



THE TOWN OF NEW MARKET, MARYLAND

**Financial Statements, Supplementary Information,
and Report of Independent Certified Public Accountants**

For the year ended June 30, 2017

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

JUNE 30, 2017

MAYOR

Winslow F. Burhans, III

COUNCIL MEMBERS

Michael Davies

Dennis Kimble

Scott Robertson

Lawrence “Jake” Romanell

Shannon “Shane” Rossman

TOWN CLERKS

Debra Butler

Karen Durbin

TOWN AUDITOR

DeLeon & Stang

TOWN ATTORNEY

William C. Wantz

The Town of New Market, Maryland
For the year ended June 30, 2017

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100 Lakeforest Boulevard, Suite 650
Gaithersburg, MD 20877
P: 301-948-9825
F: 301-948-3220

210 Wirt Street SW, Suite 102
Leesburg, VA 20175
P: 571-442-5220
F: 571-730-3669

www.deleonandstang.com

Allen P. DeLeon, CPA, PFS
Richard C. Stang, CPA, PFS, ABV
Daniel L. Dellon, CPA, ABV, CFF
Bradly L. Hoffman, CPA
Jeanie Price, AAAPM

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Mayor and Town 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, 2017, 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

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.

Auditors' 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 auditors' 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 and each major fund of the Town of New Market, Maryland, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 3-7 and 22-24 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.

DeLeon & Stang

DeLeon and Stang, CPAs and Advisors
Gaithersburg, Maryland
October 12, 2017

**TOWN OF NEW MARKET, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017**

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, 2017. 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 \$8,364,727.
2. Of the Town's net assets \$6,577,520 is invested in capital assets and \$1,787,207 is unrestricted.
3. The Town's capital assets net of accumulated depreciation were \$6,577,520.
4. The Town's liabilities were \$322,976, down \$42,130 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 \$1,787,207, an increase from the prior year of \$47,329. Of this balance, \$13,674 is non-spendable, \$15,073 is assigned and the remaining \$1,758,460 is unassigned.
6. The Town has no outstanding debt as of June 30, 2017.
7. As of June 30, 2017, the Town had general fund revenues of \$851,639 up \$85,582 or 11% from the prior year.
8. As of June 30, 2017, the Town had general fund expenditures of \$804,310 up \$105,623 or 15% 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 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 position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position 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, 2017

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 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 position 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 \$8,364,727 at the close of the most recent fiscal year.

The Town's assets are comprised of cash, investments, and other current assets of \$2,110,183 (24%) and \$6,577,520 (76%) invested in capital assets.

TOWN OF NEW MARKET, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended June 30, 2017

	Governmental Activities		Total Government	
	2017	2016	2017	2016
ASSETS				
Current Assets	2,110,183	2,104,984	\$ 2,110,183	\$ 2,104,984
Capital Assets, net	6,577,520	3,628,859	6,577,520	3,628,859
TOTAL ASSETS	8,687,703	5,733,843	8,687,703	5,733,843
LIABILITIES				
Current Liabilities	310,426	352,556	310,426	352,556
Other Liabilities	12,550	12,550	12,550	12,550
TOTAL LIABILITIES	322,976	365,106	322,976	365,106
NET POSITION				
Invested in capital assets	6,577,520	3,628,859	6,577,520	3,628,859
Unrestricted	1,787,207	1,739,878	1,787,207	1,739,878
TOTAL NET POSITION	\$ 8,364,727	\$ 5,368,737	\$ 8,364,727	\$ 5,368,737

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 position.

	Governmental Activities		Total Government	
	2017	2016	2017	2016
REVENUES				
Program Revenues				
Charges for services	\$ 31,805	\$ 34,578	\$ 31,805	\$ 34,578
Operating Grants & Contribution	47,481	47,108	47,481	47,108
Capital Grants & Contributions	2,895,115	1,335,045	2,895,115	1,335,045
General Revenues				
Taxes	683,815	574,477	683,815	574,477
Intergovernmental	84,571	90,241	84,571	90,241
Interest	3,157	3,138	3,157	3,138
Miscellaneous	810	-	810	-
	3,746,754	2,084,587	3,746,754	2,084,587
PROGRAM EXPENSES				
General Government	250,958	216,848	250,958	216,848
Public safety	18,892	18,639	18,892	18,639
Public Works	446,327	303,315	446,327	303,315
Recreation and Culture	34,587	15,810	34,587	15,810
TOTAL PROGRAM EXPENSES	750,764	554,612	750,764	554,612
CHANGE IN NET POSITION	\$ 2,995,990	\$ 1,529,975	\$ 2,995,990	\$ 1,529,975

TOWN OF NEW MARKET, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended June 30, 2017

Governmental Activities. The change in net position for governmental activities in fiscal year 2017 was \$2,995,990, an increase of approximately \$1,466,015 from the prior year. The increase is largely due to the contribution of capital assets. This included the roads in the Brinkley Manor subdivision.

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 spend able 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 \$1,787,207. The excess of revenues over expenditures was \$47,329.

Overall, revenues increased \$85,582 from the prior year. There were increases in local property taxes (\$15,883), local income taxes (\$101,024), and licenses and permits (\$5,259), but there were reductions in Intergovernmental (\$26,893) and service charges (\$8,032).

Expenses were \$105,623 higher than the previous year. These included increases in general government expenditures, including engineering fees and planning and zoning administration, as well as an increase in public works.

General Fund Budgetary Highlights

For the year ended June 30, 2017, general fund revenues exceeded budgetary estimates by \$146,768. Expenditures were less than budgeted appropriations by \$48,594.

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.

TOWN OF NEW MARKET, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended June 30, 2017

Economic Factors and Next Year's Budgets and Rates

The following factor were considered in preparing the Town's budget for the 2017-2018 fiscal year:

1. The current tax rate will not change.
2. The tax equity rate for FY18 is \$8,890 more than FY17.
3. Admission & Amusement taxes are expected to be about the same as the amount that was received in FY17. This is a decrease from recent fiscal years.
4. With only a few new homes scheduled for FY18, there should only be a slight increase in real property and income taxes.
5. Increases in expenditures in the FY18 budget are largely due to increases in the following: Engineering, Planning & Zoning Administration, and Green Team Initiative. There were also additional areas that have been added to the FY18 budget. These included, but are not limited to Municipal Building Furniture, New Market Civic Partnership, Storm water Maintenance, and Street Signage.

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:

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

TOWN OF NEW MARKET, MARYLAND
Statement of Net Position
June 30, 2017

	Governmental Activities	Total
Assets		
Current Assets		
Cash and cash equivalents		
Unrestricted	\$ 1,655,715	\$ 1,655,715
Restricted for specific purposes	18,415	18,415
Deposits held from developers	91,705	91,705
Investments	306,240	306,240
Accounts receivable	2,416	2,416
Amounts due from other governmental units	22,018	22,018
Prepaid expenses	13,674	13,674
Total Current Assets	2,110,183	2,110,183
Capital Assets		
Land	250,677	250,677
Building and building improvements	674,188	674,188
Furniture and equipment	5,751	5,751
Infrastructure	5,862,902	5,862,902
Other improvements	161,799	161,799
Construction in progress	687,151	687,151
	7,642,468	7,642,468
Less: accumulated depreciation	(1,064,948)	(1,064,948)
Capital Assets, net	6,577,520	6,577,520
Total Assets	8,687,703	8,687,703
Liabilities and Net Position		
Current Liabilities		
Accounts payable and accrued expenses	215,666	215,666
Escrow liabilities	91,705	91,705
Other Liabilities	3,055	3,055
Total Current Liabilities	310,426	310,426
Other Liabilities		
Unearned revenue	12,550	12,550
Total Liabilities	322,976	322,976
Net Position		
Net investment in capital assets	6,577,520	6,577,520
Restricted	-	-
Unrestricted	1,787,207	1,787,207
Total Net Position	\$ 8,364,727	\$ 8,364,727

See accompanying notes to the financial statements.

TOWN OF NEW MARKET, MARYLAND
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Primary Government						
Governmental Activities						
General government	\$ 250,958	\$ 26,942	\$ 73	\$ -	\$ (223,943)	\$ (223,943)
Public safety	18,892	-	-	-	(18,892)	(18,892)
Public works	446,327	4,863	42,327	2,895,115	2,495,978	2,495,978
Parks, recreation, and culture	34,587	-	5,081	-	(29,506)	(29,506)
Total Governmental Activities	<u>750,764</u>	<u>31,805</u>	<u>47,481</u>	<u>2,895,115</u>	2,223,637	2,223,637
General Revenues						
Property taxes					249,106	249,106
Income taxes					346,729	346,729
Admissions and amusement taxes					87,980	87,980
County tax equity rebate					84,571	84,571
Interest income					3,157	3,157
Miscellaneous revenues					810	810
Total General Revenues					<u>772,353</u>	<u>772,353</u>
Change in Net Position					2,995,990	2,995,990
Net Position - beginning of year					<u>5,368,737</u>	<u>5,368,737</u>
Net Position - end of year					<u>\$ 8,364,727</u>	<u>\$ 8,364,727</u>

See accompanying notes to the financial statements.

TOWN OF NEW MARKET, MARYLAND
Balance Sheet
Governmental Fund
June 30, 2017

	General	Total Governmental Fund
Assets		
Cash and cash equivalents - unrestricted	1,655,715	\$ 1,655,715
Restricted cash	18,415	18,415
Deposits held from developers	91,705	91,705
Investments	306,240	306,240
Accounts receivable	2,416	2,416
Amounts due from other governmental units	22,018	22,018
Prepaid expenses	13,674	13,674
Total Assets	\$ 2,110,183	\$ 2,110,183
 Liabilities and Fund Balance		
Liabilities		
Accounts payable and accrued expenses	\$ 215,666	\$ 215,666
Escrow liabilities	91,705	91,705
Other liabilities	3,055	3,055
Unearned revenue	12,550	12,550
Total Liabilities	322,976	322,976
 Fund Balance		
Nonspendable	13,674	13,674
Restricted	-	-
Committed	-	-
Assigned	15,073	15,073
Unassigned	1,758,460	1,758,460
Total Fund Balance	1,787,207	1,787,207
Total Liabilities and Fund Balance	\$ 2,110,183	\$ 2,110,183

TOWN OF NEW MARKET, MARYLAND
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2017

	General	Total Governmental Fund
Revenues		
Local property taxes	\$ 249,106	\$ 249,106
Local income taxes	346,729	346,729
Admissions and amusement taxes	87,980	87,980
Licenses and permits	26,942	26,942
Intergovernmental revenues	126,971	126,971
Service charges	4,863	4,863
Miscellaneous revenues	9,048	9,048
Total Revenues	851,639	851,639
Expenditures		
General government	244,214	244,214
Public safety	18,892	18,892
Public works	521,274	521,274
Parks, recreation, and culture	19,930	19,930
Total Expenditures	804,310	804,310
Excess of Revenues over Expenditures	47,329	47,329
Fund Balance - July 1, 2016	1,739,878	
Fund Balance - June 30, 2017	\$ 1,787,207	
Adjustments for the Statement of Activities		
Capital outlay		360,933
Contributions of capital assets		2,895,115
Depreciation expense		(290,143)
Loss on disposal of capital assets		(17,244)
Change in Net Position of Governmental Activities		\$ 2,995,990

TOWN OF NEW MARKET, MARYLAND
Reconciliation of Fund Balance to Net Position of Governmental Activities
June 30, 2017

Fund balance - governmental fund	\$ 1,787,207
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Amounts reported for governmental activities in the statement of net position are different because:

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

Capital assets, net	<u>6,577,520</u>
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Net position - governmental activities	<u><u>\$ 8,364,727</u></u>
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TOWN OF NEW MARKET, MARYLAND
Notes to the Financial Statements
June 30, 2017

NOTE 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 position and the statement of activities display information about the Town as a whole. 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 position 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.

TOWN OF NEW MARKET, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (Continued)

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 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, 2017:

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.

TOWN OF NEW MARKET, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 position is reported as restricted when constraints placed on net position 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.

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.

TOWN OF NEW MARKET, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. There is no allowance for uncollectible accounts as of June 30, 2017.

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.

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

TOWN OF NEW MARKET, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The amount of assigned funds represents the amount held in the restricted PWA account and the remaining payments on the Town's non-cancelable equipment lease.

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.

TOWN OF NEW MARKET, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of costs of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its 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 position is 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.

NOTE 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 \$1,980,370 and the bank balances were \$1,978,200. As of June 30, 2017, the Town's deposits were fully collateralized.

TOWN OF NEW MARKET, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2017

NOTE 2- CASH AND SHORT TERM INVESTMENTS (Continued)

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.

Investments held by the Town are stated at fair value. As of June 30, 2017, the Town had the following investments:

<u>Investment Type (All funds)</u>	<u>Fair Value</u>	<u>Maturity</u> <u>1 – 5 Years</u>	<u>% of</u> <u>Portfolio</u>
Certificate of deposit	<u>\$ 306,240</u>	<u>\$ 306,240</u>	<u>100%</u>

Also, the Town had \$325 invested in the Maryland Local Government Investment Pool, which was fully collateralized as of June 30, 2017.

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 as of June 30, 2017 were 0.94% for the Maryland Local Government Investment Pool and 0.997% 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 applicable investments is comprised of one certificate of deposit.

TOWN OF NEW MARKET, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2017

NOTE 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, 2017 was \$182,570,943 and the property tax rate was \$0.12 per \$100 of assessed value.

NOTE 4- CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

<u>Governmental Activities:</u>	<u>Balance July 1, 2016</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Dispositions</u>	<u>Balance June 30, 2017</u>
Capital Assets, not being depreciated				
Land	\$ 250,677	\$ -	\$ -	\$ 250,677
Construction in progress	375,627	360,933	(49,409)	687,151
Total Capital Assets, not being depreciated	<u>626,304</u>	<u>360,933</u>	<u>(49,409)</u>	<u>937,828</u>
Capital Assets, being depreciated				
Building and building improvements	674,188	-	-	674,188
Furniture and equipment	5,751	-	-	5,751
Infrastructure	2,978,303	2,927,972	(43,373)	5,862,902
Other improvements	145,247	16,552	-	161,799
	<u>3,803,489</u>	<u>2,944,524</u>	<u>(43,373)</u>	<u>6,704,640</u>
Less: accumulated depreciation	800,934	290,143	(26,129)	1,064,948
Capital Assets, being depreciated, net	<u>3,002,555</u>	<u>2,654,381</u>	<u>(17,244)</u>	<u>5,639,692</u>
Total Capital Assets, Net	<u>\$ 3,628,859</u>	<u>\$ 3,015,314</u>	<u>\$ (66,653)</u>	<u>\$ 6,577,520</u>

Depreciation expense was charged to functions/programs as follows:

General government	\$ 6,744
Public works	268,742
Parks, recreation and culture	14,657
	<u>\$ 290,143</u>

TOWN OF NEW MARKET, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2017

NOTE 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 required monthly payments of \$150. In December 2016, the Town entered into a new five-year operating lease for equipment. The lease commencement date was December 12, 2016. The terms of the lease require monthly payments of \$223.

Total rent expense for the year ended June 30, 2017 was \$1,863.

The future minimum rental expense payments are as follows:

2018	\$	2,676
2019		2,676
2020		2,676
2021		2,676
2022		1,338

NOTE 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.

NOTE 7- SUBSEQUENT EVENTS

Subsequent events are defined as events or transactions that occur after the statement of net position date through the date the financial statements are available to be issued. The Town performed an evaluation as of October 12, 2017, the date the financial statements were available to be issued. There were no subsequent events identified requiring disclosure or recognition in these financial statements.

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, 2017

	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget - Positive (Negative)
Local property taxes				
Real property	\$ 213,113	\$ 213,113	\$ 220,565	\$ 7,452
Personal property	250	250	660	410
Railroads and public utilities	9,000	9,000	10,178	1,178
Ordinary business corporations	5,000	5,000	17,703	12,703
Total local property taxes	<u>227,363</u>	<u>227,363</u>	<u>249,106</u>	<u>21,743</u>
Local income taxes	<u>228,006</u>	<u>228,006</u>	<u>346,729</u>	<u>118,723</u>
Admissions and amusement taxes	<u>90,000</u>	<u>90,000</u>	<u>87,980</u>	<u>(2,020)</u>
Licenses and permits				
Traders	600	600	1,741	1,141
Professional and occupational	750	750	1,450	700
Building and equipment	3,000	7,250	11,250	4,000
Cable and television franchise fees	10,000	10,000	12,501	2,501
Total licenses and permits	<u>14,350</u>	<u>18,600</u>	<u>26,942</u>	<u>8,342</u>
Intergovernmental revenues				
State highway user revenues	11,647	11,647	12,392	745
State highways and streets grant	29,978	29,978	29,935	(43)
County tax equity rebate	84,571	84,571	84,571	-
County financial corporation grants	50	50	73	23
Total intergovernmental revenues	<u>126,246</u>	<u>126,246</u>	<u>126,971</u>	<u>725</u>
Service charges				
Zoning and subdivision fees	6,400	6,400	4,863	(1,537)
Total service charges	<u>6,400</u>	<u>6,400</u>	<u>4,863</u>	<u>(1,537)</u>
Miscellaneous revenues				
Investment earnings	3,000	3,000	3,157	157
Compost bins	-	400	628	228
Other miscellaneous	-	-	182	182
Grants	-	4,856	5,081	225
Total miscellaneous revenues	<u>3,000</u>	<u>8,256</u>	<u>9,048</u>	<u>792</u>
Total Revenues	<u>\$ 695,365</u>	<u>\$ 704,871</u>	<u>\$ 851,639</u>	<u>\$ 146,768</u>

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, 2017

General government

Executive				
Elected executive salaries	\$ 3,800	\$ 3,800	\$ 3,800	\$ -
Total executive	<u>3,800</u>	<u>3,800</u>	<u>3,800</u>	<u>-</u>
Financial administration				
Finance salaries	99,096	99,096	96,691	2,405
Independent accounting and auditing	<u>14,500</u>	<u>14,500</u>	<u>13,396</u>	<u>1,104</u>
Total financial administration	<u>113,596</u>	<u>113,596</u>	<u>110,087</u>	<u>3,509</u>
Legal	<u>19,000</u>	<u>11,000</u>	<u>9,744</u>	<u>1,256</u>
Planning and zoning				
Operating expenditures	<u>26,100</u>	<u>38,269</u>	<u>37,609</u>	<u>660</u>
Total planning and zoning	<u>26,100</u>	<u>38,269</u>	<u>37,609</u>	<u>660</u>
General services				
Municipal buildings				
Salaries	5,693	5,693	5,693	0
Operating expenditures	<u>11,150</u>	<u>11,150</u>	<u>7,792</u>	<u>3,358</u>
Total general services	<u>16,843</u>	<u>16,843</u>	<u>13,485</u>	<u>3,358</u>
Other general government				
Operating expenditures	<u>70,167</u>	<u>78,948</u>	<u>69,489</u>	<u>9,459</u>
Total other general government	<u>70,167</u>	<u>78,948</u>	<u>69,489</u>	<u>9,459</u>
Total general government	<u>\$ 249,506</u>	<u>\$ 262,456</u>	<u>\$ 244,214</u>	<u>\$ 18,242</u>

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, 2017

Public safety

Police protection	\$ 1,800	\$ 1,800	\$ -	\$ 1,800
Volunteer fire and rescue services	<u>18,892</u>	<u>18,892</u>	<u>18,892</u>	<u>-</u>
Total public safety	<u>20,692</u>	<u>20,692</u>	<u>18,892</u>	<u>1,800</u>

Public works

Highways and streets	71,602	53,505	49,688	3,817
Waste collection	<u>126,912</u>	<u>126,912</u>	<u>110,653</u>	<u>16,259</u>
Total operating expenditures	198,514	180,417	160,341	20,076
Capital outlay	<u>-</u>	<u>374,000</u>	<u>360,933</u>	<u>13,067</u>
Total public works	<u>198,514</u>	<u>554,417</u>	<u>521,274</u>	<u>33,143</u>

Parks, recreation, and culture

Parks and recreation	4,000	7,339	9,137	(1,798)
Special events	<u>8,000</u>	<u>8,000</u>	<u>10,793</u>	<u>(2,793)</u>
Total operating expenditures	12,000	15,339	19,930	(4,591)
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total parks, recreation, and culture	<u>12,000</u>	<u>15,339</u>	<u>19,930</u>	<u>(4,591)</u>

Total Expenditures

	<u>480,712</u>	<u>852,904</u>	<u>804,310</u>	<u>48,594</u>
Budgeted use of fund balance	<u>-</u>	<u>374,000</u>	<u>-</u>	<u>(374,000)</u>
Change in Fund Balance	<u>\$ 214,653</u>	<u>\$ 225,967</u>	<u>\$ 47,329</u>	<u>\$ (178,638)</u>