

TOWN OF NEW WINDSOR
CARROLL COUNTY, MARYLAND
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

TOWN OF NEW WINDSOR, MARYLAND
YEAR ENDED JUNE 30, 2018
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and the Members of the Town Council
Town of New Windsor
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 (the "Town"), as of and for the year ended June 30, 2018, 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.

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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Honorable Mayor and the Members of the Town Council
Town of New Windsor
New Windsor, Maryland
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Adoption of Governmental Accounting Standard Board Pronouncements

As discussed in Note 1 to the financial statements, in 2018 the Town adopted the provisions of Governmental Accounting Standard Board's Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 81, "Irrevocable Split-Interest Agreement", GASB Statement No. 85, "Omnibus 2017", and GASB Statement No. 86, "Certain Debt Extinguishment Issues". Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-9 and page 39, respectively, 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.

Zelenkofske Axlerod LLC

ZELENKOFKSKE AXELROD LLC

Harrisburg, Pennsylvania
October 26, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

June 30, 2018

The Management's Discussion and Analysis (MD&A) is a component part of the reporting model adopted by the Government Accounting Standards Board (GASB), as referenced in Statement No. 34 issued in June 1999. The intent of the MD&A is to summarize Town of New Windsor's (the "Town") financial performance as a whole, using comparative information from the current year analyzed against prior years.

The Town of New Windsor MD&A presents a narrative overview and analysis of the Town's financial performance for the fiscal year ended June 30, 2018. It is recommended that it be read in conjunction with the accompanying basic financial statements and notes to the financial statements in order to obtain a thorough understanding of the Town's financial condition as of June 30, 2018.

USING THESE FINANCIAL STATEMENTS

The financial statements are organized to provide an understanding of the Town of New Windsor as an entire operating entity, while also providing a detailed look at specific financial activities. The first two statements are government-wide financial statements - the statement of net position and the statement of activities. These provide short-term and long-term information about the Town's overall financial status. Then, the remaining statements are fund financial statements that focus on individual parts of the Town's operations. The governmental funds statement describes how general Town services are financed in the short term, as well as what remains for future spending. The other types of fund shown in the financial statements is an enterprise fund. Enterprise fund statements provide financial information regarding funds for services that the Town operates like a business.

FINANCIAL HIGHLIGHTS

The following items detail the Town of New Windsor's financial highlights for the fiscal year ended June 30, 2018:

1. The assets of the Town and its business-type activities exceeded its liabilities at the close of the most recent fiscal year by \$8,506,798. Of this amount, \$1,679,935 may be used to meet the Town's ongoing obligations to citizens and creditors.
2. The Town's total net position increased by \$412,101.
3. The Town's total debt increased \$113,706 due to issuance of the \$245,000 2018 Commercial Real Estate Loan and continued payment of principal on existing debt. All scheduled debt payments were made during the year.
4. The unassigned fund balance for the General Fund as of June 30, 2018 was \$434,798, or 51% of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this report consists of three parts: management's discussion and analysis; the basic financial statements (including notes to the financial statements), and required supplementary information.

The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements.

The Government-wide Financial Statements

The government-wide financial statements of the Town are divided into two categories: governmental activities and business-type activities. The government-wide statements report information about the Town using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, deferred outflow of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is paid or received. The two government-wide statements report the Town's net position and how it has changed. An increase or decrease in the Town's net position is an indication of whether it's financial health overall is improving or deteriorating. The business-type activities of the Town of New Windsor is the Water and Sewer Fund.

Fund Financial Statements

The Town's fund financial statements provide more detailed information about the most significant funds, not the Town as a whole. The fund financial statements include:

- The governmental fund financial statements, which explain how services, such as public safety and public works, are financed. The governmental fund includes the General Fund.
- Enterprise fund financial statements offer information about the activities that the Town operates like a business. The Town enterprise fund is the Water and Sewer Fund.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

The Town's total net position was \$8,506,798 and \$8,094,697 at June 30, 2018 and 2017, respectively.

Table A-1
STATEMENTS OF NET POSITION
June 30, 2018 and 2017

	2018			2017		
	Governmental activities	Business-type activities	Total	Governmental activities	Business-type activities	Total
Current and other assets	\$ 752,376	\$ 1,386,866	\$ 2,139,242	\$ 512,936	\$ 1,201,532	\$ 1,714,468
Capital assets	693,080	8,327,146	9,020,226	466,784	8,365,206	8,831,990
Total assets	1,445,456	9,714,012	11,159,468	979,720	9,566,738	10,546,458
Current portion of liabilities	149,239	279,135	428,374	59,495	256,459	315,954
Long-term portion of liabilities	225,657	1,998,639	2,224,296	-	2,135,807	2,135,807
Total liabilities	374,896	2,277,774	2,652,670	59,495	2,392,266	2,451,761
Net position:						
Net investment in capital assets	635,762	6,191,101	6,826,863	466,784	6,097,867	6,564,651
Unrestricted	434,798	1,245,137	1,679,935	453,441	1,076,605	1,530,046
Total net position	\$ 1,070,560	\$ 7,436,238	\$ 8,506,798	\$ 920,225	\$ 7,174,472	\$ 8,094,697

Over time, net position may serve as a useful indication of a government's financial position. In the case of the Town of New Windsor, total assets exceeded total liabilities by \$8,506,798. The largest portion of the Town's net position, 80%, reflects its net investment in capital assets (e.g., land, buildings, equipment, improvements, construction in progress and infrastructure); used to acquire those assets that are still in service. The remaining balance of net position of \$1,679,935 or 20%, represents resources that may be used to meet the government's ongoing obligations to its citizens.

The results of this year's operations as a whole are reported in the statement of activities. All expenses are reported in the first column of the Statement of Activities. Specific charges, grants and subsidies that directly relate to specific expense categories are presented to determine the final amount of the Town's activities that are supported by general revenues. The largest source of general revenues are real estate taxes.

Table A-2 takes the information from the statement of activities and rearranges it slightly, to depict the changes in net position. There was an increase in net position from 2017 to 2018 in the amount of \$412,101.

Table A-2
STATEMENTS OF CHANGES IN NET POSITION
Years ended June 30, 2018 and 2017

	2018			2017		
	Governmental activities	Business-type activities	Total	Governmental activities	Business-type activities	Total
Revenues:						
Program revenues:						
Charges for service	\$ 26,609	\$ 1,070,125	\$ 1,096,734	\$ 34,371	\$ 1,229,410	\$ 1,263,781
Operating grants and contributions	127,182	-	127,182	218,979	-	218,979
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Real estate taxes	363,077	-	363,077	337,329	-	337,329
Personal property taxes	14,096	-	14,096	14,698	-	14,698
Income taxes	166,722	-	166,722	208,578	-	208,578
Other taxes	4,862	-	4,862	4,292	-	4,292
Interest and investment earnings	-	1,858	1,858	(9,182)	1,103	(8,079)
Miscellaneous	131,541	-	131,541	101,386	-	101,386
Total revenues	834,089	1,071,983	1,906,072	910,451	1,230,513	2,140,964
Expenses:						
General government	316,937	-	316,937	392,459	-	392,459
Public safety	36,187	-	36,187	113,385	-	113,385
Public works	285,454	-	285,454	256,545	-	256,545
Recreation and parks	45,176	-	45,176	43,188	-	43,188
Water and Sewer	-	810,217	810,217	-	685,597	685,597
Total expenses	683,754	810,217	1,493,971	805,577	685,597	1,491,174
Increase (decrease) in net position	150,335	261,766	412,101	104,874	544,916	649,790
Net position at beginning of year	920,225	7,174,472	8,094,697	815,351	6,629,556	7,444,907
Net position at end of year	\$ 1,070,560	\$ 7,436,238	\$ 8,506,798	\$ 920,225	\$ 7,174,472	\$ 8,094,697

Governmental Activities

Total governmental activities revenues of \$834,089 in 2018 were derived primarily from tax revenues representing 66% of the total, followed by operating grants and contributions at 15%, and other revenues at 19%. Operating grants and contributions decreased \$91,797 primarily due to the Town did not receive grant revenue for the Dielman Inn in 2018.

Total governmental activities expenses in 2018 were \$683,754. The expenses cover a wide range of services, with the largest being the general government at \$316,937 and public works at \$285,454. General Government expenses decreased \$75,522 as the Town had fewer projects as compared to the prior year. Public Safety expenses decreased \$77,198, as the Town did not incur expenses for police services from the Carroll County Sheriff's Office in 2018.

Enterprise Funds

Business-type activities net position increased by \$261,766. Key elements of this increase are as follows:

1. Charges for services of \$1,070,125.
2. Water and Sewer expenses of \$810,217.

The Water & Sewer Fund produced \$1,071,983 in total revenues, an amount that is \$158,530 less than fiscal year 2017 revenue. The decrease is due to the Town received less water and sewer hookup and developer fees in 2018 as compared to the prior year. Operating expenses increased by \$124,620 in the business-type activities primarily due to increased costs in the water and sewer fund.

Town Governmental Funds

General Fund

Total General Fund revenues of \$834,089 in 2018 were derived primarily from tax revenues representing 66% of the total and intergovernmental revenue at 15%.

Total General Fund expenditures in 2018 were \$852,732. The expenditures cover a wide range of services, with the largest being the general government at \$308,078 and public works at \$266,470.

Capital Projects Fund

The Town created a capital projects fund in 2018 to account for activity for the issuance of the 2018 Commercial Real Estate Loan in the amount of \$245,000.

General Fund Budget

A schedule showing the Town's budget compared to amounts actually paid and received is provided as required supplementary information. There were no budget amendments during the fiscal year 2018.

Revenue Variances:

- Overall, revenues exceeded budgeted amount by \$43,589.
- Tax Collection:
 - o 2018 tax distributions were \$14,457 or 3%, more than budgeted. This is primarily due to an increase in local real estate tax payments from the Comptroller's office the exceeded budgeted amounts.

Expense Variances:

- Overall, expenditures exceed budgeted amounts by \$62,232.
- Public Safety:
 - o Overall 2018 expenditures were \$76,313 or 68% under budget for the year as the Town did not incur expense for police services from Carroll County Sheriff's Office.
- Capital Outlay:
 - o Overall 2018 expenditures were \$111,757 over budget primarily due to the Town incurred expenditures for the Streetscape and Blue Ridge Projects.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Town of New Windsor's total assets stood at \$11,159,468 as of June 30, 2018. Of this amount, \$9,020,226 is comprised of capital assets. This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, infrastructure, and equipment. Capital assets increased for governmental as the Town incurred expenses for the Streetscape and Blue Ridge Projects. The capital assets increased for the Business Type Activities as the Town incurred engineering costs for a sludge press and for sewer linings. The Town's capital assets for 2018 are as follows and are detailed in Note 5 to the Financial Statements:

	Governmental Activities	Business-Type Activities
Land	\$ 23,725	\$ 256,236
Construction in Progress	204,167	28,629
Land improvements	409,440	-
Buildings and improvements	733,152	-
Infrastructure	-	10,603,681
Equipment	429,575	283,135
Accumulated Depreciation / Amortization	<u>(1,106,979)</u>	<u>(2,844,535)</u>
	<u>\$ 693,080</u>	<u>\$ 8,327,146</u>

The Town's long term debt activity for 2018 is as follows and is detailed in Note 6 to the Financial Statements:

Type	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Loan Payable	\$ -	\$ 245,000	\$ -	\$ 245,000
Total Governmental Activities Long-Term Debt	<u>\$ -</u>	<u>\$ 245,000</u>	<u>\$ -</u>	<u>\$ 245,000</u>
Business-Type Activities:				
Loans Payable	\$ 2,267,339	\$ -	\$ (131,294)	\$ 2,136,045
Total Business-Type Activities Long-Term Debt	<u>\$ 2,267,339</u>	<u>\$ -</u>	<u>\$ (131,294)</u>	<u>\$ 2,136,045</u>

At the end of 2018, the Town-wide long-term debt was \$2,381,045. Debt increased during 2018 as the Town issued a 2018 Commercial Real Estate Loan in the amount of \$245,000. A detailed discussion of long-term debt and maturities is included in the footnotes.

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 reassessment are made. The operating costs 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 request for additional financial information should be addressed to the Town Manager, 211 High Street, New Windsor, Maryland 21776.

TOWN OF NEW WINDSOR, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 275,877	\$ 1,285,474	\$ 1,561,351
Restricted Cash	245,000	96,169	341,169
Investments	231,484	-	231,484
Receivables			
Accounts	15	5,223	5,238
Capital Assets Not Being Depreciated	227,892	284,865	512,757
Capital Assets Being Depreciated, Net of Depreciation	465,188	8,042,281	8,507,469
Total Assets	<u>1,445,456</u>	<u>9,714,012</u>	<u>11,159,468</u>
Liabilities			
Accounts Payable and Accrued Expenses	129,896	45,560	175,456
Other Current Liabilities	-	96,169	96,169
Current Portions of Long Term Liabilities:			
Loans Payable	19,343	137,406	156,749
Non-Current Portions of Long Term Liabilities:			
Loans Payable	225,657	1,998,639	2,224,296
Total Liabilities	<u>374,896</u>	<u>2,277,774</u>	<u>2,652,670</u>
Net Position			
Net Investment In Capital Assets	635,762	6,191,101	6,826,863
Unrestricted	434,798	1,245,137	1,679,935
Total Net Position	<u>\$ 1,070,560</u>	<u>\$ 7,436,238</u>	<u>\$ 8,506,798</u>

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

TOWN OF NEW WINDSOR, MARYLAND
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ 275,877	\$ -	\$ 275,877
Investments	231,484	-	231,484
Accounts Receivable	15	-	15
Restricted Cash	-	245,000	245,000
Total Assets	<u>\$ 507,376</u>	<u>\$ 245,000</u>	<u>\$ 752,376</u>
<u>Liabilities</u>			
Accounts Payable and Accrued Liabilities	\$ 72,578	\$ 57,318	\$ 129,896
Total Liabilities	<u>72,578</u>	<u>57,318</u>	<u>129,896</u>
<u>Fund Balances</u>			
Restricted for capital projects	-	187,682	187,682
Unassigned	434,798	-	434,798
Total Fund Balances	<u>434,798</u>	<u>187,682</u>	<u>622,480</u>
Total Liabilities and Fund Balances	<u>\$ 507,376</u>	<u>\$ 245,000</u>	<u>\$ 752,376</u>

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

TOWN OF NEW WINDSOR, MARYLAND
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total fund balances for governmental funds	\$	622,480
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Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	23,725	
Construction in progress	204,167	
Land improvements, net of \$150,897 accumulated depreciation	258,543	
Buildings and improvements, net of \$564,743 accumulated depreciation	168,409	
Equipment, net of \$391,339 accumulated depreciation	<u>38,236</u>	
 Total capital assets		 693,080

Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at June 30, 2018 are:

Loans Payable	<u>(245,000)</u>	
		<u>(245,000)</u>

Total net position of governmental activities	\$	<u><u>1,070,560</u></u>
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TOWN OF NEW WINDSOR, MARYLAND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	General	Capital Projects Fund	Total
<u>Revenues</u>			
Taxes	\$ 548,757	\$ -	\$ 548,757
Intergovernmental	127,182	-	127,182
Charges for Services	26,609	-	26,609
Miscellaneous Income	131,541	-	131,541
	<u>834,089</u>	<u>-</u>	<u>834,089</u>
<u>Expenditures</u>			
Current:			-
General Government	308,078	-	308,078
Public Safety	36,187	-	36,187
Public Works	266,470	-	266,470
Recreation and Parks	9,740	-	9,740
Capital Outlay	232,257	57,318	289,575
	<u>852,732</u>	<u>57,318</u>	<u>910,050</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(18,643)</u>	<u>(57,318)</u>	<u>(75,961)</u>
<u>Other Financing Sources (Uses)</u>			
Loan Proceeds	-	245,000	245,000
Total Other Financing Sources	<u>-</u>	<u>245,000</u>	<u>245,000</u>
Net Change in Fund Balances	(18,643)	187,682	169,039
Fund Balances - Beginning of year	<u>453,441</u>	<u>-</u>	<u>453,441</u>
Fund Balances - End of year	<u>\$ 434,798</u>	<u>\$ 187,682</u>	<u>\$ 622,480</u>

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

TOWN OF NEW WINDSOR, MARYLAND
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2018

Net change in fund balances - total governmental fund \$ 169,039

The change in net position reported for governmental activities in the statement of activities is 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 and reported as depreciation expense. This is the amount by which capital outlays \$289,575 exceeded depreciation (\$63,279) in the current period. 226,296

Repayment of note principal and payments for other long-term obligations are expenditures in the governmental funds but reduce the liabilities in the statement of net position.

Debt issued:

 Loan proceeds

(245,000)

\$ 150,335

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

TOWN OF NEW WINDSOR, MARYLAND
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2018

	Proprietary Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 1,285,474
Restricted Cash	96,169
Account Receivable	5,223
Total Current Assets	1,386,866
Noncurrent Assets	
Capital Assets Not Being Depreciated	284,865
Capital Assets Being Depreciated, Net of Depreciation	8,042,281
Total Noncurrent Assets	8,327,146
Total Assets	9,714,012
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	45,560
Other Liabilities	96,169
Loans Payable - Current Portion	137,406
Total Current Liabilities	279,135
Noncurrent Liabilities:	
Loans Payable - Due in More Than One Year	1,998,639
Total Noncurrent Liabilities	1,998,639
Total Liabilities	2,277,774
NET POSITION	
Net Investment in Capital Assets	6,191,101
Unrestricted	1,245,137
Total Net Position	\$ 7,436,238

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

TOWN OF NEW WINDSOR, MARYLAND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Proprietary Fund
Operating Revenues	
Water Charges	\$ 539,398
Sewer Charges	475,306
Sprinkler Charges	4,007
Miscellaneous	51,414
Total Operating Revenues	1,070,125
Operating Expenses	
Salaries	180,310
Utilities	66,450
Supplies	88,580
Depreciation	307,072
Maintenance	103,166
Miscellaneous	25,865
Total Operating Expenses	771,443
Operating Income (Loss)	298,682
Nonoperating Revenues (Expenses)	
Interest Income	1,858
Interest Expense	(38,774)
Nonoperating Expenses	(36,916)
Changes In Net Position	261,766
Total Net Position - Beginning of Year	7,174,472
Total Net Position - End of Year	\$ 7,436,238

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

TOWN OF NEW WINDSOR, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Proprietary Fund
Cash Flows From Operating Activities	
Receipts from Customers	\$ 1,070,125
Payments to:	
Employees for salaries, payroll taxes and benefits	(178,374)
Suppliers for Operations	(267,259)
	624,492
Net Cash Provided by Operating Activities	
Cash Flows from Capital and Related Financing Activities	
Purchases and construction of capital assets	(269,012)
Principal paid on bonds and notes	(131,294)
Interest paid on bonds and notes	(38,774)
	(439,080)
Net Cash Used in Capital and Related Financing Activities	
Cash Flows from Investing Activities	
Proceeds from sale of investments	831
Interest Income	1,858
	2,689
Net Cash Provided by Investing Activities	
Net Increase (Decrease) in Cash and Cash Equivalents	188,101
Cash and Cash Equivalents, Beginning of Year	1,193,542
Cash and Cash Equivalents, End of Year	\$ 1,381,643
<u>Presented in Financial Statements as:</u>	
Cash and Cash Equivalents	\$ 1,285,474
Restricted Cash	96,169
	\$ 1,381,643
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ 298,682
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Depreciation Expense	307,072
Change in Assets and Liabilities	
Accounts Receivable	1,936
Accounts Payable and Accrued Liabilities	16,802
	624,492
Net Cash Provided by Operating Activities	\$ 624,492

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

TOWN OF NEW WINDSOR, MARYLAND
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2018

	Nonexpendable Trust	Agency Fund
	<u> </u>	<u> </u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ -	\$ 199,172
Investment	19,660	-
Total Assets	<u> 19,660</u>	<u> </u>
LIABILITIES		
Other Liabilities	<u> -</u>	<u> 199,172</u>
Total Liabilities	<u> -</u>	<u> 199,172</u>
NET POSITION		
Held in Trust For Walnut Grove Maintenance	<u> 19,660</u>	<u> -</u>
Total Net Position	<u><u> 19,660</u></u>	<u><u> -</u></u>

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

TOWN OF NEW WINDSOR, MARYLAND
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	Nonexpendable Trust
Additions	
Net depreciation in fair value of investments	\$ (77)
Total Operating Revenues	(77)
Deductions	
Maintenance costs	-
Total Deductions	-
Changes In Net Position	(77)
Total Net Position - Beginning of Year	19,737
Total Net Position - End of Year	\$ 19,660

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

TOWN OF NEW WINDSOR, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of New Windsor, Maryland (the "Town") was incorporated in 1843, pursuant to the 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, highway and streets, sanitation, health and social services, culture and recreation, public improvements, planning and zoning, and general administrative services. In addition, the Town owns and operates a water and sewer system.

A summary of the Town's significant accounting policies are as follows:

A) Reporting Entity

Consistent with the guidance contained in GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, the criteria used by the Town to evaluate the possible inclusion of related entities within its reporting entity are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given case, the Town reviews the applicability of the following criteria.

The Town is financially accountable for:

- Organizations that make up the legal Town entity.
- Legally separate organizations if the Town officials appoint a voting majority of the organization's governing body and the Town is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Town as defined below:

Impose Its Will – If the Town can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.

Financial Benefit or Burden – Exists if the Town (1) is entitled to the organization's resources or (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization or (3) is obligated in some manner for the debt of the organization.

- Organizations that are fiscally dependent on the Town. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the Town.

Based on the foregoing criteria, the Town has no component units that are required to be included in the Town's financial statements.

TOWN OF NEW WINDSOR, MARYLAND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

B) Government-Wide and Fund Financial Statements

The Government-wide financial statements (i.e., statement of net position and the statement of activities) report information on all the non-fiduciary activities of the government as a whole. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment are effected by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 segment and 2.) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the governmental funds and the proprietary fund. The major individual governmental funds and major enterprise fund are reported as separate columns in the fund financial statements.

C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds financial statements. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the 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 eligibility requirements imposed by the provider have been met.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability rather than an expenditure.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

TOWN OF NEW WINDSOR, MARYLAND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

Property taxes, charges for services, licenses, operating grants, capital grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when the Town receives cash.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources". Governmental funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during the period.

Because of their spending measurement focus, expenditure recognition for governmental fund types exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims for judgments, are recorded only when payment is due.

The Town reports the following major governmental funds:

- The General Fund is the primary government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Capital Project Fund is used to account for loan proceeds restricted for future capital projects of the Town.

The Town's enterprise fund is a proprietary fund. In the fund financial statements, the proprietary fund is presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, the proprietary fund is presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheet. The proprietary fund types operating statement presents increases (revenues) and decreases (expenses) in total net position.

TOWN OF NEW WINDSOR, MARYLAND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

Proprietary funds operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the funds. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Amounts paid to acquire capital assets in the proprietary funds are capitalized as assets in the fund financial statements, rather than reported as an expenditure.

The Town reports the following major proprietary fund:

- The Proprietary Fund is used to account for the operations of the water and sewer systems in a manner whereby the costs of providing services to the general public are recovered primarily through user charges.

D) Assets, Liabilities, and Net Position or Fund Balances

1. Cash and Cash Equivalents

For purposes of the accompanying statement of cash flows, the Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

2. Restricted Assets

Restricted assets represent cash balances from developers' escrow deposits and unspent loan proceeds.

3. Capital Assets

Capital assets are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital purchases with initial, individual costs that equal or exceed \$1,000 and estimated useful lives of over one year are recorded as capital assets. Capital assets are recorded at historical costs or estimated historical costs if purchased or constructed. Donated capital assets are recorded at their acquisition 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 its useful life are not capitalized. Major outlay of capital assets and improvements are capitalized as projects are completed. Interest incurred during the construction phase of the capital asset of business-type activities is included as part of the capitalized value of the assets constructed.

TOWN OF NEW WINDSOR, MARYLAND
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (CONTINUED)

D) Assets, Liabilities, and Net Position or Fund Balances (Continued)

3. Capital Assets (Continued)

Property, plant and equipment and infrastructure assets are depreciated using the straight line method over the following intended useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20 to 40
Infrastructure	25 to 40
Equipment	5 to 10

4. 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 the interfund loans). Other outstanding balances between funds are also reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

5. Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

TOWN OF NEW WINDSOR, MARYLAND
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (CONTINUED)

D) Assets, Liabilities, and Net Position or Fund Balances (Continued)

6. Net Position / Fund Balances

The following classifications describe the relative strength of the spending constraints:

- *Nonspendable Fund Balance* – Amounts that are not in a spendable form (such as Inventory) or are required to be maintained in tact.
- *Restricted Fund Balance* – 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* – Amounts constrained to specific purposes by the Town itself, using its highest level of decision-making authority (i.e. Town Council). To be reported as committed, amounts cannot be used for any other purpose unless the Town takes the same level action to remove or change the constraint. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Town Council.
- *Assigned Fund Balance* – Amounts the Town intends to be used for a specific purpose, but are neither restricted nor committed. Assignments of fund balance can be created by the Town's Mayor.
- *Unassigned Fund Balance* – Amounts that are available for any purpose. Positive amounts are reported only in the general fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the Town's policy to use restricted resources first. When expenditures are incurred for purposes of which unrestricted resources are available, and amounts in any of the unrestricted classifications could be used, it is the Town's policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

The government-wide and business-type activities financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- *Net Investment in Capital Assets* – This category groups all capital assets 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 the balance in 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.

TOWN OF NEW WINDSOR, MARYLAND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

D) Assets, Liabilities, and Net Position or Fund Balances (Continued)

6. Net Position / Fund Balances (continued)

- *Unrestricted Net Position* – This category represents net position of the Town, not restricted for any project or other purpose.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed for their intended purposes.

7. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions except quasi-external transactions and reimbursements are reported as transfers.

8. Accounting Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts may differ from those estimates.

9. Adoption of Governmental Accounting Standards Board Statements

The Town adopted the requirements of GASB Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*". The adoptions of this statement had no effect on previously reporting amounts.

The Town adopted the requirements of GASB Statement No. 81, "*Irrevocable Split-Interest Agreement*". The adoption of this statement had no effect on previously reported amounts.

The Town adopted the requirements of GASB Statement No. 85, "*Omnibus 2017*". The adoption of this statement had no effect on previously reported amounts.

The Town adopted the requirements of GASB Statement No. 86, "*Certain Debt Extinguishment Issues*". The adoption of this statement had no effect on previously reported amounts.

TOWN OF NEW WINDSOR, MARYLAND
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (CONTINUED)

D) Assets, Liabilities, and Net Position or Fund Balances (Continued)

10. Pending Changes in Accounting Principles

In November 2016, the GASB issued a Statement No. 83, "*Certain Asset Retirement Obligations*". The Town is required to adopt statement No. 83 for its fiscal year 2019 financial statements.

In January 2017, the GASB issued a Statement No. 84, "*Fiduciary Activities*". The Town is required to adopt statement No. 84 for its fiscal year 2020 financial statements.

In June 2017, the GASB issued a Statement No. 87, "*Leases*". The Town is required to adopt statement No. 87 for its fiscal year 2021 financial statements.

In April 2018, the GASB issued a Statement No. 88, "*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*". The Town is required to adopt statement No. 88 for its fiscal year 2019 financial statements.

In June 2018, the GASB issued a Statement No. 89, "*Accounting for Interest Cost Incurred before the End of a Construction Period*". The Town is required to adopt statement No. 89 for its fiscal year 2021 financial statements.

In August 2018, the GASB issued a Statement No. 90, "*Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61*". The Town is required to adopt statement No. 90 for its fiscal year 2020 financial statements.

The Town has not yet completed the various analyses required to estimate the financial statement impact of these new pronouncements.

E) Budgets and Budgetary Accounting

Budget Policy and Practice

The Town Manager submits an annual budget to the Town Council in accordance with Town's Charter and Maryland Statutes. The budgets for the general fund and proprietary fund are presented to the Town Council for review, and public hearings are held to address priorities and the allocation of resources. The Town Council adopts the annual fiscal year budgets for operating funds.

Basis of Budgeting

The Town adopts the budgets in accordance with generally accepted accounting principles.

TOWN OF NEW WINDSOR, MARYLAND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

E) Budgets and Budgetary Accounting (Continued)

Level of Control

The Town maintains budgetary controls at the fund level.

Lapsing of Appropriations

Unexpended appropriations lapse at fiscal year-end.

Management Amendment Authority

During the course of the year, departmental needs may change, emergencies may occur or additional revenue may arise. As a result, funds are transferred between line items of a department's budget or additional revenue may need to be budgeted for a specific project or grant. Adjustments to the budget are made on a line item basis during the year and approved by the Town Council.

NOTE 2: DEPOSIT AND INVESTMENT RISK

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

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 fund may be invested in: (1) U.S Treasury Obligations, (2) U.S. Government Agency and U.S. Government-sponsored instrumentalities, (3) Repurchase agreements (master repurchase agreement required), (4) Collateralized certificates of deposit (only Maryland commercial banks), and (5) State of Maryland Local Government Investment Pool.

Deposits

Custodial Credit Risk – For deposits, 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 deposits or collateral securities that are in the possession of an outside party. The Town's policy requires deposits to be insured by FDIC and deposits in excess of FDIC insurance are to be collateralized with securities held by an independent third party in the Town's name with whom the Town has a current custodial agreement. As of June 30, 2018, the Town's bank balances were not exposed to custodial credit risk as all deposits in excess of Federal Depository Insurance were fully collateralized with securities held in the Town's name. At year-end, the carrying amount of the Town's deposits were \$2,101,692 and the bank balances were \$2,118,556.

TOWN OF NEW WINDSOR, MARYLAND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 2: DEPOSIT AND INVESTMENT RISK (CONTINUED)

Investments

Custodial Credit Risk – For investments, 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 that are in the possession of an outside party. The Town's 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. None of the Town's investments were exposed to custodial credit risk as the money market funds and certificates of deposit were covered by FDIC insurance.

Interest Rate Risk – 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 policy provides to the extent practicable, investments are matched with anticipated cash flows. As of June 30, 2018, the Town had the following investments and maturities within its excess operating and fiduciary fund accounts:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>
Money Market Funds	\$ 57,618	\$ 57,618	\$ -	\$ -
Certificates of Deposit	193,526	54,824	138,702	-
Total	<u>\$ 251,144</u>	<u>\$ 112,442</u>	<u>\$ 138,702</u>	<u>\$ -</u>

Credit Risk – 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. At June 30, 2018, the Town's investments in money market funds were rated AAA.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the Town's investment in a single one issuer. The Town has no policy regarding concentration of credit risk. At June 30, 2018, the Town's investments in money market funds were rated AAA.

Fair Value

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 assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

TOWN OF NEW WINDSOR, MARYLAND
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

NOTE 2: DEPOSIT AND INVESTMENT RISK (CONTINUED)

Fair Value (Continued)

The Town has following recurring fair value measurements for its operating and fiduciary accounts as of June 30, 2018:

	Fair Value Measurements Using			
	06/30/18	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Investments by fair value level				
Money market fund	\$ 57,618	\$ 57,618	\$ -	\$ -
Certificates of deposit	193,526	193,526	-	-
Total investments by fair value level	\$ 251,144	\$ 251,144	\$ -	\$ -

Money market fund and Certificates of deposit are valued using quoted market prices for similar securities.

NOTE 3: RESTRICTED CASH

Assets whose use is limited to a specific purpose has been classified as restricted in the governmental fund balance sheet and the Statements of Net Position. Governmental Activities restricted cash of \$245,000 and Business - Type Activities restricted cash of \$96,169 is comprised of unspent loan proceeds and funds held for developer's escrow deposits.

NOTE 4: PROPERTY TAXES

The Town levy and accrue property taxes each July 1 on the assessed value of properties listed as of the prior January 1. The locally assessed taxable bases were prepared from assessments submitted by Carroll County, Maryland. A revaluation of all property is required to be completed every third year. Any increase in assessed value is phased in over a three-year period. Property taxes are due on July 1, however, they do not become delinquent until October of the following year.

The tax rate for locally assessed real property was set by the Town at \$0.2615 for each hundred dollars of valuation. The tax rate for ordinary business corporation and railroads and public utility certifications remained at \$0.40 for each hundred dollars of valuation in 2018.

TOWN OF NEW WINDSOR, MARYLAND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 5: CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2018 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental activities</u>				
Capital assets not being depreciated (cost):				
Land	\$ 23,725	\$ -	\$ -	\$ 23,725
Construction in progress	-	204,167	-	204,167
Total capital assets not being depreciated	<u>23,725</u>	<u>204,167</u>	<u>-</u>	<u>227,892</u>
Capital assets being depreciated (cost):				
Land improvements	337,240	72,200	-	409,440
Buildings and improvements	733,152	-	-	733,152
Equipment	416,367	13,208	-	429,575
Total capital assets being depreciated	<u>1,486,759</u>	<u>85,408</u>	<u>-</u>	<u>1,572,167</u>
Less accumulated depreciation for:				
Land improvements	(126,258)	(24,639)	-	(150,897)
Buildings and improvements	(535,643)	(29,100)	-	(564,743)
Equipment	(381,799)	(9,540)	-	(391,339)
Total accumulated depreciation	<u>(1,043,700)</u>	<u>(63,279)</u>	<u>-</u>	<u>(1,106,979)</u>
Total capital assets being depreciated, net	<u>443,059</u>	<u>22,129</u>	<u>-</u>	<u>465,188</u>
Total capital assets, governmental activities	<u>\$ 466,784</u>	<u>\$ 226,296</u>	<u>\$ -</u>	<u>\$ 693,080</u>

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

<u>Governmental activities</u>	
General government	\$ 8,859
Public works	18,984
Parks, recreation, and culture	<u>35,436</u>
Total depreciation expense – governmental activities	<u>\$ 63,279</u>

TOWN OF NEW WINDSOR, MARYLAND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 5: CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Business-Type Activities</u>				
Capital assets not being depreciated (cost):				
Land	\$ 256,236	\$ -	\$ -	\$ 256,236
Construction in progress	-	28,629	-	28,629
Total capital assets not being depreciated	<u>256,236</u>	<u>28,629</u>	<u>-</u>	<u>284,865</u>
Capital assets being depreciated (cost):				
Infrastructure	10,401,977	201,704	-	10,603,681
Equipment	244,456	38,679	-	283,135
Total capital assets being depreciated	<u>10,646,433</u>	<u>240,383</u>	<u>-</u>	<u>10,886,816</u>
Less accumulated depreciation for:				
Infrastructure	(2,346,534)	(293,108)	-	(2,639,642)
Equipment	(190,929)	(13,964)	-	(204,893)
Total accumulated depreciation	<u>(2,537,463)</u>	<u>(307,072)</u>	<u>-</u>	<u>(2,844,535)</u>
Total capital assets being depreciated, net	<u>8,108,970</u>	<u>(66,689)</u>	<u>-</u>	<u>8,042,281</u>
Total capital assets, business-type activities	<u>\$ 8,365,206</u>	<u>\$ (38,060)</u>	<u>\$ -</u>	<u>\$ 8,327,146</u>

Depreciation expense was charged to business-type functions of the Town as follows:

<u>Business-Type Activities:</u>	
Water	<u>\$ 307,072</u>

TOWN OF NEW WINDSOR, MARYLAND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 6: LONG – TERM DEBT

The following is a summary of changes in long-term liabilities of governmental activities for the year ended June 30, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Loans Payable	\$ -	\$ 245,000	\$ -	\$ 245,000	\$ 19,343
	\$ -	\$ 245,000	\$ -	\$ 245,000	\$ 19,343

In May 2018, the Town issued the 2018 Commercial Real Estate Loan in the amount of \$245,000. The principal of this loan payable is payable in annual installments increasing from \$19,343 in 2019 to \$30,405 in 2028. Interest payments on the outstanding principal shall be due quarterly, beginning September 18, 2018. The interest rate is 4.99%. The proceeds of the loan were used for utility work and sewer cleanout of College and Ridge Avenue. The Town received 245,000 as a result of the issuance that was reported as loan proceeds in the Capital Projects Bond Account Fund in the Statement of Revenues, Expenditures, and Changes in Fund Balances.

Pertinent information regarding governmental activities long-term debt obligations outstanding is presented below:

Date of Issue	Amount of Original Issue	Purpose	Balance Outstanding at June 30, 2018
2018	\$ 245,000	Commercial Real Estate loan – to provide funding for utility work and sewer cleanout on College and Ridge Avenue. Loan due in quarterly payments of \$7,844, including interest and fees; interest at 4.99%, through 2028.	\$ 245,000
Total governmental activities – long term debt			\$ 245,000

An analysis of debt service requirements to maturity on the Governmental Activities obligations is as follows:

	Principal Requirements	Interest Requirements	Total Debt Service Requirements
2019	\$ 19,343	\$ 12,033	\$ 31,376
2020	20,310	11,066	31,376
2021	21,387	9,988	31,375
2022	22,490	8,885	31,375
2023	23,649	7,726	31,375
2024-2028	137,821	19,055	156,876
	\$ 245,000	\$ 68,753	\$ 313,753

TOWN OF NEW WINDSOR, MARYLAND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 6: LONG – TERM DEBT (CONTINUED)

The following is a summary of changes in long-term liabilities of business-type activities for the year ended June 30, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Loans payable	\$ 2,267,339	\$ -	\$ 131,294	\$ 2,136,045	\$ 137,406
	<u>\$ 2,267,339</u>	<u>\$ -</u>	<u>\$ 131,294</u>	<u>\$ 2,136,045</u>	<u>\$ 137,406</u>

Pertinent information regarding business-type long-term debt obligations outstanding is presented below:

<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Purpose</u>	<u>Balance Outstanding at June 30, 2018</u>
2005	\$ 824,716	Water Quality loan for new storage tank. Loan carries an interest rate of 0.4% payable semi-annually on February 1 and August 1. (Final maturity is February 2027).	\$ 308,387
2004	\$ 167,829	New Windsor Dennings Well Connection. Loan carries an interest rate of 0.4% payable semi-annually on February 1 and August 1. (Final maturity is February 2028).	69,148
2006	\$ 800,000	Chlorine Contact Tank loan, of which \$160,000 has been forgiven; Loan carries an interest rate of 0.45% payable semi-annually on February 1 and August 1. (Final maturity is February 2031).	340,765
2013	\$ 3,858,474	Waste Water Treatments Plant upgrade loan, of which \$3,050,000 has been forgiven; Annual principal payments of \$32,415. Loan carries an interest rate of 0.0%. (Final maturity is February 2031).	421,396
2014	\$ 390,000	Water Storage Tank Refurbishment loan. Loan carries an interest rate of 0.8% payable semi-annually on February 1 and August 1. (Final maturity is February 2032).	276,417
2017	\$ 920,000	Coe Dr. and Main Street pump stations project. Loan carries a fixed interest rate of 2.875% payable in quarterly installments on August 4, November 4, February, and May 4. (Final maturity is May 2056).	719,932
Total governmental activities – long term debt			<u>\$ 2,136,045</u>

TOWN OF NEW WINDSOR, MARYLAND
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

NOTE 6: LONG – TERM DEBT (CONTINUED)

An analysis of debt service requirements to maturity on the Business-Type Activities obligations is as follows:

	Principal Requirements	Interest Requirements	Total Debt Service Requirements
2019	\$ 137,406	\$ 30,418	\$ 167,824
2020	138,363	29,461	167,824
2021	139,338	28,485	167,823
2022	140,332	27,492	167,824
2023	141,344	26,480	167,824
2024-2028	679,553	114,501	794,054
2029-2033	377,485	75,077	452,562
2034-2038	148,891	45,049	193,940
2039-2043	171,821	22,119	193,940
2044-2048	61,512	1,687	63,199
	<u>\$ 2,136,045</u>	<u>\$ 400,769</u>	<u>\$ 2,536,814</u>

NOTE 7: LEASE AGREEMENTS

The Town has four lease agreements for cell towers. Rental income for the year ended June 30, 2018 was \$109,200 recorded as Miscellaneous Income in the Statement of Revenues, Expenditures , and Changes in Fund Balances and the Statement of Activities.

NOTE 8: COMMITMENTS AND CONTINGENCIES

In the normal course of business, there are various claims and suits pending against the Town and its elected officials. Management is of the opinion that these matters will not have a material adverse effect on the Town's financial position at June 30, 2018.

The Town also 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 management, no material refunds will be required as a result of disallowed expenditures.

NOTE 9: 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 has purchased commercial insurance for risks of loss, including workers' compensation, employee health insurance, and accident insurance. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

TOWN OF NEW WINDSOR, MARYLAND
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

NOTE 10: EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN MAJOR FUND

The following major fund had an excess of actual expenditures over budget for the year ended June 30, 2018.

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Percent of Excess over Appropriations</u>
General Fund	\$ 790,500	\$ 852,732	7.87%

The excess expenditures over appropriations in the Genral Fund were funded by greater than anticipated revenues and existing fund balance.

REQUIRED
SUPPLEMENTARY
INFORMATION

TOWN OF NEW WINDSOR, MARYLAND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 534,300	\$ 534,300	\$ 548,757	\$ 14,457
Intergovernmental	124,800	124,800	127,182	2,382
Charges for Services	15,200	15,200	26,609	11,409
Miscellaneous Income	116,200	116,200	131,541	15,341
	<hr/>			
Total Revenues	790,500	790,500	834,089	43,589
	<hr/>			
Expenditures				
Current:				
General Government	238,150	238,150	308,078	(69,928)
Public Safety	112,500	112,500	36,187	76,313
Public Works	307,100	307,100	266,470	40,630
Recreation and Parks	12,250	12,250	9,740	2,510
Capital Outlay	120,500	120,500	232,257	(111,757)
	<hr/>			
Total Expenditures	790,500	790,500	852,732	(62,232)
	<hr/>			
Net Change in Fund Balance	\$ -	\$ -	\$ (18,643)	\$ (18,643)
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