



THE TOWN OF NEW MARKET, MARYLAND

**Financial Statements, Supplementary Information,
and Independent Auditors' Report**

For the Year Ended June 30, 2023

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

JUNE 30, 2023

MAYOR

Winslow F. Burhans, III

COUNCIL MEMBERS

Matthew Chance

Dennis Kimble

Shane Rossman

Chris Weatherly

Michael Wright

TOWN CLERKS

Debra Butler, Clerk Treasurer

Michelle Mitchell, Clerk to Council

TOWN AUDITOR

DeLeon & Stang, CPAs and Advisors

TOWN ATTORNEY

William C. Wantz

The Town of New Market, Maryland
For the Year Ended June 30, 2023

TABLE OF CONTENTS

Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements	
Balance Sheet – Governmental Fund	11
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund	12
Reconciliation of Fund Balance to Net Position of Governmental Activities	13
Notes to the Financial Statements	14
Required Supplementary Information	
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – General Fund	25



INDEPENDENT AUDITORS' REPORT

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

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the Town of New Market, Maryland's basic financial statements as listed in the table of contents.

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, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of New Market, Maryland, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of New Market, Maryland's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement

Town of New Market, Maryland
Independent Auditors' Report
Page 2

resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of New Market, Maryland's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of New Market, Maryland's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 & Stang, CPAs and Advisors
Frederick, Maryland
October 24, 2023

**TOWN OF NEW MARKET, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023**

This discussion and analysis of the Town of New Market, Maryland's financial performance provide an overview of the Town's economic activities for the fiscal year that ended June 30, 2023. 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 \$16,758,374.
2. Of the Town's net assets, \$12,901,811 is invested in capital assets, and \$3,856,563 is unrestricted.
3. The Town's capital assets net of accumulated depreciation was \$12,901,811.
4. The Town's total liabilities were \$965,004, up \$552,459 from the prior year. During fiscal year 2023, the Town recognized a leased capital asset and corresponding lease liability under GASB 87. As of year-end, \$780,441 was due for a lease liability.
5. As of the close of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$4,637,004, an increase from the prior year of \$1,520,074. Of this balance, \$18,612 is non-spendable, \$139,895 is restricted, \$8,322 is assigned, and the remaining \$4,470,175 is unassigned.
6. As noted above, \$780,441 was due at June 30, 2023 for future lease payments, and \$164,429 is due in one year.
7. As of June 30, 2023, the Town had general fund revenues of \$2,930,065, up \$1,084,408 or 59% from the prior year.
8. As of June 30, 2023, the Town had general fund expenditures of \$2,300,558, up \$617,557 or 37% from the prior year.

Overview of the Financial Statements

This discussion and analysis are 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 like a private-sector business.

The statement of net position presents information on all 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 valuable indicator of whether the Town's financial situation is improving or deteriorating. Other factors to consider are discussed on page 6.

Town of New Market, Maryland
Management's Discussion & Analysis (Continued)
For the Year Ended June 30, 2023

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 the 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 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, recreation and culture, and economic development.

The government-wide financial statements are on pages 9 – 10 of this report.

Fund financial statements. A fund is a grouping of related accounts used to control resources segregated for specific activities or objectives. Like other state and local governments, the Town 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 account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on near-term inflow and outflows of spendable resources and balances of spendable resources available at the end of the fiscal year. Such information may help evaluate 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 helpful to compare the information presented for the 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. 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 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 11 – 12 of this report.

Notes to basic financial statements. The notes provide additional information essential to a complete understanding of the data provided in the government-wide and fund financial statements. The letters to the financial statements can be found on pages 14 – 24 of this report.

Town of New Market, Maryland
Management's Discussion & Analysis (Continued)
For the Year Ended June 30, 2023

Other supplementary information. The statement on pages 25 – 27 of this report provides additional information about the Town's revenues and expenditures compared to the original and final budgets.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a helpful indicator of a government's financial situation. In the case of the Town of New Market, assets exceeded liabilities by \$16,758,374 at the close of the most recent fiscal year.

The Town's assets are comprised of cash, investments, and other current assets of \$4,821,567 (27%) and \$12,901,811 (73%) invested in capital assets.

	Governmental Activities		Total Government	
	2023	2022	2023	2022
ASSETS				
Current Assets	4,821,567	3,529,475	\$ 4,821,567	\$ 3,529,475
Capital Assets, net	12,901,811	12,411,238	12,901,811	12,411,238
TOTAL ASSETS	17,723,378	15,940,713	17,723,378	15,940,713
LIABILITIES				
Current Liabilities	296,167	399,993	296,167	399,993
Other Liabilities	668,837	12,552	668,837	12,552
TOTAL LIABILITIES	965,004	412,545	965,004	412,545
NET POSITION				
Invested in capital assets	12,901,811	12,411,238	12,901,811	12,411,238
Unrestricted	3,856,563	3,116,930	3,856,563	3,116,930
TOTAL NET POSITION	\$ 16,758,374	\$ 15,528,168	\$ 16,758,374	\$ 15,528,168

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.

Town of New Market, Maryland
Management's Discussion & Analysis (Continued)
For the Year Ended June 30, 2023

	Governmental Activities		Total Government	
	2023	2022	2023	2021
REVENUES				
Program Revenues				
Charges for services	\$ 32,806	\$ 30,405	\$ 32,806	\$ 30,405
Operating Grants & Contributions	183,844	146,246	183,844	146,246
Capital Grants & Contributions	894,574	404,411	894,574	404,411
General Revenues				
Taxes	1,196,036	1,137,995	1,196,036	1,137,995
Intergovernmental	126,507	121,852	126,507	121,852
Fines & Forfeitures	390,606	-	390,606	-
Interest	100,166	2,456	100,166	2,456
Miscellaneous	5,526	2,292	5,526	2,292
	<u>2,930,065</u>	<u>1,845,657</u>	<u>2,930,065</u>	<u>1,845,657</u>
PROGRAM EXPENSES				
General Government	253,826	318,777	253,826	318,777
Public safety	280,671	7,130	280,671	7,130
Public Works	987,558	897,225	987,558	897,225
Recreation and Culture	46,409	41,588	46,409	41,588
Economic Development	131,395	62,597	131,395	62,597
TOTAL PROGRAM EXPENSES	<u>1,699,859</u>	<u>1,327,317</u>	<u>1,699,859</u>	<u>1,327,317</u>
CHANGE IN NET POSITION	<u>\$ 1,230,206</u>	<u>\$ 518,340</u>	<u>\$ 1,230,206</u>	<u>\$ 518,340</u>

Governmental Activities. The change in net position for governmental activities in the fiscal year 2023 was \$1,230,206.

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 Fund. The Town's governmental funds focus on informational near-term inflows, outflows, and balances of spendable resources. Such information helps assess the Town's financial requirements. 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.

At the end of the current fiscal year, the Town's governmental funds reported a fund balance of \$4,637,004. The excess of expenditures over revenues was \$1,520,074.

Town of New Market, Maryland
Management's Discussion & Analysis (Continued)
For the Year Ended June 30, 2023

Overall, revenues increased by \$1,084,408 from the prior year. The significant increases were in Income Tax (\$48,408), Intergovernmental (\$532,416), Fines and Forfeitures (\$390,606), and Interest (\$97,710). The increase in Fines and forfeitures is due to the new School Zone Speed Safety Program implemented in October 2022.

Expenses were \$617,557 higher than the previous year. The most significant increases were in Public Safety (\$988,543) due to the addition of the School Zone Speed Safety Program. The total for Public Safety includes the lease fees (\$890,567) for the speed cameras. Public Works decreased by \$474,446 due to reduced capital outlay expenditures.

General Fund Budgetary Highlights

For the year ended June 30, 2023, general fund revenues were more than budgetary estimates by \$102,989. The local income tax revenues were greater by \$206,838 than the final budget. We used the amount in the report received in April from the State of Maryland Department of Assessments and Taxation.

Expenditures were more than budgeted appropriations by \$146,073. Expenditures for Capital Outlays for General Government were less than budgeted by \$231,151 due to a delay in constructing the Community Park Pavilion (formerly the Event Barn). Public Works was \$155,573 less than budgeted due to several project delays. The most significant expenditure increase was Public Safety, including the lease financing for the speed cameras. The capital outlay expenditure for the speed camera lease was offset by the related lease financing, reported under Other Financing Sources.

The original and final budgets can be found on pages 25 - 27 of this report. Budget amendments were made during the year when changes became known.

Economic Factors and Next Year's Budgets and Rates

Continued high inflation rates and the following factors were considered in preparing the Town's budget for the 2024 fiscal year:

Revenues

- Income tax revenue has been higher in the last several years. Due to the increase, we used the higher rate of \$978 per home (533). This rate is based on the five-year average and is 22% more than the previous rate.
- The Interest rate is based on the rate of the Town's investments at the time of budget preparation (4.86%).
- The Town implemented a School Zone Speed Safety Program in October 2022 to reduce speeds and increase pedestrian and vehicle safety in the Main Street school district. Revenues for the FY24 budget were based on the average number of citations issued during February/March/April.

Town of New Market, Maryland
Management's Discussion & Analysis (Continued)
For the Year Ended June 30, 2023

Expenditures

- Clerk Salaries included an increase and the addition of two new staff.
- Legal costs were based on the 10-year average.
- As mentioned above, the School Zone Speed Safety Program was new in FY23, and budget expenditures were based on the information given to us by the program vendor. For FY24, we used the projected expenditures based on the number of citations issued for February/March/April. Any revenues over the amount to administer the program will be spent on Public Safety.
- There are several street maintenance projects scheduled for FY24. The budgeted amount is based on estimates received in May 2023 (\$12,000).
- Waste Collection budget amounts are based on rates as of April 2023. The contract price remains the same, but a fuel surcharge due to the high oil prices continues in FY24. Budget amendments may be required if fuel rates continue to rise for both the landfill charges and the trash hauler.

Capital Improvement Program (CIP)

The CIP for FY24 includes New Market Community Park Pavilion (\$484,291), Town Hall Windows (\$100,000), Project Open Space projects (\$31,451), Parking Study (\$12,000), and road projects (\$31,344). The Town is expected to receive \$271,451 in capital improvement grants: 1) \$240,00 for the New Market Community Park Pavilion, and 4) \$31,451 for resurfacing basketball courts.

Request for information

This financial report is designed to provide a general overview of the Town's finances for all those interested in the government's finances. Questions concerning any of the information provided in this report or requests 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, 2023

	Governmental Activities	Total
Assets		
Current Assets		
Cash and cash equivalents		
Unrestricted	\$ 4,523,294	\$ 4,523,294
Restricted for specific purposes	163,950	163,950
Deposits held from developers	43,245	43,245
Accounts receivable	3,086	3,086
Amounts due from other governmental units	69,380	69,380
Prepaid expenses	18,612	18,612
Total Current Assets	4,821,567	4,821,567
Capital Assets		
Land	550,673	550,673
Building and building improvements	803,416	803,416
Furniture and equipment	36,742	36,742
Infrastructure	14,977,873	14,977,873
Other improvements	781,179	781,179
Leased equipment	890,567	890,567
Construction in progress	27,311	27,311
	18,067,761	18,067,761
Less: accumulated depreciation & amortization	(5,165,950)	(5,165,950)
Capital Assets, net	12,901,811	12,901,811
Total Assets	\$ 17,723,378	\$ 17,723,378
Liabilities and Net Position		
Current Liabilities		
Accounts payable and accrued expenses	\$ 64,538	\$ 64,538
Escrow liabilities	43,245	43,245
Developer deposits	13,474	13,474
Lease liability - current	164,429	164,429
Other liabilities	10,481	10,481
Total Current Liabilities	296,167	296,167
Other Liabilities		
Lease liability - long term	616,012	616,012
Unearned revenue	52,825	52,825
Total Liabilities	965,004	965,004
Net Position		
Net investment in capital assets	12,901,811	12,901,811
Unrestricted	3,856,563	3,856,563
Total Net Position	\$ 16,758,374	\$ 16,758,374

TOWN OF NEW MARKET, MARYLAND
Statement of Activities
For the Year Ended June 30, 2023

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Total</u>
Primary Government						
Governmental Activities						
General government	\$ (253,826)	\$ 32,806	\$ 73	\$ -	\$ (220,947)	\$ (220,947)
Public safety	(280,671)	-	-	-	(280,671)	(280,671)
Public works	(987,558)	-	91,531	878,733	(17,294)	(17,294)
Parks, recreation, and culture	(46,409)	-	-	15,841	(30,568)	(30,568)
Economic development	(131,395)	-	92,240	-	(39,155)	(39,155)
Total Governmental Activities	<u>(1,699,859)</u>	<u>32,806</u>	<u>183,844</u>	<u>894,574</u>	<u>(588,635)</u>	<u>(588,635)</u>
General Revenues						
Property taxes					318,050	318,050
Income taxes					786,838	786,838
Admissions and amusement taxes					91,148	91,148
County tax equity					126,507	126,507
Fines and forfeitures					390,606	390,606
Interest income					100,166	100,166
Miscellaneous revenues					5,526	5,526
Total General Revenues					<u>1,818,841</u>	<u>1,818,841</u>
Change in Net Position					1,230,206	1,230,206
Net Position - beginning of year					<u>15,528,168</u>	<u>15,528,168</u>
Net Position - end of year					<u>\$ 16,758,374</u>	<u>\$ 16,758,374</u>

See accompanying notes to the financial statements.
Page 10

TOWN OF NEW MARKET, MARYLAND
Balance Sheet
Governmental Fund
June 30, 2023

	General	Total Governmental Fund
Assets		
Cash and cash equivalents - unrestricted	\$ 4,523,294	\$ 4,523,294
Restricted cash	163,950	163,950
Deposits held from developers	43,245	43,245
Accounts receivable	3,086	3,086
Amounts due from other governmental units	69,380	69,380
Prepaid expenses	18,612	18,612
Total Assets	\$ 4,821,567	\$ 4,821,567
 Liabilities and Fund Balance		
Liabilities		
Accounts payable and accrued expenses	\$ 64,538	\$ 64,538
Escrow liabilities	43,245	43,245
Developer deposits	13,474	13,474
Other liabilities	10,481	10,481
Unearned revenue	52,825	52,825
Total Liabilities	184,563	184,563
 Fund Balance		
Nonspendable	18,612	18,612
Restricted	139,895	139,895
Committed	-	-
Assigned	8,322	8,322
Unassigned	4,470,175	4,470,175
Total Fund Balance	4,637,004	4,637,004
Total Liabilities and Fund Balance	\$ 4,821,567	\$ 4,821,567

TOWN OF NEW MARKET, MARYLAND
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2023

	General	Total Governmental Fund
Revenues		
Local property taxes	\$ 318,050	\$ 318,050
Local income taxes	786,838	786,838
Admissions and amusement taxes	91,148	91,148
Licenses and permits	24,008	24,008
Intergovernmental revenues	1,204,925	1,204,925
Service charges	8,798	8,798
Fines and forfeitures	390,606	390,606
Miscellaneous revenues	105,692	105,692
Total Revenues	2,930,065	2,930,065
Expenditures		
General government	230,778	230,778
Public safety	995,673	995,673
Public works	754,375	754,375
Parks, recreation, and culture	18,732	18,732
Economic development	148,895	148,895
Debt service	152,105	152,105
Total Expenditures	2,300,558	2,300,558
Excess of Revenues over Expenditures	629,507	629,507
Other Financing Sources		
Lease financing	890,567	890,567
Total Other Financing Sources	890,567	890,567
Excess of Revenues and other Financing Sources over Expenditures	1,520,074	1,520,074
Fund Balance - July 1, 2022	3,116,930	
Fund Balance - June 30, 2023	\$ 4,637,004	
Adjustments for the Statement of Activities		
Capital outlay		1,416,779
Debt service expenditures		110,125
Lease financing		(890,567)
Amortization expense		(133,585)
Depreciation expense		(792,620)
Change in Net Position of Governmental Activities		\$ 1,230,206

TOWN OF NEW MARKET, MARYLAND
Reconciliation of Fund Balance to Net Position of Governmental Activities
June 30, 2023

Fund balance - governmental fund \$ 4,637,004

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

Capital assets, net 12,901,811

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Lease liability (780,441)

Net position - governmental activities \$ 16,758,374

TOWN OF NEW MARKET, MARYLAND
Notes to the Financial Statements
June 30, 2023

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
June 30, 2023

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements

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, 2023:

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
June 30, 2023

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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
June 30, 2023

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, as well as the Maryland Local Governmental Investment Pool (MLGIP) to be cash and 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, 2023.

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
June 30, 2023

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). As of year-end, \$139,895 was the residual amount of speed camera safety fines restricted for future public safety purposes.

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 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
June 30, 2023

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.

Recently Issued Accounting Standards

In 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, Leases (GASB 87), which was required for implementation as of July 1, 2021. The objective of GASB 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements.

During fiscal year 2023, the Town had a professional services agreement applicable for implementation under GASB 87. As a result of implementation, \$890,567 was recognized as leased equipment and a corresponding lease liability on October 1, 2022.

TOWN OF NEW MARKET, MARYLAND
Notes to the Financial Statements
June 30, 2023

NOTE 2- CASH AND CASH EQUIVALENTS

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 \$4,687,244 and the bank balances were \$4,874,882. As of June 30, 2023, the Town's deposits were fully collateralized by the Federal Deposit Insurance Corporation and collateral held by the pledging financial institution.

Included in cash and cash equivalents, the Town had \$3,810,350 invested in the Maryland Local Government Investment Pool (MLGIP) as of June 30, 2023.

The Town's cash and cash equivalents as of June 30, 2023, reconciled to the total presented in the Statement of Net Position are as follows:

Cash and cash equivalents:	
Unrestricted	\$ 4,523,294
Restricted	<u>163,950</u>
	<u>\$ 4,687,244</u>
Deposits in bank	\$ 876,894
Investment pools (MLGIP)	<u>3,810,350</u>
	<u>\$ 4,687,244</u>

Restricted cash comprises the following as of June 30, 2023:

Speed safety program	\$ 139,895
Forest conservation	12,552
Special events	6,702
Green team	3,944
5k run	<u>857</u>
	<u>\$ 163,950</u>

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 rate as of June 30, 2023 was 5.07% for the Maryland Local Government Investment Pool.

TOWN OF NEW MARKET, MARYLAND
Notes to the Financial Statements
June 30, 2023

NOTE 2- CASH AND CASH EQUIVALENTS (Continued)

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.

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, 2023 was \$237,090,149 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, 2023 was as follows:

<u>Governmental Activities:</u>	<u>Balance</u> <u>July 1, 2022</u>	<u>Transfers/</u> <u>Additions</u>	<u>Transfers/</u> <u>Dispositions</u>	<u>Balance</u> <u>June 30, 2023</u>
Capital Assets, not being depreciated				
Land	\$ 550,673	\$ -	\$ -	\$ 550,673
Construction in progress	383,583	406,929	(763,201)	27,311
Total Capital Assets, not being depreciated	<u>934,256</u>	<u>406,929</u>	<u>(763,201)</u>	<u>577,984</u>
Capital Assets, being depreciated/amortized				
Building and building improvements	803,416	-	-	803,416
Furniture and equipment	5,751	-	30,991	36,742
Infrastructure	14,157,628	88,035	732,210	14,977,873
Other improvements	749,931	31,248	-	781,179
Leased equipment	-	890,567	-	890,567
	<u>15,716,726</u>	<u>1,009,850</u>	<u>763,201</u>	<u>17,489,777</u>
Less: accumulated depreciation & amortization	<u>(4,239,745)</u>	<u>(926,205)</u>	<u>-</u>	<u>(5,165,950)</u>
Capital Assets, being depreciated/amortized, net	<u>11,476,981</u>	<u>83,645</u>	<u>763,201</u>	<u>12,323,827</u>
Total Capital Assets, Net	<u>\$ 12,411,237</u>	<u>\$ 490,574</u>	<u>\$ -</u>	<u>\$ 12,901,811</u>

TOWN OF NEW MARKET, MARYLAND
Notes to the Financial Statements
June 30, 2023

NOTE 4- CAPITAL ASSETS (Continued)

Depreciation and amortization expense was charged to functions/programs as follows for the year ended June 30, 2023:

General government	\$ 23,048
Public works	745,385
Public safety	133,585
Parks, recreation and culture	<u>24,187</u>
	<u>\$ 926,205</u>

NOTE 5- LEASE LIABILITY

In April 2021, the Town executed a professional services agreement with a vendor to implement a photo enforcement program to enforce traffic violations in accordance with MD. Code Ann., Transp. 21-809 and local ordinance No. 2021-01. In accordance with the agreement, the Town is responsible for a \$4,400 fixed fee per month per camera system. The Town has four cameras as a part of this program. The term began in October 2022 and continues for a period of five years and automatically extends for one additional five year term, unless notified by the Town in writing one hundred twenty days prior to the expiration of the term.

The estimated interest rate for the lease agreement is 6.25%, which represents the average incremental borrowing rate at the time of commencement. The Town does not believe it is reasonably possible the program may extend for an additional five years, so the extension option is not reflected in the lease liability.

The following represents the principal and interest payments due under the agreement for the years ended June 30,:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 164,429	\$ 50,172	\$ 214,601
2025	175,659	32,140	207,799
2026	187,657	23,543	211,200
2027	200,474	10,726	211,200
2028	<u>52,222</u>	<u>578</u>	<u>52,800</u>
	<u>\$ 780,441</u>	<u>\$ 117,159</u>	<u>\$ 897,600</u>

TOWN OF NEW MARKET, MARYLAND
Notes to the Financial Statements
June 30, 2023

NOTE 5- LEASE LIABILITY (Continued)

The following table shows the changes in the lease liability during the year ended June 30, 2023:

	<u>July 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2023</u>	<u>Due within one year</u>
Lease liability - equipment	\$ -	\$ 890,567	\$ (110,125)	\$ 780,441	\$ 164,429
	<u>\$ -</u>	<u>\$ 890,567</u>	<u>\$ (110,125)</u>	<u>\$ 780,441</u>	<u>\$ 164,429</u>

Total interest expense for the year ended June 30, 2023 was \$41,980 and directly attributable to the public safety department.

NOTE 6- RESTRICTED FUND BALANCE

As noted above, restricted fund balance represents the residual amount of speed camera safety fines restricted for future public safety purposes. As of June 30, 2023 restricted fund balance was comprised of the following:

Speed camera fines	\$ 390,606
Less; program administration costs	(98,606)
Less: debt service/lease payments	<u>(152,105)</u>
	<u>\$ 139,895</u>

NOTE 7- 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.

TOWN OF NEW MARKET, MARYLAND
Notes to the Financial Statements
June 30, 2023

NOTE 8- SUBSEQUENT EVENTS

Subsequent events are defined as events or transactions that occur after the Statement of Net Position date through the date that the financial statements are available to be issued. As of October 24, 2023, the date the financial statements were available to be issued, the Town performed an evaluation and revealed no other material events or transactions which would require an adjustment or disclosure in the accompanying 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, 2023

	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget - Positive (Negative)
Local property taxes				
Real property	\$ 283,191	\$ 288,750	\$ 288,750	\$ -
Personal property	350	350	405	55
Railroads and public utilities	15,500	16,327	16,327	-
Ordinary business corporations	14,000	12,568	12,568	-
Total local property taxes	<u>313,041</u>	<u>317,995</u>	<u>318,050</u>	<u>55</u>
Local income taxes	<u>426,400</u>	<u>580,000</u>	<u>786,838</u>	<u>206,838</u>
Admissions and amusement taxes	<u>85,000</u>	<u>85,000</u>	<u>91,148</u>	<u>6,148</u>
Licenses and permits				
Traders	1,200	1,200	1,020	(180)
Professional and occupational	1,225	1,225	1,225	-
Building and equipment	4,000	4,920	5,320	400
Cable and television franchise fees	16,000	16,443	16,443	-
Total licenses and permits	<u>22,425</u>	<u>23,788</u>	<u>24,008</u>	<u>220</u>
Intergovernmental revenues				
State highway user revenues	78,858	77,914	91,531	13,617
County tax equity rebate	126,507	126,507	126,507	-
County financial corporation grants	73	73	73	-
Capital grants	1,020,018	1,020,012	894,574	(125,438)
Operating grants	97,315	91,017	92,240	1,223
Total intergovernmental revenues	<u>1,322,771</u>	<u>1,315,523</u>	<u>1,204,925</u>	<u>(110,598)</u>
Service charges				
Zoning and subdivision fees	7,200	9,288	8,798	(490)
Total service charges	<u>7,200</u>	<u>9,288</u>	<u>8,798</u>	<u>(490)</u>
Fines and forfeitures				
Speed camera fines	332,733	390,000	390,606	606
Total fines and forfeitures	<u>332,733</u>	<u>390,000</u>	<u>390,606</u>	<u>606</u>
Miscellaneous revenues				
Investment earnings	6,893	100,096	100,166	70
Other miscellaneous	350	5,386	5,526	140
Total miscellaneous revenues	<u>7,243</u>	<u>105,482</u>	<u>105,692</u>	<u>210</u>
Total Revenues	<u>\$ 2,516,813</u>	<u>\$ 2,827,076</u>	<u>\$ 2,930,065</u>	<u>\$ 102,989</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, 2023

	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget - Positive (Negative)
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	80,811	81,811	81,073	738
Independent accounting and auditing	18,650	18,650	16,255	2,395
Total financial administration	<u>99,461</u>	<u>100,461</u>	<u>97,328</u>	<u>3,133</u>
Legal	<u>22,000</u>	<u>17,500</u>	<u>15,451</u>	<u>2,049</u>
Planning and zoning				
Operating expenditures	23,360	28,260	26,834	1,426
Total planning and zoning	<u>23,360</u>	<u>28,260</u>	<u>26,834</u>	<u>1,426</u>
General services				
Municipal buildings				
Salaries	12,285	12,285	12,285	-
Operating expenditures	27,630	29,982	23,775	6,207
Total general services	<u>39,915</u>	<u>42,267</u>	<u>36,060</u>	<u>6,207</u>
Other general government				
Operating expenditures	67,749	63,260	51,305	11,955
Capital outlay	206,381	206,381	-	206,381
Total other general government	<u>274,130</u>	<u>269,641</u>	<u>51,305</u>	<u>218,336</u>
Total general government	<u>\$ 462,666</u>	<u>\$ 461,929</u>	<u>\$ 230,778</u>	<u>\$ 231,151</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, 2023

	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget - Positive (Negative)
Public safety				
Volunteer fire and rescue services	\$ 6,500	\$ 6,500	\$ 6,500	\$ -
Speed Monitoring Program Administration	332,733	390,000	98,606	291,394
Capital outlay	-	-	890,567	(890,567)
Total public safety	<u>339,233</u>	<u>396,500</u>	<u>995,673</u>	<u>(599,173)</u>
Public works				
Highways and streets	146,794	119,483	114,879	4,604
Waste collection	<u>127,108</u>	<u>128,108</u>	<u>127,294</u>	<u>814</u>
Total operating expenditures	273,902	247,591	242,173	5,418
Capital outlay	<u>645,138</u>	<u>667,775</u>	<u>512,202</u>	<u>155,573</u>
Total public works	<u>919,040</u>	<u>915,366</u>	<u>754,375</u>	<u>160,991</u>
Parks, recreation, and culture				
Parks and recreation	4,000	4,722	4,722	-
Capital outlay	<u>235,000</u>	<u>235,000</u>	<u>14,010</u>	<u>220,990</u>
Total parks, recreation, and culture	<u>239,000</u>	<u>239,722</u>	<u>18,732</u>	<u>220,990</u>
Economic development				
Salaries	26,000	26,000	25,700	300
Special events	17,500	17,500	17,500	-
Operating expenditures	<u>139,104</u>	<u>97,468</u>	<u>105,695</u>	<u>(8,227)</u>
Total economic development	<u>182,604</u>	<u>140,968</u>	<u>148,895</u>	<u>(7,927)</u>
Debt Service				
Principal payments - lease	-	-	110,125	(110,125)
Interest expense - lease	<u>-</u>	<u>-</u>	<u>41,980</u>	<u>(41,980)</u>
Total debt service	<u>-</u>	<u>-</u>	<u>152,105</u>	<u>(152,105)</u>
Total Expenditures	<u>2,142,543</u>	<u>2,154,485</u>	<u>2,300,558</u>	<u>(146,073)</u>
Other Financing Sources				
Lease financing	<u>-</u>	<u>-</u>	<u>890,567</u>	<u>890,567</u>
Total Other Financing Sources				
Change in Fund Balance	<u>\$ 374,270</u>	<u>\$ 672,591</u>	<u>\$ 1,520,074</u>	<u>\$ 1,139,629</u>