

TOWN OF NEW WINDSOR
CARROLL COUNTY, MARYLAND
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

TOWN OF NEW WINDSOR, MARYLAND
YEAR ENDED JUNE 30, 2020

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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, Maryland, (the "Town"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, 2020, 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.



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

As discussed in Note 1 to the financial statements, in 2020 the Town adopted the provisions of Governmental Accounting Standard Board's Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance*". Our opinion is not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 12, a subsequent event may have a significant impact on the operations of the Town. Management has determined that it is not possible to predict the eventual outcome of the subsequent event. The accompanying financial statements do not include any adjustments related to the subsequent event. Our opinion is not modified with respect to this matter.

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 41, 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 Axelrod LLC

ZELENKOFKSKE AXELROD LLC

Harrisburg, Pennsylvania
October 27, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

June 30, 2020

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, 2020. 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, 2020.

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, 2020:

1. The assets of the Town and its business-type activities exceeded its liabilities at the close of the most recent fiscal year by \$10,665,388. Of this amount, \$2,701,097 may be used to meet the Town's ongoing obligations to citizens and creditors.
2. The Town's total net position increased by \$1,481,490.
3. The Town's total debt decreased \$242,081 due to receiving a grant of \$250,000 from the State to pay off a 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, 2020 was \$887,211, or 46% 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 its 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 \$10,665,388 and \$9,183,898 at June 30, 2020 and 2019, respectively.

Table A-1
STATEMENTS OF NET POSITION
June 30, 2020 and 2019

	2020			2019		
	Governmental activities	Business-type activities	Total	Governmental activities	Business-type activities	Total
Current and other assets	\$ 1,144,214	\$ 1,939,569	\$ 3,083,783	\$ 731,124	\$ 1,647,541	\$ 2,378,665
Capital assets	<u>2,003,248</u>	<u>8,233,211</u>	<u>10,236,459</u>	<u>1,119,988</u>	<u>8,425,733</u>	<u>9,545,721</u>
Total assets	<u>3,147,462</u>	<u>10,172,780</u>	<u>13,320,242</u>	<u>1,851,112</u>	<u>10,073,274</u>	<u>11,924,386</u>
Current portion of liabilities	272,003	266,558	538,561	172,270	275,485	447,755
Long-term portion of liabilities	<u>436,005</u>	<u>1,680,288</u>	<u>2,116,293</u>	<u>231,938</u>	<u>2,060,795</u>	<u>2,292,733</u>
Total liabilities	<u>708,008</u>	<u>1,946,846</u>	<u>2,654,854</u>	<u>404,208</u>	<u>2,336,280</u>	<u>2,740,488</u>
Net position:						
Net investment in capital assets	1,552,243	6,412,048	7,964,291	873,482	6,205,995	7,079,477
Unrestricted	<u>887,211</u>	<u>1,813,886</u>	<u>2,701,097</u>	<u>573,422</u>	<u>1,530,999</u>	<u>2,104,421</u>
Total net position	<u>\$ 2,439,454</u>	<u>\$ 8,225,934</u>	<u>\$ 10,665,388</u>	<u>\$ 1,446,904</u>	<u>\$ 7,736,994</u>	<u>\$ 9,183,898</u>

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 \$10,665,388. The largest portion of the Town's net position, 75%, reflects its net investment in capital assets (e.g., land, buildings, equipment, improvements, construction in progress and infrastructure) and the related debt used to acquire those assets that are still in service. The remaining balance of net position of \$2,701,097 or 25%, 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 2019 to 2020 in the amount of \$1,481,490.

Table A-2
STATEMENTS OF CHANGES IN NET POSITION
Years ended June 30, 2020 and 2019

	2020			2019		
	Governmental activities	Business-type activities	Total	Governmental activities	Business-type activities	Total
Revenues:						
Program revenues:						
Charges for service	\$ 34,286	\$ 1,292,436	\$ 1,326,722	\$ 31,354	\$ 1,291,938	\$ 1,323,292
Operating grants and contributions	132,816	-	132,816	297,284	-	297,284
Capital grants and contributions	638,454	250,000	888,454	-	-	-
General revenues:						
Real estate taxes	411,730	-	411,730	393,261	-	393,261
Personal property taxes	17,403	-	17,403	14,464	-	14,464
Income taxes	186,122	-	186,122	195,110	-	195,110
Other taxes	5,333	-	5,333	4,358	-	4,358
Interest and investment earnings	-	21,902	21,902	-	2,583	2,583
Miscellaneous	99,602	-	99,602	193,690	-	193,690
Total revenues	<u>1,525,746</u>	<u>1,564,338</u>	<u>3,090,084</u>	<u>1,129,521</u>	<u>1,294,521</u>	<u>2,424,042</u>
Expenses:						
General government	273,448	-	273,448	325,130	-	325,130
Public safety	20,295	-	20,295	20,000	-	20,000
Public works	263,845	-	263,845	354,898	-	354,898
Recreation and parks	52,301	-	52,301	49,809	-	49,809
Interest on long term debt	13,738	-	13,738	3,340	-	3,340
Water and Sewer	-	984,967	984,967	-	993,765	993,765
Total expenses	<u>623,627</u>	<u>984,967</u>	<u>1,608,594</u>	<u>753,177</u>	<u>993,765</u>	<u>1,746,942</u>
Increase (decrease) in net position before transfers	<u>902,119</u>	<u>579,371</u>	<u>1,481,490</u>	<u>376,344</u>	<u>300,756</u>	<u>677,100</u>
Transfers	174,572	(174,572)	-	(187,682)	187,682	-
Transfer of capital assets	(84,141)	84,141	-	187,682	(187,682)	-
Increase (decrease) in net position	992,550	488,940	1,481,490	376,344	300,756	677,100
Net position at beginning of year	<u>1,446,904</u>	<u>7,736,994</u>	<u>9,183,898</u>	<u>1,070,560</u>	<u>7,436,238</u>	<u>8,506,798</u>
Net position at end of year	<u>\$ 2,439,454</u>	<u>\$ 8,225,934</u>	<u>\$ 10,665,388</u>	<u>\$ 1,446,904</u>	<u>\$ 7,736,994</u>	<u>\$ 9,183,898</u>

Governmental Activities

Total governmental activities revenues of \$1,525,746 in 2020 were derived primarily from capital grants and contributions representing 42% of the total, followed by tax revenues at 41%, and operating grants and contributions at 9%. Capital grants and contributions increased \$638,454 primarily due to a CDBG grant for the Blue Ridge Project.

Total governmental activities expenses in 2020 were \$623,627. The expenses cover a wide range of services, with the largest being general government at \$273,448 and public works at \$263,845.

Public works expenses decreased \$91,053 as the Town had less projects as compared to the prior year.

Enterprise Funds

Business-type activities net position increased by \$488,940. Key elements of this increase are as follows:

1. Charges for services of \$1,292,436.
2. Water and Sewer expenses of \$984,967.

The Water & Sewer Fund produced \$1,564,338 in total revenues, an amount that is \$269,817 greater than fiscal year 2019 revenue. The increase is due to the Town received a grant of \$250,000 from the State during 2020 to pay off a water storage tank refurbishment loan.

Town Governmental Funds

General Fund

Total General Fund revenues of \$1,525,746 in 2020 were derived primarily from tax revenues and intergovernmental revenues representing 41% and 51%, respectively, of the total.

Total General Fund expenditures in 2020 were \$1,933,149. The expenditures cover a wide range of services, with the largest being the general government at \$262,492 and public works at \$240,368.

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 2020.

Revenue Variances:

- Overall, revenues exceeded budgeted amount by \$643,246.
- Tax Collection:
 - 2020 tax distributions were \$26,588 or 4.5%, more than budgeted. This is primarily due to an increase in local real estate tax payments from the Comptroller's office that exceeded budgeted amounts.
- Intergovernmental revenue:
 - Overall 2020 intergovernmental revenues were \$628,670 or 441% over budget for the year as the Town received a CDBG grant for the Blue Ridge Project not previously budgeted for.

Expense Variances:

- Overall, expenditures exceeded budgeted amounts by \$1,050,649.
- Capital Outlay:
 - Overall 2020 expenditures were \$828,858 over budget primarily due to the Town incurred expenditures for the College Blue Ridge Project and 209 High Street Building project.
- Debt Service Principal
 - Overall 2020 expenditures were \$313,590 over budget primarily due to the Town issuing debt to refund the 209 High Street Loan.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Town of New Windsor's total assets were \$13,320,242 as of June 30, 2020. Of this amount, \$10,236,459 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 activities as the Town incurred expenses for the 209 High Street and Blue Ridge Projects. The capital assets increased for the Business Type Activities as the Town incurred costs for a streetscape projects. The Town's capital assets for 2020 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	1,096,807	124,569
Land improvements	409,440	-
Buildings and improvements	1,250,743	-
Infrastructure	-	11,028,251
Equipment	474,212	318,556
Accumulated Depreciation / Amortization	<u>(1,251,679)</u>	<u>(3,494,401)</u>
	<u>\$ 2,003,248</u>	<u>\$ 8,233,211</u>

The Town's long term debt activity for 2020 is as follows and is detailed in Note 6 to the Financial Statements:

Type	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Loan and Bonds Payable	\$ 246,506	\$ 497,384	\$ (340,890)	\$ 403,000
Total Governmental Activities Long-Term Debt	<u>\$ 246,506</u>	<u>\$ 497,384</u>	<u>\$ (340,890)</u>	<u>\$ 403,000</u>
Business-Type Activities:				
Loans and Bonds Payable	\$ 2,219,738	\$ -	\$ (398,575)	\$ 1,821,163
Total Business-Type Activities Long-Term Debt	<u>\$ 2,219,738</u>	<u>\$ -</u>	<u>\$ (398,575)</u>	<u>\$ 1,821,163</u>

At the end of 2020, the Town's long-term debt was \$2,224,163. Debt decreased during 2020 as the Town received a grant from the State to pay off an outstanding loan. The Town also issued the 2019 Series B Infrastructure Bond to refinance the 209 High Street Loan and to fund renovations to the 209 High Street Building. 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 if next year is a reassessment year. The operating

costs in the general and enterprise funds are expected to increase due to fuel and labor costs inflationary factors. The global pandemic due to the spread of the COVID-19 coronavirus may have a significant effect on the revenues of the Town as discussed in Note 12 to the financial statements.

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, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 659,210	\$ 1,212,291	\$ 1,871,501
Investments	179,146	820,082	999,228
Receivables			
Accounts	90,858	26,027	116,885
Restricted Cash	-	96,169	96,169
Internal Balances	215,000	(215,000)	-
Capital Assets Not Being Depreciated	1,120,532	380,805	1,501,337
Capital Assets Being Depreciated, Net of Depreciation	882,716	7,852,406	8,735,122
Total Assets	<u>3,147,462</u>	<u>10,172,780</u>	<u>13,320,242</u>
Liabilities			
Accounts Payable and Accrued Expenses	257,003	29,514	286,517
Other Current Liabilities	-	96,169	96,169
Current Portions of Long Term Liabilities:			
Bonds and Loans Payable	15,000	140,875	155,875
Non-Current Portions of Long Term Liabilities:			
Bonds and Loans Payable	436,005	1,680,288	2,116,293
Total Liabilities	<u>708,008</u>	<u>1,946,846</u>	<u>2,654,854</u>
Net Position			
Net Investment In Capital Assets	1,552,243	6,412,048	7,964,291
Unrestricted	887,211	1,813,886	2,701,097
Total Net Position	<u>\$ 2,439,454</u>	<u>\$ 8,225,934</u>	<u>\$ 10,665,388</u>

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

TOWN OF NEW WINDSOR, MARYLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	\$ 273,448	\$ 34,286	\$ 132,816	\$ -	\$ (106,346)	\$ -	\$ (106,346)
Public Safety	20,295	-	-	-	(20,295)	-	(20,295)
Public Works	263,845	-	-	638,454	374,609	-	374,609
Recreation and Parks	52,301	-	-	-	(52,301)	-	(52,301)
Interest on Long-Term Debt	13,738	-	-	-	(13,738)	-	(13,738)
Total Governmental Activities	<u>623,627</u>	<u>34,286</u>	<u>132,816</u>	<u>638,454</u>	<u>181,929</u>	<u>-</u>	<u>181,929</u>
Business-type Activities:							
Water and Sewer	984,967	1,292,436	-	250,000	-	557,469	557,469
	<u>984,967</u>	<u>1,292,436</u>	<u>-</u>	<u>250,000</u>	<u>-</u>	<u>557,469</u>	<u>557,469</u>
Total Primary Government	<u>\$ 1,608,594</u>	<u>\$ 1,326,722</u>	<u>\$ 132,816</u>	<u>\$ 888,454</u>	<u>181,929</u>	<u>557,469</u>	<u>739,398</u>
General Revenues and Transfers:							
Taxes:							
Real Estate Taxes					411,730	-	411,730
Personal Property Taxes					17,403	-	17,403
Income Taxes					186,122	-	186,122
Other Taxes					5,333	-	5,333
Interest and Investment Earnings					-	21,902	21,902
Miscellaneous					99,602	-	99,602
Transfers					174,572	(174,572)	-
Transfer of Capital Assets					(84,141)	84,141	-
Total General Revenues and Transfers					<u>810,621</u>	<u>(68,529)</u>	<u>742,092</u>
Change in Net Position					992,550	488,940	1,481,490
Net Position - Beginning					1,446,904	7,736,994	9,183,898
Net Position - Ending					<u>\$ 2,439,454</u>	<u>\$ 8,225,934</u>	<u>\$ 10,665,388</u>

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

TOWN OF NEW WINDSOR, MARYLAND
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2020

	General Fund
<u>Assets</u>	
Cash and Cash Equivalents	\$ 659,210
Investments	179,146
Due From Other Funds	215,000
Accounts Receivable	90,858
Total Assets	\$ 1,144,214
<u>Liabilities</u>	
Accounts Payable and Accrued Liabilities	\$ 257,003
Total Liabilities	257,003
<u>Fund Balances</u>	
Unassigned	887,211
Total Fund Balances	887,211
Total Liabilities and Fund Balances	\$ 1,144,214

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

TOWN OF NEW WINDSOR, MARYLAND
 RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION
 JUNE 30, 2020

Total fund balances for governmental funds \$ 887,211

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	1,096,807	
Land improvements, net of \$200,177 accumulated depreciation	209,263	
Buildings and improvements, net of \$631,570 accumulated depreciation	619,173	
Equipment, net of \$419,932 accumulated depreciation	<u>54,280</u>	
 Total capital assets		 2,003,248

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, 2020 are:

Bonds Payable	(403,000)	
Bond Premium	(48,005)	
		<u>(451,005)</u>

Total net position of governmental activities \$ 2,439,454

TOWN OF NEW WINDSOR, MARYLAND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL
 FUND
 FOR THE YEAR ENDED JUNE 30, 2020

	General
<u>Revenues</u>	
Taxes	\$ 620,588
Intergovernmental	771,270
Charges for Services	34,286
Miscellaneous Income	99,602
Total Revenues	1,525,746
<u>Expenditures</u>	
Current:	
General Government	262,492
Public Safety	20,295
Public Works	240,368
Recreation and Parks	8,477
Debt Service:	
Principal	340,890
Interest	14,969
Capital Outlay	1,045,658
Total Expenditures	1,933,149
Excess (Deficiency) of Revenues Over (Under) Expenditures	(407,403)
<u>Other Financing Sources (Uses)</u>	
Proceeds from Issuance of Bonds	164,878
Proceeds from Issuance of Refunding Bonds	332,506
Bond Premium	49,236
Transfer In	215,000
Transfer Out	(40,428)
Total Other Financing Sources	721,192
Net Change in Fund Balances	313,789
Fund Balances - Beginning of year	573,422
Fund Balances - End of year	\$ 887,211

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 FUND TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2020

Net change in fund balances - total governmental fund \$ 313,789

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 \$1,045,658 exceeded depreciation (\$78,257) and transfer of capital assets to the business type activity (\$84,141) in the current period. 883,260

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. The issuance of debt does not affect the Statement of Activities since it increases long-term liabilities in the Statement of Net Position. The amounts related to the above items that make up the differences are:

Proceeds from issuance of bonds	(164,878)
Proceeds from issuance of refunding bonds	(332,506)
Principal payments on loan and bonds payable	340,890

Government fund report the effect of issuance costs and premiums, when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities

Bond Premium (Net)	<u>(48,005)</u>
	<u><u>\$ 992,550</u></u>

TOWN OF NEW WINDSOR, MARYLAND
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2020

	Proprietary Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 1,212,291
Investments	820,082
Restricted Cash	96,169
Account Receivable	26,027
Total Current Assets	2,154,569
Noncurrent Assets	
Capital Assets Not Being Depreciated	380,805
Capital Assets Being Depreciated, Net of Depreciation	7,852,406
Total Noncurrent Assets	8,233,211
Total Assets	10,387,780
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	29,514
Due to Other Funds	215,000
Other Liabilities	96,169
Bonds and Loans Payable - Current Portion	140,875
Total Current Liabilities	481,558
Noncurrent Liabilities:	
Bonds and Loans Payable - Due in More Than One Year	1,680,288
Total Noncurrent Liabilities	1,680,288
Total Liabilities	2,161,846
NET POSITION	
Net Investment in Capital Assets	6,412,048
Unrestricted	1,813,886
Total Net Position	\$ 8,225,934

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, 2020

	Proprietary Fund
Operating Revenues	
Water Charges	\$ 629,091
Sewer Charges	599,312
Sprinkler Charges	3,857
Miscellaneous	60,176
Total Operating Revenues	1,292,436
Operating Expenses	
Salaries	260,282
Utilities	51,809
Supplies	89,897
Depreciation	329,690
Maintenance	193,808
Miscellaneous	23,228
Total Operating Expenses	948,714
Operating Income	343,722
Nonoperating Revenues (Expenses)	
Interest Income	21,902
Interest Expense	(36,253)
Nonoperating Expenses	(14,351)
Income Before Transfers and Capital Contributions	329,371
Capital Grant	250,000
Transfer of Capital Assets	84,141
Transfer In	40,428
Transfer Out	(215,000)
Changes in Net Position	488,940
Total Net Position - Beginning of Year	7,736,994
Total Net Position - End of Year	\$ 8,225,934

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, 2020

	Proprietary Fund
Cash Flows From Operating Activities	
Receipts from Customers	\$ 1,280,586
Payments to:	
Employees for salaries, payroll taxes and benefits	(260,282)
Suppliers for Operations	(349,601)
	670,703
Net Cash Provided by Operating Activities	670,703
Cash Flows from Investing Activities	
Investment purchases	(20,082)
Interest Income	21,902
	1,820
Net Cash Provided by/(Used In) Investing Activities	1,820
Cash Flows from Capital and Related Financing Activities	
Capital Grant Received	250,000
Purchases of Capital Assets	(12,599)
Principal paid on bonds and notes	(398,575)
Interest paid on bonds and notes	(36,253)
	(197,427)
Net Cash Used in Capital and Related Financing Activities	(197,427)
Net Increase (Decrease) in Cash and Cash Equivalents	475,096
Cash and Cash Equivalents, Beginning of Year	833,364
Cash and Cash Equivalents, End of Year	\$ 1,308,460
Presented in Financial Statements as:	
Cash and Cash Equivalents	\$ 1,212,291
Restricted Cash	96,169
	\$ 1,308,460
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 343,722
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	329,690
Change in Assets and Liabilities	
Accounts Receivable	(11,850)
Accounts Payable and Accrued Liabilities	9,141
	9,141
Net Cash Provided by Operating Activities	\$ 670,703
Noncash Activities:	
Transfer of Capital Assets and Capital Expenses from Governmental Activities	124,569
Transfer Out	215,000

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, 2020

	<u>Nonexpendable Trust</u>	<u>Agency Fund</u>
ASSETS		
Investments	<u>\$ 19,504</u>	<u>\$ 204,628</u>
Total Assets	<u>19,504</u>	<u>204,628</u>
LIABILITIES		
Other Liabilities	<u>-</u>	<u>204,628</u>
Total Liabilities	<u>-</u>	<u>204,628</u>
NET POSITION		
Held in Trust For Walnut Grove Maintenance	<u>19,504</u>	<u>-</u>
Total Net Position	<u><u>\$ 19,504</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, 2020

	Nonexpendable Trust
Additions	
Net depreciation in fair value of investments	\$ (918)
Total Additions	(918)
Deductions	
Maintenance costs	-
Total Deductions	-
Changes In Net Position	(918)
Total Net Position - Beginning of Year	20,422
Total Net Position - End of Year	\$ 19,504

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

TOWN OF NEW WINDSOR, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020

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 tax revenues to be available if they are collected within 60 days and all other revenues to be available if they are collected within 180 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, 2020

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 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 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, 2020

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.

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, 2020

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, 2020

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, 2020

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 provisions of GASB Statement No. 95 "*Postponement of the Effective Dates of Certain Authoritative Guidance*", which extends the effective dates of certain accounting and financial reporting provisions in Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018. The adoption of this statement resulted in the Town extending the effective dates of certain GASB Statements.

TOWN OF NEW WINDSOR, MARYLAND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

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 January 2017, the GASB issued Statement No. 84, "*Fiduciary Activities*". The Town is required to adopt statement No. 84 for its fiscal year 2021 financial statements.

In June 2017, the GASB issued Statement No. 87, "*Leases*". The Town is required to adopt statement No. 87 for its fiscal year 2022 financial statements.

In June 2018, the GASB issued 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 2022 financial statements.

In August 2018, the GASB issued Statement No. 90, "*Majority Equity Interest – An Amendment of GASB Statements No. 14 and No. 61*". The Town is required to adopt statement No. 90 for its fiscal year 2021 financial statements.

In May 2019, the GASB issued Statement No. 91, "*Conduit Debt Obligations*". The Town is required to adopt statement No. 91 for its fiscal year 2023 financial statements.

In January 2020, the GASB issued Statement No. 92, "*Omnibus 2020*". The Town is required to adopt statement No. 92 for its fiscal year 2022 financial statements.

In March 2020, the GASB issued Statement No. 93, "*Replacement of Interbank Offered Rates*". The Town is required to adopt the provisions of Statement No. 93 for its fiscal year 2021 financial statements, except for the requirements of paragraphs 11b, 13, and 14, which are effective for the Town's fiscal year 2022 financial statements.

In March 2020, the GASB issued Statement No. 94, "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*". The Town is required to adopt statement No. 94 for its fiscal year 2023 financial statements.

In May 2020, the GASB issued Statement No. 96, "*Subscription-Based Information Technology Arrangements*". The Town is required to adopt statement No. 96 for its fiscal year 2023 financial statements.

In June 2020, the GASB issued Statement No. 97, "*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*". The Town is required to adopt the remaining provisions of Statement No. 97 for its fiscal year 2022 financial statements.

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

TOWN OF NEW WINDSOR, MARYLAND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

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

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.

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.

TOWN OF NEW WINDSOR, MARYLAND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

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, 2020, 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 \$1,967,670 and the bank balances were \$1,968,372.

TOWN OF NEW WINDSOR, MARYLAND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

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 and collateralized with securities held in the Town's name.

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, 2020, 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	\$ 40,963	\$ 40,963	\$ -	\$ -
Certificates of Deposit	1,157,249	1,141,770	15,479	-
Fixed Income Mutal Fund	25,148	25,148		
Total	<u>\$ 1,223,360</u>	<u>\$ 1,207,881</u>	<u>\$ 15,479</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, 2020, 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, 2020, none of the Town's investments were exposed to concentration of credit risk.

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, 2020

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, 2020:

	Fair Value Measurements Using			
	06/30/20	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 Funds	\$ 40,963	\$ 40,963	\$ -	\$ -
Certificates of Deposit	1,157,249	1,157,249	-	-
Fixed Income Mutual Fund	25,148	25,148		
Total investments by fair value level	\$ 1,223,360	\$ 1,223,360	\$ -	\$ -

Money market funds, certificates of deposit, and fixed income mutual funds 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 Statements of Net Position. Business - Type Activities restricted cash of \$96,169 is comprised of 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 2020.

TOWN OF NEW WINDSOR, MARYLAND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 5: CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2020 is as follows:

	Beginning Balance	Additions	Reductions/ Transfers	Ending Balance
<u>Governmental activities</u>				
Capital assets not being depreciated (cost):				
Land	\$ 23,725	\$ -	\$ -	\$ 23,725
Construction in progress	652,881	891,824	(447,898)	1,096,807
Total capital assets not being depreciated	<u>676,606</u>	<u>891,824</u>	<u>(447,898)</u>	<u>1,120,532</u>
Capital assets being depreciated (cost):				
Land improvements	409,440	-	-	409,440
Buildings and improvements	733,152	517,591	-	1,250,743
Equipment	474,212	-	-	474,212
Total capital assets being depreciated	<u>1,616,804</u>	<u>517,591</u>	<u>-</u>	<u>2,134,395</u>
Less accumulated depreciation for:				
Land improvements	(175,538)	(24,639)	-	(200,177)
Buildings and improvements	(593,843)	(37,727)	-	(631,570)
Equipment	(404,041)	(15,891)	-	(419,932)
Total accumulated depreciation	<u>(1,173,422)</u>	<u>(78,257)</u>	<u>-</u>	<u>(1,251,679)</u>
Total capital assets being depreciated, net	<u>443,382</u>	<u>439,334</u>	<u>-</u>	<u>882,716</u>
Total capital assets, governmental activities	<u>\$ 1,119,988</u>	<u>\$ 1,331,158</u>	<u>\$ (447,898)</u>	<u>\$ 2,003,248</u>

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

<u>Governmental activities</u>	
General government	\$ 10,956
Public works	23,477
Parks, recreation, and culture	<u>43,824</u>
Total depreciation expense – governmental activities	<u>\$ 78,257</u>

TOWN OF NEW WINDSOR, MARYLAND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 5: CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Additions/ Transfers	Reductions	Ending Balance
<u>Business-Type Activities</u>				
Capital assets not being depreciated (cost):				
Land	\$ 256,236	\$ -	\$ -	\$ 256,236
Construction in progress	-	124,569	-	124,569
Total capital assets not being depreciated	<u>256,236</u>	<u>124,569</u>	<u>-</u>	<u>380,805</u>
Capital assets being depreciated (cost):				
Infrastructure	11,028,251	-	-	11,028,251
Equipment	305,957	12,599	-	318,556
Total capital assets being depreciated	<u>11,334,208</u>	<u>12,599</u>	<u>-</u>	<u>11,346,807</u>
Less accumulated depreciation for:				
Infrastructure	(2,942,348)	(309,782)	-	(3,252,130)
Equipment	(222,363)	(19,908)	-	(242,271)
Total accumulated depreciation	<u>(3,164,711)</u>	<u>(329,690)</u>	<u>-</u>	<u>(3,494,401)</u>
Total capital assets being depreciated, net	<u>8,169,497</u>	<u>(317,091)</u>	<u>-</u>	<u>7,852,406</u>
Total capital assets, business-type activities	<u>\$ 8,425,733</u>	<u>\$ (192,522)</u>	<u>\$ -</u>	<u>\$ 8,233,211</u>

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

<u>Business-Type Activities:</u>	
Water	<u>\$ 329,690</u>

TOWN OF NEW WINDSOR, MARYLAND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

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, 2020:

	Beginning Balance	Additions	Reductions/ Transfers	Ending Balance	Due Within One Year
Bonds from direct borrowings	\$ 246,506	\$ 86,000	\$ 332,506	\$ -	\$ -
General Obligation Bonds	-	411,384	8,384	403,000	15,000
	<u>\$ 246,506</u>	<u>\$ 497,384</u>	<u>\$ 340,890</u>	<u>\$ 403,000</u>	<u>\$ 15,000</u>

In November 2019, the Town issued the 2019 Series B Infrastructure Bond in the amount of \$411,384. The principal of this bond is payable in annual installments increasing from \$8,384 beginning in 2020 to \$29,500 in 2039. The interest rate is 2.99%. The Town paid issuance costs of \$20,789 and the issued Bonds included a bond premium of \$49,236. The proceeds were used to currently refund 209 High Street Loan and to fund building renovations at 209 High Street. The Town received \$411,384 as a result of the issuance that was reported as other financing sources proceeds from refunding bonds and proceeds from the issuance of bonds in the General Fund. A payment of \$332,506 was made to redeem the Loan Payable and was recorded in the General Fund in the Statement of Revenues, Expenditures, and Changes in Fund Balances as a principal debt service expenditure. The bonds increased debt service payments for the Town by \$118,505 and resulted in an economic loss of \$59,066.

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, 2020
2020	\$ 411,384	GOB Series 2019 – to currently refund the 209 High Street Loan and to be used for 209 High Street renovations. Loan carries an interest rate of 2.99%, payable semi-annually on April 1 and October 1. Final maturity in April 2039.	\$ 403,000
Total governmental activities – long term debt			<u>\$ 403,000</u>

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

	General Obligation Bonds		
	Principal Requirements	Interest Requirements	Total Debt Service Requirements
2021	\$ 15,000	\$ 16,614	\$ 31,614
2022	15,500	16,142	31,642
2023	15,500	15,654	31,154
2024	16,500	15,010	31,510
2025	17,000	14,326	31,326
2026-2030	95,500	60,517	156,017
2031-2035	117,000	39,099	156,099
2036-2040	111,000	12,724	123,724
	<u>\$ 403,000</u>	<u>\$ 190,086</u>	<u>\$ 593,086</u>

TOWN OF NEW WINDSOR, MARYLAND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

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, 2020:

	Beginning Balance	Additions/ Transfers	Reductions	Ending Balance	Due Within One Year
Loans from direct borrowings	\$ 221,099	\$ -	\$ 23,580	\$ 197,519	\$ 21,668
General obligation bonds	1,998,639	-	374,995	1,623,644	119,207
	<u>\$ 2,219,738</u>	<u>\$ -</u>	<u>\$ 398,575</u>	<u>\$ 1,821,163</u>	<u>\$ 140,875</u>

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

Date of Issue	Amount of Original Issue	Purpose	Balance Outstanding at June 30, 2020
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 in February 2027).	\$ 239,220
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 in February 2028).	55,539
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 in February 2031).	289,483
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 in February 2031).	356,565
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 in May 2056).	682,837
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% (Final Maturity in March 2028) .	197,519
Total business-type activities – long term debt			<u>\$ 1,821,163</u>

TOWN OF NEW WINDSOR, MARYLAND
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

NOTE 6: LONG – TERM DEBT (CONTINUED)

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

	Bonds		Loans from Direct Borrowings		Total Debt Service Requirements
	Principal	Interest	Principal	Interest	
2021	\$ 119,207	\$ 25,531	\$ 21,668	\$ 9,712	\$ 176,118
2022	120,040	24,699	22,757	8,623	176,119
2023	120,889	23,849	23,930	7,449	176,117
2024	121,757	22,982	25,164	6,216	176,119
2025	122,643	22,095	26,461	4,918	176,117
2026-2030	498,003	90,152	77,539	6,276	671,970
2031-2035	195,890	58,763	-	-	254,653
2036-2040	157,671	36,269	-	-	193,940
2041-2045	167,544	12,020	-	-	179,564
	\$ 1,623,644	\$ 316,360	\$ 197,519	\$ 43,194	\$ 2,180,717

NOTE 7: LEASE AGREEMENTS

The Town has four lease agreements for cell towers. Rental income for the year ended June 30, 2020 was \$118,868 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, 2020.

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, 2020

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, 2020.

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Percent of Excess over Appropriations</u>
General Fund	\$ 882,500	\$ 1,933,149	119.05%

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

NOTE 11: INTERFUND ACCOUNTS

Individual fund "due from other funds" and "due to other funds" balances at June 30, 2020, are as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Governmental fund		
General Fund	\$ 215,000	\$ -
Proprietary Fund		
Water/Sewer Fund	-	215,000
Total	\$ 215,000	\$ 215,000

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided, (2) reimbursable expenditures occur and (3) payments between funds are made.

Individual fund "transfers in" and "transfers out" are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental fund		
General Fund	\$ 215,000	\$ 40,428
Proprietary Fund		
Water/Sewer Fund	40,428	215,000
Total	\$ 255,428	\$ 255,428

Transfers in for the general fund from the proprietary fund are reimbursements for expenditures paid for the Street Scape Project.

In addition, Governmental Activities transferred \$84,141 of capital assets to the Proprietary Fund for the Street Scape Project.

TOWN OF NEW WINDSOR, MARYLAND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 12: SUBSEQUENT EVENTS

Several months prior to year-end, a global pandemic due to the spread of the COVID-19 coronavirus caused the United States government to declare a national emergency. The pandemic has led to widespread voluntary and government-mandated closings of local stores and businesses, which has resulted in significant job losses. These job losses have the potential to have a significant impact on all aspects of the Town's operations. In addition, due to the temporary closure of all businesses that are not deemed life sustaining, State and Federal tax revenues are also significantly decreased. This decrease could result in less grant money that is relied upon by local municipalities to fund specific projects. In addition, the Town's own source revenue or derived revenues could be affected negatively. Overall, decreased funding could result in the Town having to curtail or eliminate some services.

Subsequent events for the Town of New Windsor as of and for the year ended June 30, 2020, were evaluated through October 27, 2020, and no additional material subsequent events exist that require disclosure.

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, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
<u>Revenues</u>				
Taxes	\$ 594,000	\$ 594,000	\$ 620,588	\$ 26,588
Intergovernmental	142,600	142,600	771,270	628,670
Charges for Services	26,000	26,000	34,286	8,286
Miscellaneous Income	119,900	119,900	99,602	(20,298)
Total Revenues	<u>882,500</u>	<u>882,500</u>	<u>1,525,746</u>	<u>643,246</u>
<u>Expenditures</u>				
Current:				
General Government	285,880	285,880	262,492	23,388
Public Safety	25,500	25,500	20,295	5,205
Public Works	311,020	311,020	240,368	70,652
Recreation and Parks	16,000	16,000	8,477	7,523
Debt Service:				
Principal	27,300	27,300	340,890	(313,590)
Interest	-	-	14,969	(14,969)
Capital Outlay	216,800	216,800	1,045,658	(828,858)
Total Expenditures	<u>882,500</u>	<u>882,500</u>	<u>1,933,149</u>	<u>(1,050,649)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>(407,403)</u>	<u>(407,403)</u>
<u>Other Financing Sources (Uses)</u>				
Proceeds from Issuance of Bonds	-	-	164,878	164,878
Proceeds from Issuance of Refunding Bonds	-	-	332,506	332,506
Bond Premium	-	-	49,236	49,236
Transfer In	-	-	215,000	215,000
Transfer Out	-	-	(40,428)	(40,428)
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>721,192</u>	<u>721,192</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 313,789</u>	<u>\$ 313,789</u>