

**TOWN OF NEW WINDSOR, MARYLAND**

**Financial Statements Together with  
Report of Independent Public Accountants**

**For the Year Ended June 30, 2017**



**JUNE 30, 2017**

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## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

Honorable Mayor and Members of the Town Council  
Town of New Windsor, Maryland

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of New Windsor, Maryland (the Town), as of June 30, 2017, and for the year then ended, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

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

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



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***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2017, and the respective change in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

Accounting principles generally accepted in the United States of America require management's discussion and analysis and the supplemental schedule of revenue and expenditures – budget and actual – general fund 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 consist 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 evidence sufficient to express an opinion or provide any assurance.

Hunt Valley, Maryland  
October 18, 2017

## **TOWN OF NEW WINDSOR, MARYLAND**

### **Management's Discussion and Analysis For the Year Ended June 30, 2017**

The management's discussion and analysis of the Town of New Windsor, Maryland (the Town) provides an overview of the Town's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the basic financial statements and the accompanying notes to those financial statements.

#### **Financial Highlights**

1. The assets of the Town exceeded its liabilities as of June 30, 2017, by \$8,094,697. This excess includes the Town's net investment in capital assets of \$6,564,651.
2. The Town's total net position increased by \$649,790, primarily due to grant related to forgiveness of the debt for waste water treatment plant in the proprietary fund.
3. As of June 30, 2017, the Town's governmental fund reported an ending unassigned fund balance of \$453,441, an increase from the prior year of \$42,812.
4. As of June 30, 2017, the Town's business-type fund reported an ending total net position of \$7,174,472, an increase from the prior year of \$544,916, primarily due to a grant related to forgiveness of the debt for waste water treatment plant and an increase in operating revenue over operating expenses.

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. In general, the purpose of financial reporting is to provide external parties who read financial statements with information that will help them make decisions or draw conclusions about an entity. There are many external parties that read the Town's financial statements; however, these parties do not always have the same specific objectives. In order to address the needs of as many parties as reasonably possible, the Town, in accordance with required reporting standards, presents 1) governmental-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### ***Government-wide financial statements***

The focus of government-wide financial statements is on the overall financial position and activities of the Town. These financial statements are constructed around the concept of a primary government, the Town.

The Town's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the net position held and liabilities owed by the Town. The Town reports all of its assets when it acquires ownership over the asset and infrastructure as assets even though they are not available to pay the obligations incurred by the Town. On the other hand, the Town reports liabilities, such as long-term bonds payable, even though these liabilities might not be paid until several years in the future.

## TOWN OF NEW WINDSOR, MARYLAND

### Management's Discussion and Analysis For the Year Ended June 30, 2017

#### Overview of the Financial Statements (continued)

##### *Government-wide financial statements* (continued)

The difference between the Town's total assets and total liabilities is labeled as net position, and this difference is similar to the total owners' equity presented by a commercial enterprise. Although the purpose of the Town is not to accumulate net position, as this amount increases, it generally indicates that the financial position of the Town is improving over time.

The purpose of the statement of activities is to present the revenue and expenses of the Town. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial entity in that revenue is recognized when earned or established criteria are satisfied and expenses are reported when incurred by the Town. Thus, revenue is reported even when it may not be collected for several months after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period.

Although the statement of activities looks different from a commercial enterprise's income statement, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the Town reports an amount described as *change in net position*, essentially the same thing.

The focus of the statement of activities is on the *net cost* of various activities provided by the Town. The statement begins with a column that identifies the cost of each of the Town's major functions. Another column identifies the revenue that is specifically related to the classified governmental functions. The difference between the expenses and revenue related to specific program/activities identifies the extent to which each function of the Town draws from the general revenue or is self-financing through fees, intergovernmental aid, or other sources of resources.

The primary government is divided into governmental activities and business-type activities. Governmental activities are generally financed through taxes, intergovernmental revenue, and other non-exchange revenue, while business-type activities are financed to some degree by charging external parties for the goods or services they acquire from the Town.

Governmental activities include programs/activities such as general government, public safety, public works, and parks recreation and culture. Business-type activities, an integral part of the Town's activities and responsibilities, primarily include the Town's water and sewer services.

The government-wide financial statements can be found on pages 11 and 12 of this report.

## **TOWN OF NEW WINDSOR, MARYLAND**

### **Management's Discussion and Analysis For the Year Ended June 30, 2017**

#### **Overview of the Financial Statements** (continued)

##### ***Fund financial statements***

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the Town rather than the Town as a whole. Except for the general fund, a specific fund is established to satisfy managerial control over the resources or to satisfy finance related legal requirements established by external parties or governmental statutes or regulations. The Town's fund financial statements are divided into two broad categories, namely, (1) governmental funds, and (2) proprietary funds.

##### ***Governmental fund***

Governmental fund financial statements consist of a balance sheet and statement of revenue, expenditures, and change in fund balance and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

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

The Town maintains one governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and change in fund balance for the general fund.

The Town adopts an annual appropriated budget for its general and proprietary fund. A budgetary comparison statement for the general fund has been provided to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 13-16 of this report.

##### ***Proprietary fund***

Proprietary fund financial statements consist of a statement of net position, statement of revenue, expenses, and change in fund net position and statement of cash flows, and are prepared on an accounting basis that is similar to the basis used to prepare the government-wide financial statements.

## **TOWN OF NEW WINDSOR, MARYLAND**

### **Management's Discussion and Analysis For the Year Ended June 30, 2017**

#### **Overview of the Financial Statements** (continued)

##### ***Proprietary fund*** (continued)

The Town maintains one type of proprietary fund, the enterprise fund. The Town uses enterprise funds to account for business-type activities that charge fees to customers for the use of specific goods and services. The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses the enterprise fund to primarily account for its sanitary sewer and water distribution operations.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 17-19 of this report.

##### ***Fiduciary Funds***

The Town maintains two fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties out of the Town. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are restricted in purpose and are not available to support the Town's own programs. Fiduciary funds use accrual accounting.

The Town's fiduciary funds include a nonexpendable trust and an agency fund. The nonexpendable trust is to be used for maintenance in association with Walnut Grove. The agency fund is for remediation costs associated with the old five-lagoon sewer system.

The basic fiduciary fund financial statements can be found on pages 20-21 of this report.

##### ***Notes to basic financial statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-34 of this report.

##### ***Supplementary information***

The schedule on page 36 of this report provides additional information about the Town's general fund revenue and expenditures, including a budget comparison.

#### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$8,094,697, as of June 30, 2017.



# TOWN OF NEW WINDSOR, MARYLAND

## Management's Discussion and Analysis For the Year Ended June 30, 2017

### Government-wide Financial Analysis (continued)

All of the Town's assets reflect its investment in capital assets (e.g. land, buildings, equipment and construction in progress) less any related debt used to acquire those assets that are still outstanding.

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 are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

Our following analysis focuses on the net position and changes in net position of the Town's governmental and business-type activities.

### CONDENSED STATEMENTS OF NET POSITION AS OF JUNE 30, 2017 AND 2016

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
<b>Assets</b>						
Current and other assets	\$ 512,936	\$ 461,477	\$ 1,201,532	\$ 704,223	\$ 1,714,468	\$ 1,165,700
Capital assets, net	466,784	404,722	8,365,206	7,750,851	8,831,990	8,155,573
<b>Total Assets</b>	<b>979,720</b>	<b>866,199</b>	<b>9,566,738</b>	<b>8,455,074</b>	<b>10,546,458</b>	<b>9,321,273</b>
<b>Liabilities</b>						
Current liabilities	59,495	50,848	256,459	290,707	315,954	341,555
Long-term liabilities	-	-	2,135,807	1,534,811	2,135,807	1,534,811
<b>Total Liabilities</b>	<b>59,495</b>	<b>50,848</b>	<b>2,392,266</b>	<b>1,825,518</b>	<b>2,451,761</b>	<b>1,876,366</b>
<b>Net Position</b>						
Net investment in capital assets	466,784	404,722	6,097,867	6,097,763	6,564,651	6,502,485
Unrestricted	453,441	410,629	1,076,605	531,793	1,530,046	942,422
<b>Total Net Position</b>	<b>\$ 920,225</b>	<b>\$ 815,351</b>	<b>\$ 7,174,472</b>	<b>\$ 6,629,556</b>	<b>\$ 8,094,697</b>	<b>\$ 7,444,907</b>

For more information on the statement of net position, see page 11.

An additional portion of the Town's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the Town's ongoing obligations to citizens and creditors.

As of June 30, 2017, the Town was able to report positive balances in the two categories of net position for its governmental activities. The same situation existed as of June 30, 2016.

**TOWN OF NEW WINDSOR, MARYLAND**

**Management's Discussion and Analysis  
For the Year Ended June 30, 2017**

**Government-wide Financial Analysis** (continued)

**CONDENSED STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Revenue</b>						
Program revenue						
Charges for services	\$ 34,371	\$ 17,694	\$ 1,229,410	\$ 784,326	\$ 1,263,781	\$ 802,020
Operating grants and contributions	218,979	119,661	-	-	218,979	119,661
General revenues						
Real estate taxes	337,329	331,126	-	-	337,329	331,126
Personal property taxes	14,698	10,916	-	-	14,698	10,916
Income taxes	208,578	170,451	-	-	208,578	170,451
Other taxes	4,292	4,140	-	-	4,292	4,140
Interest and investment earnings	(9,182)	-	1,103	607	(8,079)	607
Miscellaneous	101,386	78,199	-	1,000,000	101,386	1,078,199
<b>Total Revenue</b>	<b>910,451</b>	<b>732,187</b>	<b>1,230,513</b>	<b>1,784,933</b>	<b>2,140,964</b>	<b>2,517,120</b>
<b>Program Expenses</b>						
General government	392,459	287,180	-	-	392,459	287,180
Public safety	113,385	304,813	-	-	113,385	304,813
Public works	256,545	110,425	-	-	256,545	110,425
Parks, recreation and culture	43,188	37,584	-	-	43,188	37,584
Enterprise expenses						
Water and sewer services	-	-	685,597	669,775	685,597	669,775
<b>Total Program Expenses</b>	<b>805,577</b>	<b>740,002</b>	<b>685,597</b>	<b>669,775</b>	<b>1,491,174</b>	<b>1,409,777</b>
<b>Change in Net Position</b>	<b>\$ 104,874</b>	<b>\$ (7,815)</b>	<b>\$ 544,916</b>	<b>\$ 1,115,158</b>	<b>\$ 649,790</b>	<b>\$ 1,107,343</b>

For more information on the statement of activities, see page 12.

## **TOWN OF NEW WINDSOR, MARYLAND**

### **Management's Discussion and Analysis For the Year Ended June 30, 2017**

#### **Government-wide Financial Analysis** (continued)

##### ***Governmental Activities***

Governmental activities increased the Town's net position by \$104,874, for the year ended June 30, 2017. The key element of this increase is additional grant revenue.

##### ***Business-type Activities***

Business-type activities increased the Town's net position as of June 30, 2017, by \$544,916. The key element of this increase is from the forgiven debt related to waste water treatment plant.

#### **Fund Financial Analysis**

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

##### ***Governmental Funds***

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

The general fund is the chief operating fund of the Town. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. The unassigned fund balance represents 52% of general fund expenditures.

The fund balance of the Town's general fund increased due to increased grant funding.

##### ***Proprietary Funds***

The Town's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. Changes in the activity were previously discussed.

#### **General Fund Budgetary Highlights**

No changes were made to the original budget for the Town.

# TOWN OF NEW WINDSOR, MARYLAND

## Management's Discussion and Analysis For the Year Ended June 30, 2017

### Capital Asset and Debt Administration

#### *Capital Assets*

The Town's net investment in capital assets for its governmental and business-type activities as of June 30, 2017 and 2016, was \$6,564,651 and \$6,097,485, respectively. The investment in capital assets includes land, buildings, water/sewer improvements, machinery and equipment, park facilities and infrastructure. This increase was a result of the forgiven debt related to waste water treatment plant.

Additional information on the Town's capital assets can be found in Note 4 on page 31 of this report.

#### *Debt Administration*

The Town's outstanding debt as of June 30, 2017 and 2016, was as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Loans payable	\$ -	\$ -	\$ 2,267,339	\$ 1,653,088	\$ 2,267,339	\$ 1,653,088

The Town's total debt increased by \$614,251, during the fiscal year ended June 30, 2017, as a result of a loan received from the United State Department of Agricultural for the Coe Dr. & Main Street infrastructure project.

Additional information on the Town's long-term debt can be found in Note 5 on pages 32 and 33 of this report.

### Economic Factors and Next Year's Budgets and Rates

The economy of the Town is closely tied to the economy of the State of Maryland. Property taxes will be reviewed and property tax revenue may change as reassessments are made. The costs of operating in the general and enterprise funds are expected to increase due to fuel and labor costs inflationary factors.

#### *Request for Information*

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Town Manager, 211 High Street, New Windsor, Maryland 21776.

**TOWN OF NEW WINDSOR, MARYLAND**

**Statement of Net Position  
As of June 30, 2017**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 276,832	\$ 159,083	\$ 435,915
Restricted cash	-	1,034,459	1,034,459
Investments	234,815	831	235,646
Accounts receivable	1,289	7,159	8,448
<b>Total Current Assets</b>	<u>512,936</u>	<u>1,201,532</u>	<u>1,714,468</u>
Land	23,725	256,236	279,961
Land improvements	337,240	-	337,240
Infrastructure	-	10,401,977	10,401,977
Buildings and equipment	1,149,519	244,456	1,393,975
<b>Total capital assets</b>	<u>1,510,484</u>	<u>10,902,669</u>	<u>12,413,153</u>
Less: accumulated depreciation	1,043,700	2,537,463	3,581,163
Capital assets, net	466,784	8,365,206	8,831,990
<b>Total Assets</b>	<u>\$ 979,720</u>	<u>\$ 9,566,738</u>	<u>\$ 10,546,458</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 59,495	\$ 28,758	\$ 88,253
Current portion of long-term debt	-	131,532	131,532
Other current liabilities	-	96,169	96,169
<b>Total Current Liabilities</b>	<u>59,495</u>	<u>256,459</u>	<u>315,954</u>
Non-current liabilities			
Loans payable, net of current	-	2,135,807	2,135,807
<b>Total Liabilities</b>	<u>\$ 59,495</u>	<u>2,392,266</u>	<u>\$ 2,451,761</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 466,784	6,097,867	\$ 6,564,651
Unrestricted	453,441	1,076,605	1,530,046
<b>Total Net Position</b>	<u>\$ 920,225</u>	<u>\$ 7,174,472</u>	<u>\$ 8,094,697</u>

The accompanying notes are an integral part of this financial statement.

**TOWN OF NEW WINDSOR, MARYLAND**

**Statement of Activities  
For the Year Ended June 30, 2017**

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Change in Net Assets Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Governmental Activities						
General government	\$ 392,459	\$ 34,371	\$ 218,979	\$ -	\$ (139,109)	\$ (139,109)
Public safety	113,385	-	-	-	(113,385)	(113,385)
Public works	256,545	-	-	-	(256,545)	(256,545)
Parks, recreation and culture	43,188	-	-	-	(43,188)	(43,188)
<b>Total Governmental Activities</b>	<u>805,577</u>	<u>34,371</u>	<u>218,979</u>	<u>-</u>	<u>(552,227)</u>	<u>(552,227)</u>
Business-type Activities						
Water and Sewer	685,597	1,229,410	-	-	543,813	543,813
<b>Total Government</b>	<u>\$ 1,491,174</u>	<u>\$ 1,263,781</u>	<u>\$ 218,979</u>	<u>\$ -</u>	<u>(552,227)</u>	<u>543,813</u>
			General Revenue			
			Taxes			
			Real estate taxes	337,329	-	337,329
			Personal property taxes	14,698	-	14,698
			Income taxes	208,578	-	208,578
			Other taxes	4,292	-	4,292
			Interest and investment earnings	(9,182)	1,103	(8,079)
			Miscellaneous	101,386	-	101,386
			<b>Total General Revenue</b>	<u>657,101</u>	<u>1,103</u>	<u>658,204</u>
			<b>Change in Net Position</b>	104,874	544,916	649,790
			Net position, beginning of year	815,351	6,629,556	7,444,907
			<b>Net Position, End of Year</b>	<u>\$ 920,225</u>	<u>\$ 7,174,472</u>	<u>\$ 8,094,697</u>

The accompanying notes are an integral part of this financial statement.

**TOWN OF NEW WINDSOR, MARYLAND**

**Balance Sheet – Governmental Fund  
As of June 30, 2017**

<b>ASSETS</b>	
Cash and cash equivalents	\$ 276,832
Investments	234,815
Accounts receivable	<u>1,289</u>
<b>Total Assets</b>	<b><u><u>\$ 512,936</u></u></b>
 <b>LIABILITIES AND FUND BALANCE</b>	
Accounts payable and accrued expenses	<u>\$ 59,495</u>
 <b>Fund balance</b>	
Unassigned	<u>453,441</u>
 <b>Total Liabilities and Fund Balance</b>	<b><u><u>\$ 512,936</u></u></b>

The accompanying notes are an integral part of this financial statement.

**TOWN OF NEW WINDSOR, MARYLAND**

**Reconciliation of the Governmental Fund Balance to the Statement  
of Net Position  
As of June 30, 2017**

<b>Total Governmental Fund Balances</b>	\$ 453,441
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the fund statement	<u>466,784</u>
<b>Net Assets of Governmental Activities</b>	<u><u>\$ 920,225</u></u>

The accompanying notes are an integral part of this financial statement.



**TOWN OF NEW WINDSOR, MARYLAND**

**Statement of Revenue, Expenditures, and Change in Fund Balance – Governmental Fund  
For the Year Ended June 30, 2017**

<b>Revenue</b>	
Taxes	\$ 564,897
Intergovernmental	218,979
Charges for services	34,371
Miscellaneous	92,204
<b>Total Revenue</b>	<u>910,451</u>
<b>Expenditures</b>	
Current:	
General government	384,461
Public safety	113,385
Public works	239,405
Parks, recreation and culture	11,194
Capital outlay	119,194
<b>Total Expenditures</b>	<u>867,639</u>
<b>Excess of Revenue over Expenditures</b>	<u>42,812</u>
Net change in fund balance	42,812
Fund balance, beginning of year	410,629
<b>Fund Balance, End of Year</b>	<u><u>\$ 453,441</u></u>

The accompanying notes are an integral part of this financial statement.

**TOWN OF NEW WINDSOR, MARYLAND**

**Reconciliation of the Statement of Revenue, Expenditures, and Change in Fund Balance –  
Governmental Fund to the Statement of Activities  
For the Year Ended June 30, 2017**

**Net Change in Fund Balance - Total Governmental Fund** \$ 42,812

**Activities 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 these assets is allocated  
over their estimated useful lives as depreciation expense; this is the amount by  
which depreciation (\$57,132) was exceeded by capital outlay (\$119,194)

62,062

**Change in Net Position of Governmental Activities**

\$ 104,874

The accompanying notes are an integral part of this financial statement.

**TOWN OF NEW WINDSOR, MARYLAND**

**Statement of Net Position – Proprietary Fund  
As of June 30, 2017**

**ASSETS**

**Current Assets**

Cash and cash equivalents	\$	159,083
Investments		831
Restricted cash		1,034,459
Accounts receivable		7,159
<b>Total Current Assets</b>		<u>1,201,532</u>

**Non-Current Assets**

Property and equipment:		
Land		256,236
Equipment		244,456
Water and sewer system		9,663,286
Wells and pump houses		738,691
Total Property and equipment		<u>10,902,669</u>
Accumulated depreciation		<u>(2,537,463)</u>
Property and equipment, net		<u>8,365,206</u>
<b>Total Assets</b>	\$	<u>9,566,738</u>

**LIABILITIES**

**Current Liabilities**

Accounts payable and accrued expenses	\$	28,758
Current portion of long-term debt		131,532
Other liabilities		96,169
<b>Total Current Liabilities</b>		<u>256,459</u>

**Non-Current Liabilities**

Long-term debt, net of current		<u>2,135,807</u>
<b>Total Liabilities</b>	\$	<u>2,392,266</u>

**NET POSITION**

Net investment in capital assets	\$	6,097,867
Unrestricted		<u>1,076,605</u>
<b>Total Net Position</b>	\$	<u>7,174,472</u>

The accompanying notes are an integral part of this financial statement.

**TOWN OF NEW WINDSOR, MARYLAND**

**Statement of Revenue, Expenses and Change in Fund Net Position – Proprietary Fund  
For the Year Ended June 30, 2017**

<b>Operating Revenue</b>	
Water charges	\$ 574,848
Sewer charges	524,065
Sprinkler charges	4,008
Miscellaneous	126,489
<b>Total Operating Revenue</b>	<u>1,229,410</u>
<b>Operating Expenses</b>	
Salaries	230,711
Utilities	77,697
Supplies	61,534
Depreciation	192,775
Maintenance	70,829
Miscellaneous	15,000
<b>Total Operating Expenses</b>	<u>648,546</u>
<b>Operating Income</b>	580,864
<b>Non-Operating Revenue (Expenses)</b>	
Interest income	1,103
Interest expense	(37,051)
<b>Total Non-Operating Revenue</b>	<u>(35,948)</u>
Change in net position	544,916
Net position, beginning of year	6,629,556
<b>Net Position, End of Year</b>	<u>\$ 7,174,472</u>

The accompanying notes are an integral part of this financial statement.

## TOWN OF NEW WINDSOR, MARYLAND

### Statement of Cash Flows – Proprietary Fund For the Year Ended June 30, 2017

#### Cash Flows from Operating Activities

Cash received from customers	\$ 1,229,735
Cash paid to employees	(230,711)
Cash payments for services and goods	(272,563)
<b>Net Cash from Operating Activities</b>	<u>726,461</u>

#### Cash Flows from Capital and Related Financing Activity Inflows

Principal paid on loans	(130,749)
Proceeds from drawdown of debt	745,000
Acquisition of capital assets	(807,130)
Interest income	1,103
Interest paid	(37,051)
<b>Net Cash from Capital and Related Financing Activity</b>	<u>(228,827)</u>

<b>Net increase in cash and cash equivalents</b>	497,634
Cash and cash equivalents, beginning of year	695,908
<b>Cash and cash equivalents and Restricted Cash, End of Year</b>	<u>\$ 1,193,542</u>

#### Reconciliation of Operating Income to Net Cash from Operating Activities:

Operating income	\$ 580,864
Depreciation	192,775
Effect of changes in non-cash operating assets and liabilities:	
Accounts receivable	325
Accounts payable and accrued expenses	(47,503)
<b>Net Cash from Operating Activities</b>	<u>\$ 726,461</u>

The accompanying notes are an integral part of this financial statement.

**TOWN OF NEW WINDSOR, MARYLAND**

**Statement of Net Position - Fiduciary Fund  
As of June 30, 2017**

	<b>Nonexpendable Trust</b>	<b>Agency Fund</b>
<b>Assets</b>		
Cash	\$ -	\$ 276,766
Investments	19,737	-
<b>Total Assets</b>	<b>\$ 19,737</b>	<b>\$ 276,766</b>
<b>Liability</b>		
Remediation costs	\$ -	\$ 276,766
<b>Net Position</b>		
Held in trust for Walnut Grove Maintenance	\$ 19,737	\$ -

The accompanying notes are an integral part of this financial statement.

**TOWN OF NEW WINDSOR, MARYLAND**

**Statement of Change in Net Position - Fiduciary Fund  
For the Year Ended June 30, 2017**

	<u>Nonexpendable Trust</u>
<b>Addition</b>	
Net appreciation in fair value of instruments	<u>\$ 45</u>
Change in net position	45
Net position, beginning of year	<u>19,692</u>
<b>Net Position, End of Year</b>	<u><u>\$ 19,737</u></u>

The accompanying notes are an integral part of this financial statement.

# TOWN OF NEW WINDSOR, MARYLAND

## Notes to the Financial Statements

June 30, 2017

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **The Reporting Entity**

The Town of New Windsor, Maryland (the Town) was incorporated in 1843 pursuant to authority of Article XIE of the Constitution of Maryland and Article 23A of the Annotated Code of Maryland. The Town operates under a Council-Mayor form of government and provides the following services as authorized by its charter: public safety, highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

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

In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The basis for determining component units is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, 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, the Town has no component units.

#### **Basic Financial Statements - Government-wide Financial Statements**

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's public safety, public works, parks, recreation and culture and general administrative services 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 and receivables as well as long-term debt and obligations. For the most part, the effect of inter-fund activity has been removed from these statements. The Town's net position is reported in two parts - investment in capital assets, net of related debt, and unrestricted net position.



# TOWN OF NEW WINDSOR, MARYLAND

## Notes to the Financial Statements

June 30, 2017

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Basic Financial Statements - Government-wide Financial Statements** (continued)

The government-wide statement of activities reports both the gross and net cost per functional category (public safety, public works, etc.), which are otherwise being supported by general government revenue (property and income taxes and certain intergovernmental revenue). For the most part, the effect of inter-fund activity has been removed from these statements. The statement of activities reduces gross expenses (including depreciation) by related program revenue, operating and capital grants, and contributions. The program revenue must be directly associated with the function or business-type activity. Program revenue include revenue from fines, licenses and permit fees, and charges for services. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grant column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property and income taxes, intergovernmental revenue, 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, liabilities, reserves, fund equity, revenue and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The model as defined in GASB Statement No. 34 establishes criteria (percentage of the assets, liabilities, revenue or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Town reports the following major funds:

##### Governmental Fund

The focus of the governmental fund's measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The Town has one governmental fund, the general fund. The general fund is the primary operating fund of the Town. It is used to account for all financial resources, except those legally or administratively required to be accounted for in another fund.

# TOWN OF NEW WINDSOR, MARYLAND

## Notes to the Financial Statements

June 30, 2017

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Basic Financial Statements - Fund Financial Statements (continued)

##### Proprietary Fund

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The accounting principles accepted are those similar to businesses in the private sector. Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue 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 revenue for the Town's proprietary funds are charges for water and sewer services. Operating expenses for the Town's proprietary funds include salaries, utility costs for the sewer plant, supplies, administrative costs, maintenance and depreciation on capital assets. All revenue or expenses not meeting this definition are reported as non-operating revenue and expenses.

The Town's proprietary fund is classified as the enterprise fund. The enterprise fund is 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 revenue; (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges; or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

The Town's enterprise fund is comprised of only utility funds. The utility fund is used to account for the revenue generated from the charges for distribution of water and charges for sewer services provided to the residential and commercial users of the Town.

##### Fiduciary Funds

The nonexpendable trust includes funds associated with the maintenance of Walnut Grove and is accounted for using the accrual basis of account.

The agency fund is custodial in nature, and does not present the results of operations or have a measurement focus. The Town uses the agency fund to account for the disbursement of remediation costs associated with the old five-lagoon sewer system.

#### **Basis of Accounting**

Basis of accounting refers to the point at which revenue 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.

# TOWN OF NEW WINDSOR, MARYLAND

## Notes to the Financial Statements

June 30, 2017

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Basic Financial Statements - Fund Financial Statements (continued)

**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. Revenue is recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue 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 fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is 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.

Property taxes, licenses and permits, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Amounts reported as program revenue include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the utility fund is charges to customers for services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

#### Budgets and Budgetary Accounting

The Town prepares an annual operating budget for the general fund on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted amounts were subject to amendment during the fiscal year.

# TOWN OF NEW WINDSOR, MARYLAND

## Notes to the Financial Statements

June 30, 2017

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Cash and Cash Equivalents

Cash and cash equivalents includes cash and all other investment instruments with original maturities of three months or less.

#### Capital Assets

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

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. Capital assets with a value of \$1,000, or more are capitalized by the Town.

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

Infrastructure	25-40	Years
Buildings and Improvements	20-40	Years
Equipment	5-10	Years

**Government-wide Statements:** In the government-wide financial statements, fixed assets are accounted for as capital assets. The Town has elected to report general infrastructure assets retroactively.

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

Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

**Fund Financial Statements:** In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

#### Inter-fund Activity

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Town's water and sewer function and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenue reported for the various functions covered.

# TOWN OF NEW WINDSOR, MARYLAND

## Notes to the Financial Statements

June 30, 2017

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Inter-fund Activity (continued)

Sales of goods and services between funds are reported as revenue in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources in the governmental fund. In fund financial statements, short-term inter-fund loans are classified as inter-fund receivables/payables.

#### Net Position and Fund Balances

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

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

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

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

In the governmental funds financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the Town Council and management and can be increased, reduced or eliminated by similar actions.

#### Budgetary Policy and Procedures

The Town follows these procedures in establishing the budgetary data reflected in the financial statements - the Town Administrator submits the entire budget to the Town Council, which includes both the operating and capital equipment expenditures and the means of financing them. Work sessions and hearings are scheduled, and subsequent to these, the Town Board adopts a tentative budget. The Council may insert new budget items, delete items, and increase or decrease any items of the budget so presented. The tentative budget becomes a public record in the Office of the Director of Finance, open to public inspection by any resident or taxpayer of the Town. The Council must hold a public hearing on the tentative budget after two weeks' notice has been published in a newspaper with a general circulation within the Town.

# TOWN OF NEW WINDSOR, MARYLAND

## Notes to the Financial Statements

June 30, 2017

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Budgetary Policy and Procedures** (continued)

The Town Administrator may transfer funds between appropriations for different purposes; however, it shall be approved by a majority of the Town Council before becoming effective. The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles (GAAP) except that encumbrances are treated as expenditures at the time purchase orders are issued. Budgetary comparisons presented for the general fund are on this non-GAAP basis. All appropriations lapse at the end of the budget year to the extent that they have not been expended or lawfully encumbered.

#### **Use of Estimates**

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

### 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

#### **Policies and Practices**

Statutes authorize the Town to invest in certificates of deposit, repurchase agreements, passbooks, banker's acceptance, and other available bank investments provided that approved securities are pledged to secure those funds deposited in an amount equal to the amount of those funds. In addition, the Town can invest in direct debt securities of the United States of America, unless such an investment is expressly prohibited by law and can invest in the State of Maryland Local Government Investment Pool.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned or the Town will not be able to recover collateral securities in the possession of an outside party. The Town's policy requires deposits to be insured by FDIC. Collateral is held by an independent third party with whom the Town has a current custodial agreement in the Town's name.

#### **Investment Policies**

**Credit Risk** - is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town has no policy regarding credit risk.

# TOWN OF NEW WINDSOR, MARYLAND

## Notes to the Financial Statements

June 30, 2017

### 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

#### Investment Policies (continued)

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

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

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

Generally, the Town's investing activities are managed by the Mayor. Investing is performed in accordance with investment policies adopted by the Town Council complying with State statutes and the Town Charter. Town funds may be invested in: 1) U.S. Treasury obligations; 2) U.S. Government Agencies and U.S. Government-sponsored instrumentalities; 3) Repurchase agreements (master repurchase agreement required); 4) Collateralized certificates of deposit (only Maryland commercial banks); and 5) Maryland Local Government Investment Pool.

#### Investments

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The Town has invested as of June 30, 2017, \$255,383, in PrimeVest investment portfolios. These portfolios consist of money market funds and certificates of deposit, which are valued using quoted market prices.

As of June 30, 2017, the Town had the following investments:

Types of Investments	Fair Value / Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment portfolio	\$ 71,673	\$ 71,673	\$ -	\$ -
Certificates of deposit	163,973	163,973	-	-
Walnut Grove investment portfolio	19,737	19,737	-	-
	\$ 255,383	\$ 255,383	\$ -	\$ -

# TOWN OF NEW WINDSOR, MARYLAND

## Notes to the Financial Statements June 30, 2017

### 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

#### Investments (continued)

As of June 30, 2017, the Town has the following investments, quality ratings and maturities:

<u>Types of Investments</u>	<u>Fair Value / Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality / Ratings</u>	<u>Weighted Average Days to Maturity</u>
Investment portfolio	\$ 71,673	\$ 71,673	N/A	30
Certificates of deposit	163,973	164,000	N/A	384
Walnut Grove investment portfolio	19,737	19,291	N/A	30
	<u>\$ 255,383</u>	<u>\$ 254,964</u>		

#### Collateral Risk

Collateral risk is the risk that in the event of a financial institution failure, the Town's deposits may not be returned. The bank and book balance of cash was \$1,481,126 and \$1,423,096, respectively, of which \$1,757,892, was collateralized by depository insurance, including \$276,766 in agency funds. The investment balance of \$255,383, is collateralized by securities held by the bank's agent in the Town's name.

### 3. PROPERTY TAXES

From the effective date of the budget, the amount stated thereon as the amount to be raised by the property tax shall constitute a determination of the amount of the tax levy in the corresponding tax year. Taxes shall be due and payable on the first day of July on the year for which they are levied and shall be overdue and in arrears on the first day of the following October.



**TOWN OF NEW WINDSOR, MARYLAND**

**Notes to the Financial Statements  
June 30, 2017**

**4. CAPITAL ASSETS**

A summary of governmental activities is as follows:

	<b>Balance</b>			<b>Balance</b>
	<b>June 30, 2016</b>	<b>Additions</b>	<b>Retirements</b>	<b>June 30, 2017</b>
Capital assets				
Land	\$ 23,725	\$ -	\$ -	\$ 23,725
Land improvements	263,061	74,179	-	337,240
Buildings and improvements	700,498	32,654	-	733,152
Equipment	404,006	12,361	-	416,367
<b>Total</b>	<b>1,391,290</b>	<b>119,194</b>	<b>-</b>	<b>1,510,484</b>
Less: accumulated depreciation	986,568	57,132	-	1,043,700
<b>Total Capital Assets, Net</b>	<b>\$ 404,722</b>	<b>\$ 62,062</b>	<b>\$ -</b>	<b>\$ 466,784</b>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 7,998
Public works	17,140
Parks, recreation, and culture	31,994
<b>Total</b>	<b>\$ 57,132</b>

A summary of business-type activities is as follows:

	<b>Balance</b>			<b>Balance</b>
	<b>June 30, 2016</b>	<b>Additions</b>	<b>Reclassifications</b>	<b>June 30, 2017</b>
Capital assets				
Land	\$ 256,236	\$ -	\$ -	\$ 256,236
Infrastructure	9,654,322	747,655	-	10,401,977
Equipment	203,936	59,475	(18,955)	244,456
<b>Total</b>	<b>10,114,494</b>	<b>807,130</b>	<b>(18,955)</b>	<b>10,902,669</b>
Less: Accumulated depreciation	2,363,643	192,775	(18,955)	2,537,463
<b>Total Capital Assets, Net</b>	<b>\$ 7,750,851</b>	<b>\$ 614,355</b>	<b>\$ -</b>	<b>\$ 8,365,206</b>

Depreciation expense was charged to the water and sewer services.

**TOWN OF NEW WINDSOR, MARYLAND**

**Notes to the Financial Statements  
June 30, 2017**

**5. LONG-TERM DEBT**

**Business-type Activities**

\$824,716 Water Quality loan for new storage tank. Loan due in annual installments of \$35,747, including interest, plus an additional semi-annual interest payment through February 1, 2027; interest at 0.4%. Also, an administrative fee of \$1,807 is due annually.	\$ 342,764
\$167,829 New Windsor Dennings Well Connection loan due in annual installments of \$7,088 including interest, plus an additional semi-annual interest payment, through February 1, 2028; interest at 0.4%. Also, an administrative fee of \$368 is due annually.	75,912
\$800,000 Chlorine Contact Tank loan, of which \$160,000 has been forgiven; Annual principal payments of \$26,952, including interest, plus an additional semi-annual interest payment, interest at 0.45%, matures February 1, 2031. Also, an administrative fee of \$1,347 is due annually.	366,252
\$3,858,474 Waste Water Treatments Plant upgrade loan, of which \$3,050,000 has been forgiven; Annual principal payments of \$32,415 subject to the entire funding of the loan, interest at 0.0%, matures February 1, 2031.	453,811
\$390,000 Water Storage Tank Refurbishment loan. Loan due in annual installments of \$22,151, including interest and fees; interest at 0.8%. Also, an administrative fee of \$1,113 is due annually.	296,072
\$920,000 Coe Dr. and Main Street pump stations project. Loan due in quarterly payments of \$37,788, including interest of 2.875% per annum, through May of 2056.	732,528
Total business-type activity debt	<u>2,267,339</u>
Less: current portion	131,532
Total long-term business-type activity debt	<u><u>\$ 2,135,807</u></u>

# TOWN OF NEW WINDSOR, MARYLAND

## Notes to the Financial Statements June 30, 2017

### 5. LONG-TERM DEBT (continued)

The following is a summary of changes in business-type activities long-term debt for the year ended June 30, 2017:

Type of Debt	Balance Outstanding June 30, 2016	Additions	Reductions	Balance Outstanding June 30, 2017	Due Within One Year
MD Water Quality Financing					
Administration	\$ 377,003	\$ -	\$ 34,239	\$ 342,764	\$ 34,377
MD Dept of the Environment	82,649	-	6,737	75,912	6,764
MD Dept of the Environment	391,638	-	25,386	366,252	25,487
MD Water Quality Financing Administration	486,228	-	32,417	453,811	32,415
MD Dept of the Environment	315,570	-	19,498	296,072	19,655
United State Department Of Agriculture	-	745,000	12,472	732,528	12,834
<b>Total</b>	<u>\$ 1,653,088</u>	<u>\$ 745,000</u>	<u>\$ 130,749</u>	<u>\$ 2,267,339</u>	<u>\$ 131,532</u>

The scheduled payments relative to debt service are as follows:

For the years ending June 30,	Business-type Activities	
	Interest	Principal
2018	\$ 31,589	\$ 131,532
2019	30,793	132,329
2020	29,982	133,140
2021	29,159	133,964
2022	28,322	134,800
2023-2027	128,541	679,808
2028-2032	107,074	426,303
2033-2037	89,421	104,519
2038-2042	73,325	120,615
2043-2047	54,750	139,190
2048-2052	33,315	160,625
2053-2056	9,016	145,515
Total	<u>\$ 645,288</u>	<u>2,442,339</u>
	Less: Undrawn Proceeds	175,000
	Total	<u>\$ 2,267,339</u>

Interest expense for the year ended June 30, 2017, was \$37,051 for business-type activities.

## **TOWN OF NEW WINDSOR, MARYLAND**

### **Notes to the Financial Statements**

**June 30, 2017**

#### **6. LEASE AGREEMENT**

The Town has four lease agreements for cell towers. Rental income for the year ended June 30, 2017, was \$105,291.

#### **7. CONCENTRATION OF RISK**

The Town provides various services to its residents. It is located in Carroll County, Maryland. Credit is granted to its residents for taxes, water and sewer bills. The Town may place a lien on any property associated with taxes, water and sewer services. Therefore, an allowance for uncollectible amounts has not been deemed necessary.

#### **8. RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town purchases commercial insurance coverage for these types of losses, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### **9. COMMITMENTS AND CONTINGENCIES**

##### **Grants**

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

## **SUPPLEMENTARY INFORMATION**

**TOWN OF NEW WINDSOR, MARYLAND**

**Supplemental Schedule of Revenue and Expenditures -  
Budget and Actual - General Fund  
For the Year Ended June 30, 2017**

	Budget Amounts		Actual	Variance from Final Budget
	Original	Final		
<b>REVENUE</b>				
Taxes	\$ 488,300	\$ 488,300	\$ 564,897	\$ 76,597
Intergovernmental	124,000	124,000	218,979	94,979
Charges for services	1,500	1,500	-	(1,500)
Licenses & permits	13,700	13,700	34,371	20,671
Miscellaneous	114,000	114,000	92,204	(21,796)
<b>TOTAL REVENUE</b>	<u>\$ 741,500</u>	<u>\$ 741,500</u>	<u>\$ 910,451</u>	<u>\$ 168,951</u>
<b>EXPENDITURES</b>				
General government	\$ 153,400	\$ 153,400	\$ 384,461	\$ (231,061)
Public safety	111,500	111,500	113,385	(1,885)
Public works	371,100	371,100	239,405	131,695
Parks, recreation and culture	8,500	8,500	11,194	(2,694)
Miscellaneous	62,000	62,000	-	75,000
Contingency	20,000	20,000	-	18,000
Capital Outlay	-	-	119,194	(119,194)
<b>TOTAL EXPENDITURES</b>	<u>\$ 726,500</u>	<u>\$ 726,500</u>	<u>\$ 867,639</u>	<u>\$ (130,139)</u>