

Audited
Financial
Statements

June 30,
2020

Burgess and Commissioners
of Walkersville, MD

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INDEPENDENT AUDITOR'S REPORT

Burgess and Commissioners of Walkersville, MD
Walkersville, Maryland

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Burgess and Commissioners of Walkersville, MD (Town), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Burgess and Commissioners of Walkersville, MD'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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Burgess and Commissioners of Walkersville, MD, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and on pages 4 through 16, the schedules related to pension liabilities on pages 48 through 49, and the general fund budgetary comparison schedule on pages 50-51 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Burgess and Commissioners of Walkersville, MD's basic financial statements. The budgetary comparison information for the water fund on page 52 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The water fund budgetary comparison statement has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2020 on our consideration of the Burgess and Commissioners of Walkersville, MD's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Burgess and Commissioners of Walkersville, MD's internal control over financial reporting and compliance.

Smith Elliott Kearns & Company, LLC

Hagerstown, Maryland
October 26, 2020

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

MD&A Management's Discussion and Analysis (Unaudited)

The management of the Burgess and Commissioners of Walkersville, MD (Town of Walkersville) provides the following narrative overview and analysis of the financial statements for the fiscal year ended June 30, 2020. We offer this information for all those interested citizens who want to invest the time to read and understand their Town's financial operations. The basic financial statements are comprised of the government-wide financial statements, fund financial statements, and notes to financial statements. We encourage readers to consider the information presented here in conjunction with additional information provided within the statements to further enhance their understanding of the Town's financial performance.

FINANCIAL HIGHLIGHTS

- ❖ The assets of the Town of Walkersville exceeded its liabilities at the close of June 30, 2020 by \$20,800,763 (*net position*). Of this amount, \$9,499,462 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- ❖ The Town's total net position increased by \$583,049 and the Town increased its cash and equivalents (including certificates of deposit) by \$554,521. The General Fund decreased cash and equivalents by \$184,966, and the Water Fund increased its cash position by \$739,487. These fluctuations do not include the Town's investment in the Maryland Local Government Investment Pool.
- ❖ The Governmental Activities reflected a positive change in net position in the amount of \$343,929 and the Business-Type Activities reflected an increase in net position in the amount of \$239,120.
- ❖ As of June 30, 2020, the Town of Walkersville's governmental fund reported ending fund balances of \$10,412,606, an increase of \$32,447 in comparison with the prior year, once again reflecting a fiscally strong and positive position for the Town.
- ❖ The Town's business-type activities earned income from operations in the amount of \$251,427. Operating revenues increased in the Water Fund by \$198,874 to \$1,424,261. At the same time, operating expenses were relatively consistent with prior year, with a slight decrease of \$4,824.
- ❖ At June 30, 2020, the Town increased its debt due to the continued construction of the new water plant, which requires payment of the draws and then submission to the Maryland Department of the Environment (MDE) for reimbursement of the construction billing. The Town has committed to 2 loans, issued via bonds, one tax-exempt loan in the amount of \$7,271,545 and one forgivable loan in the amount of \$1,500,000. At June 30, 2020, \$7,281,899 had been drawn on the bonds.
- ❖ Plant, property, and equipment of the Governmental Activities totaled \$16,258,987 before factoring in accumulated depreciation. An increase of \$745,500 of infrastructure and property was recognized, offset by \$74,066 in disposals. There was a corresponding increase in accumulated depreciation of \$394,074 on these assets. Net capital assets used in governmental activities of the Town increased by \$348,928 to a total of \$6,869,590.
- ❖ It is the desired goal of the Town to continue to operate conservatively and manage resources responsibly. With large projects on the horizon, this goal will be tested in the coming years.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

MD&A Management's Discussion and Analysis (Unaudited)

- ❖ The Burgess and Commissioners approved the real estate property tax rate of 16.0¢ per \$100 of assessed property value for FY 2020. This rate generated revenue in the amount of \$1,009,042, an increase of \$41,683 from the prior year. The Town continues to operate with one of the lowest real estate tax rates in the State of Maryland.
- ❖ Discussion still is occurring regarding the possibility of offering 24/7 police protection to Town residents. The cost was \$1,159,962 for 5 resident troopers in FY 2020.
- ❖ The Maryland State Retirement and Pension System, of which the Burgess and Commissioners of Walkersville, MD is a participating governmental unit, has implemented GASB No. 68. Financial statements of the participating employers are required to utilize GASB No. 68 as of June 30, 2015. This is the sixth year that the Town is required to report its proportionate share of the State's unfunded liability. As of June 30, 2020, the statements include a net pension liability in the amount of \$750,890, allocated between the Governmental Activities and the Business-Type Activities in the amounts of \$576,241 and \$174,649, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to introduce the Burgess & Commissioners of Walkersville, MD's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also 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 an interested citizen with a broad overview of the Burgess & Commissioners of Walkersville, MD's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Burgess & Commissioners of Walkersville, MD'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 Burgess & Commissioners of Walkersville, MD is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position 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 (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Burgess & Commissioners of Walkersville, MD that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Burgess & Commissioners of Walkersville, MD include general government, public safety, public works, waste collection and disposal, recreation and culture, non-departmental, and capital outlay. The business-type activity of the Burgess & Commissioners of Walkersville, MD consists of a Water treatment and distribution operation.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

MD&A Management's Discussion and Analysis (Unaudited)

The government-wide financial statements can be found on pages 17-18 of this report.

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 Burgess & Commissioners of Walkersville, MD, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Burgess & Commissioners of Walkersville, MD can be divided into two categories: governmental funds and proprietary funds.

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 inflows 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 in 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 funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, citizens may better understand the long-term impact 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 balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town of Walkersville maintains one governmental fund. The information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the major fund.

The Town of Walkersville adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 19-22 of this report.

Proprietary Funds

The Town of Walkersville maintains one proprietary fund, an Enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Walkersville uses the enterprise fund to account for its Water Treatment and Distribution Company.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Water Treatment and Distribution Company, which is a major fund of the Town of Walkersville.

The basic proprietary fund financial statements can be found on pages 23-26 of this report.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
MD&A Management's Discussion and Analysis (Unaudited)

1) Notes to the 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 27-47 of this report.

2) Required supplementary information can be found on pages 48-51.

3) Other supplementary information can be found on page 52.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
MD&A Management’s Discussion and Analysis (Unaudited)

Town of Walkersville
Net Position Summary

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
ASSETS						
Current and other assets	\$ 10,993,811	\$ 10,895,365	\$ 237,373	\$ (289,549)	\$ 11,231,184	\$ 10,605,816
Capital assets	6,869,590	6,520,662	11,713,610	6,984,666	18,583,200	13,505,328
Deferred outflows of resources	139,647	136,580	42,400	41,509	182,047	178,089
Total Assets and Deferred Outflows of Resources	\$ 18,003,048	\$ 17,552,607	\$ 11,993,383	\$ 6,736,626	\$ 29,996,431	\$ 24,289,233
LIABILITIES						
Current liabilities	581,205	515,206	683,058	704,534	1,264,263	1,219,740
Noncurrent liabilities	576,241	540,741	7,241,123	2,203,465	7,817,364	2,744,206
Total Liabilities	1,157,446	1,055,947	7,924,181	2,907,999	9,081,627	3,963,946
Deferred inflows of resources	87,513	82,500	26,528	25,073	114,041	107,573
NET POSITION						
Invested in capital assets, net of related debt	6,869,590	6,520,662	4,431,711	4,945,543	11,301,301	11,466,205
Unrestricted	9,888,499	9,893,498	(389,037)	(1,141,989)	9,499,462	8,751,509
Total Net Position	16,758,089	16,414,160	4,042,674	3,803,554	20,800,763	20,217,714
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 18,003,048	\$ 17,552,607	\$ 11,993,383	\$ 6,736,626	\$ 29,996,431	\$ 24,289,233

The Town of Walkersville’s assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$20,217,714 at the close of the June 30, 2019 fiscal year, and by \$20,800,763 at the close of June 30, 2020, an increase in net position of \$583,049, (2.9%). Total assets and deferred outflows of resources of \$24,289,233 at June 30, 2019 increased to \$29,996,431 by June 30, 2020, an increase of \$5,707,198, (23.5%). The increase in assets is mostly due to an increase in capital assets of the water fund, as a result of the construction in progress related to the water plant.

The largest portion of the Town of Walkersville’s net position is its investment in capital assets (e.g., land, buildings, machinery, equipment, infrastructure), less any related debt used to acquire those assets that is still outstanding (\$11,301,301 or 54% of total net position). The Town of Walkersville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. GASB Statement No. 34 requires that all capital assets, including infrastructure, be reported. Accordingly, the Town has chosen to report all of its infrastructure assets with the implementation of GASB Statement No. 34, including certain developer constructed assets whose value was determined by using market prices for the year of construction. Additionally, the Town must elect either 1) depreciate these assets over their estimated useful life, or 2) develop a system of asset management designed to maintain their condition perpetually and to report on their condition within the financial statements. The Town elected the first method and uses the depreciation method on infrastructure systems reporting.

Of the remaining Town assets, \$10,782,352 is accounted for in cash, cash equivalents, and pooled investments, \$405,512 in receivables, \$24,804 in inventory, and \$18,516 in prepaid expenses.

Total liabilities include \$7,281,899 in debt, \$756,969 in accounts payable, deposits of \$67,755 for amounts held in escrow for various projects, \$93,180 for staff accumulated leave and tax withholdings, unearned revenue of \$106,984, accrued interest payable of \$23,950, and \$750,890 for net pension liability.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
MD&A Management’s Discussion and Analysis (Unaudited)

At June 30, 2020 and 2019, the Town had positive balances in all categories of net position, except for the business-type activities unrestricted net position in the amount of (\$389,037) and (\$1,141,989), respectively, again due to the cash needed for construction of the new water plant and its increased capacity fee.

Statement of Activities – Changes in Net Position

The following schedule summarizes revenues and expenses for the current fiscal year:

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
REVENUES						
Program Revenues						
Charges for services, fees fines	\$ 59,215	\$ 37,794	\$ 1,633,596	\$ 1,425,459	\$ 1,692,811	\$ 1,463,253
Operating grants and contributions	115,639	44,151	-	-	115,639	44,151
General Revenues						
Property taxes	1,355,709	1,244,637	-	-	1,355,709	1,244,637
Other state and local taxes	2,168,098	2,084,095	-	-	2,168,098	2,084,095
Other	328,192	337,979	15,379	23,537	343,571	361,516
Total Revenues	4,026,853	3,748,656	1,648,975	1,448,996	5,675,828	5,197,652
EXPENSES						
General government	625,490	577,586	-	-	625,490	577,586
Public safety	1,213,204	1,078,835	-	-	1,213,204	1,078,835
Public works	853,618	902,753	-	-	853,618	902,753
Waste collection and disposal	297,721	224,500	-	-	297,721	224,500
Recreation and culture	156,177	191,973	-	-	156,177	191,973
Non-departmental	536,714	349,680	-	-	536,714	349,680
Water utility services	-	-	1,255,275	3,177,772	1,255,275	3,177,772
Loss on disposal of assets	-	-	154,580	-	154,580	-
Total Expenses	3,682,924	3,325,327	1,409,855	3,177,772	5,092,779	6,503,099
Change In Net Position	343,929	423,329	239,120	(1,728,776)	583,049	(1,305,447)
NET POSITION - BEGINNING	16,414,160	15,990,831	3,803,554	5,532,330	20,217,714	21,523,161
NET POSITION - ENDING	\$ 16,758,089	\$ 16,414,160	\$ 4,042,674	\$ 3,803,554	\$ 20,800,763	\$ 20,217,714

Total revenues for the Town of Walkersville were \$5,675,828 for the year ended June 30, 2020, up \$478,176 (9.2%) from FY 2019. Governmental activities provided \$4,026,853 and business-type activities provided \$1,648,975, primarily from charges for water services and non-operating wireless tower income. Total expenses for governmental activities were \$3,682,924 and total expenses for business-type activities were \$1,409,855. Net position at June 30, 2019 totaled \$20,800,763, an increase of \$583,049 from the June 30, 2019 net position of \$20,217,714.

Financial Analysis of the Town’s Funds

The Town of Walkersville uses fund accounting to demonstrate compliance with municipal legal requirements. The following is a financial analysis of the Town’s governmental and proprietary funds:

Governmental Funds Revenue and Expense Analysis

The general governmental functions are contained in the General Fund. The focus of the Town’s governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
MD&A Management’s Discussion and Analysis (Unaudited)

The General Fund is the chief operating fund of the Town. On June 30, 2020, the unassigned fund balance of the General Fund was \$8,298,530, up \$307,152 from June 30, 2019.

Town of Walkersville
Revenues Classified by Source
Governmental Funds

	<u>Amount</u>		<u>Percent of Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues				
Local property taxes and interest	\$ 1,355,709	\$ 1,244,637	33.65%	33.20%
Licenses and permits	53,563	30,025	1.33%	0.80%
Grants and shared taxes	2,280,279	2,123,470	56.59%	56.65%
Other revenue	339,800	350,528	8.43%	9.35%
Total Revenues	<u>\$ 4,029,351</u>	<u>\$ 3,748,660</u>	<u>100.00%</u>	<u>100.00%</u>

The following provides an explanation of changes in revenues by source over the prior year.

- ❖ **Local Property Taxes and Interest** – This consists of real and personal property tax revenues and the penalties and interest thereon. Gross real property tax revenues were \$1,009,042, up \$41,683 (4.3%) from last year. The tax rate of 16.0¢ per \$100 of assessed value tax rate remained in effect and the net assessable real property base increased by \$23,420,624. The gross business personal property tax revenue increased by \$69,277 (25.9%) to \$336,755. Personal property taxes are assessed based on taxpayer-provided information. The timing and amounts of reportable inventories affect the revenues from personal property assessment returns, so it is impossible to explain or predict the changes. Penalties and interest category remained steady, only increasing by \$112, to \$9,912.
- ❖ **Licenses and Permits** – This consists of traders licenses and planning and zoning licensing and review fees. Traders licenses decreased \$680 to \$4,605. Planning and zoning fees increased significantly by \$24,218, to \$38,958. Much of this increase was the result of new development and the Rock Creek School project, as well as more homeowners doing home improvements instead of vacationing as a result of COVID-19.
- ❖ **Grants and Shared Taxes** – This category includes admissions and amusement tax, highway taxes, police protection grant, Program Open Space, income taxes, grant in lieu of property taxes, and the tax equity program from Frederick County. The total grants and shared taxes increased by \$156,809 to \$2,280,279. All categories except for admissions and amusement taxes reflected increases from the prior year as follows: Highway user revenues increased by \$37,952 to \$251,258, grant for police protection was up \$7,553 due to FY 2020 being the first full year of the Town having 5 Maryland State Police Resident troopers, Frederick County shared income taxes increased by \$22,535 to \$944,243, and tax equity from Frederick County increased by \$28,009, to \$926,346. Tax Equity from the County is a reimbursement of taxes to Walkersville taxpayers for services provided by the Town in lieu of the County providing them. It is based on a formula devised by Frederick County and is not based on what the Town spent but what the County spends to provide the services. Admissions tax revenue was down \$4,493 from FY 2019, likely due to lower admissions at entertainment venues due to COVID-19. New in FY 2020, the Town also received federal COVID-19 relief funding to purchase personal protective equipment and other equipment needed for Town Hall to safely reopen during the pandemic.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
MD&A Management’s Discussion and Analysis (Unaudited)

- ❖ **Other Revenue** – Other revenue includes interest income from banks, interest income on the interfund loan to the Water Fund, franchise fees, senior citizens revenue, rental income, recycling income, proceeds from the sale of assets, and various other minor revenues. This category decreased \$10,728.

Town of Walkersville
Expenditures by Function
Governmental Funds

	<u>Amount</u>		<u>Percent of Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Expenditures				
General government	\$ 567,686	\$ 522,689	14.20%	17.39%
Public safety	1,211,310	1,076,608	30.31%	35.82%
Public works	561,086	592,540	14.04%	19.72%
Waste collection and disposal	297,721	224,500	7.45%	7.47%
Recreation and culture	114,333	148,138	2.86%	4.93%
Non-departmental	499,268	301,630	12.49%	10.04%
Capital outlay	745,500	139,126	18.65%	4.63%
Total Expenditures	<u>\$ 3,996,904</u>	<u>\$ 3,005,231</u>	<u>100.00%</u>	<u>100.00%</u>

The following provides an explanation of the expenditures by function that changed notably over the prior year:

- ❖ **General Government** – General government expenditures for FY 2020 were \$44,997 higher than prior year. Office salaries increased by \$22,430 due to the hiring of a part-time Information Specialist to assist with the Town’s social media presence and website. Operating expenses for financial administration increased \$24,128, which was primarily the result of several new computer purchases for Town employees.
- ❖ **Public Safety** – This category increased again this year by \$134,702. Of this increase, \$121,311 is directly attributable to police and traffic control, as FY 2020 was the first full year that the Town paid for 5 state troopers. Additionally, the Town made an \$11,000 contribution to the local fire department above and beyond the normal annual donation. The Town expects to make an additional contribution the local rescue company in FY 2021. The Town continues to operate proactively on code enforcement cases.
- ❖ **Public Works** - This category decreased overall by \$31,454, despite an increase in maintenance salaries of \$30,443. The increase in maintenance salaries includes slight raises and increases in accrued compensatory time as a result of employees not being able to take vacation toward year-end due to COVID-19. Remaining decreases in maintenance (\$41,458) and truck and equipment (\$10,461) are due to current year purchases being capitalized and less road maintenance needed. Uniforms and boots primarily includes the work clothing allowance which remains \$600 per person, and the uniforms provided by Cintas which cost approximately \$2,800 per person for those who utilize the service.
- ❖ **Waste Collection and Disposal** - This category increased by \$73,221, primarily due to the closure of the mulch pile for yard waste removal and the additional cost of yard waste pickup. The Town continues to sponsor two annual bulk trash collection days, effectively reducing the impact on the landfill. Our established recycling dumpster continues to be successful and busy.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

MD&A Management's Discussion and Analysis (Unaudited)

- ❖ **Recreation and Culture** – This category decreased by \$33,805, mostly due to parks and recreation expenses being \$22,965 less than prior year, as the Town capitalized the purchase and installation of new playground equipment in FY 2020. Senior citizens meal expenses were also down considerably from prior year due to COVID-19.
- ❖ **Non-Departmental** – Expenditures include retirement plan expenditures, workers' compensation insurance, payroll taxes, health, life and dental insurance, liability insurance, community donations, security measures, and miscellaneous other expenditures. The category increased overall by \$197,638, due to several expenditures in this category being budgeted in capital outlay (e.g. stormwater study, MS4 permitting, and the water tap fee for the CTC House). Other notable increases are a \$12,460 increase in medical insurance and a \$7,634 increase in retirement plan expenses as a result of GASB 68 adjustments.
- ❖ **Depreciation Expense** – Implementation of GASB 34 required the Town to recognize depreciation expense in the government-wide financial statements on what was formerly the General Fixed Assets Account Group. This change primarily affects the Governmental Activities since what is now known as the Business-type Activities have always recorded depreciation expense. Depreciation expense is not a current use of funds; however, it is a measure of the diminishing utility of assets purchased or constructed with funds in previous years. Current year depreciation expense totaled \$394,074.

ENTERPRISE FUND REVENUE AND EXPENSE ANALYSIS

Water Utility

Operating Revenues - Total operating revenues were up by \$198,874, mostly a result of a \$167,600 increase in connection fees as developments continue their build out. Charges for services increased \$34,071, a modest 3% hike from prior year. Meter service charges and penalties and interest remained steady.

Non-Operating Revenues (Expenses) - The largest change in this category is the prior year one-time expense of \$1,983,068 for increased sewer capacity fees needed prior to the construction of the new water treatment plant. This expense did not recur in FY 2020. Notable current year fluctuations are an increase in wireless tower income of \$9,263 offset by the loss on disposal of capital assets of \$154,580 and increased interest expense on both the water fund bonds and the interfund loan.

Operating Expenses - The Water Fund's operating expenses were similar to FY 2019. Notable increases include a \$23,460 increase in salaries driven by a 4% limitation on FY 2020 raises, a \$50,550 decrease in distribution maintenance, \$17,281 increase in chemicals, \$34,279 increase in sewer treatment fees, \$17,351 decrease in legal fees, and \$10,748 decrease in medical insurance. The decrease in distribution maintenance fees is driven by significantly higher costs in prior year which facilitated less of a need for current year purchases.

Depreciation expense, a non-cash outlay, decreased by \$7,688, to \$181,239.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

MD&A Management's Discussion and Analysis (Unaudited)

ANALYSIS OF BUDGET AND ACTUAL RESULTS

Governmental and Enterprise Funds

The Town budgets for the General Fund and the Water Fund. The General Fund is the operating fund and comprises all the transactions and activities of the Town, except for the water utility. The Water Fund, on the other hand, is supposed to operate as a self-sustaining business. Town philosophy is that the budget, even though adopted by an ordinance, is a planning tool and not a restrictive document. In other words, if funds are budgeted there is no urgency to spend them within the fiscal year. Conversely, if a need arises and the plan is not in the budget to address it, it nevertheless is evaluated and addressed if it is needed to provide the best service and support of our citizens. Also, the budgeting process is approached very conservatively, i.e. including lower expectations for revenue to be received and estimating on the high side for expected expenses. This philosophy, however, may change, due to an almost completely new board of Commissioners. For these reasons, variances between the budget and actual in the Governmental and Enterprise Funds are usually explained using the above approach. Only explainable variances will be mentioned or discussed.

Regarding actual results of the General Fund and the Water Fund to the adopted budgets, the following variations are notable:

General Fund

- ❖ Personal property tax revenue received was more than expected by \$87,003. This category continues to be a difficult area to project as we wait for the assessments provided to the state through the personal property tax returns. Income taxes received were slightly higher than anticipated by \$33,797, continuing the positive signs that the economy is improving, and people are making money and paying taxes. This budget category is estimated by averaging the 3 previous years and typically is always underestimated. Planning and zoning revenue exceeded expectations by \$38,958, as developments in process for approval pay their appropriate permitting and review fees. Timing continues to be the variable in estimating this and the Town continues its conservative approach. Highway user tax revenue received \$16,258 below budget, as the amounts evolve throughout the year as notified by the State Highway Administration. Admissions and amusements taxes were \$20,749 under budget, likely due to people being unable to travel much in the last quarter of the year due to the pandemic. Program Open Space income was \$134,350 less than expected, because the HFP sports building has still, after 5 years, not been completed. Of the original \$189,925 awarded, \$55,575 was awarded in FY 2020 based on eligible expenses incurred through June 30, 2020. The remainder will be collected upon anticipated completion of the project in FY 2021. Tax Equity was exactly the amount the County told us it would be, \$926,346, an increase over last year by \$28,009. Walkersville has chosen tax equity rather than tax differential as the calculation for our reimbursement from the County for duplicate services provided. Interest income received was \$89,254 less than the budgeted amount, but this was partially offset by interest earned on the interfund loan in the amount of \$48,028. Interest rates drastically declined in the last quarter of FY 2020, causing the deficiency in budget to actual. Total revenues were under budget, as amended, by \$694,902; however, \$498,000 of the variance was designated from surplus and \$192,666 was designated from the parks accrual; neither of these items are recognized under generally accepted accounting principles.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

MD&A Management's Discussion and Analysis (Unaudited)

- ❖ General government expenditures were over budget by \$9,325, most notably due to higher than budgeted salaries of \$12,745 and financial administration operating expenditures for the purchase of new computers of \$8,299. This variance was offset by positive variances for legal expenditures of \$8,014. Police safety expenditures were over budget by \$145,602 due to underestimating the cost of 5 Maryland State Police troopers and an additional \$11,000 contribution made to the local fire company. Public works expenditures were under budget by \$139,634 due to less maintenance needed on roads. Waste collection and disposal expenditures was over budget by \$50,121 due to increased costs associated with the closing of the Town mulch pile. Recreation and culture expenditures came in under budget by \$507,917, mostly due to not having any Program Open Space expenditures in the current year, as the costs related to the HFP building are included in capital outlay. Non-departmental expenditures are higher than budgeted, by \$131,213, due to including items budgeted by the Town in capital outlay (e.g. stormwater study, MS4 permitting, and the CTC House water tap fee). As a result, capital outlay expenditures are lower than budget, as amended. The Burgess and Commissioners and town staff continue to budget in an extremely conservative manner, giving priority to spending the funds entrusted to us in the most responsible processes, ensuring that our citizens receive the best services for their tax dollars.

Water Fund

- ❖ To realistically evaluate the Water Fund revenues (including operating and non-operating), you must first remove the \$561,672 budgeted to be used from savings and reserves. Without this, the budgeted current revenue becomes \$1,366,500. Comparing that to actual received of \$1,648,975, the Water Fund received \$282,475 more than expected, or 20.7%. Charges for service received \$28,136 more than expected. The Town continues to attempt to increase revenue to the point of being able to support the debt of the water plant. Connection fees are being received and recognized for construction of multiple new residential developments as taps are placed in service. The variance in budget to actual is \$244,400, and is not considered part of the operating budget. Wireless tower income (a non-operating revenue source) exceeded budget expectations by \$7,072, 12,835, as carriers continue to expand, replace, and stay up on the latest cellular technology. The Water Fund depends on this wireless revenue to stay viable.
- ❖ Total operating expenses were more than expected by \$59,363, which includes notable overages in sewer treatment fees of \$41,590, chemicals of \$39,051, and administrative expenses of \$10,016. Conversely, the Town saw savings compared to budget in medical insurance (\$21,125) and other operating expenses (\$12,604). The Commissioners continue to budget 160 hours of compensatory time for the maintenance and water operators who earn compensatory time for snow plowing and water main breaks.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Town of Walkersville's total investment in capital assets, net of related debt, including construction in process, for its governmental and business type activities as of June 30, 2020, amounts to \$11,301,301 (net of accumulated depreciation) compared to \$11,466,205 at June 30, 2019, a decrease of \$164,904. This investment in capital assets includes infrastructure donated by developers, land, farm land, buildings, furnishings, equipment and machinery, water treatment plant, distribution system, water towers, roads, stormwater structures, recreation and parks facilities, as well as construction in progress.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
MD&A Management’s Discussion and Analysis (Unaudited)

GASB 34 requires the Town to include certain infrastructure items on the financial statement reporting effective with the year beginning July 1, 2003. These financial statements include all known assets, including infrastructure assets and certain developer assets, which were constructed and donated to the Town as a requirement of their development site plans. For FY 2020, there were no contributions of infrastructure from developers.

GASB 34 also allows the Town to report depreciation expense on infrastructure assets or to adopt the modified approach, which allows depreciation expense to be ignored if expenditures that are necessary to maintain infrastructure assets to an objectively determined level of service are made. Consistent with what appears to be an overwhelming common practice/industry standard being adopted by governmental entities nationwide subject to GASB 34, the Town of Walkersville has adopted the reporting of depreciation expense.

This Year’s Capital Additions Included:

Purchased by Town:

2020 Chevy 4500 Dump Truck	\$	89,998
Glade Village paving		138,663
Other paving projects		49,380
Water treatment plant in progress		4,240,970
Glade Village water line replacement		828,292
HFP barn stabilization		176,706
Playground equipment		186,108
Alban Cat backhoe		<u>104,645</u>

Total Purchased by the Town \$ 5,814,762

The Town of Walkersville’s fiscal year 2021 capital budget plans for spending \$2,070,359. The FY 2020 capital budget includes the regular annual budgeting of equipment, major paving and overlay projects, and water line replacement. The Town has finally completed the new water plant (as of Fiscal Year 2021). More detailed information about the Town’s capital assets is presented in Notes 1 and 7 to the financial statements. Detailed information about the Town’s related water treatment plant debt is presented in Note 8 to the financial statements.

Long-Term Debt Activity

The Town of Walkersville received financing from the State of Maryland in the amount of \$8.775 million for the water plant construction. At June 30, 2020, \$7,281,899 has been drawn on the bonds.

Subsequent Items for Future Financial Statements

- ❖ The Town of Walkersville adopted its General Fund budget based on a 14.0¢ tax rate per \$100 of assessed value for FY 2021. This rate was lowered from \$16.0¢ in FY 2020. Our tax rate continues to be a source of pride to the Burgess & Commissioners as one of the lowest tax rates in the State of Maryland for a town of our size.
- ❖ The Heritage Farm Park athletic building is nearing completion as the 2020 calendar year draws to an end. Program Open Space was used to fund \$189,925 of the total cost of the project.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
MD&A Management's Discussion and Analysis (Unaudited)

- ❖ The Town functioned for an entire year with 5 resident troopers. The FY 2021 budget for the 5 troopers is \$1,153,856, which continues to be the most robust item in the General Fund budget. The opioid crisis, juvenile breaking and entering into unlocked cars, and speeding continue to be the most often expressed complaints. A request for a sixth trooper has been made and will need to be accounted for in the next budget.
- ❖ MS4 (Municipal Separate Storm Sewer System) is the Federal/State regulation that the Town is currently working towards compliance. The Town will need to begin budgeting for storm water retention programs that could cost upwards of \$1.5 million over the next two years.
- ❖ We continue to look forward to the completion of the three new developments in process.
- ❖ Recent discussions about the need to improve the Town's sidewalks, fix roads, and replace storm drains all point to major infrastructure improvements in the coming years.

REQUESTS FOR INFORMATION

This Management Discussion and Analysis document is designed to provide our citizens, taxpayers, water customers, and interested persons with a general overview of the Town of Walkersville's finances and to demonstrate the Town's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Town Manager
Town of Walkersville
PO Box 249
Walkersville, MD 21793

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

Statement of Net Position

June 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash	\$ 247,618	\$ 1,197,828	\$ 1,445,446
Investments - Maryland Local Government			
Investment Pool	7,980,805	505,766	8,486,571
Certificates of deposit, including accrued interest	850,335	-	850,335
Receivables			
Taxes	8,107	-	8,107
Franchise fees	21,838	-	21,838
Other	1,023	-	1,023
Water service charges, net of allowance for uncollectibles of \$775	-	133,748	133,748
Due from other governmental agencies	240,796	-	240,796
Current portion of interfund loan	45,285	(45,285)	-
Accrued interest receivable (payable) on interfund loan	12,403	(12,403)	-
Inventory, at cost, net of allowance	11,616	13,188	24,804
Prepaid expenses	14,400	4,116	18,516
Internal balances	(295,130)	295,130	-
Total Current Assets	9,139,096	2,092,088	11,231,184
Noncurrent Assets			
Long-term interfund loan	1,854,715	(1,854,715)	-
Capital assets not being depreciated	2,315,634	7,747,520	10,063,154
Capital assets net of accumulated depreciation	4,553,956	3,966,090	8,520,046
Total Noncurrent Assets	8,724,305	9,858,895	18,583,200
Total Assets	17,863,401	11,950,983	29,814,384
DEFERRED OUTFLOWS OF RESOURCES	139,647	42,400	182,047
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 18,003,048	\$ 11,993,383	\$ 29,996,431
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 468,466	\$ 288,503	\$ 756,969
Accrued salaries and withholdings	72,357	20,823	93,180
Unearned revenue	-	106,984	106,984
Deposits	40,382	27,373	67,755
Current portion of bonds payable	-	215,425	215,425
Accrued interest payable	-	23,950	23,950
Total Current Liabilities	581,205	683,058	1,264,263
Noncurrent Liabilities			
Portion due or payable after one year			
Net pension liability	576,241	174,649	750,890
Bonds payable	-	7,066,474	7,066,474
Total Noncurrent Liabilities	576,241	7,241,123	7,817,364
Total Liabilities	1,157,446	7,924,181	9,081,627
DEFERRED INFLOWS OF RESOURCES	87,513	26,528	114,041
Net Position			
Net investment in capital assets	6,869,590	4,431,711	11,301,301
Unrestricted (deficit)	9,888,499	(389,037)	9,499,462
Total Net Position	16,758,089	4,042,674	20,800,763
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 18,003,048	\$ 11,993,383	\$ 29,996,431

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Statement of Activities
Year Ended June 30, 2020

Program Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT							
Governmental Activities							
General government	\$ 625,490	\$ 53,563	\$ 10,708	\$ -	\$ (561,219)	\$ -	\$ (561,219)
Public safety	1,213,204	-	45,898	-	(1,167,306)	-	(1,167,306)
Public works	853,618	220	-	-	(853,398)	-	(853,398)
Waste collection and disposal	297,721	5,432	-	-	(292,289)	-	(292,289)
Recreation and culture	156,177	-	59,033	-	(97,144)	-	(97,144)
Non-departmental	536,714	-	-	-	(536,714)	-	(536,714)
Total Governmental Activities	3,682,924	59,215	115,639	-	(3,508,070)	-	(3,508,070)
Business-Type Activities							
Water	1,255,275	1,633,596	-	-	-	378,321	378,321
TOTAL GOVERNMENT	\$ 4,938,199	\$ 1,692,811	\$ 115,639	\$ -	(3,508,070)	378,321	(3,129,749)
General Revenues							
Taxes							
Property taxes, levied for general purposes					1,355,709	-	1,355,709
Income taxes					944,243	-	944,243
Highway taxes					251,258	-	251,258
Other local taxes					972,597	-	972,597
Franchise fees					85,514	-	85,514
Investment earnings					178,274	15,379	193,653
Gain (loss) on disposal of assets					9,502	(154,580)	(145,078)
Miscellaneous					54,902	-	54,902
Total General Revenues					3,851,999	(139,201)	3,712,798
Change in Net Position					343,929	239,120	583,049
NET POSITION - BEGINNING					16,414,160	3,803,554	20,217,714
NET POSITION - ENDING					\$ 16,758,089	\$ 4,042,674	\$ 20,800,763

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Balance Sheet – Governmental Fund
June 30, 2020

	General Fund
ASSETS	
Cash	\$ 247,618
Investments - Maryland Local Government	
Investment Pool	7,980,805
Certificates of deposit, including accrued interest	850,335
Receivables	
Taxes	8,107
Franchise fees	21,838
Other	1,023
Due from other governmental agencies	240,796
Accrued interest receivable	12,403
Prepaid expenditures	14,400
Inventory, at cost	11,616
Due from other funds - short-term	45,285
Due from other funds - long-term	<u>1,854,715</u>
TOTAL ASSETS	<u>\$ 11,288,941</u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	\$ 468,466
Accrued salaries and withholdings	72,357
Due to other funds	295,130
Deposits	<u>40,382</u>
Total Liabilities	<u>876,335</u>
Fund Balance	
Nonspendable	1,880,731
Assigned	233,345
Unassigned	<u>8,298,530</u>
Total Fund Balance	<u>10,412,606</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 11,288,941</u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Reconciliation of Fund Balance to the Statement of Net Position of
Governmental Activities
June 30, 2020

TOTAL FUND BALANCE - GOVERNMENTAL FUND \$ 10,412,606

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

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

Property, plant and equipment	16,258,987	
Accumulated depreciation	<u>(9,389,397)</u>	6,869,590

The net pension liability associated with the Town's proportionate share of the Maryland State Retirement and Pension System is not payable with current financial resources and is not reported in the governmental funds.

The activity associated with the Town's share of the net pension liability consists of:

Net pension liability	(576,241)	
Deferred outflows of resources	139,647	
Deferred inflows of resources	<u>(87,513)</u>	<u>(524,107)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 16,758,089**

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Statement of Revenues, Expenditures, and Change in Fund Balance -
Governmental Fund
Year Ended June 30, 2020

	General Fund
REVENUES	
Local property taxes and interest	\$ 1,355,709
Licenses and permits	53,563
Grants and shared taxes	2,280,279
Other revenue	<u>339,800</u>
Total Revenues	<u>4,029,351</u>
EXPENDITURES	
General government	567,686
Public safety	1,211,310
Public works	561,086
Waste collection and disposal	297,721
Recreation and culture	114,333
Non-departmental	499,268
Capital outlay	<u>745,500</u>
Total Expenditures	<u>3,996,904</u>
Change in Fund Balance	32,447
TOTAL FUND BALANCE - BEGINNING OF YEAR	<u>10,380,159</u>
TOTAL FUND BALANCE - END OF YEAR	<u>\$ 10,412,606</u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund
Balances of Governmental Fund to the Statement of Activities
Year Ended June 30, 2020

CHANGE IN FUND BALANCE - GOVERNMENTAL FUND	\$	32,447
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.		745,500
Depreciation expense on capital assets is reported in the government-wide statement of activities, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.		(394,074)
In the government-wide statement of activities, only the gain on the disposition of capital assets is reported, whereas in the governmental funds, the sale proceeds increase other financing sources. Thus, the change in net position differs from the changes in the fund balance by the undepreciated cost of the capital assets disposed of.		(2,498)
In the government-wide financial statements, activity related to the Town's proportionate share of the Maryland State Retirement and Pension System is recognized when the costs are incurred, adjusted for the actuarial measurement date of the plan. In the governmental funds, expenditures are recognized when current financial resources are used. This year, actual costs of the plan were more than current resources used.		(37,446)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	343,929

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Statement of Net Position – Proprietary Fund
June 30, 2020

	Water Fund
ASSETS	
Current Assets	
Cash	\$ 1,197,828
Investments - Maryland Local Government Investment Pool	505,766
Receivables Water service charges (net of allowance for uncollectibles of \$775)	133,748
Due from other funds	295,130
Prepaid expenses	4,116
Inventory, at cost, net of allowance	13,188
	<hr/>
Total Current Assets	2,149,776
Noncurrent Assets	
Capital assets not being depreciated	7,747,520
Capital assets net of accumulated depreciation	3,966,090
	<hr/>
Total Noncurrent Assets	11,713,610
Total Assets	13,863,386
DEFERRED OUTFLOWS OF RESOURCES	
	<hr/>
	42,400
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
	<hr/>
	\$ 13,905,786
<hr/>	
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 288,503
Unearned revenues	106,984
Accrued salaries and withholdings	20,823
Deposits	27,373
Current portion of bonds payable	215,425
Current portion of interfund loan	45,285
Accrued interest payable	36,353
	<hr/>
Total Current Liabilities	740,746
Noncurrent Liabilities	
Portion due or payable after one year	
Bonds payable	7,066,474
Due to other funds	1,854,715
Net pension liability	174,649
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Total Noncurrent Liabilities	9,095,838
Total Liabilities	9,836,584
DEFERRED INFLOWS OF RESOURCES	
	<hr/>
	26,528
Net Position	
Invested in capital assets	4,431,711
Unrestricted (deficit)	(389,037)
	<hr/>
Total Net Position	4,042,674
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
	<hr/>
	\$ 13,905,786

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Statement of Revenues, Expenses and Change in Net Position – Proprietary Fund
Business Type Activities – Enterprise Fund
Year Ended June 30, 2020

	Water Fund
OPERATING REVENUES	
Charges for services	\$ 1,163,136
Meter service charge	2,120
Connection fees	244,400
Penalties and interest	14,305
Other income	300
	<hr/>
Total Operating Revenues	1,424,261
	<hr/>
OPERATING EXPENSES	
Depreciation	181,239
Salaries	244,844
Electricity	77,300
Distribution maintenance	131,342
Parts, supplies, and tools	5,015
Chemicals	189,051
Sewer treatment fees	161,590
Other operating expenses	24,196
Audit	10,325
Legal expense	53
Administrative expenses	31,641
Pension plan	30,318
Workmen's compensation insurance	7,085
Payroll taxes	17,948
Property insurance	15,275
Medical insurance	43,575
Safety	1,978
Miscellaneous	59
	<hr/>
Total Operating Expenses	1,172,834
	<hr/>
Income From Operations	251,427
	<hr/>
NON-OPERATING REVENUES (EXPENSES)	
Wireless tower income	209,335
Interest income	15,379
Interest expense	(82,441)
Loss on disposal of capital assets	(154,580)
	<hr/>
Total Non-Operating Revenues (Expenses)	(12,307)
	<hr/>
Change in Net Position	239,120
	<hr/>
NET POSITION - BEGINNING OF YEAR	3,803,554
	<hr/>
NET POSITION - END OF YEAR	\$ 4,042,674
	<hr/> <hr/>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Statement of Cash Flows – Proprietary Fund
Year Ended June 30, 2020

	Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,451,803
Cash payments to suppliers for goods and services	(1,047,584)
Cash payments to employees for services	<u>(229,173)</u>
Net Cash Provided By Operating Activities	<u>175,046</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Decrease in due from other funds	24,036
Wireless tower income	<u>209,335</u>
Net Cash Provided By Non-Capital Financing Activities	<u>233,371</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(5,069,262)
Proceeds from sale of capital assets	4,500
Interest paid on notes payable	(82,441)
Proceeds from bonds payable	<u>5,242,776</u>
Net Cash Provided By Capital and Related Financing Activities	<u>95,573</u>
CASH FLOW FROM INVESTING ACTIVITIES	
Interest on cash and investments	<u>15,379</u>
Net Increase In Cash and Cash Equivalents	519,369
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,184,225</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,703,594</u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Statement of Cash Flows – Proprietary Fund (Continued)
Year Ended June 30, 2020

	Water Fund
RECONCILIATION OF INCOME FROM OPERATIONS	
TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Income from operations	\$ 251,427
Adjustments to reconcile income from operations to net cash provided by operating activities:	
Depreciation	181,239
(Increase) in receivables	(34,388)
Decrease in prepaid expenses	2,613
(Increase) in inventory	(343)
(Decrease) in accounts payable	(322,916)
Increase in accrued interest payable	19,813
Increase in deferred revenue	59,855
Increase in accrued salaries	4,800
Increase in deposits	2,075
Change in net pension liability and related items	10,871
	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 175,046
<hr/>	
RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS	
PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF	
NET POSITION	
Cash	\$ 1,197,828
Investments - Maryland Local Government	
Investment Pool	505,766
	<hr/>
	\$ 1,703,594
	<hr/>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity

The primary government is the Burgess and Commissioners of Walkersville, MD, referred to herein as the Town or the Burgess and Commissioners.

The accompanying financial statements are presented as of June 30, 2020 and for the year then ended and have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to local governments. The Governmental Accounting Standards Board (the GASB) is the standard setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the *GASB's Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification).

Reporting Entity

The accompanying financial statements comply with the provisions of the GASB in that the financial statements include all organizations, activities, functions and component units for which the Town (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the Town's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the Town.

Based on the foregoing, the Town's financial reporting entity includes all funds, and boards and commissions that are part of the primary government. There are no component units.

Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Balances

Governmental funds classify fund balance based on the relative strength of the spending constraints placed on the purpose for which resources can be used. The classifications are as follows:

Nonspendable

This classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. This classification includes items such as prepaid amounts, inventories, and long-term receivables.

Restricted

This classification includes amounts where the constraints placed on the use of resources are externally imposed by creditors, grantors, contributors or imposed by law through constitutional provisions or enabling legislation.

Committed

This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Burgess and Commissioners of Walkersville, MD. Once an amount is committed, it cannot be used for any other purpose unless changed by the same type of formal action used to initially constrain the funds.

Assigned

For the General Fund, this classification includes amounts intended to be used for specific purposes that do not meet the criteria to be classified as Restricted or Committed. The assignment of fund balance cannot result in a negative unassigned fund balance. The Burgess and Commissioners of Walkersville, MD delegates to the Town Manager the authority to assign fund balance.

Unassigned

This classification represents the portion of spendable fund balance that has not been categorized as Restricted, Committed or Assigned. A negative Unassigned fund balance may occur in any fund when there is an over expenditure of Restricted or Committed fund balance. In this case, any assigned fund balance (and unassigned fund balance in the general fund) would be eliminated prior to reporting a negative unassigned fund balance.

When fund balance resources are available for a specific purpose in multiple classifications, the Town's policy is to use restricted resources first and then apply unrestricted resources in the following order: Committed, Assigned, and Unassigned. Committed or Assigned resources would only be used upon specific authorization by the Burgess and Commissioners (and their designee), respectively.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. 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 for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Taxpayer-assessed income is considered “measurable” when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

The government reports the following major governmental funds:

The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

The government reports the following major proprietary funds:

The Water Fund accounts for the activity of the Town’s water system.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government’s water function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise general revenues include all taxes.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. The Water Fund also recognizes as operating revenue the portion of connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Burgess and Commissioners to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Real Estate and Personal Property Taxes

The Town's tax levy date for real estate taxes is July 1 of each year. These taxes are due July 1 with interest accruing beginning October 1. If tax bills are not paid by the last day of February, the County Treasurer begins the process to sell the delinquent taxpayer's property.

The tax levy date for personal property taxes is July 1.

Inventories and Prepaid Items

Inventories of materials and supplies are determined by physical count and are stated at the lower of cost, on the first-in first-out (FIFO) basis, or market.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$2,500 and useful life of one year or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Interest costs related to construction are expensed as incurred.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed and placed in service.

Property, plant, and equipment of the Town is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings & Furnishings	5-40
Equipment	3-20
Improvements	5-40
Water Treatment Plant	5-50
Distribution System	3-50
Water Systems	75
Water Towers	5-40
Filter Rehabilitation Project	50
Urban Denitrification System	50
Infrastructure	15-50

Statement of Cash Flows

For the purposes of the statement of cash flows, the Water Fund has defined cash equivalents as all highly liquid deposits and other investment instruments that have an original maturity of three months or less.

Accounts Receivable

The Town provides credit in the normal course of business to its customers and performs ongoing credit evaluations of those customers. Trade accounts receivable are recorded net of an allowance for expected losses. Receivables are generally due thirty (30) days after billed. The Town maintains allowances for doubtful accounts based on factors surrounding the credit risk of specific customers, historical trends, projection of trends, and other information. Trade receivables are charged off against the allowance when, in the judgment of management, it is unlikely they will be collected.

Concentrations of Credit Risk

The Town's receivables consist of amounts due for property taxes, water service, and taxes collected by Frederick County and the State of Maryland. The Town has the legal right to place a lien on properties for unpaid taxes or water service fees.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risks and Uncertainties

Recent economic and government reactions to the COVID-19 pandemic have resulted in temporary reductions or shut downs of operations for some businesses and created many economic uncertainties. These uncertainties include but are not limited to disruption of the Town's revenue sources derived from the ability of customers to pay for services provided and operating results. However, the financial impact and duration cannot be reasonably estimated at this time.

Investments

Investments are stated at fair value based on quoted market values. Under the terms of repurchase agreements, the excess cash from checking accounts is invested in short-term investments. Short-term investments in U.S. Treasury and agency obligations that have a remaining maturity at time of purchase of one year or less, provided that the fair value of those investments is not significantly affected by impairment, are reported at amortized cost, which approximates market value.

Taxes and Town Services

The Town and its separate funds do not pay Federal, State, or local taxes except social security taxes. Except for certain limited reimbursements of administrative expenses and employee benefits made from other funds, the General Fund is not reimbursed by the other funds for general staff services.

Rate of Town Taxes

Real estate tax	\$.16 per \$100 of assessable base
Personal property tax	\$.44 per \$100 of assessable base

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period, and so will not be recognized as an outflow of resources (expense) until then. The Town has one item that qualifies for reporting in this category, which is related to the Town's pension plan.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Town has one item that qualifies for reporting in this category, which is related to the Town's pension plan.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

In the government-wide financial statements, net position is classified in the following three categories:

Net Investment in Capital Assets

Consists of capital assets grouped into one component of net position. Accumulated depreciation and the outstanding balances of debt, accounts payable, and retainage payable that are attributable to the acquisition, construction or improvement of these assets reduce the category. Net investment in capital assets as of June 30, 2020 consists of the following:

	Government Wide Activities	
	Governmental Activities	Business Type Activities Water Fund
Capital Assets	\$ 16,258,987	\$ 16,034,680
Accumulated depreciation	(9,389,397)	(4,321,070)
Bonds payable	-	(7,281,899)
Net Investment in Capital Assets	<u>\$ 6,869,590</u>	<u>\$ 4,431,711</u>

Restricted

Consists of components of net position with constraints placed on the use by external groups such as creditors, grantors, contributors, regulations of other governments, law through constitutional provisions or enabling legislation. As of June 30, 2020, the Town had no restrictions of net position.

Unrestricted

Consist of all other components of net position that do not meet the definition of “net investment in capital assets” or “restricted”.

Net Position Flow Assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted sources. In order to calculate the amounts to report as restricted net position and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to use restricted resources first, then unrestricted resources as they are needed.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

General governmental revenues and expenditures accounted for in the General Fund are controlled by a formal budgetary accounting system in accordance with legal requirements that govern the Town's operations. Except that a transfer from unappropriated surplus is sometimes budgeted as a revenue item. Annual budgets are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at the fiscal year end.

There was no approved Capital Projects Fund budget, as those expenditures are included in the General Fund budget.

The proprietary funds budgets are prepared using a budgetary basis that approximates the cash basis of accounting. Budgetary basis reflects principal payments on debt and capital equipment purchases as expenses and does not reflect depreciation and amortization expense.

In February of each year, the Burgess and the Town Manager get together informally and discuss the budget. By the end of April, the Town Manager proposes a budget to the Burgess and Commissioners, who review and finalize a proposed budget and hold a public hearing to present the budget. During the month of May, concerns proposed by citizens are discussed and the Burgess and Commissioners approve the budget by the end of May.

The Town's budget is comprised of the current operating budget. The current operating budget is based upon estimated revenues and expenditures of operations for the ensuing fiscal year. The Burgess and Commissioner review the operating budget in regular public meetings and in a public hearing.

The Town Manager reviews the budget on a monthly basis. All expenditures are approved by the Burgess and Commissioners. If the Burgess and Commissioners approve expenditures not previously budgeted the Town Manager amends the budget to better reflect comparison to actual results.

NOTE 3 CASH AND CERTIFICATES OF DEPOSIT

The Town's deposit policy specifies that all deposits must be entirely covered by federal depository insurance, deposit surety bond, or by collateral in the form of pledged securities in accordance with State statute. In order to anticipate market changes and provide a level of security all deposits, certificates of deposit and repurchase agreements shall be secured by pledged collateral with a market value of 102% of principal plus accrued interest.

At June 30, 2020, the carrying amount of the Town's deposits was \$2,295,781 including interest receivable. The related bank balance totaled \$2,423,575.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

NOTE 3 CASH AND CERTIFICATES OF DEPOSIT (CONTINUED)

Following is a schedule of the Town's deposits by financial institution at June 30, 2020:

Woodsboro Bank	\$ 850,000
PNC Bank	<u>1,573,575</u>
	<u>\$ 2,423,575</u>

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk, however, follows State law. As of June 30, 2020 \$1,404,195 of the Town's deposits were exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank not in the Town's name	<u>\$ 1,404,195</u>
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NOTE 4 INVESTMENTS

As of June 30, 2020 the Town had the following investments and maturities.

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>
Maryland Local Government Investment Pool	See description of MLGIP	\$ 8,486,571

The Burgess and Commissioners have agreed to participate in the State of Maryland Local Government Pool (MLGIP) established by Article 95 Section 22G of the Annotated Code of Maryland. The pool is administered by the State Treasurer who invests the funds in accordance with the provisions set forth in Section 6-222 of the State Finance and Pronouncement Article of the Annotated Code of Maryland. MLGIP carries a Standard & Poors rating of AAA.

Significant policies that relate to MLGIP are as follows:

- MLGIP seeks to maintain a constant unit value of \$1.00 per unit. Unit value is computed using the amortized cost method.
- The maximum allowable maturity of any individual security is 13 months.
- All securities in the MLGIP are valued daily on an amortized cost basis. The MLGIP is valued weekly using current market rates for the individual securities held in the pool.
- The yield of the MLGIP is calculated daily and is based on an amortized cost basis.
- Net investment income is accrued daily.
- All participants in the MLGIP receive individual statements for each of their accounts. Statements can be received daily, monthly, quarterly, or upon request.
- Participation in the MLGIP is strictly voluntary.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

NOTE 4 INVESTMENTS (CONTINUED)

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from interest rates, the Town's investment policy specifies that the Town of Walkersville, MD will diversify its investments by security type and institution. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the Town's total investment portfolio will be invested in a single security type or with a single financial institution. The Town's investment policy also states that the investment portfolio will remain sufficiently liquid to enable the Town of Walkersville to meet all operating requirements which might be reasonably anticipated. To the extent possible, the Town will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Town will not directly invest in securities maturing more than one year from the date of purchase. However, the Town may invest in repurchase agreements using longer-dated investments not to exceed three years to maturity. Reserve funds may be invested in securities exceeding three years if the maturities of such instruments are made to coincide as nearly as practicable with the expected use of the funds.

Credit Risk

Investments of the Town, including the MLGIP, are exposed to various risks, such as interest rate, market, currency and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment assets reported in the financial statements. In addition, recent economic uncertainty and market events have led to volatility in currency, commodity, credit and equity markets. These recent events underscore the level of investment risk associated with the current economic environment, and accordingly the level of risk in the Town's investments.

NOTE 5 TAX ABATEMENT

The Town adopted a resolution in September 1978, under the authority of Article 23A, Section 19(n), of the Annotated Code of Maryland, whereby property owners within the Town's annexed area can receive tax abatements, provided certain stipulations are met. Under the terms of the resolution, the property must remain zoned for agricultural use only and the residents must forgo receiving any municipal services or benefits. As long as these conditions are met, the resident pays a nominal property tax of \$1 per year. Total property taxes abated under this agreement were \$6,822 for the year ended June 30, 2020.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

NOTE 6 INVENTORY

Inventory consists of the following:

	General Fund
Inventory, at cost	<u>\$ 11,616</u>
	Enterprise Fund
Inventory, at cost	\$ 13,790
Allowance for obsolete inventory	(602)
	<u>\$ 13,188</u>

NOTE 7 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
GOVERNMENTAL ACTIVITIES				
Capital Assets, Not Being Depreciated				
Land	\$ 2,047,319	\$ -	\$ -	\$ 2,047,319
Construction in progress	91,609	176,706	-	268,315
Total Capital Assets Not Being Depreciated	2,138,928	176,706	-	2,315,634
Capital Assets Being Depreciated				
Improvements	1,671,993	186,108	-	1,858,101
Infrastructure	8,886,909	188,043	-	9,074,952
Building and furnishings	1,859,711	-	(14,000)	1,845,711
Equipment	1,030,012	194,643	(60,066)	1,164,589
Total Capital Assets Being Depreciated	13,448,625	568,794	(74,066)	13,943,353
Total Capital Assets	15,587,553	745,500	(74,066)	16,258,987
Accumulated Depreciation				
Improvements	(1,024,656)	(42,949)	-	(1,067,605)
Infrastructure	(5,996,448)	(244,904)	-	(6,241,352)
Building and furnishings	(1,253,985)	(44,743)	11,550	(1,287,178)
Equipment	(791,802)	(61,478)	60,018	(793,262)
Total Accumulated Depreciation	(9,066,891)	(394,074)	71,568	(9,389,397)
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	\$ 6,520,662	\$ 351,426	\$ (2,498)	\$ 6,869,590

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

NOTE 7 CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
BUSINESS-TYPE ACTIVITIES				
Capital Assets, Not Being Depreciated				
Land	\$ 7,507	\$ -	\$ -	\$ 7,507
Construction in progress	3,499,043	5,029,966	(788,996)	7,740,013
Total Capital Assets Not Being Depreciated	<u>3,506,550</u>	<u>5,029,966</u>	<u>(788,996)</u>	<u>7,747,520</u>
Capital Assets Being Depreciated				
Equipment	615,869	-	(26,410)	589,459
Improvements	15,358	-	-	15,358
Building and furnishings	45,738	-	-	45,738
Water treatment plant	1,644,575	-	-	1,644,575
Distribution system	3,485,421	828,292	-	4,313,713
Water systems	236,026	-	(176,026)	60,000
Water towers	1,618,317	-	-	1,618,317
Filter rehabilitation project	144,394	-	(144,394)	-
Urban detritification project	8,938	-	(8,938)	-
Total Capital Assets Being Depreciated	<u>7,814,636</u>	<u>828,292</u>	<u>(355,768)</u>	<u>8,287,160</u>
Total Capital Assets	<u>11,321,186</u>	<u>5,858,258</u>	<u>(1,144,764)</u>	<u>16,034,680</u>
Accumulated Depreciation				
Equipment	(453,704)	(41,109)	26,410	(468,403)
Improvements	(15,171)	(124)	-	(15,295)
Building and furnishings	(26,147)	(1,988)	-	(28,135)
Water treatment plant	(1,010,754)	(34,439)	-	(1,045,193)
Distribution system	(1,275,298)	(71,748)	-	(1,347,046)
Water systems	(155,053)	(2,347)	97,401	(59,999)
Water towers	(1,330,581)	(26,418)	-	(1,356,999)
Filter rehabilitation project	(65,700)	(2,887)	68,587	-
Urban detritification project	(4,111)	(179)	4,290	-
Total Accumulated Depreciation	<u>(4,336,519)</u>	<u>(181,239)</u>	<u>196,688</u>	<u>(4,321,070)</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 6,984,667</u>	<u>\$ 5,677,019</u>	<u>\$ (948,076)</u>	<u>\$ 11,713,610</u>

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

Governmental Activities

General government	\$ 57,804
Public safety	1,894
Public works	292,532
Recreation and culture	41,844
	<u>\$ 394,074</u>

Business-Type Activities

Water	<u>\$ 181,239</u>
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BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

NOTE 8 BONDS PAYABLE

In October 2018, the Town borrowed \$8,771,545 from the Maryland Department of the Environment (MDE), via the issuance of two bonds. The Burgess and Commissioners of Walkersville, Maryland Drinking Water Bond, Series 2018A was issued in the amount of \$7,271,545, and the Burgess and Commissioners of Walkersville, Maryland Drinking Water Bond, Series 2018B was issued in the amount of \$1,500,000. The purpose of the bonds is to finance the construction of a new water treatment plant for the Town. Terms of the Series 2018A bond call for annual principal payments due February 1 each year, beginning in 2020. The bond has an interest rate of 0.80% per annum and interest is due semiannually on the first day of February and August, commencing February 1, 2019, with final payment due February 1, 2050. The Series 2018B bond is payable on demand at any time prior to October 24, 2028, together with interest at a rate of 3.56% per annum. If the bond is not called prior to October 24, 2028, and provided the Town meets certain conditions, it shall be deemed to be forgiven, with principal and accrued interest cancelled. The bonds are secured by the full faith and credit and unlimited taxing power of the Town. The bonds are subject to mandatory repayment and may be prepaid by the Town in whole or in part, only at such times and in such amounts, and upon the payment by the Town of such prepayment premium or penalty, as the Director of the Maryland Water Quality Financing Administration (MWQFA) may specify and approve. The bonds also contain a provision that in the event of default for nonpayment of principal and interest, the full amount of the bonds shall be immediately due and payable, and the MWQFA may take any necessary legal action to collect amounts due. At June 30, 2020, the full amounts of the bonds have not been utilized.

	Beginning Balance	Additions	Reductions	Ending Balance	Current Maturities
Bonds payable - MDE	\$ 2,039,123	\$ 5,242,776	\$ -	\$ 7,281,899	\$ 215,425

Required principal payments on the full amount of the Series 2018A bond in future years are as follows:

Year Ending June 30,	Principal	Interest
2021	\$ 215,425	\$ 59,576
2022	217,148	56,448
2023	218,885	54,712
2024	220,636	52,960
2025	222,401	51,196
2026-2030	1,138,982	229,002
2031-2035	1,185,275	224,864
2036-2040	1,233,452	134,534
2041-2045	1,283,584	84,398
2046-2050	1,346,111	32,228
	<u>\$ 7,281,899</u>	<u>\$ 979,918</u>

As of June 30, 2020, the Town has not been notified that the Series 2018B bond will be called; as such, it is included within the contractual maturities above. If forgiven, principal and interest related to this bond would not have to be repaid.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

NOTE 9 GOVERNMENTAL FUND BALANCES

The detail of the fund balance classifications aggregated on the balance sheet as of June 30, 2020 is as follows:

	<u>General Fund</u>
FUND BALANCES	
Nonspendable	
Inventory	\$ 11,616
Prepaid expenditures	14,400
Due from other funds - long-term	<u>1,854,715</u>
	<u>1,880,731</u>
Assigned for capital projects	
HFP building	30,608
Park projects	<u>202,737</u>
	<u>233,345</u>
Unassigned	<u>8,298,530</u>
	<u>\$ 10,412,606</u>

NOTE 10 RETIREMENT PLAN

Summary of Significant Accounting Policies

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maryland State Retirement and Pension System (MSRPS) and additions to/deductions from MSRPS's fiduciary net position have been determined on the same basis as they are reported by MSRPS. For this purpose, benefit payments (including refund of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information About the Pension Plans

Plan Description

The Town participates in the Teachers and Employees Reformed Contributory Pension Benefit (RCPB) and the Teachers and Employees Alternate Contributory Pension System (ACPS), which are statewide agent cost-sharing multiple-employer public employee retirement systems administered by the Maryland State Retirement and Pension Systems in accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland. Under RCPB, membership is automatic for employees who work at least 500 hours in the fiscal year. Under ACPS, membership is automatic for employees who were active as of July 1, 2006 – June 30, 2011. As of June 30, 2011, ACPS was closed to new members.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

NOTE 10 RETIREMENT PLAN (CONTINUED)

Benefits Provided

A member of the RCPB may retire with full benefits after attaining the age of 65 with 10 years of eligibility service, or at the time in which their age plus eligibility service years equals 90. The annual retirement allowance is equal to 1.5% of a member's average final compensation (i.e., average of the member's five highest consecutive years of annual earnings) multiplied by the number of years of creditable service. A member may retire with reduced benefits after attaining age 60 and 15 years of service. The RCPB also provides death and disability benefits.

A member of the ACPS may retire with full benefits after completing 30 years of eligibility service regardless of age, or at age 62 or older with specified years of eligibility service. Accrued, unused sick leave is counted as years of service for retirement purposes. On retirement from service, a member shall receive an annual service retirement allowance based on the member's average final compensation (i.e., average annual earnable compensation during any three consecutive years that provide the highest average earnable compensation) and years of creditable service. A member may retire with reduced benefits after attaining age 55 and completing 15 years of eligibility service. The ACPB also provides death and disability benefits.

Contributions

Both RCPB and ACPS participants are required to contribute 7% of their annual compensation. The Town is required to contribute the remaining amounts necessary to pay benefits when due. During the year ended June 30, 2020, the Town paid contributions totaling \$83,946.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the Town reported a liability for its proportionate share of the net pension liability. The amount recognized by the Town as its proportionate share of the net pension liability and the total portion of the net pension liability that was associated with the Town is as follows:

	Employees' Retirement and Pension System
Town's proportionate share of net pension liability	\$ 750,890
State's proportionate share of net pension liability associated with the Town	<u>-</u>
Net Pension Liability	<u>\$ 750,890</u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

NOTE 10 RETIREMENT PLAN (CONTINUED)

The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan, actuarially determined. At June 30, 2019, the Town's proportion was 0.0036406% for the System.

For the year ended June 30, 2020, the Town recognized pension expense of \$65,059 related to governmental activities and \$18,887 related to business-type activities. As of June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ -	\$ 20,436
Net difference between projected and actual investment earnings	98,101	86,058
Difference between actual and expected experience	-	7,547
Town contributions subsequent to the measurement date	<u>83,946</u>	<u>-</u>
	<u>\$ 182,047</u>	<u>\$ 114,041</u>

Town contributions subsequent to the measurement date totaling \$83,946 are reported as deferred outflows of resources related to pensions and will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2021	\$ (3,358)
2022	\$ (3,358)
2023	\$ (3,358)
2024	\$ (3,358)
2025	\$ (2,508)

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

NOTE 10 RETIREMENT PLAN (CONTINUED)

Actuarial Methods and Assumptions

The total pension liability for each of the defined benefit cost-sharing plans was determined by an actuarial valuation as of June 30, 2019, using the entry age normal actuarial cost method. Inflation is assumed to be 2.60% for general and 3.10% for wages. The discount rate and long-term expected rate of return on pension plan investments used in the determination of the total pension liability is 7.40%. Mortality rates were based on the Pub-2010 Mortality Tables with projected generational mortality improvements based on the MP-2018 fully generational mortality improvement scale.

Investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Town after considering input from the System's investment consultant(s) and actuary(ies). For each major asset class that is included in the System's target asset allocation, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Public equity	37%	6.30%
Rate sensitive	19%	1.30%
Credit opportunity	9%	3.90%
Absolute return	8%	3.00%
Private equity	13%	7.50%
Real assets	14%	4.50%
Total	100%	

Discount Rate

A single discount rate of 7.40% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.40%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

NOTE 10 RETIREMENT PLAN (CONTINUED)

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.40%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

	1% Decrease to 6.40%	Current Rate (7.40%)	1% Increase to 8.40%
Town's proportionate share of the net pension liability	\$ 1,086,847	\$ 750,890	\$ 471,091

Additional Financial and Actuarial Information

Additional financial information supporting the preparation of the Schedule of Employer Allocations and the Schedule of Pension Amounts by Employer (including the disclosure of the net pension liability and the unmodified audit opinion on the financial statements) is located in the System's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019. This can be found at www.sra.state.md.us/Agency/Downloads/CAFR/CAFR-2019.pdf.

NOTE 11 COMPENSATED ABSENCES

Full-time permanent employees are granted vacation benefits to specified maximum amounts depending on tenure with the Town. Upon resignation from Town employment, an employee may take the unused portion of the vacation leave or request payment in full for all unused vacation leave. Sick leave accrues to full-time permanent employees with no maximum. Upon resignation from Town employment, the employee is not paid for the accumulated sick leave.

The estimated current portion of the liability for vested vacation leave benefits attributed to the Town's governmental funds is recorded as an expenditure and liability in the respective funds. The amount attributable to the proprietary fund is charged to expense and a corresponding liability.

NOTE 12 DEFERRED COMPENSATION PLAN

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 and administered by an insurance company. The plan, available to all Town employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

Notes to Financial Statements

NOTE 13 AGREEMENTS WITH DEVELOPERS

The Burgess and Commissioners entered into agreements with several real estate developers, under which the Town is the beneficiary of certain letters of credit and secured obligations of the developers. The letters secure the performance of the developers with respect to the purchase of water taps, installation of curbs, water lines, paving, etc. in new developments within the Town.

NOTE 14 RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has joined the Local Government Insurance Trust (LGIT), a public entity risk pool currently operating as a common risk management and insurance program for certain State of Maryland local governments. The Town has all of its insurance coverage, except for employee health care and workers' compensation, with LGIT.

The Town carries employee health care coverage with a private insurer. Workers' compensation is through Chesapeake Employers Insurance (previously known as the Injured Workers Insurance Fund).

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 15 CONDUIT DEBT OBLIGATIONS

The Town has issued Economic Development Revenue Bonds to provide assistance to the Walkersville Volunteer Rescue Company No. 24 (Company) for the acquisition and construction of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying financing agreement. Upon repayment of the bonds, ownership of the acquired facilities transfers to the Company served by the bond issuance. Neither the Burgess and Commissioners of Walkersville, MD, nor any public body thereof is obligated in any manner for repayment of the bonds. In accordance with the Governmental Accounting Standards Board, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2020 the Economic Development Revenue Bonds outstanding had an aggregate principal amount payable of \$1,199,615.

NOTE 16 MAINTENANCE AGREEMENTS

The Town entered into a contract for the maintenance of the Crum Road water tower effective September 1, 2004. The contract requires an annual payment of \$34,118 for the first three years, a base annual payment of \$11,026 for the next three years, and beginning in 2010 and each third year thereafter, the fee will be adjusted to reflect the current cost of service, never exceeding a 5% increase or decrease. The contract is cancelable at any time. Total expense under this contract for the year ended June 30, 2020 amounted to \$16,738.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

NOTE 16 MAINTENANCE AGREEMENTS (CONTINUED)

On July 12, 2006 the Town entered into an additional contract with the same vendor for the maintenance of the Heritage water tower. This contract requires annual payments of \$46,310 for the first three years, a base annual payment of \$15,242 for the next three years, and beginning in 2012 and each third year thereafter, the fee will be adjusted to reflect the current cost of service, never exceeding a 5% increase or decrease. The contract is cancelable at any time. Total expense under this contract for the year ended June 30, 2020 amounted to \$20,845.

On September 5, 2007 the Town entered into a contract with the same vendor of the two maintenance agreements described above for the maintenance of the Discovery water tower. This contract will require annual payments of \$42,211 for the first three years, a base annual payment of \$12,045 for the next three years, and beginning in 2013 and each third year thereafter, the fee will be adjusted to reflect the current cost of service, never exceeding a 5% increase or decrease. This contract is cancelable at any time. Total expense under this contract for the year ended June 30, 2020 amounted to \$16,473, and was paid in quarterly installments of \$4,118 each.

NOTE 17 INTERFUND RECEIVABLES AND PAYABLES

Outstanding balances between funds are reported as “internal balances” or “due to/from other funds” and are the result of lending/borrowing arrangements outstanding at the end of the fiscal year. The current portion of interfund activity is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water	General	\$ 295,130

In addition to the above interfund transactions, during the year ended June 30, 2019, the General Fund loaned the Water Fund \$1,900,000 to pay sewer capacity allocation fees generated by the new water treatment plant. The loan is due in full in March 2049. Interest is charged on the outstanding principal balance until the first anniversary date of the promissory note at a fixed rate equal to 2.5% per annum. Commencing on the note anniversary date (March 27, 2020) and each anniversary date thereafter, the interest rate will be adjusted to the rate that is set for the calendar month immediately preceding the Note Anniversary Date that could be earned by investments from the General Fund in the Maryland Local Government Investment Pool (MLGIP), rounded up to the nearest ¼ of a percent. No principal payments were due prior to the Note Anniversary Date. Two interest-only payments were made during the year ended June 30, 2020. The outstanding principal balance is reported as a long-term interfund loan on the statement of net position, except for the principal payments due within one year of the statement of net position date, which are reported as the current portion of interfund loan on the statement of net position.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Maturities</u>
Interfund loan	<u>\$ 1,900,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,900,000</u>	<u>\$ 45,285</u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

NOTE 17 INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

After the first Note anniversary date, two equal semi-annual installment payments of principal and interest are due over a 30-year period, as follows:

	<u>Principal</u>	<u>Interest</u>
Year Ending June 30,		
2021	\$ 45,285	\$ 47,219
2022	46,424	46,080
2023	47,592	44,912
2024	48,789	43,715
2025	50,017	42,487
2026-2030	269,602	192,918
2031-2035	305,259	157,256
2036-2040	345,638	116,880
2041-2045	391,355	71,159
2046-2049	350,039	30,269
	<u>\$ 1,900,000</u>	<u>\$ 792,895</u>

NOTE 18 OPERATING LEASES

The Town entered into a lease for 200 acres of farm land with a farmer on October 17, 2012. The original lease expired December 31, 2016. The lease was renewed through December 31, 2017 with a possible year to year extension of up to four more years at the sole discretion of the Town. The lease was most recently renewed through December 31, 2020. The annual rental income from this lease amounts to \$35,200.

NOTE 19 COMMITMENTS

The Town began construction of the new water treatment plant during the year ended June 30, 2019. As discussed in Note 8, the construction is being partially funded by the Maryland Water Department of the Environment, via the issuance of two bonds totaling \$8,771,545. The total cost of the project is approximately \$9,500,000, with the remaining cost being funded internally by the Town. As of June 30, 2020, the Town has spent \$7,737,043 on the project. Of this amount, \$7,281,899 has been drawn on the bonds to finance construction.

NOTE 20 WIRELESS TOWER INCOME

The Town receives monthly income from contracts with Sprint, Verizon, AT&T, and T-Mobile. The contracts call for monthly payments ranging from \$2,467 per tower to \$5,605 per tower. The contracts call for annual increases of 3-4% and contain automatic renewal clauses in five-year increments. Current agreements expire between April 2022 and March 2024. Future minimum lease receipts are as follows:

2021	\$ 221,416
2022	\$ 222,851
2023	\$ 112,736
2024	\$ 25,090

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Schedule of Town's Proportionate Share of the Net Pension Liability -
Maryland State Retirement and Pension System
Employees' Retirement and Pension Systems
Last 10 Fiscal Years * (Unaudited)

	2020	2019	2018	2017	2016	2015
Town's proportion of the net pension liability	0.0036%	0.0034%	0.0030%	0.0031%	0.0032%	0.0029%
Town's proportionate share of the net pension liability	\$ 750,890	\$ 705,083	\$ 655,187	\$ 723,711	\$ 670,226	\$ 522,243
State's proportionate share of the net pension liability associated with the Town	-	-	-	-	-	-
Total	<u>\$ 750,890</u>	<u>\$ 705,083</u>	<u>\$ 655,187</u>	<u>\$ 723,711</u>	<u>\$ 670,226</u>	<u>\$ 522,243</u>
Town's covered-employee payroll	\$ 894,945	\$ 830,650	\$ 782,834	\$ 754,832	\$ 700,523	\$ 699,913
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	83.90%	84.88%	83.69%	95.88%	95.68%	74.62%
Plan fiduciary net position as a percentage of the total pension liability	72.34%	71.18%	69.38%	65.79%	68.78%	71.87%

Notes

The amounts presented for each fiscal year were determined as of the measurement period year-end that was used for the fiscal year. For MSRPS, the measurement period year-end is one year prior to the fiscal year-end.

* 2015-2020 are the only years available. This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

2020 amounts reflect changes in assumptions as follows:

Discount rate and investment rate of return decreased from 7.45% to 7.40%.

No change in inflation assumptions.

Salary increase range decreased from 3.10-9.10% to 3.10-8.35%.

Mortality factors changed from RP-2014 mortality tables to fully generational - Pub-2010/MP2018.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Schedule of Town's Contributions -
Maryland State Retirement and Pension System
Employees' Retirement and Pension Systems
Last 10 Fiscal Years * (Unaudited)

	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 83,946	\$ 74,759	\$ 67,011	\$ 61,670	\$ 59,755	\$ 67,977
Contributions in relation to the contractually required contribution	83,946	74,759	67,011	61,670	59,755	67,977
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 894,945	\$ 830,650	\$ 782,834	\$ 754,832	\$ 700,523	\$ 699,913
Contributions as a percentage of covered-employee payroll	9.38%	9.00%	8.56%	8.17%	8.53%	9.71%

Notes

The amounts presented for each fiscal year were determined as of the measurement period year-end that was used for the fiscal year. For MSRPS, the measurement period year-end is one year prior to the fiscal year-end.

* 2015-2020 are the only years available. This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Statement of Revenues, Expenditures, and Change in Fund Balance – Budget and Actual –
General Fund
Year Ended June 30, 2020
(Unaudited)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Local property taxes and interest				
Real property	\$ 994,468	\$ 994,468	\$ 1,009,042	\$ 14,574
Personal property	249,752	249,752	336,755	87,003
Penalties and interest	9,000	9,000	9,912	912
	<u>1,253,220</u>	<u>1,253,220</u>	<u>1,355,709</u>	<u>102,489</u>
Licenses and permits				
Traders	3,000	3,000	4,605	1,605
Planning and zoning	10,000	10,000	48,958	38,958
	<u>13,000</u>	<u>13,000</u>	<u>53,563</u>	<u>40,563</u>
Grants and shared taxes				
State of Maryland				
Admissions	67,000	67,000	46,251	(20,749)
Highway tax	267,516	267,516	251,258	(16,258)
Grant for police protection	44,144	44,144	45,898	1,754
Program Open Space grant	189,925	189,925	55,575	(134,350)
Frederick County				
Income tax	910,446	910,446	944,243	33,797
Grant in lieu of property taxes	1,030	1,030	1,030	-
Tax equity program	926,346	926,346	926,346	-
Federal COVID-19 Relief Funds	-	-	9,678	9,678
	<u>2,406,407</u>	<u>2,406,407</u>	<u>2,280,279</u>	<u>(126,128)</u>
Other Revenue				
Interest from banks	219,500	219,500	130,246	(89,254)
Interest from Water Fund loan	-	-	48,028	48,028
Franchise fees	79,360	79,360	85,514	6,154
Rent	50,000	50,000	53,159	3,159
Contributions and donations	4,600	4,600	3,458	(1,142)
Recycling center	6,500	6,500	5,432	(1,068)
Proceeds on sale of assets	-	-	12,000	12,000
Designated from surplus	-	498,000	-	(498,000)
Designated from Parks Accrual	192,666	192,666	-	(192,666)
Other	1,000	1,000	1,963	963
	<u>553,626</u>	<u>1,051,626</u>	<u>339,800</u>	<u>(711,826)</u>
Total Revenues	\$ 4,226,253	\$ 4,724,253	\$ 4,029,351	\$ (694,902)
General Government				
Legislative				
Town Council				
Commissioners' salaries	\$ 18,000	\$ 18,000	\$ 18,000	\$ -
Other				
Salaries	238,500	238,500	251,245	(12,745)
Operating expenses	15,300	15,300	19,024	(3,724)
Training, meetings, and travel	9,600	9,600	8,207	1,393
	<u>281,400</u>	<u>281,400</u>	<u>296,476</u>	<u>(15,076)</u>
Executive				
Burgess' salary	12,500	12,500	12,501	(1)
Financial administration				
Independent auditing	10,000	10,000	9,875	125
Operating expenses	20,750	20,750	29,049	(8,299)
	<u>30,750</u>	<u>30,750</u>	<u>38,924</u>	<u>(8,174)</u>
Legal expenses	20,000	20,000	11,986	8,014
Planning and zoning	120,200	120,200	123,077	(2,877)
Municipal buildings				
Utilities	50,000	50,000	46,217	3,783
Repairs and maintenance	30,000	30,000	25,611	4,389
	<u>80,000</u>	<u>80,000</u>	<u>71,828</u>	<u>8,172</u>
Other				
Dues	8,511	8,511	8,491	20
County property taxes	5,000	5,000	4,403	597
	<u>13,511</u>	<u>13,511</u>	<u>12,894</u>	<u>617</u>
Total General Government	558,361	558,361	567,686	(9,325)

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Statement of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual -
General Fund (Continued)
Year Ended June 30, 2020
(Unaudited)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Safety				
Police and traffic control	1,025,708	1,025,708	1,159,962	(134,254)
Code enforcement	15,000	15,000	15,348	(348)
Volunteer company contributions:				
Fire department	12,500	12,500	23,500	(11,000)
Ambulance service	12,500	12,500	12,500	-
Total Public Safety	1,065,708	1,065,708	1,211,310	(145,602)
Public Works				
Streets, roadways, and alleys				
Salaries	435,620	435,620	421,240	14,380
Maintenance	110,000	110,000	25,657	84,343
Parts, tools, and supplies	12,000	12,000	12,910	(910)
Truck and equipment	60,000	60,000	41,518	18,482
Street lighting	72,000	72,000	54,005	17,995
Safety	3,500	3,500	1,629	1,871
Uniforms/Boots	7,600	7,600	4,127	3,473
Total Public Works	700,720	700,720	561,086	139,634
Waste Collection and Disposal	247,600	247,600	297,721	(50,121)
Recreation and Culture				
Parks and recreation	49,100	49,100	19,343	29,757
Parks - mowing	90,000	90,000	82,118	7,882
Parks - Program Open Space	459,250	459,250	-	459,250
Heritage Building	2,000	2,000	-	2,000
Heritage Manor House	10,000	10,000	5,912	4,088
Senior citizens	11,900	11,900	6,960	4,940
Total Recreation and Culture	622,250	622,250	114,333	507,917
Non-Departmental				
Retirement and pension costs	71,595	71,595	67,632	3,963
Workmen's compensation	16,450	16,450	12,460	3,990
Payroll taxes	64,300	64,300	62,715	1,585
Medical insurance	164,660	164,660	138,745	25,915
Insurance	20,000	20,000	15,389	4,611
Community contributions	3,550	3,550	3,450	100
Security measures	10,000	10,000	7,005	2,995
Other	17,500	17,500	191,872	(174,372)
Total Non-Departmental	368,055	368,055	499,268	(131,213)
Capital Outlay				
Machinery and equipment	94,800	94,800	89,998	4,802
GIS zoning layers maintenance	10,000	10,000	-	10,000
Available for capital projects	98,259	98,259	-	98,259
Park projects	35,000	35,000	-	35,000
Glade Village paving	131,500	131,500	138,663	(7,163)
Other paving projects	-	-	49,380	(49,380)
HFP building maintenance	3,000	3,000	-	3,000
Moveable electronic signs	35,000	35,000	-	35,000
Watershed development	7,000	7,000	-	7,000
MS4 Permitting	60,000	60,000	-	60,000
HFP barn stabilization	120,000	120,000	176,706	(56,706)
Fountain Rock Road modification	69,000	69,000	-	69,000
Playground	-	250,000	186,108	63,892
Snow Plow	-	5,000	-	5,000
Backhoe	-	105,000	104,645	355
Stormwater Study- Maryland Ave.	-	126,000	-	126,000
EZ Communicator System-Walkersville Wire	-	6,000	-	6,000
Water Tap Fee for CTC House	-	6,000	-	6,000
Total Capital Outlay	663,559	1,161,559	745,500	416,059
Total Expenditures	4,226,253	4,724,253	3,996,904	727,349
CHANGE IN FUND BALANCE	\$ -	\$ -	\$ 32,447	\$ 32,447

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Statement of Revenues, Expenditures, and Change in Net Position – Budget and Actual –
Water Fund
Year Ended June 30, 2020
(Unaudited)

	Budgeted Amounts		Budgetary Basis	Variance with Final Budget
	Original	Final	Actual Amounts	- Positive (Negative)
REVENUES				
Operating Revenues				
Charges for service	\$ 1,135,000	\$ 1,135,000	\$ 1,163,136	\$ 28,136
Meter service charge	2,000	2,000	2,120	120
Connection fees	-	-	244,400	244,400
Penalties and interest	16,500	16,500	14,305	(2,195)
Other income	500	500	300	(200)
Total Operating Revenues	1,154,000	1,154,000	1,424,261	270,261
Non-operating Revenues				
Carryover of fund balance to finance current year's operations	561,672	561,672	-	(561,672)
Wireless tower income	196,500	196,500	209,335	12,835
Interest income	16,000	16,000	15,379	(621)
Total Non-operating Revenues	774,172	774,172	224,714	(549,458)
TOTAL REVENUES	1,928,172	1,928,172	1,648,975	(279,197)
EXPENSES				
Operating Expenses				
Salaries	243,000	243,000	244,844	(1,844)
Electricity	70,000	70,000	77,300	(7,300)
Distribution maintenance	140,000	140,000	131,342	8,658
Parts, supplies, and tools	1,500	1,500	5,015	(3,515)
Chemicals	150,000	150,000	189,051	(39,051)
Sewer treatment fees	120,000	120,000	161,590	(41,590)
Other operating expenses	36,800	36,800	24,196	12,604
Audit	10,000	10,000	10,325	(325)
Legal fees	2,000	2,000	53	1,947
Administrative expenses	21,625	21,625	31,641	(10,016)
Pension plan	23,887	23,887	30,318	(6,431)
Workmen's compensation insurance	7,620	7,620	7,085	535
Payroll taxes	18,600	18,600	17,948	652
Property insurance	15,000	15,000	15,275	(275)
Medical insurance	64,700	64,700	43,575	21,125
Safety	1,000	1,000	1,978	(978)
Miscellaneous	6,500	6,500	59	6,441
Total Operating Expenses	932,232	932,232	991,595	(59,363)
Capital Outlay				
Equipment	70,000	70,000	-	70,000
Water treatment plant	-	-	4,607,068	(4,607,068)
Glade Village water line replacement	838,800	838,800	462,194	376,606
Total Capital Outlay	908,800	908,800	5,069,262	(4,160,462)
Other Expenses				
Loss on disposal of assets	-	-	154,580	(154,580)
Interest expense on interfund loan	47,500	47,500	48,028	(528)
MDE loan interest expense	39,640	39,640	34,413	5,227
Total Other Expenses	87,140	87,140	237,021	(149,881)
Total Expenses	1,928,172	1,928,172	6,297,878	(4,369,706)
NET (LOSS) BUDGETARY BASIS	\$ -	\$ -	(4,648,903)	\$ (4,648,903)
ADJUSTMENT TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) BASIS				
To adjust for depreciation			(181,239)	
To adjust for capital outlay			5,069,262	
NET INCOME GAAP BASIS			\$ 239,120	

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Burgess and Commissioners of Walkersville, MD
Walkersville, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Burgess and Commissioners of Walkersville, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Burgess and Commissioners of Walkersville's basic financial statements and have issued our report thereon dated October 26, 2020.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered Burgess and Commissioners of Walkersville's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Burgess and Commissioners of Walkersville's internal control. Accordingly, we do not express an opinion on the effectiveness of Burgess and Commissioners of Walkersville's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Burgess and Commissioners of Walkersville's financial statements are free from material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Smith Elliott Kearns & Company, LLC

Hagerstown, Maryland
October 26, 2020