

# **The Town of New Market, Maryland**

**FINANCIAL STATEMENTS AND REPORT  
OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

**FOR THE YEAR ENDED JUNE 30, 2012**



**DRAPER & MCGINLEY, P.A.**  
**CERTIFIED PUBLIC ACCOUNTANTS • FINANCIAL CONSULTANTS**  
**FREDERICK, MARYLAND**  
**HAGERSTOWN, MARYLAND**

**THE TOWN OF NEW MARKET, MARYLAND**  
**SUMMARY OF ELECTED AND APPOINTED OFFICIALS**

**JUNE 30, 2012**

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**MAYOR**

Winslow F. Burhans, III

**COUNCIL MEMBERS**

Rita Mueller

Dennis Kimble

Lawrence "Jake" Romanell

Shannon "Shane" Rossman

David Price

**TOWN CLERK**

Karen Durbin

Debra Butler

**TOWN AUDITOR**

Draper & McGinley, P.A.

**TOWN ATTORNEY**

William Wantz

# **THE TOWN OF NEW MARKET, MARYLAND**

## **FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

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### **REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

To the Mayor and Council of the  
Town of New Market, Maryland

We have audited the accompanying financial statements of the governmental activities and each major fund, of the Town of New Market, Maryland as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. The financial statements are the responsibility of the Town of New Market, Maryland's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund, of the Town of New Market, Maryland as of June 30, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 through 7 and 22 through 24 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.

*Drapen & McGinley P.A.*

Frederick, Maryland  
October 29, 2012

**TOWN OF NEW MARKET, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012**

This discussion and analysis of the Town of New Market, Maryland's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2012. Please read in conjunction with the basic financial statements and the accompanying notes to those financial statements.

**FINANCIAL HIGHLIGHTS**

1. The Town's government-wide assets exceeded its liabilities at the close of the most recent fiscal year by \$1,783,800.
2. Of the Town's net assets \$844,745 is invested in capital assets and \$939,055 is unrestricted.
3. The Town's capital assets net of accumulated depreciation were \$844,745
4. The Town's liabilities were \$2,181, down \$24,257 from the prior year.
5. As of the close of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$939,055, an increase from the prior year of \$123,245. Of this balance, \$16,773 is nonspendable and the remaining \$922,282. is unassigned.
6. The Town has no outstanding debt as of June 30, 2012.
7. As of June 30, 2012, the Town had general fund revenues of \$434,183 (down \$25,035. or 5% from the prior year).
8. As of June 30, 2012, the Town had general fund expenditures of \$310,937 (down \$79,827 or 20% from the prior year).

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components:

1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. Other factors to consider are discussed on page 6.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

The government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Town include general government, public safety, public works and recreation and culture.

The government-wide financial statements can be found on pages 8 - 9 of this report.

**TOWN OF NEW MARKET, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS -continued  
FOR THE YEAR ENDED JUNE 30, 2012**

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town's only fund is the General Fund.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflow and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful on evaluating a government's near term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental fund with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in the fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains a single governmental fund: the general fund. The information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the general fund.

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

The basic governmental fund financial statements can be found on pages 10 - 11 of this report.

**Notes to basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 - 21 of this report.

**Other supplementary information.** The statement on pages 22 - 24 of this report provides additional information about the Town's revenues and expenditures as compared to the original and final budgets.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of New Market, assets exceeded liabilities by \$1,783,800 at the close of the most recent fiscal year.

The largest portion of the Town's assets, \$844,745 (47%) is invested in capital assets. Also, \$822,698 (46%) consists of cash and investments.

**TOWN OF NEW MARKET, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS - continued  
FOR THE YEAR ENDED JUNE 30, 2012  
CONDENSED STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2012 AND 2011**

	Governmental Activities		Total Government	
	2012	2011	2012	2011
<b>ASSETS</b>				
Current and Other Assets	\$ 941,236	\$ 842,248	\$ 941,236	\$ 842,248
Capital Assets, net	844,745	876,076	844,745	876,076
<b>TOTAL ASSETS</b>	<b>1,785,981</b>	<b>1,718,324</b>	<b>1,785,981</b>	<b>1,718,324</b>
<b>LIABILITIES</b>				
Other Liabilities	2,181	26,438	2,181	26,438
<b>TOTAL LIABILITIES</b>	<b>2,181</b>	<b>26,438</b>	<b>2,181</b>	<b>26,438</b>
<b>NET ASSETS</b>				
Invested in capital assets	844,745	876,076	844,745	876,076
Unrestricted	939,055	815,810	939,055	815,810
<b>TOTAL NET ASSETS</b>	<b>\$ 1,783,800</b>	<b>\$ 1,691,886</b>	<b>\$ 1,783,800</b>	<b>\$ 1,691,886</b>

The Town of New Market, Maryland has sufficient funds to meet requirements for cash outflows for the next fiscal year as well as planned capital improvements.

At the end of the current fiscal year, the Town is able to report positive balances in the two categories of net assets.

	Governmental Activities		Total Government	
	2012	2011	2012	2011
<b>REVENUES</b>				
Program Revenues				
Charges for services	\$ 26,981	\$ 20,975	\$ 26,981	\$ 20,975
Operating Grants and Contributions	14,814	3,394	14,814	3,394
Capital Grants and Contributions	6,794	3,710	6,794	3,710
General Revenues				
Taxes	371,075	337,048	371,075	337,048
Intergovernmental	7,996	7,996	7,996	7,996
Interest	5,470	5,430	5,470	5,430
Miscellaneous	1,050	5,287	1,050	5,287
	<b>434,180</b>	<b>383,840</b>	<b>434,180</b>	<b>383,840</b>
<b>PROGRAM EXPENSES</b>				
General Government	174,222	211,249	174,222	211,249
Public safety	7,200	13,950	7,200	13,950
Public Works	152,653	138,208	152,653	138,208
Recreation and Culture	8,191	11,300	8,191	11,300
<b>TOTAL PROGRAM EXPENSES</b>	<b>342,266</b>	<b>374,707</b>	<b>342,266</b>	<b>374,707</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ 91,914</b>	<b>\$ 9,133</b>	<b>\$ 91,914</b>	<b>\$ 9,133</b>



**TOWN OF NEW MARKET, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS - continued  
FOR THE YEAR ENDED JUNE 30, 2012**

**Governmental Activities.** The change in net assets for governmental activities in fiscal year 2012 was \$91,914, an increase of approximately \$83,000 from the prior year. Overall, revenues increased \$50,000 from the prior year. The increase was attributable to increases in taxes of \$34,000 as well as an increase in grants of \$11,100. In addition, expenses were down \$32,000 from the prior year, largely related to bad debt expense reported in the prior year.

**Financial Analysis of the Government's Funds**

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

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

As of the end of the current fiscal year, the Town's governmental funds reported a fund balance of \$939,055. The excess of revenues over expenditures was \$123,245.

**General Fund Budgetary Highlights**

For the year ended June 30, 2012, general fund revenues exceeded budgetary estimates by \$77,425. Expenditures were less than budgeted appropriations by \$19,833.

The original and final budgets can be found on pages 22 - 24 of this report. Budget amendments were made during the year when changes became known. Although there were several budget amendments, none were significant in amount.

**TOWN OF NEW MARKET, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS - continued  
FOR THE YEAR ENDED JUNE 30, 2012**

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

The following factors were considered in preparing the Town's budget for the 2012-2013 fiscal year:

1. The current tax rate will not change.
2. Expectation that real property taxes will remain comparable to FY 2012.
3. Income taxes have been budgeted at \$110,000 which is less than actual FY 2012 results
4. Legal fees will continue due to the ongoing Friends of Frederick County lawsuit.

**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 Clerk, P.O. Box 27, New Market, MD 21774.

**THE TOWN OF NEW MARKET, MARYLAND**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

	<u>Governmental Activities</u>	<u>Total</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents		
- Unrestricted	\$ 530,576	\$ 530,576
- Restricted for specific purposes	3,778	3,778
Investments	288,344	288,344
Accounts receivable, net	32,529	32,529
Amounts due from other governmental units	69,236	69,236
Prepaid expenses	<u>16,773</u>	<u>16,773</u>
 Total Current Assets	 941,236	 941,236
<b>Capital Assets</b>		
Land	130,678	130,678
Infrastructure	674,631	674,631
Other improvements	100,115	100,115
Building and building improvements	267,988	267,988
Furniture and equipment	9,271	9,271
Construction in progress	<u>6,794</u>	<u>6,794</u>
	1,189,477	1,189,477
Less: Accumulated depreciation	<u>(344,732)</u>	<u>(344,732)</u>
Capital Assets, net	<u>844,745</u>	<u>844,745</u>
 Total Assets	 <u>1,785,981</u>	 <u>1,785,981</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	1,112	1,112
Escrow liabilities	1,000	1,000
Deferred revenue	<u>69</u>	<u>69</u>
Total Liabilities	<u>2,181</u>	<u>2,181</u>
<b>Net Assets</b>		
Invested in capital assets	844,745	844,745
Unrestricted	<u>939,055</u>	<u>939,055</u>
Total Net Assets	<u>\$ 1,783,800</u>	<u>\$ 1,783,800</u>

The accompanying notes are an integral part of this statement.

**THE TOWN OF NEW MARKET, MARYLAND**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Primary government					
Governmental activities					
General government	\$ 174,222	\$ 7,474	\$ 5,000	\$ -	\$ (161,748)
Public safety	7,200	-	-	-	(7,200)
Public works	152,653	19,507	9,814	-	(123,332)
Recreation and culture	8,191	-	-	6,794	(1,397)
Total Governmental activities	<u>342,266</u>	<u>26,981</u>	<u>14,814</u>	<u>6,794</u>	<u>(293,677)</u>
General Revenues					
Taxes					
Real estate taxes					142,720
Personal property taxes					17,812
Income taxes					127,423
Admission and amusement taxes					83,120
County tax equity					7,996
Interest income					5,470
Miscellaneous					1,050
Total general revenues					<u>385,591</u>
Change in net assets					<u>91,914</u>
Net assets - beginning of year					<u>1,691,886</u>
Net assets - end of year					<u>\$ 1,783,800</u>

**THE TOWN OF NEW MARKET, MARYLAND**  
**BALANCE SHEET**  
**GOVERNMENTAL FUND**  
**JUNE 30, 2012**

	<u>General</u>	<u>Total Governmental Fund</u>
<b>Assets</b>		
Cash and cash equivalents - unrestricted	\$ 530,576	\$ 530,576
Restricted cash	3,778	3,778
Investments	288,344	288,344
Accounts receivable	32,529	32,529
Amounts due from other governmental units	69,236	69,236
Prepaid expenses	<u>16,773</u>	<u>16,773</u>
<b>Total Assets</b>	<b><u>\$ 941,236</u></b>	<b><u>\$ 941,236</u></b>
 <b>Liabilities and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 1,112	\$ 1,112
Escrow liabilities	1,000	1,000
Deferred revenue	<u>69</u>	<u>69</u>
<b>Total Liabilities</b>	<b><u>2,181</u></b>	<b><u>2,181</u></b>
 <b>Fund Balance</b>		
Nonspendable	16,773	16,773
Restricted	-	-
Committed	-	-
Assigned	-	-
Unassigned	<u>922,282</u>	<u>922,282</u>
<b>Total Fund Balance</b>	<b><u>939,055</u></b>	<b><u>939,055</u></b>
 <b>Total Liabilities and Fund Balance</b>	 <b><u>\$ 941,236</u></b>	 <b><u>\$ 941,236</u></b>

The accompanying notes are an integral part of this statement.

**THE TOWN OF NEW MARKET, MARYLAND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - GOVERNMENTAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<u>General</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>		
Local property taxes	\$ 160,533	\$ 160,533
Local income taxes	127,423	127,423
Admissions and amusement taxes	83,120	83,120
Licenses and permits	7,475	7,475
Intergovernmental revenues	29,604	29,604
Service charges	19,508	19,508
Miscellaneous	<u>6,520</u>	<u>6,520</u>
Total Revenues	<u>434,183</u>	<u>434,183</u>
<b>Expenditures</b>		
General government	167,319	167,319
Public safety	7,200	7,200
Public works	132,564	132,564
Recreation and culture	<u>3,855</u>	<u>3,855</u>
Total Expenditures	<u>310,938</u>	<u>310,938</u>
 Excess of Revenues over Expenditures	 123,245	 123,245
 Fund Balance - July 1, 2011	 <u>815,810</u>	
<b>Fund Balance - June 30, 2012</b>	<b><u>\$ 939,055</u></b>	
<b>Adjustments for the Statement of Activities</b>		
Depreciation expense		(34,425)
Capital outlay		<u>3,094</u>
Change in Net Assets of Governmental Activities		<u>\$ 91,914</u>

The accompanying notes are an integral part of this statement.

**THE TOWN OF NEW MARKET, MARYLAND**  
**RECONCILIATION OF FUND BALANCE TO NET ASSETS**  
**OF GOVERNMENTAL ACTIVITIES**  
**JUNE 30, 2012**

Fund balance - governmental fund \$ 939,055

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources, therefore are not reported in the fund

Capital assets, net 844,745

Net assets - governmental activities \$ 1,783,800

The accompanying notes are an integral part of this statement.

# THE TOWN OF NEW MARKET, MARYLAND

## NOTES TO FINANCIAL STATEMENTS

### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting Entity

The financial statements of The Town of New Market, Maryland (the Town) have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to local governments.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Governmental Accounting Standards Board Codification Section 2100 have been considered and there are no agencies or entities which should be presented with the Town.

The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles.

Frederick County, Maryland (the County), Frederick County Public Schools and the State of Maryland provide several legislatively mandated services to residents of the Town. The County collects real estate taxes from the Town's residents. All other governmental services in the Town are provided by the Town, and those activities are included in these financial statements.

#### Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements. The statement of net assets and the statement of activities display information about the Town as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Town that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the Town at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Town's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods and services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as



# THE TOWN OF NEW MARKET, MARYLAND

## NOTES TO FINANCIAL STATEMENTS

### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

general revenues of the Town, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the Town.

In the fund financial statements, financial transactions and accounts of the Town are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and managerial requirements.

The following is a brief description of the fund used by the Town for the year ended June 30, 2012:

#### **Governmental Fund Type**

General Fund -- This Fund is the Town's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund accounts for the normal recurring activities of the Town, (i.e., public safety, parks and recreation, public works and general government activities, etc.). These activities are funded principally by property taxes, income taxes and grants from other governmental units.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in 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. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental fund.

Net assets are reported as restricted when constraints placed on net asset use are externally imposed by grantors or contributors.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when cash is received and when amounts to be received are both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers all revenues as available if they are collected within 60 days after year-end.

# THE TOWN OF NEW MARKET, MARYLAND

## NOTES TO FINANCIAL STATEMENTS

### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expenditures generally are recorded when the related liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. General revenues include all taxes.

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.

#### **Budgets and Budgetary Accounting**

The budget document is a comprehensive financial plan showing all revenues and expenditures expected for the General Fund. Budgeted amounts may be amended during the fiscal year. All appropriations lapse at the fiscal year end.

#### **Cash and Cash Equivalents**

The Town considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

#### **Receivables and Uncollectible Accounts**

Significant receivables include amounts due from businesses and developers. These receivables are due within one year. An allowance for uncollectible accounts has been established. The allowance account balance at June 30, 2012 is \$19,000.

#### **Prepaid Expenses**

Payments made to vendors for services that will benefit periods beyond the fiscal year-end are recorded as prepaid expenses. Prepaid expenses are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

#### **Capital Assets**

Capital assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of one year. Capital assets purchased or acquired are recorded at cost or, if donated, at the estimated fair market value upon receipt.

# THE TOWN OF NEW MARKET, MARYLAND

## NOTES TO FINANCIAL STATEMENTS

### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation of property and equipment is computed on the straight-line method for financial reporting purposes and is provided for over the estimated useful lives of the assets as follows:

Building and building improvements	5 - 40 years
Other improvements	5 - 40 years
Infrastructure	20 - 40 years
Furniture and equipment	5 years

#### **Fund Balance**

Under GASB Statement No. 54, fund balances are required to be reported according to the following classifications:

**Non-spendable fund balance** – Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.

**Restricted fund balance** – Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions or enabling legislation).

**Committed fund balance** – Amounts that can only be used for specific purposes because of a formal action (resolution or ordinance) by the Town's highest level of decision-making authority, the Mayor and Council.

**Assigned fund balance** – Amounts that are constrained by the Town's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the Mayor and Council, or by an official to whom that authority has been given. With the exception of the General Fund, this is the residual fund balance classification for all governmental funds with positive balances.

**Unassigned fund balance** – This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use externally restricted resources first, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

# THE TOWN OF NEW MARKET, MARYLAND

## NOTES TO FINANCIAL STATEMENTS

### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. The Town applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

#### Estimates

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

### (2) CASH AND SHORT-TERM INVESTMENTS

#### Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Custodial credit risk for investments exists when, in the event of the failure of the counterparty to a transaction, a government may be unable to recover the value of investment or collateral securities that are in the possession of an outside party. At year-end, the carrying amount of the Town's deposits was \$825,061 and the bank balances were \$853,298. The Town was fully covered by the Federal Deposit Insurance Corporation and collateral being held by the pledging financial institution's trust department in the Town's name as of June 30, 2012.

#### Investments

State statutes authorize the Town to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, 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 unless such an investment is expressly prohibited by law.

# THE TOWN OF NEW MARKET, MARYLAND

## NOTES TO FINANCIAL STATEMENTS

**(2) CASH AND SHORT-TERM INVESTMENTS (CONTINUED)**

Investments held by the Town are stated at fair value. At June 30, 2012, the Town had the following investments:

<u>Investment Type (All funds)</u>	<u>Fair Value</u>	<u>Maturity 1-5 Years</u>	<u>% of Portfolio</u>
Certificate of deposit	\$ 288,344	\$ 288,344	100.00%

Also, the Town had \$323 invested in the Maryland Local Government Investment Pool, which was fully collateralized at June 30, 2012.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's policy is not explicit as to how interest rate risk is managed. The applicable interest rates at June 30, 2012 were 0.14% for the Maryland Local Government Investment Pool and 1.5% for the certificate of deposit.

**Credit Risk**

Credit risk is defined as the risk that an issuer or other counterparts to an investment in debt securities will not fulfill its obligations. The Town's investments have received the following ratings by Standard & Poor's: Maryland Local Government Investment Pool (MLGIP) rated AAAM. There are no ratings on the certificate of deposit.

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer, not applicable to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools or other pooled investments. The total amount of investments is comprised of one certificate of deposit.

**Foreign Currency Risk**

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value, as a result of changes in foreign currency exchange rates. The Town does not maintain cash or investments of foreign currency, thus there are no associated risks.

# THE TOWN OF NEW MARKET, MARYLAND

## NOTES TO FINANCIAL STATEMENTS

### (3) PROPERTY TAXES

The Town's property taxes are levied each July 1 at rates enacted by the Mayor and Council on the total assessed value as determined by the Maryland State Department of Assessments and Taxation.

Property taxes become delinquent on October 1. Interest accrues at 1% monthly for delinquent property taxes. Tax liens on real property are sold at public auction the second Monday in May on taxes delinquent since October 1 of the current fiscal year.

Total assessable base on which levies were made for the year ended June 30, 2012 was \$117,796,960 and the property tax rate was \$0.12 per \$100 of assessed value.

### (4) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

#### Governmental Activities:

	<u>Balance July 1, 2011</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Disposals</u>	<u>Balance June 30, 2012</u>
Capital Assets, not being depreciated				
Land	\$ 130,678	\$ -	\$ -	\$ 130,678
Construction in progress	<u>3,700</u>	<u>3,094</u>	<u>-</u>	<u>6,794</u>
Total Capital Assets, not being depreciated	134,378	3,094	-	137,472
Capital Assets, being depreciated				
Infrastructure	674,631	-	-	674,631
Other improvements	100,115	-	-	100,115
Building and building improvements	267,988	-	-	267,988
Furniture and equipment	<u>9,271</u>	<u>-</u>	<u>-</u>	<u>9,271</u>
	<u>1,052,005</u>	<u>-</u>	<u>-</u>	<u>1,052,005</u>
Less: Accumulated Depreciation	<u>310,307</u>	<u>34,425</u>	<u>-</u>	<u>344,732</u>
Capital Assets, being depreciated, net	<u>741,698</u>	<u>(34,425)</u>	<u>-</u>	<u>707,273</u>
Total Capital Assets, Net	<u>\$ 876,076</u>	<u>\$ (31,331)</u>	<u>\$ -</u>	<u>\$ 844,745</u>

Depreciation expense was charged to functions/programs as follows:

General government	\$ 6,906
Public works	20,089
Recreation and culture	<u>7,430</u>
Total	<u>\$ 34,425</u>

# THE TOWN OF NEW MARKET, MARYLAND

## NOTES TO FINANCIAL STATEMENTS

### (5) LEASING AGREEMENTS

The Town entered into a five-year operating lease for equipment in April 2012. The lease commencement date was April 16, 2012. The terms of the lease require monthly payments of \$150. Total rent expense for the year ended June 30, 2012 was \$450.

The future minimum rental expense payments are as follows:

2013	\$	1,800
2014		1,800
2015		1,800
2016		1,800
2017		1,350

### (6) RISK MANAGEMENT

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

### (7) UPCOMING ACCOUNTING PRONOUNCEMENTS

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedure. The Town is currently evaluating the effect this standard will have on the financial statements when adopted during the Town's 2013 fiscal year.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement will be effective for the Town's 2013 fiscal year. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No.4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Once implemented, this statement will affect the format and reporting of the balance sheet at the government-wide level and also at the fund level.

# **THE TOWN OF NEW MARKET, MARYLAND**

## **NOTES TO FINANCIAL STATEMENTS**

### **(8) SUBSEQUENT EVENTS**

Subsequent events are defined as events or transactions that occur after the Statement of Net Assets date through the date that the financial statements are available to be issued. The Town performed an evaluation as of October 29, 2012, the date the financial statements were available to be issued. There were no subsequent events that required recording or disclosure in these financial statements.



**THE TOWN OF NEW MARKET, MARYLAND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE -BUDGET TO ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Local property taxes</b>				
Real property	\$ 125,000	\$ 138,886	\$ 142,720	\$ 3,834
Public utility	8,500	8,607	8,608	1
Ordinary business corporations	10,000	7,480	7,495	15
Personal property	2,780	946	1,710	764
Total local property taxes	146,280	155,919	160,533	4,614
<b>Local income taxes</b>	90,740	90,740	127,423	36,683
<b>Admissions and amusement tax</b>	61,600	62,787	83,120	20,333
<b>Licenses and permits</b>				
Trader's licenses	1,000	104	104	(0)
Liquor licenses	250	250	-	(250)
Cable franchise fees	5,500	5,500	4,836	(664)
Business licenses	1,450	100	2,535	2,435
Total licenses and permits	8,200	5,954	7,475	1,521
<b>Intergovernmental revenues</b>				
Highway users fees	9,912	9,912	9,814	(98)
County tax equity	7,996	7,996	7,996	-
State grant	-	5,000	11,794	6,794
Total intergovernmental revenues	17,908	22,908	29,604	6,696
<b>Service charges</b>				
Subdivision fees	4,400	4,400	10,683	6,283
Renovation Zoning & HDC fees	1,150	2,525	2,725	200
Permit application fees	1,500	4,100	6,100	2,000
Sale of maps and publications	-	-	-	-
Total service charges	7,050	11,025	19,508	8,483
<b>Miscellaneous revenues</b>				
Interest income	5,875	5,875	5,470	(405)
Developer contributions	4,000	1,000	1,000	-
Miscellaneous	-	550	50	(500)
Total miscellaneous revenues	9,875	7,425	6,520	(905)
<b>Total Revenues</b>	<b>\$ 341,653</b>	<b>\$ 356,758</b>	<b>\$ 434,183</b>	<b>\$ 77,425</b>

The accompanying notes are an integral part of this statement.

**THE TOWN OF NEW MARKET, MARYLAND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE -BUDGET TO ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Government</b>				
<b>Executive</b>				
Salaries	\$ 3,800	\$ 3,800	\$ 3,800	\$ -
<b>Total Executive</b>	<u>3,800</u>	<u>3,800</u>	<u>3,800</u>	<u>(0)</u>
<b>Financial Administration</b>				
Salaries	61,424	61,424	61,343	81
Auditing and accounting	11,855	11,855	12,456	(601)
<b>Total Financial Administration</b>	<u>73,279</u>	<u>73,279</u>	<u>73,799</u>	<u>(520)</u>
<b>Legal</b>	<u>30,000</u>	<u>32,708</u>	<u>30,544</u>	<u>2,164</u>
<b>Planning and Zoning</b>				
Operating expenses	11,445	13,050	9,088	3,963
<b>Total Planning and Zoning</b>	<u>11,445</u>	<u>13,050</u>	<u>9,088</u>	<u>3,963</u>
<b>General Services</b>				
<b>Municipal Building</b>				
Operating expenses:				
Utilities	6,500	6,500	4,847	1,653
Cleaning and maintenance	7,925	15,495	14,827	669
<b>Total General Services</b>	<u>14,425</u>	<u>21,995</u>	<u>19,674</u>	<u>2,321</u>
<b>Other General Government</b>				
Other operating expenses	28,669	32,483	30,414	2,069
<b>Total Other General Government</b>	<u>28,669</u>	<u>32,483</u>	<u>30,414</u>	<u>2,069</u>
<b>Total General Government</b>	<u>\$ 161,618</u>	<u>\$ 177,315</u>	<u>\$ 167,319</u>	<u>\$ 9,996</u>

The accompanying notes are an integral part of this statement.

**THE TOWN OF NEW MARKET, MARYLAND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE -BUDGET TO ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Public Safety</b>				
Police, ambulance and fire services:				
Police protection	\$ 12,079	\$ 12,079	\$ 5,200	\$ 6,879
Volunteer fire department	2,000	2,000	2,000	-
<b>Total Public Safety</b>	<u>14,079</u>	<u>14,079</u>	<u>7,200</u>	<u>6,879</u>
<b>Public Works</b>				
Operations:				
Mowing	7,633	7,633	7,168	465
Snow and ice removal	10,074	1,325	1,325	-
Street maintenance	5,000	4,400	4,340	60
Street and park lighting	5,600	5,875	5,797	78
Tree management	2,000	2,600	2,927	(327)
Waste collection	78,000	80,500	82,013	(1,513)
<b>Total Operations</b>	<u>108,307</u>	<u>102,333</u>	<u>103,570</u>	<u>(1,236)</u>
Capital Outlay	-	28,340	28,994	(654)
<b>Total Public Works</b>	<u>108,307</u>	<u>130,673</u>	<u>132,564</u>	<u>(1,890)</u>
<b>Parks, Recreation and Culture</b>				
Operations:				
Community events	6,000	-	-	-
Parks and recreation	1,000	1,000	761	239
<b>Total Operations</b>	<u>7,000</u>	<u>1,000</u>	<u>761</u>	<u>239</u>
Capital outlay	-	7,702	3,094	4,608
<b>Total Parks, Recreation and Culture</b>	<u>7,000</u>	<u>8,702</u>	<u>3,855</u>	<u>4,847</u>
<b>Total Expenditures</b>	<u>291,004</u>	<u>330,769</u>	<u>310,938</u>	<u>19,832</u>
<b>Change in Fund Balance</b>	<u>\$ 50,649</u>	<u>\$ 25,989</u>	<u>\$ 123,245</u>	<u>\$ 97,256</u>

The accompanying notes are an integral part of this statement.