise Funds			
	Water Fund	Sewer Fund	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash receipts from customers	\$ 3,685,995	\$ 1,228,601	\$ 4,914,596	\$ 2,424,802
Cash payments to suppliers	(545,644)	(604,912)	(1,150,556)	(1,059,932)
Cash payments to employees	(290,061)	(1,209,133)	(1,499,194)	(894,457)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>2,850,290</u>	<u>(585,444)</u>	<u>2,264,846</u>	<u>470,413</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Net cash (distributed to) received from other funds	<u>2,726,966</u>	<u>1,421,957</u>	<u>4,148,923</u>	<u>(2,284,869)</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>2,726,966</u>	<u>1,421,957</u>	<u>4,148,923</u>	<u>(2,284,869)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital contributions	-	644,029	644,029	618,000
Connection charges	9,200	8,300	17,500	12,560
Purchase of capital assets	(504,649)	(1,656,580)	(2,161,229)	(2,772,501)
Payments on long-term debt	(413,726)	(370,277)	(784,003)	(812,089)
Interest paid	(25,212)	(29,379)	(54,591)	(64,003)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(934,387)</u>	<u>(1,403,907)</u>	<u>(2,338,294)</u>	<u>(3,018,033)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Rental income	76,079	-	76,079	85,776
Investment earnings	58,715	89,741	148,456	59,565
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>134,794</u>	<u>89,741</u>	<u>224,535</u>	<u>145,341</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,777,663	(477,653)	4,300,010	(4,687,148)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>190,788</u>	<u>2,906,793</u>	<u>3,097,581</u>	<u>7,784,729</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 4,968,451</u>	<u>\$ 2,429,140</u>	<u>\$ 7,397,591</u>	<u>\$ 3,097,581</u>
Cash and cash equivalents	\$ 4,968,451	\$ 2,327,554	\$ 7,296,005	\$ 2,960,467
Restricted cash	-	101,586	101,586	137,114
Total cash and cash equivalents	<u>\$ 4,968,451</u>	<u>\$ 2,429,140</u>	<u>\$ 7,397,591</u>	<u>\$ 3,097,581</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 249,149	\$ (689,942)	\$ (440,793)	\$ (944,921)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	460,192	554,670	1,014,862	1,025,373
(Increase) Decrease in assets:				
Accounts receivable	4,742	(99,139)	(94,397)	(516)
Due from other governments	(68,710)	(18,980)	(87,690)	(46,465)
Unbilled services	7,712	12,218	19,930	4,569
Lease receivable	48,578	-	48,578	44,796
Deferred amounts related to OPEB	(220)	101	(119)	1,925
Increase (Decrease) in liabilities:				
Accounts payable	11,869	(335,109)	(323,240)	397,326
Accrued payroll	3,161	5,763	8,924	6,992
Due to other governments	-	(35,528)	(35,528)	42,704
Compensated absences	5,151	13,974	19,125	(8,909)
Unearned revenue	2,178,560	-	2,178,560	-
Net OPEB liability	(4,239)	(5,704)	(9,943)	(24,234)
Deferred inflows - lease receivable	(58,274)	-	(58,274)	(58,274)
Deferred amounts related to OPEB	12,619	12,232	24,851	30,047
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 2,850,290</u>	<u>\$ (585,444)</u>	<u>\$ 2,264,846</u>	<u>\$ 470,413</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.

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 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.

TOWN OF PERRYVILLE, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

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

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. 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.

TOWN OF PERRYVILLE, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS

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

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, 2023.

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 \$1,000 or more for a single item or \$2,000 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:

TOWN OF PERRYVILLE, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

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

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 and differences related to lease receivables which will be amortized over future periods of collections.

Grant agreement funding received in advance and unexpended as of June 30, 2023 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 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.

TOWN OF PERRYVILLE, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

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

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.

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

TOWN OF PERRYVILLE, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

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

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.

As of June 30, 2023, based on the fund balance policy, the Town has maintained a surplus of unassigned fund balance for the General Fund. The Water Fund has maintained the minimum unrestricted net position, while the Sewer Fund has not maintained the minimum unrestricted net position as of June 30, 2023. The Town plans to develop a plan to replenish the shortfalls over the next five years.

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

TOWN OF PERRYVILLE, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

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

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, 2022, 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, 2023. 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, 2023, the carrying amount of the Town's deposits was \$17,337,961, and the bank balance was \$17,415,525. Of the bank balance, \$750,000 was covered by federal depository insurance, \$1,255,905 was collateralized and held in the Town's name.

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

TOWN OF PERRYVILLE, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 DEPOSITS AND INVESTMENTS (cont'd)

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, 2023, MLGIP was rated AAA by a nationally recognized statistical rating organization. As of June 30, 2023, the Town had \$15,409,620 invested in MLGIP.

Restricted Cash

Restricted cash as of June 30, 2023 is comprised as follows:

	Governmental Activities	Business-type Activities
Police seizure funds	\$ 23,516	\$ -
Bay restoration collections	-	101,586
Local impact	363,350	-
Total	<u>\$ 385,866</u>	<u>\$ 101,586</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;
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;

TOWN OF PERRYVILLE, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 DEPOSITS AND INVESTMENTS (cont'd)

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.

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.

TOWN OF PERRYVILLE, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 DEPOSITS AND INVESTMENTS (cont'd)

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, 2023, the Town had no concentration of credit risk.

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities</i>				
Capital assets not being depreciated:				
Construction-in-progress	\$ 290,591	\$ 13,029	\$ -	\$ 303,620
Land and land rights	2,602,508	-	-	2,602,508
Total Capital Assets Not Being Depreciated	2,893,099	13,029	-	2,906,128
Capital assets being depreciated:				
Buildings and improvements	6,959,395	10,500	-	6,969,895
Equipment	1,396,371	49,946	-	1,446,317
Infrastructure	10,696,466	78,003	-	10,774,469
Vehicles	1,090,637	227,836	(2,927)	1,315,546
Total Capital Assets Being Depreciated	20,142,869	366,285	(2,927)	20,506,227
Accumulated depreciation	7,755,813	607,740	(2,927)	8,360,626
Total Capital Assets Being Depreciated, Net	12,387,056	(241,455)	-	12,145,601
Governmental Activities Capital Assets, Net	<u>\$15,280,155</u>	<u>\$ (228,426)</u>	<u>\$ -</u>	<u>\$15,051,729</u>
<i>Business-type Activities</i>				
Capital assets not being depreciated:				
Land and land rights	\$ 20,822	\$ -	\$ -	\$ 20,822
Construction-in-progress	3,765,454	1,897,312	(14,368)	5,648,398
Total Capital Assets Not Being Depreciated	3,786,276	1,897,312	(14,368)	5,669,220
Capital assets being depreciated:				
Buildings and improvements	40,396,789	-	-	40,396,789
Equipment	3,048,444	71,929	-	3,120,373
Infrastructure	2,062,957	172,015	-	2,234,972
Vehicles	94,088	34,340	-	128,428
Total Capital Assets Being Depreciated	45,602,278	278,284	-	45,880,562

TOWN OF PERRYVILLE, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 CAPITAL ASSETS (cont'd)

	Beginning Balance	Increases	Decreases	Ending Balance
(cont'd)				
Accumulated depreciation	18,832,237	1,014,862	-	19,847,099
Total Capital Assets Being Depreciated, Net	26,770,041	(736,578)	-	26,033,463
Business-type Activities Capital Assets, Net	<u>\$30,556,317</u>	<u>\$ 1,160,734</u>	<u>\$ (14,368)</u>	<u>\$31,702,683</u>

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

Governmental Activities:

Financial	\$ 468
General government	66,992
Public safety	151,813
Public works	183,659
Parks and recreation	204,808

Total Depreciation Expense – Governmental Activities \$ 607,740

Business-type Activities:

Water	\$ 460,192
Sewer	554,670

Total Depreciation Expense – Business-type Activities \$ 1,014,862

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, 2023 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:

	Due to Other Funds	Due from Other Funds
General fund	\$ -	\$ 5,833,643
Capital projects fund	(1,414,931)	-
Non-major fund	-	3,839
Water fund	(9,014)	-
Sewer fund	(4,413,537)	-
Total	<u>\$ (5,837,482)</u>	<u>\$ 5,837,482</u>

TOWN OF PERRYVILLE, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (cont'd)

Transfers between funds for the year ended June 30, 2022 are summarized below.

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 53,275	\$ -
Water fund	100,000	-
Sewer fund	<u>-</u>	<u>(153,275)</u>
Total	<u>\$ 153,275</u>	<u>\$ (153,275)</u>

NOTE 5 LONG-TERM LIABILITIES

Bonds and loans payable as of June 30, 2023 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%. \$ 20,000

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%. 1,435,000

Total Governmental Activities 1,455,000

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%. 45,995

Total Business-type Activities 45,995

Total Bonds Payable 1,500,995

TOWN OF PERRYVILLE, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 LONG-TERM LIABILITIES (cont'd)

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.

5,888,766

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.

1,978,524

Total Loans payable

7,867,290

Total Bonds and Loans Payable

\$ 9,368,285

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, 2023:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 1,640,000	\$ -	\$ 185,000	\$ 1,455,000	\$ 185,000
Net OPEB liability	227,644	-	43,221	184,423	-
Compensated absences	195,145	18,635	-	213,780	-
Lease liability	201,125	-	55,503	145,622	57,538
Governmental Activities, Long-term Liabilities	<u>\$ 2,263,914</u>	<u>\$ 18,635</u>	<u>\$ 283,724</u>	<u>\$ 1,998,825</u>	<u>\$ 242,538</u>
Business-type Activities:					
General obligation bonds	\$ 92,539	\$ -	\$ 46,544	\$ 45,995	\$ 45,995
Loans payable	8,604,748	-	737,458	7,867,290	742,674
Net OPEB liability	89,321	-	9,943	79,378	-
Compensated absences	51,116	19,125	-	70,241	-
Business-type Activities, Long-term Liabilities	<u>\$ 8,837,724</u>	<u>\$ 19,125</u>	<u>\$ 793,945</u>	<u>\$ 8,062,904</u>	<u>\$ 788,669</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.

TOWN OF PERRYVILLE, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 LONG-TERM LIABILITIES (cont'd)

Interest expense for governmental and business-type activities for the year ended June 30, 2023 was \$37,885 and \$51,457, respectively. Interest expense in the business-type activities was split between water and sewer with \$24,523 being recorded to water and \$26,934 being recorded to sewer.

The schedule of future principal maturities and annual interest of the bonds and loans payable at June 30, 2023 is as follows:

Governmental Activities

<u>Maturity Year</u>	<u>Principal</u>	<u>Annual Interest</u>	<u>Total</u>
2024	\$ 185,000	\$ 34,077	\$ 219,077
2025	170,000	30,234	200,234
2026	175,000	26,885	201,885
2027	175,000	23,175	198,175
2028	180,000	19,203	199,203
2029 - 2033	570,000	30,237	600,237
Totals	<u>\$ 1,455,000</u>	<u>\$ 163,811</u>	<u>\$ 1,618,811</u>

Business-type Activities

<u>Maturity Year</u>	<u>Principal</u>	<u>Annual Interest</u>	<u>Total</u>
2024	\$ 788,669	\$ 47,016	\$ 835,685
2025	747,806	40,187	787,993
2026	753,244	34,749	787,993
2027	758,598	29,394	787,992
2028	764,000	27,355	791,355
2029 - 2033	2,441,454	58,885	2,500,339
2034 - 2038	1,659,514	19,504	1,679,018
Totals	<u>\$ 7,913,285</u>	<u>\$ 257,090</u>	<u>\$ 8,170,375</u>

NOTE 6 LEASES PAYABLE

The Town has entered into lease agreements as a lessee for financing the acquisition of police vehicles.

Presented below is a summary of minimum lease payments to maturity by years for all leases:

TOWN OF PERRYVILLE, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 LEASES PAYABLE (cont'd)

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 57,538	\$ 4,129	\$ 61,667
2025	54,303	2,026	56,329
2026	<u>33,781</u>	<u>456</u>	<u>34,237</u>
Total	<u>\$ 145,622</u>	<u>\$ 6,611</u>	<u>\$ 152,233</u>

NOTE 7 FUND BALANCE

As of June 30, 2023, fund balances are composed of the following:

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Total Government Funds</u>
Restricted:			
Local impact funds	\$ 362,350	\$ -	\$ 362,350
Police seizure funds	23,516	-	23,516
Committed for capital projects:			
Facility reserve	85,921	-	85,921
Unassigned (deficit)	<u>11,895,724</u>	<u>(315,585)</u>	<u>11,580,139</u>
Total Fund Balance	<u>\$ 12,367,511</u>	<u>\$ (315,585)</u>	<u>\$ 12,051,926</u>

The Town's Capital Projects Fund had a fund balance deficit as of June 30, 2023. The deficit was caused by construction expenditures 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 8 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, 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

TOWN OF PERRYVILLE, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 PROPERTY TAXES (cont'd)

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, 2023 were \$0.3597 and \$0.94, respectively, per \$100 assessed property value.

NOTE 9 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 \$16,673 in property taxes under this program for the year ended June 30, 2023. 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, 2023, no tax abatement was recognized under this separate agreement, as the calculated property tax did not exceed the capped amount.

NOTE 10 LEASE AGREEMENTS

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 53,200	\$ 45,694	\$ 98,894
2025	55,501	44,007	99,508
2026	34,283	42,246	76,529
2027	28,151	41,159	69,310
2028	31,676	40,266	71,942
2029 - 2033	202,071	184,250	386,321
2034 - 2038	285,279	147,138	432,417
2039 - 2043	284,461	98,675	383,136
2044 - 2048	271,503	55,943	327,446
2049 - 2052	167,370	20,625	187,995
Thereafter	27,047	342	27,389
Total	<u>\$ 1,440,542</u>	<u>\$ 720,345</u>	<u>\$ 2,160,887</u>

TOWN OF PERRYVILLE, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 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 \$60,383 to the plan during the year ended June 30, 2023.

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 12 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, 2023, the plan had 44 participants, consisting of 42 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 2023, the Town paid \$5,340 to plan members eligible for receiving benefits.

TOWN OF PERRYVILLE, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 POSTEMPLOYMENT HEALTHCARE PLAN (cont'd)

Actuarial Assumptions and Other Inputs

The total OPEB liability was measured as of July 1, 2021. The total OPEB liability as of June 30, 2023 was determined using census information as of the July 1, 2021 measurement date along with the actuarial assumptions noted below.

Discount Rate

The discount used to measure the total OPEB liability was 4.06 percent based on S&P Municipal Bond 20-year High Grade Rate Index at July 1, 2022.

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

PubG-2010 headcount-weighted mortality table, including rates for disabled retirees and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP-2021 to reflect mortality improvement.

Disability

No disability was assumed.

TOWN OF PERRYVILLE, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 POSTEMPLOYMENT HEALTHCARE PLAN (cont'd)

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 6.5 percent in 2022 and 6.0 percent in 2023. Rates gradually decrease from 5.4 percent in 2024 to 3.9 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 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.

TOWN OF PERRYVILLE, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 POSTEMPLOYMENT HEALTHCARE PLAN (cont'd)

Participant Data

Participant data is based on census information as of July 1, 2021.

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 3.06%	Current Discount Rate 4.06%	1% Increase 5.06%
Total OPEB liability	\$ 308,553	\$ 263,801	\$ 227,050
Fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 308,553</u>	<u>\$ 263,801</u>	<u>\$ 227,050</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	\$ 263,801	\$ 263,801	\$ 263,801
Fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 263,801</u>	<u>\$ 263,801</u>	<u>\$ 263,801</u>

Changes in Total OPEB Liability

Total OPEB obligation as of June 30, 2022	\$ 316,965
Service cost	31,081
Interest on OPEB obligation	7,866
Effect of assumption changes or inputs	(86,471)
Benefit payments	<u>(5,640)</u>
Total OPEB obligation as of June 30, 2023	<u>\$ 263,801</u>

TOWN OF PERRYVILLE, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 POSTEMPLOYMENT HEALTHCARE PLAN (cont'd)

The amount of OPEB expense for the single employer plan recognized by the Town was \$24,426 for the year ended June 30, 2023. At June 30, 2023, 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
Change in assumptions	\$ 72,396	\$ 145,786
Difference between actual and expected experience	-	160,888
Benefits paid subsequent to the date of measurement	5,340	-
	<u>\$ 77,736</u>	<u>\$ 306,674</u>

An amount of \$5,340 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, 2023. 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:

<u>Year Ending June 30,</u>	
2024	\$ (14,521)
2025	(14,521)
2026	(14,521)
2027	(14,521)
2028	(14,521)
Thereafter	<u>(161,673)</u>
	<u>\$ (234,278)</u>

NOTE 13 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, 2023 were \$960,610, which represented 15.8 percent of the Town's General Fund revenues.

TOWN OF PERRYVILLE, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 CONCENTRATIONS (cont'd)

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, 2023 were \$482,210, which represented 36.1 percent of the Town's Sewer Fund operating revenues.

NOTE 14 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, 2023, 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 four construction projects in various stages of completion. The Town Hall and Fire House Water Service projects are in the initial planning stages and do not have any formal construction contracts associated with them. Total costs associated with these projects amounted to \$303,620 at June 30, 2023. The Water Membrane Expansion project also does not have any formal construction contracts. Total costs associated with this project amounted to \$374,874 at June 30, 2023. The Wastewater Upgrade project had formal construction contracts totaling \$5,584,866. As of June 30, 2023, \$4,335,810 had been completed under these contracts, leaving a remaining commitment of \$1,249,056. In addition to the completed construction, there were \$1,616,208 of costs not under a formal construction contract associated with the Wastewater Upgrade project.

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

TOWN OF PERRYVILLE, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15 RISK MANAGEMENT (cont'd)

premiums, unless an assessment is made by the Trust. There have been no assessments during the year ended June 30, 2023, and the amount of settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

NOTE 16 SUBSEQUENT EVENTS

The Town has evaluated all subsequent events through February 28, 2024, 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, 2022	July 1, 2021	July 1, 2020	July 1, 2019	July 1, 2018	July 1, 2017
TOTAL OPEB LIABILITY						
Service cost	\$ 31,081	\$ 35,002	\$ 23,826	\$ 25,725	\$ 24,181	\$ 30,789
Interest on total OPEB liability	7,866	8,066	10,602	9,922	9,294	9,567
Effect of change in assumptions	(86,471)	(22,110)	79,412	(17,917)	7,364	(42,773)
Differences between expected and actual experience	-	(99,034)	-	(27,306)	-	(72,458)
Benefit payments	(5,640)	(7,923)	(5,640)	(6,321)	(6,377)	(5,112)
NET CHANGE IN TOTAL OPEB LIABILITY	(53,164)	(85,999)	108,200	(15,897)	34,462	(79,987)
TOTAL OPEB LIABILITY, BEGINNING OF YEAR	316,965	402,964	294,764	310,661	276,199	356,186
TOTAL OPEB LIABILITY, END OF YEAR	<u>\$ 263,801</u>	<u>\$ 316,965</u>	<u>\$ 402,964</u>	<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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOWN'S NET OPEB LIABILITY	<u>\$ 263,801</u>	<u>\$ 316,965</u>	<u>\$ 402,964</u>	<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%	0.00%	0.00%	0.00%
Covered employee payroll	\$ 2,409,437	\$ 2,409,437	\$ 2,280,192	\$ 2,280,192	\$ 2,162,364	\$ 2,162,364
Town's net OPEB liability as a percentage of covered payroll	10.95%	13.16%	17.67%	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>
2023	\$ -	\$ -	\$ -	\$ 2,409,437	0.00%
2022	-	-	-	2,409,437	0.00%
2021	-	-	-	2,280,192	0.00%
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, 2021

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Asset valuation method	Market value
Discount rate	4.06%
Healthcare trend rates	6.5 % in 2022, 6.0 % in 2023, 5.5 % in 2024 through 2025. Rates gradually decrease from 5.4 % in 2026 to 3.9 % 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, 2019, 2020, 2021, 2022, AND 2023

	2019	2020	2021	2022	2023
REVENUES					
Taxes	\$ 3,384,001	\$ 3,446,234	\$ 3,493,679	\$ 3,514,266	\$ 3,521,544
Licenses and permits	90,384	74,898	82,503	78,616	215,543
Intergovernmental revenues	483,994	475,807	517,623	1,661,515	1,795,161
Charges for services/fees	29,492	36,472	37,695	49,109	54,192
Fines, forfeits, and costs	2,614	5,461	26	47	38,328
Interest, dividends, and rents	140,336	79,807	5,457	7,440	442,958
Miscellaneous revenue	33,384	56,042	47,785	8,030	25,721
TOTAL REVENUES	<u>4,164,205</u>	<u>4,174,721</u>	<u>4,184,768</u>	<u>5,319,023</u>	<u>6,093,447</u>
EXPENDITURES					
Current:					
General government	1,265,900	1,117,435	982,932	1,192,137	1,581,662
Public safety	1,725,566	1,650,701	1,674,751	2,023,613	1,991,336
Public works	993,327	1,014,963	977,914	1,151,960	1,213,389
Culture and parks	1,686,823	887,750	294,425	352,941	337,708
Debt service:					
Principal	170,000	175,000	180,000	180,000	185,000
Interest and other charges	48,979	47,199	44,818	41,986	38,714
TOTAL EXPENDITURES	<u>5,890,595</u>	<u>4,893,048</u>	<u>4,154,840</u>	<u>4,942,637</u>	<u>5,347,809</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(1,726,390)</u>	<u>(718,327)</u>	<u>29,928</u>	<u>376,386</u>	<u>745,638</u>
OTHER FINANCING SOURCES (USES)					
Interfund transfers in (out)	516,032	497,549	568,375	3,575,010	53,275
Proceeds from sale of capital assets and equipment	3,870	4,000	15,217	11,665	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>519,902</u>	<u>501,549</u>	<u>583,592</u>	<u>3,586,675</u>	<u>53,275</u>
NET CHANGE IN FUND BALANCES	(1,206,488)	(216,778)	613,520	3,963,061	798,913
FUND BALANCES, BEGINNING OF YEAR	<u>8,416,283</u>	<u>7,209,795</u>	<u>6,993,017</u>	<u>7,606,537</u>	<u>11,568,598</u>
FUND BALANCES, END OF YEAR	<u>\$ 7,209,795</u>	<u>\$ 6,993,017</u>	<u>\$ 7,606,537</u>	<u>\$ 11,569,598</u>	<u>\$ 12,367,511</u>

TOWN OF PERRYVILLE, MARYLAND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEARS ENDED JUNE 30, 2019, 2020, 2021, 2022, AND 2023

	2019	2020	2021	2022	2023
OPERATING REVENUES					
Charges for services	\$ 2,208,619	\$ 2,004,226	\$ 2,391,334	\$ 2,403,567	\$ 2,445,358
Reading and related fees	7,500	6,350	6,000	5,560	4,200
Miscellaneous revenue	17,982	11,716	10,397	71,565	458,331
TOTAL OPERATING REVENUES	<u>2,234,101</u>	<u>2,022,292</u>	<u>2,407,731</u>	<u>2,480,692</u>	<u>2,907,889</u>
OPERATING EXPENSES					
Contracted services	176,116	111,257	72,231	304,563	138,684
Depreciation	1,080,912	1,070,337	1,044,597	1,025,373	1,014,862
Insurance	52,147	51,233	50,323	56,951	64,372
Other administrative expenses	119,685	114,873	130,128	123,786	150,908
Payroll taxes and fringe benefits	217,501	215,564	203,671	210,966	234,369
Repairs and maintenance	431,998	283,956	290,683	508,309	339,171
Salaries and wages	794,031	820,928	835,179	854,787	959,025
Supplies and materials	137,515	120,085	99,955	102,701	137,908
Utilities	230,023	229,673	234,639	238,177	309,383
TOTAL OPERATING EXPENSES	<u>3,239,928</u>	<u>3,017,906</u>	<u>2,961,406</u>	<u>3,425,613</u>	<u>3,348,682</u>
OPERATING LOSS	<u>(1,005,827)</u>	<u>(995,614)</u>	<u>(553,675)</u>	<u>(944,921)</u>	<u>(440,793)</u>
NONOPERATING REVENUES (EXPENSES)					
Connection charges	18,200	44,690	5,562,525	12,560	17,500
Interest income	14,175	13,410	1,355	59,565	148,456
Rental income	119,950	127,646	557,700	85,776	76,079
Interest expense	(86,751)	(78,215)	(69,432)	(60,649)	(51,457)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>65,574</u>	<u>107,531</u>	<u>6,052,148</u>	<u>97,252</u>	<u>190,578</u>
NET LOSS BEFORE CAPITAL CONTRIBUTIONS	<u>(940,253)</u>	<u>(888,083)</u>	<u>5,498,473</u>	<u>(847,669)</u>	<u>(250,215)</u>
Capital contributions - other	73,000	661,602	255,513	618,000	644,029
Transfers in	864,177	690,017	1,147,216	100,000	100,000
Transfer out	-	-	-	(2,610,558)	(153,275)
CHANGE IN NET POSITION	<u>(3,076)</u>	<u>463,536</u>	<u>6,901,202</u>	<u>(2,740,227)</u>	<u>340,539</u>
RESTATEMENT	<u>(153,367)</u>	<u>-</u>	<u>-</u>	<u>86,642</u>	<u>-</u>
NET POSITION, BEGINNING OF YEAR	<u>20,043,106</u>	<u>19,886,663</u>	<u>20,350,199</u>	<u>27,251,401</u>	<u>24,597,816</u>
NET POSITION, END OF YEAR	<u>\$ 19,886,663</u>	<u>\$ 20,350,199</u>	<u>\$ 27,251,401</u>	<u>\$ 24,597,816</u>	<u>\$ 24,938,355</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

February 28, 2024

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, each major fund, and the aggregate remaining fund information of the Town of Perryville, Maryland ("the Town") as of and for the year ended June 30, 2023, 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 February 28, 2024.

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") as a basis for designing 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 financial statements. 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
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