

Audited
Financial
Statements

June 30,
2023

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 AUDIT OF THE FINANCIAL STATEMENTS

Opinions

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, 2023, 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.

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, 2023, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town, and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

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

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 and contributions on pages 51 through 52 and the general fund budgetary comparison schedule on pages 53-54 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the water fund budgetary comparison schedule but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2023 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 the effectiveness of the Town's 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 20, 2023

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, 2023. 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, 2023 by \$24,444,355 (*net position*). Of this amount, \$10,753,676 (*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 \$2,265,779, and the Town increased its cash and equivalents (including certificates of deposit) by \$541,871. The General Fund decreased cash and equivalents by \$1,437,899, and the Water Fund increased its cash position by \$1,979,770.
- ❖ The Governmental Activities reflected a positive change in net position in the amount of \$586,921 and the Business-Type Activities reflected an increase in net position in the amount of \$1,678,858.
- ❖ As of June 30, 2023, the Town of Walkersville's governmental fund reported ending fund balances of \$9,649,346, a decrease of \$287,632 in comparison with the prior year.
- ❖ The Town's business-type activities had a loss from operations in the amount of \$32,919. Operating revenues decreased in the Water Fund by \$142,071 to \$1,599,614. At the same time, operating expenses increased by \$62,520.
- ❖ As of June 30, 2023, 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, related to the water plant construction. As of June 30, 2023, the Town owed an outstanding balance of \$7,659,197.
- ❖ Plant, property, and equipment of the Governmental Activities totaled \$18,612,503 before factoring in accumulated depreciation. An increase of \$1,354,655 of improvements and equipment was recognized, offset by \$125,404 in disposals. There was a corresponding increase in accumulated depreciation of \$478,624 on these assets. Net capital assets used in governmental activities of the Town increased by \$876,031 to a total of \$8,536,721.
- ❖ Plant, property, and equipment of the Business-Type Activities totaled \$18,101,209 before factoring in accumulated depreciation. An increase of \$923,295 of improvements and equipment was recognized, offset by \$58,698 in disposals. There was a corresponding increase in accumulated depreciation of \$391,327 on these assets. Net capital assets used in business-type activities of the Town increased by \$531,968 to a total of \$12,813,155.
- ❖ It is the desired goal of the Town to continue to operate conservatively and manage resources responsibly, but begin to spend some surplus funds. With infrastructure upgrades needed in the form of roadways and watermain projects, 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 14.0¢ per \$100 of assessed property value for FY 2023, consistent with prior years. This rate generated revenue in the amount of \$1,044,394, an increase of \$56,519 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 \$1,498,762 for 5 resident troopers in FY 2023, which represented a 23% increase over the FY 2022 cost.
- ❖ 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. As of June 30, 2023, the statements include a net pension liability in the amount of \$882,727, allocated between the Governmental Activities and the Business-Type Activities in the amounts of \$680,724 and \$202,003, respectively.
- ❖ The Town adopted the provisions of GASB No. 87 as of July 1, 2021. Under this standard, the Town has recognized leases receivable and deferred inflows of resources in both the general fund and the water fund. The general fund lease receivable and deferred inflows of resources relate to the Town Farm. The water fund leases receivable and deferred inflows of resources relate to agreements with various wireless tower companies that lease property from the Town. At June 30, 2023, the Town has reported total leases receivable of \$917,685 and deferred inflows of resources related to these lease agreements of \$827,170.
- ❖ The Town adopted the provisions of GASB No. 96 as of July 1, 2022. The implementation of this standard resulted in no impact to the Town's financial statements.

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.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

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

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.

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.

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 27-50 of this report.

Required supplementary information can be found on pages 51-54.

Other information can be found on page 55.

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	
	2023	2022*	2023	2022*	2023	2022*
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Current and other assets	\$ 10,597,116	\$ 11,007,357	\$ 5,308,407	\$ 3,993,994	\$ 15,905,523	\$ 15,001,351
Noncurrent assets	8,536,721	7,641,722	13,511,054	13,169,122	22,047,775	20,810,844
Deferred outflows of resources	467,080	335,902	136,539	99,623	603,619	435,525
Total Assets and Deferred Outflows of Resources	\$ 19,600,917	\$ 18,984,981	\$ 18,956,000	\$ 17,262,739	\$ 38,556,917	\$ 36,247,720
LIABILITIES						
Current liabilities	863,037	959,103	3,630,876	3,213,018	4,493,913	4,172,121
Noncurrent liabilities	741,755	535,867	7,640,741	7,824,823	8,382,496	8,360,690
Total Liabilities	1,604,792	1,494,970	11,271,617	11,037,841	12,876,409	12,532,811
DEFERRED INFLOWS OF RESOURCES	331,659	412,466	904,494	1,123,867	1,236,153	1,536,333
NET POSITION						
Invested in capital assets, net of related debt	8,536,721	7,624,490	5,153,958	4,403,105	13,690,679	12,027,595
Unrestricted	9,127,745	9,453,055	1,625,931	697,926	10,753,676	10,150,981
Total Net Position	17,664,466	17,077,545	6,779,889	5,101,031	24,444,355	22,178,576
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 19,600,917	\$ 18,984,981	\$ 18,956,000	\$ 17,262,739	\$ 38,556,917	\$ 36,247,720

*as restated

The Town of Walkersville’s assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$22,178,576 (as restated) at the close of the June 30, 2022 fiscal year, and by \$24,444,355 at the close of June 30, 2023, an increase in net position of \$2,265,779 (10.2%). Total assets and deferred outflows of resources of \$36,247,720 at June 30, 2022 increased to \$38,556,917 by June 30, 2023, an increase of \$2,309,197 (6.4%). The increase in assets is mostly due to an increase in cash from the receipt of the Town’s second round of American Rescue Plan grant funding.

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 (\$13,690,679 or 56% 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, \$14,488,883 is accounted for in cash and cash equivalents (including certificates of deposit), \$1,930,233 in receivables, \$157,038 in inventory, and \$27,268 in prepaid expenses.

Total liabilities include \$7,689,197 in debt, \$853,038 in accounts payable, deposits of \$136,197 for amounts held in escrow for various projects, \$153,787 for staff accumulated leave and tax withholdings, unearned revenue of \$3,166,826, accrued interest payable of \$24,637, and \$882,727 for net pension liability.

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

At June 30, 2023 and 2022, the Town had positive balances in all categories of net position.

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	
	2023	2022	2023	2022	2023	2022
REVENUES						
Program Revenues						
Charges for services, fees fines	\$ 25,503	\$ 21,286	\$ 1,817,740	\$ 1,959,243	\$ 1,843,243	\$ 1,980,529
Operating grants and contributions	55,926	47,818	-	-	55,926	47,818
Capital grants and contributions	362,476	-	-	-	362,476	-
General Revenues						
Property taxes	1,405,016	1,330,171	-	-	1,405,016	1,330,171
Other state and local taxes	2,606,096	2,528,423	-	-	2,606,096	2,528,423
American Rescue Plan funding	349,714	-	1,531,565	144,518	1,881,279	144,518
Other	438,695	146,849	31,496	14,162	470,191	161,011
Total Revenues	5,243,426	4,074,547	3,380,801	2,117,923	8,624,227	6,192,470
EXPENSES						
General government	645,667	601,225	-	-	645,667	601,225
Public safety	1,539,475	1,279,698	-	-	1,539,475	1,279,698
Public works	1,003,480	1,048,555	-	-	1,003,480	1,048,555
Waste collection and disposal	426,432	311,960	-	-	426,432	311,960
Recreation and culture	255,049	250,378	-	-	255,049	250,378
Non-departmental	786,402	383,015	-	-	786,402	383,015
Water utility services	-	-	1,701,943	1,614,205	1,701,943	1,614,205
Loss on disposal of assets	-	118,323	-	-	-	118,323
Total Expenses	4,656,505	3,993,154	1,701,943	1,614,205	6,358,448	5,607,359
Change In Net Position	586,921	81,393	1,678,858	503,718	2,265,779	585,111
NET POSITION - BEGINNING, as restated	17,077,545	16,996,152	5,101,031	4,597,313	22,178,576	21,593,465
NET POSITION - ENDING	\$ 17,664,466	\$ 17,077,545	\$ 6,779,889	\$ 5,101,031	\$ 24,444,355	\$ 22,178,576

*The 2023 numbers presented include the impact of the prior period restatement made in FY23. Accordingly, 2022 numbers present the restated impact in the beginning net position balance, but are not reflected in 2022 expenses.

Total revenues for the Town of Walkersville were \$8,624,227 for the year ended June 30, 2023, up \$2,431,757 (39.3%) from FY 2022. Governmental activities provided \$5,243,426 and business-type activities provided \$4,074,547, primarily from charges for water services and non-operating wireless tower rental income. Total expenses for governmental activities were \$4,656,505 and total expenses for business-type activities were \$1,701,943. Net position at June 30, 2023 totaled \$24,444,355, an increase of \$2,265,779 from the June 30, 2022 net position of \$22,178,576 (as restated).

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 Expenditure 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, 2023, the unassigned fund balance of the General Fund was \$4,350,510, down \$1,624,950 from June 30, 2022, due mostly to an assigned fund balance in FY 2023 to make up for the budgeted shortfall for FY 24.

Town of Walkersville
Revenues Classified by Source - Governmental Funds

	<u>Amount</u>		<u>Percent of Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenues				
Local property taxes and interest	\$1,405,016	\$1,594,964	26.84%	37.64%
Licenses and permits	24,234	20,986	0.46%	0.50%
Grants and shared taxes	3,380,229	2,503,038	64.58%	59.08%
Other revenue	424,645	118,010	8.11%	2.79%
Total Revenues	<u>\$5,234,124</u>	<u>\$4,236,998</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 \$1,044,394, up \$56,519 from last year. The increase was mainly due to an increase in the net assessable real property base of 43,154,343. The gross business personal property tax revenue decreased by \$245,042 to \$349,990. Personal property taxes are assessed based on taxpayer-provided information. Taxes not paid within 60 days of the Town’s year-end are considered unavailable for current use and are therefore reclassified as deferred inflows – unavailable tax revenue. At June 30, 2021, the Town had \$264,793 in personal property taxes that were not included in revenue for this reason. This revenue was included in FY 2022 revenue, along with the true FY 2022 revenue of \$330,239. All taxes were paid within 60 days of the Town’s FY 2023 year-end. Penalties and interest decreased by \$1,425, to \$10,632.
- ❖ **Licenses and Permits** – This consists of traders licenses and planning and zoning licensing and review fees. Traders licenses decreased \$1,094 to \$4,156. Planning and zoning fees increased by \$4,342, to \$20,078. A large portion of these fees (\$8,250) were a result of FCPS upgrading the football field at Walkersville High School.
- ❖ **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 \$877,191 to \$3,380,229. American Rescue Funds made up \$349,714 of this total. Highway user revenues increased by \$77,950 to \$304,662, admissions tax revenues decreased to \$63,328, Frederick County shared income taxes increased by \$57,143 to \$1,241,183, and tax equity from Frederick County increased by \$37,459, to \$1,002,940. 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. Program Open Space revenue totaled \$362,476 in FY 2023. The Town did not recognize any revenue from Program Open Space in FY 2022.

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 increased \$306,635, mainly due to a large increase in interest rates.

Town of Walkersville
Expenditures by Function - Governmental Funds

	<u>Amount</u>		<u>Percent of Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Expenditures				
General government	\$ 551,820	\$ 530,823	9.99%	12.35%
Public safety	1,538,559	1,278,183	27.86%	29.73%
Public works	645,006	729,173	11.68%	16.96%
Waste collection and disposal	426,432	311,960	7.72%	7.26%
Recreation and culture	168,632	173,798	3.05%	4.04%
Non-departmental	836,652	416,107	15.15%	9.68%
Capital outlay	1,354,655	859,760	24.53%	20.00%
Total Expenditures	<u>\$ 5,521,756</u>	<u>\$ 4,299,804</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 2023 were \$20,997 higher than prior year. Operating expenses for financial administration decreased by over \$10,000 from last year, while salaries, planning and zoning, dues, and County property taxes showed some increases. Legal fees increased by \$9,291, but remained under budget. Utilities increased once again this year by a total of \$6,400. These increases were partially offset by decreases in repairs and maintenance on municipal buildings.
- ❖ **Public Safety** – This category increased by over \$260,000 from FY 2022 resulting in the Town being almost 10% over budget. The increase was due to increased fees for Maryland State Troopers. The Town contributed \$15,000 each to the local fire department and rescue company. This amount was lowered from the previous years’ allocations of \$25,000 (though additional funding was paid to both organizations through American Rescue Plan funding, as discussed below). The Town also continues to operate proactively on code enforcement cases, spending roughly the same amount of money from FY 2022.
- ❖ **Public Works** - This category decreased by \$84,167. Considerable savings occurred on maintenance, with additional savings occurring on uniforms. Salaries, parts, tools and supplies, and safety accounts all showed increases in costs.
- ❖ **Waste Collection and Disposal** - This category increased by \$114,472, totaling \$426,432. This increase is due to ongoing fuel surcharges and increased bulk trash costs.
- ❖ **Recreation and Culture** – This category decreased by \$5,166. The majority of this change is due to less spending in parks and recreation. While large projects were completed within the Town’s parks, many of those expenses were capitalized. The Heritage Manor House expenses declined due to donations received to cover some of the necessary maintenance.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

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

- ❖ **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 significantly this year due to large donations made to the local fire department, rescue company, and band boosters totaling \$308,400. These funds were paid using some of the federal American Rescue Plan funding provided to the Town. There were additional increases to retirement and pension costs, payroll taxes, and medical insurance.
- ❖ **Capital Outlay** – Capital outlay expenditures increased significantly to \$1,354,655. The Town took on some larger projects in our parks, replaced the road, curbs, and sidewalks on Maple and Maryland Avenue, and also had significant Town Hall renovation costs. The details of current year capital outlay additions for both funds can be found on page 15.

ENTERPRISE FUND REVENUE AND EXPENSE ANALYSIS

Water Utility

Operating Revenues

Total operating revenues were down again this year by \$142,071, mostly as a result of a \$144,954 decrease in connection fees as there was less construction in the current year, compared to prior year. With no plans for significant construction projects requiring water service, the Town should expect very little revenue from connection fees going forward. Charges for water services also decreased slightly to \$1,510,049.

Non-Operating Revenues (Expenses)

The largest change in this category continues to be the addition of American Rescue Plan grant funding. The Town spent \$1,531,565 in FY 2023, and that amount is recognized as non-operating revenue. The remaining amount is considered unearned revenue until spent for allowable activities. Wireless tower income was over budget thanks to T-Mobile leaving the older Sprint network antennas operational longer than expected. That revenue stream will decrease next year, as the Sprint network has now been abandoned.

Operating Expenses

The Water Fund's operating expenses increased again this year by a total of \$42,157. Notable fluctuations include increases in electricity (\$33,477), distribution maintenance (\$96,118), and sewer treatment fees (\$34,588). These amounts were offset by decreases in salaries (\$58,479), parts, supplies and tools (\$51,333), leak detection (\$10,560) and medical insurance (\$9,969).

Depreciation expense, a non-cash outlay, increased again in FY 2023 by \$20,363, to \$391,327, mainly due to water plant capital additions.

Capital outlay increased to \$923,295 in FY 2023, due mostly to the water main replacement project in the Spring Gardens community.

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 conservatively, i.e. including lower expectations for revenue to be received and estimating on the high side for expected expenses. 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 budgeted by \$34,723. While over budget, the large drop from FY 2022 was due to a large amount of FY 2021 taxes not being received within 60 days of the Town's fiscal year-end, and therefore being recognized in FY 2022. Income taxes received were higher than anticipated by \$201,183, continuing the positive signs that people are making money and paying taxes. This budget category has historically been estimated by averaging the 3 previous years and typically is always underestimated, however that practice was stopped in FY24. American Rescue Plan funds recognized were \$349,714, due to the Town not budgeting for this revenue stream.
- ❖ General government expenditures were under budget by \$106,630, most notably due to lower than budgeted salaries of \$93,280. Public safety expenditures have an unfavorable budget variance of \$135,465 due to the rising costs of the Resident Trooper program. Public works expenditures were \$88,594 lower than budget due to a very mild winter and limited funds spent on road maintenance. Recreation and culture expenditures came in under budget by \$15,968. Non-departmental expenditures were \$355,152 higher than budgeted, with the vast majority of additional funds going to community donations through use of ARPA funds. Capital outlay expenditures are lower than budget, by \$1,201,345, due to the \$200,000 being available for capital projects not actually being spent, MS4 permitting not qualifying as a capitalizable cost, and certain projects being started during the year but not yet complete. The Burgess and Commissioners and town staff continue to budget in a conservative manner; however, several mandated MS4 renovation projects, a large road and sidewalk replacement project, and technological upgrades have all been approved and will be paid with previous surplus funds.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

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

Water Fund

- ❖ Actual revenues exceeded budgeted revenues by \$1,796,901. This is primarily due to \$1,531,565 in ARPA funding being spent, of which none was budgeted. Charges for service received were \$112,049 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, and did so this year by continuing the annual debt service assessment of \$100/year per connection. Connection fees are being received and recognized for construction of multiple new residential developments as taps are placed in service. These amounts are not budgeted, and therefore any actual revenue from connection fees will create a positive budget variance.
- ❖ Total operating expenses were more than expected by \$71,349, which includes notable overages in sewer treatment fees of \$16,248, electricity of \$51,286, and distribution maintenance of \$117,661. Conversely, the Town saw savings compared to budget in chemicals of \$39,793 and salaries of \$51,734.
- ❖ Debt service came in under budget, as only the interest portion is recorded in the actual amounts. Budgeted numbers also include expected principal repayments, which are recorded in the statement of net position as a reduction to the liability.

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, 2023, amounts to \$13,690,679 (net of accumulated depreciation) compared to \$12,027,595 at June 30, 2022, an increase of \$1,663,084. 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.

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 2023, 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.

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

This Year’s Capital Additions Included:

Purchased by Town:

Spring Garden water main replacement*	\$ 1,038,551
Valves and flow sensors	66,121
Public Works security fence and gate at WTP*	94,712
Town Hall audio/visual upgrades*	67,121
Town Hall security camera network*	90,805
Mini excavator	8,895
2022 Chevy Silverado	59,901
Trailer	64,714
Kubota with plow and spreader	29,997
Creamery Park playground set	318,854
Creamery Park basketball court	51,299
Manor House Heritage Farm Park roof replacement	42,266
Other park improvements	68,097
Road and sidewalk study	49,494
Other roads projects	11,308
Construction in progress - Town Hall renovations/redesign	198,003
Construction in progress - Colony Village, Glade Town, Deerfield stormwater BMP	74,565
Construction in progress - Maple and Maryland Avenue road reconstruction	384,096
Spare parts for water plant	11,873
	<hr/>
Total Purchased by the Town	<u><u>\$ 2,730,672</u></u>

* Asset was placed in service in FY23, but had some of the cash outlay in prior years.

The Town of Walkersville’s fiscal year 2024 budget plans for required MS4 projects, new equipment, a road and sidewalk repair projects, completing the road and sidewalk replacement project on Maple and Maryland Avenue, additional park improvements, and upgrades to the Town’s GIS. 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, 2023, \$7,689,197 is outstanding.

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 2024. Our tax rate has remained the same for several years and is a source of pride to the Burgess and Commissioners as one of the lowest tax rates in the State of Maryland for a town of our size. Future large capital projects may result in the need to increase that rate, but the Town is cognizant of keeping the tax rate low.

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. Speeding and traffic concerns are the most often expressed complaint by residents. The Maryland State Police have not been able to supply the previously approved sixth trooper for patrolling the Town. It is unknown when this request will be fulfilled; however, starting in FY 2024, overtime funds will be used to supplement law enforcement coverage of the Town.
- ❖ MS4 (Municipal Separate Storm Sewer System) is the Federal/State regulation that the Town is currently working towards compliance. The Town is currently surveying three communities in Town for potential projects to comply with State mandates. The overall cost of the projects could cost upwards of \$1.5 million over the next two years.
- ❖ Major construction in the Spring View Estates developments was completed in FY 2023 and there are no future residential development projects planned. The need to improve the Town’s sidewalks, roadways, storm drains, and several water main replacement projects all point to major infrastructure improvements that will be challenging.

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, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash	\$ 353,105	\$ 6,021,930	\$ 6,375,035
Cash equivalents - Maryland Local Government			
Investment Pool	6,739,352	524,459	7,263,811
Certificates of deposit, including accrued interest	850,037	-	850,037
Receivables			
Taxes	275,338	-	275,338
Franchise fees	22,323	-	22,323
Water service charges, net of allowance for uncollectibles of \$775	-	152,162	152,162
Due from other governmental agencies	562,725	-	562,725
Leases receivable - due within one year	17,547	202,239	219,786
Current portion of interfund loan	33,763	(33,763)	-
Accrued interest receivable on interfund loan	17,489	(17,489)	-
Inventory, at cost, net of allowance	11,616	145,422	157,038
Prepaid expenses	19,465	7,803	27,268
Internal balances	2,935	(2,935)	-
	<u>8,905,695</u>	<u>6,999,828</u>	<u>15,905,523</u>
Total Current Assets			
Noncurrent Assets			
Long-term interfund loan	1,691,421	(1,691,421)	-
Leases receivable - due within more than one year	-	697,899	697,899
Capital assets not being depreciated	3,215,848	38,880	3,254,728
Capital assets net of accumulated depreciation	5,320,873	12,774,275	18,095,148
	<u>10,228,142</u>	<u>11,819,633</u>	<u>22,047,775</u>
Total Noncurrent Assets			
Total Assets	19,133,837	18,819,461	37,953,298
DEFERRED OUTFLOWS OF RESOURCES - Pension			
	<u>467,080</u>	<u>136,539</u>	<u>603,619</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 19,600,917</u>	<u>\$ 18,956,000</u>	<u>\$ 38,556,917</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 672,983	\$ 180,055	\$ 853,038
Current portion of compensated absences and withholdings	80,580	11,999	92,579
Unearned revenue	-	3,166,826	3,166,826
Deposits	109,474	26,723	136,197
Current portion of bonds payable	-	220,636	220,636
Accrued interest payable	-	24,637	24,637
	<u>863,037</u>	<u>3,630,876</u>	<u>4,493,913</u>
Total Current Liabilities			
Noncurrent Liabilities			
Net pension liability	680,724	202,003	882,727
Portion due or payable after one year			
Compensated absences	61,031	177	61,208
Bonds payable	-	7,438,561	7,438,561
	<u>741,755</u>	<u>7,640,741</u>	<u>8,382,496</u>
Total Noncurrent Liabilities			
Total Liabilities	<u>1,604,792</u>	<u>11,271,617</u>	<u>12,876,409</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension	314,796	94,187	408,983
Deferred inflows - leases	16,863	810,307	827,170
	<u>331,659</u>	<u>904,494</u>	<u>1,236,153</u>
Net Position			
Net investment in capital assets	8,536,721	5,153,958	13,690,679
Unrestricted	9,127,745	1,625,931	10,753,676
	<u>17,664,466</u>	<u>6,779,889</u>	<u>24,444,355</u>
Total Net Position			
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 19,600,917</u>	<u>\$ 18,956,000</u>	<u>\$ 38,556,917</u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Statement of Activities
Year Ended June 30, 2023

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	\$ 645,667	\$ 24,234	\$ 1,030	\$ -	\$ (620,403)	\$ -	\$ (620,403)
Public safety	1,539,475	-	46,370	-	(1,493,105)	-	(1,493,105)
Public works	1,003,480	274	-	-	(1,003,206)	-	(1,003,206)
Waste collection and disposal	426,432	-	-	-	(426,432)	-	(426,432)
Recreation and culture	255,049	995	8,526	362,476	116,948	-	116,948
Non-departmental	786,402	-	-	-	(786,402)	-	(786,402)
Total Governmental Activities	4,656,505	25,503	55,926	362,476	(4,212,600)	-	(4,212,600)
Business-Type Activities							
Water	1,701,943	1,599,614	-	-	-	(102,329)	(102,329)
TOTAL GOVERNMENT	\$ 6,358,448	\$ 1,625,117	\$ 55,926	\$ 362,476	(4,212,600)	(102,329)	(4,314,929)
General Revenues							
Taxes							
Property taxes, levied for general purposes					1,405,016	-	1,405,016
Income taxes					1,241,183	-	1,241,183
Highway taxes					298,645	-	298,645
Other local taxes					1,066,268	-	1,066,268
Franchise fees					88,855	-	88,855
Wireless tower income					-	218,126	218,126
American Rescue Plan grant					349,714	1,531,565	1,881,279
Investment earnings					264,963	29,321	294,284
Gain on disposal of assets					5,150	2,175	7,325
Miscellaneous					79,727	-	79,727
Total General Revenues					4,799,521	1,781,187	6,580,708
Change in Net Position					586,921	1,678,858	2,265,779
NET POSITION - BEGINNING, as restated					17,077,545	5,101,031	22,178,576
NET POSITION - ENDING					\$ 17,664,466	\$ 6,779,889	\$ 24,444,355

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Balance Sheet – Governmental Fund
June 30, 2023

	General Fund
ASSETS	
Cash	\$ 353,105
Cash equivalents - Maryland Local Government	
Investment Pool	6,739,352
Certificates of deposit, including accrued interest	850,037
Receivables	
Taxes	275,338
Franchise fees	22,323
Due from other governmental agencies	562,725
Due from other funds	2,935
Prepaid expenditures	19,465
Inventory, at cost	11,616
Accrued interest receivable on interfund loan	17,489
Due from other funds - short-term	33,763
Due from other funds - long-term	<u>1,691,421</u>
TOTAL ASSETS	<u>\$ 10,579,569</u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	\$ 672,983
Accrued salaries and withholdings	80,580
Deposits	<u>109,474</u>
Total Liabilities	<u>863,037</u>
Deferred Inflows of Resources	
Unavailable tax revenue	<u>67,186</u>
Fund Balance	
Nonspendable	1,722,502
Committed	1,238,718
Assigned	2,337,616
Unassigned	<u>4,350,510</u>
Total Fund Balance	<u>9,649,346</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 10,579,569</u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position of
Governmental Activities
June 30, 2023

TOTAL FUND BALANCE - GOVERNMENTAL FUND \$ 9,649,346

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	18,612,503	
Accumulated depreciation	<u>(10,075,782)</u>	8,536,721

Certain taxes and other receivables are not available to pay current period expenditures and therefore are not reported in the fund financial statement, but are reported in the governmental activities in the Statement of Net Position. 67,186

Leases receivable reported in governmental activities are not available to pay current period expenditures and therefore are not reported in the fund financial statement, but are reported in the governmental activities in the Statement of Net Position. 17,547

The Town recognizes deferred inflows of resources in governmental activities related to the Town's leases receivable. However, this amount is not reported in the governmental funds. (16,863)

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	(680,724)	
Deferred outflows of resources	467,080	
Deferred inflows of resources	<u>(314,796)</u>	(528,440)

A portion of accrued compensated absences are not payable with current financial resources and are not reported in the governmental funds. The portion payable in more than one year is: (61,031)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 17,664,466

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Governmental Fund
Year Ended June 30, 2023

	General Fund
REVENUES	
Local property taxes and interest	\$ 1,405,016
Licenses and permits	24,234
Grants and shared taxes	3,380,229
Other revenue	<u>424,645</u>
Total Revenues	<u>5,234,124</u>
EXPENDITURES	
General government	551,820
Public safety	1,538,559
Public works	645,006
Waste collection and disposal	426,432
Recreation and culture	168,632
Non-departmental	836,652
Capital outlay	<u>1,354,655</u>
Total Expenditures	<u>5,521,756</u>
Change in Fund Balance	(287,632)
TOTAL FUND BALANCE - BEGINNING OF YEAR, as restated	<u>9,936,978</u>
TOTAL FUND BALANCE - END OF YEAR	<u><u>\$ 9,649,346</u></u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balance of Governmental Fund to the Statement of Activities
Year Ended June 30, 2023

CHANGE IN FUND BALANCE - GOVERNMENTAL FUND	\$ (287,632)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>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.</p>	1,354,655
<p>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.</p>	(478,624)
<p>Because some taxes will not be collected for several months after the Town's fiscal year end, they are not considered "available" revenues in the governmental funds. Unavailable tax revenues changed by this amount this year.</p>	(6,017)
<p>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.</p>	25,523
<p>In the government-wide financial statements, activity related to the Town's deferred inflows of resources related to leases is recorded. However, these amounts are not reflected in the governmental funds. Deferred inflows changed by this amount this year.</p>	(35,199)
<p>Gain on disposal of capital assets is reported in the government-wide statement of activities, but does not require the use of current financial resources. Therefore, this gain is not reported as an expenditure in governmental funds.</p>	5,150
<p>In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental fund, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid and accrued). This year, compensated absences earned were more than the amounts used.</p>	9,065
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 586,921</u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Statement of Net Position – Proprietary Fund
June 30, 2023

	<u>Water Fund</u>
ASSETS	
Current Assets	
Cash	\$ 6,021,930
Cash equivalents - Maryland Local Government	
Investment Pool	524,459
Receivables	
Water service charges (net of allowance for uncollectibles of \$775)	152,162
Leases receivable - current	202,239
Prepaid expenses	7,803
Inventory, at cost, net of allowance	<u>145,422</u>
Total Current Assets	<u>7,054,015</u>
Noncurrent Assets	
Leases receivable - noncurrent	697,899
Capital assets not being depreciated	38,880
Capital assets net of accumulated depreciation	<u>12,774,275</u>
Total Noncurrent Assets	<u>13,511,054</u>
Total Assets	20,565,069
DEFERRED OUTFLOWS OF RESOURCES	<u>136,539</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 20,701,608</u>
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 180,055
Unearned revenues	3,166,826
Current portion of compensated absences and withholdings	11,999
Deposits	26,723
Due to other funds	2,935
Current portion of bonds payable	220,636
Current portion of interfund loan	33,763
Accrued interest payable	<u>42,126</u>
Total Current Liabilities	<u>3,685,063</u>
Noncurrent Liabilities	
Net pension liability	202,003
Portion due or payable after one year	
Compensated absences	177
Bonds payable	7,438,561
Due to other funds	<u>1,691,421</u>
Total Noncurrent Liabilities	<u>9,332,162</u>
Total Liabilities	<u>13,017,225</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pension	94,187
Deferred inflows - leases	<u>810,307</u>
	904,494
Net Position	
Net investment in capital assets	5,153,958
Unrestricted	<u>1,625,931</u>
Total Net Position	<u>6,779,889</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 20,701,608</u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund
June 30, 2023

	Water Fund
OPERATING REVENUES	
Charges for services	\$ 1,510,049
Meter service charge	1,350
Connection fees	70,400
Penalties and interest	14,177
Other income	<u>3,638</u>
Total Operating Revenues	<u>1,599,614</u>
OPERATING EXPENSES	
Depreciation	391,327
Salaries	182,166
Electricity	166,286
Distribution maintenance	278,193
Parts, supplies, and tools	3,854
Chemicals	75,207
Sewer treatment fees	366,248
Other operating expenses	18,615
Audit	11,250
Administrative expenses	35,355
Pension plan	21,517
Workmen's compensation insurance	6,904
Payroll taxes	14,913
Property insurance	21,227
Medical insurance	36,980
Safety	1,815
Miscellaneous	<u>676</u>
Total Operating Expenses	<u>1,632,533</u>
(Loss) From Operations	<u>(32,919)</u>
NON-OPERATING REVENUES (EXPENSES)	
Wireless tower income	218,126
American Rescue Plan grant	1,531,565
Interest income	29,321
Gain on sale of capital assets	2,175
Interest expense	<u>(69,410)</u>
Total Non-Operating Revenues (Expenses)	<u>1,711,777</u>
Change in Net Position	1,678,858
NET POSITION - BEGINNING OF YEAR, as restated	<u>5,101,031</u>
NET POSITION - END OF YEAR	<u><u>\$ 6,779,889</u></u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Statement of Cash Flows – Proprietary Fund
June 30, 2023

	Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,759,339
Cash payments to suppliers for goods and services	(1,404,738)
Cash payments to employees for services	<u>(180,820)</u>
Net Cash Provided By Operating Activities	<u>173,781</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash received from American Rescue Plan Act	2,582,962
Transfer of ARPA funds to general fund	(349,714)
Decrease in due from other funds	<u>826,656</u>
Net Cash Provided By Noncapital Financing Activities	<u>3,059,904</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(923,295)
Proceeds from sale of capital assets	2,175
Interest paid on notes payable	(69,410)
Payments on interfund loan	(63,219)
Payments on bonds payable	<u>(218,885)</u>
Net Cash (Used In) Capital and Related Financing Activities	<u>(1,272,634)</u>
CASH FLOW FROM INVESTING ACTIVITIES	
Interest on cash and investments	<u>18,719</u>
Net Cash Provided By Investing Activities	<u>18,719</u>
Net Increase In Cash and Cash Equivalents	1,979,770
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>4,566,619</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 6,546,389</u></u>
RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION	
Cash	\$ 6,021,930
Cash equivalents - Maryland Local Government Investment Pool	524,459
	<u><u>\$ 6,546,389</u></u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Statement of Cash Flows – Proprietary Fund (Continued)
Year Ended June 30, 2023

	Water Fund
RECONCILIATION OF INCOME FROM OPERATIONS	
TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
(Loss) from operations	\$ (32,919)
Adjustments to reconcile income from operations to net cash provided by operating activities:	
Depreciation	391,327
(Gain) on sale of capital assets	(2,175)
Rental income from wireless tower agreements	218,126
Decrease in receivables	4,838
Decrease in prepaid expenses	869
(Increase) in inventory	(133,258)
(Decrease) in accounts payable	(225,420)
(Decrease) in accrued interest payable	(12,111)
(Decrease) in deferred revenue	(63,239)
Increase in accrued expenses	8,512
Change in net pension liability and related items	19,231
	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 173,781
	<hr/> <hr/>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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, 2023 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.

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 net realizable value.

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
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.

Leases Receivable

The Town is a lessor under various lease agreements with unrelated third parties. The Town's leases are reported in accordance with GASB Statement No. 87, *Leases*. See Note 17 for further details.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standard

On July 1, 2022 the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, which requires the recognition of certain right-of-use subscription assets and subscription liabilities. The standard establishes a single model for SBITA accounting based on the foundational principle that SBITAs are financings of the right to use an underlying asset. As a result, a government is required to recognize a subscription liability and an intangible right-of-use subscription asset in the government-wide financial statements. In the year a SBITA agreement commences, a government recognizes an expenditure and an offsetting other financing source for the value of the right-of-use subscription asset within the government fund statements. The initial value of the right-of-use subscription asset and subscription liability is based upon the present value of future payments required under the SBITA agreement. The discount rate used by the Town is determined by the using the implicit interest rate provided by the SBITA vendor, or if not available, the estimated incremental borrowing rate of the Town. The right-of-use subscription asset is amortized on a straight-line basis over the enforceable term of the SBITA agreement, including the impact of any renewal periods and termination options.

Upon review of the Town's SBITAs, it was determined that none met the criteria for reporting under GASB 96. Therefore, there was no impact to the beginning balances of the government wide statements or the fund level statements as a result of the implementation.

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	\$.14 per \$100 of assessable base
Personal property tax	\$.44 per \$100 of assessable base

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 two items on the statement of net position that qualify for reporting in this category: one is related to the Town’s pension plan, and the other is related to the Town’s leases. The Town also has one item on the governmental fund balance sheet that qualifies for reporting in this category, related to unavailable tax revenues.

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, 2023 consists of the following:

	Government Wide Activities	
	Governmental Activities	Business Type Activities/ Water Fund
Capital Assets	\$ 18,612,503	\$ 18,101,209
Accumulated depreciation	(10,075,782)	(5,288,054)
Bonds payable	-	(7,659,197)
Net Investment in Capital Assets	<u>\$ 8,536,721</u>	<u>\$ 5,153,958</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, 2023, 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”.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 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. For internal budgeting purposes, 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 budget, as those expenditures are included in the General Fund budget.

The proprietary fund budget is 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. While the General Fund budget was over expended for the fiscal year ended June 30, 2023, there are no ramifications and no material violations.

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, 2023, the carrying amount of the Town's deposits was \$7,225,072 including interest receivable. The related bank balance totaled \$7,277,300.

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, 2023:

Woodsboro Bank	\$ 850,000
PNC Bank	<u>6,427,300</u>
	<u>\$ 7,277,300</u>

Included in the Town's cash balance at June 30, 2023 is \$3,140,128 that is restricted for spending based on Coronavirus State and Local Fiscal Recovery Fund guidance as legislated by the American Rescue Plan Act. This amount is not shown as restricted net position because it is classified as unearned revenue on the statement of net position.

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, 2023 \$6,527,300 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>\$ 6,527,300</u>
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NOTE 4 INVESTMENTS

As of June 30, 2023 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	7,263,811

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 \$6,684 for the year ended June 30, 2023.

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	\$ 146,157
Allowance for obsolete inventory	(735)
	<u>\$ 145,422</u>

NOTE 7 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
GOVERNMENTAL ACTIVITIES				
Capital Assets, Not Being Depreciated				
Land	\$ 2,047,319	\$ -	\$ -	\$ 2,047,319
Construction in progress	640,425	692,864	(164,760)	1,168,529
Total Capital Assets Not Being Depreciated	2,687,744	692,864	(164,760)	3,215,848
Capital Assets Being Depreciated				
Improvements	2,751,920	444,316	-	3,196,236
Infrastructure	9,363,243	60,802	(33,098)	9,390,947
Building and furnishings	1,245,868	-	-	1,245,868
Equipment	1,334,477	321,433	(92,306)	1,563,604
Total Capital Assets Being Depreciated	14,695,508	826,551	(125,404)	15,396,655
Total Capital Assets	17,383,252	1,519,415	(290,164)	18,612,503
Accumulated Depreciation				
Improvements	(1,200,141)	(87,530)	-	(1,287,671)
Infrastructure	(6,707,810)	(226,579)	33,098	(6,901,291)
Building and furnishings	(887,316)	(30,800)	-	(918,116)
Equipment	(927,295)	(133,715)	92,306	(968,704)
Total Accumulated Depreciation	(9,722,562)	(478,624)	125,404	(10,075,782)
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	\$ 7,660,690	\$ 1,040,791	\$ (164,760)	\$ 8,536,721

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

NOTE 7 CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
BUSINESS-TYPE ACTIVITIES				
Capital Assets, Not Being Depreciated				
Land	\$ 7,507	\$ -	\$ -	\$ 7,507
Construction in progress	307,462	11,873	(287,962)	31,373
Total Capital Assets Not Being Depreciated	<u>314,969</u>	<u>11,873</u>	<u>(287,962)</u>	<u>38,880</u>
Capital Assets Being Depreciated				
Equipment	633,988	-	(46,283)	587,705
Improvements	82,049	-	-	82,049
Building and furnishings	45,738	-	-	45,738
Water treatment plant	10,044,097	94,712	-	10,138,809
Distribution system	4,437,454	1,104,672	(12,415)	5,529,711
Water systems	60,000	-	-	60,000
Water towers	1,618,317	-	-	1,618,317
Total Capital Assets Being Depreciated	<u>16,921,643</u>	<u>1,199,384</u>	<u>(58,698)</u>	<u>18,062,329</u>
Total Capital Assets	<u>17,236,612</u>	<u>1,211,257</u>	<u>(346,660)</u>	<u>18,101,209</u>
Accumulated Depreciation				
Equipment	(474,598)	(32,584)	46,283	(460,899)
Improvements	(17,024)	(1,667)	-	(18,691)
Building and furnishings	(32,110)	(1,987)	-	(34,097)
Water treatment plant	(1,438,646)	(223,349)	-	(1,661,995)
Distribution system	(1,523,237)	(105,338)	12,415	(1,616,160)
Water systems	(60,000)	-	-	(60,000)
Water towers	(1,409,810)	(26,402)	-	(1,436,212)
Total Accumulated Depreciation	<u>(4,955,425)</u>	<u>(391,327)</u>	<u>58,698</u>	<u>(5,288,054)</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 12,281,187</u>	<u>\$ 819,930</u>	<u>\$ (287,962)</u>	<u>\$ 12,813,155</u>

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

Governmental Activities

General government	\$ 63,332
Public safety	916
Public works	327,959
Recreation and culture	86,417
	<u>\$ 478,624</u>

Business-Type Activities

Water	<u>\$ 391,327</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.

	Beginning Balance	Additions	Reductions	Ending Balance	Current Maturities
Bonds payable - MDE	<u>7,878,082</u>	<u>\$ -</u>	<u>\$ (218,885)</u>	<u>\$ 7,659,197</u>	<u>\$ 220,636</u>

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

Year Ending June 30,	Principal	Interest
2024	\$ 220,636	\$ 49,274
2025	222,401	47,508
2026	224,181	45,730
2027	225,974	43,936
2028	227,782	42,128
2029-2033	1,166,536	183,014
2034-2038	1,213,952	135,570
2039-2043	1,263,291	86,258
2044-2048	1,314,637	34,912
2049-2050	1,579,807	638
	<u>\$ 7,659,197</u>	<u>\$ 668,968</u>

As of June 30, 2023, 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, 2023 is as follows:

	<u>General Fund</u>
FUND BALANCES	
Nonspendable	
Inventory	\$ 11,616
Prepaid expenditures	19,465
Due from other funds - long-term	<u>1,691,421</u>
	<u>1,722,502</u>
Committed	
Town Hall renovations	17,428
Municipal Code online codification	2,516
Road reconstruction engineering	3,405
Road construction	1,214,266
Security upgrades	<u>1,103</u>
	<u>1,238,718</u>
Assigned	
Subsequent year budgeted use of fund balance	<u>2,337,616</u>
Unassigned	<u>4,350,510</u>
	<u>\$ 7,311,730</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 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

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

NOTE 10 RETIREMENT PLAN (CONTINUED)

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.

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, 2023, the Town paid contributions totaling \$106,550.

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

At June 30, 2023, 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 for both plans in which the Town participates is as follows:

	Employees' Retirement and Pension System
Town's proportionate share of net pension liability	<u>\$ 882,727</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, 2022 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, 2022, the Town's proportion was 0.0044118% for the System. This was a decrease of 0.0000128% over the prior year.

For the year ended June 30, 2023, the Town recognized pension expense of \$83,150 related to governmental activities and \$23,400 related to business-type activities. As of June 30, 2023, 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	\$ -	\$ -
Net difference between projected and actual investment earnings	497,069	373,940
Difference between actual and expected experience	-	33,462
Changes in proportion and differences between employer contributions and share of contributions	-	1,581
Town contributions subsequent to the measurement date	<u>106,550</u>	<u>-</u>
	<u>\$ 603,619</u>	<u>\$ 408,983</u>

Town contributions subsequent to the measurement date totaling \$106,550 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2024	\$ 17,617
2025	17,617
2026	17,617
2027	17,617
2028	<u>17,618</u>
	<u>\$ 88,086</u>

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, 2022, using the entry age normal actuarial cost method. Inflation is assumed to be 2.25% for general and 2.75% for wages, which is consistent with the rates used in the prior valuation year. The discount rate and long-term expected rate of return on pension plan investments used in the determination of the total pension liability is 6.80%, which is also consistent with the rate used in the prior valuation year. 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	34%	6.00%
Rate sensitive	21%	1.20%
Credit opportunity	8%	4.90%
Absolute return	6%	3.50%
Private equity	16%	8.40%
Real assets	15%	5.20%
Total	100%	

Discount Rate

A single discount rate of 6.80% 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 6.80%. 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 6.80%, 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 5.80%	Current Rate (6.80%)	1% Increase to 7.80%
Town's proportionate share of the net pension liability	\$ 1,354,384	\$ 882,727	\$ 491,361

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, 2022. This can be found at <https://sra.maryland.gov/annual-financial-reports>.

There were no amounts payable to the pension plan as of June 30, 2023.

NOTE 11 COMPENSATED ABSENCES

Full-time permanent employees are granted vacation benefits to specified maximum amounts depending on tenure with the Town. Certain employees are also granted compensatory time in excess of scheduled hours worked. Upon resignation from Town employment, an employee may take the unused portion of the vacation leave and compensatory time, or request payment in full for all unused vacation leave and compensatory time. 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. Prior to the July 1, 2022, the accrued compensatory time was not included in the calculation of compensated absences. See Note 19 for details of the prior period restatement.

The estimated current portion of the liability for vested vacation leave and compensatory time 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.

	Beginning Balance*	Additions	Reductions	Ending Balance	Current Maturities
Compensated absences					
Governmental activities	\$ 123,821	\$ 54,962	\$ (58,876)	\$ 119,907	\$ 58,876
Business-type activities	\$ 30,847	\$ (6,522)	\$ (12,074)	\$ 12,251	\$ 12,074

*as restated

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

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. The Town does not make any employer contributions to this plan.

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.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

NOTE 15 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, 2023 amounted to \$18,579.

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, 2023 amounted to \$23,138.

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, 2023 amounted to \$18,284, and was paid in quarterly installments of \$4,571 each.

NOTE 16 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 due to the timing of payment/receipt of bills outstanding at the end of the fiscal year. Amounts owed are repaid subsequent to year-end. The current portion of interfund activity is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Water	\$ 2,935

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 payments of principal and interest were made during the year ended June 30, 2023. 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.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

NOTE 16 INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

	Beginning Balance	Additions	Reductions	Ending Balance	Current Maturities
Interfund loan	<u>1,788,190</u>	<u>\$ -</u>	<u>\$ (63,006)</u>	<u>\$ 1,725,184</u>	<u>\$ 33,763</u>

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:

Year Ending June 30,	Principal	Interest
2024	\$ 33,763	\$ 77,258
2025	35,300	75,721
2026	36,906	74,115
2027	38,586	72,435
2028	40,341	70,680
2029-2033	230,973	324,132
2034-2038	288,532	266,573
2039-2043	360,435	194,670
2044-2048	450,256	104,848
2049	210,092	11,949
	<u>\$ 1,725,184</u>	<u>\$ 1,272,381</u>

NOTE 17 TOWN LEASES RECEIVABLE

The Town follows Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, which requires the recognition of certain leases receivable and deferred inflows of resources for leases that were previously classified as operating leases. The standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. As a result, a lessor is required to recognize a lease receivable and a deferred inflow of resources in the government-wide financial statements and the proprietary financial statements. The initial value of the lease receivable and deferred inflow of resources is based on the present value of future lease receipts. The discount rate used by the Town is determined by using the Town's incremental borrowing rate. The lease receivable is amortized on a straight-line basis over the life of the lease agreement, including any anticipated lease renewal periods.

Within governmental activities, the Town leases 200 acres of farm land to an unrelated party. The lease renews on an annual basis, most recently through December 31, 2023. Management estimated the lease would terminate at this time. Annual rental income from this lease amounts to \$35,201. The interest rate used to determine the net present value of the lease receivable and deferred inflow of resources is 0.80%. Following is a schedule of future minimum lease receipts under this lease agreement at June 30, 2023:

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

NOTE 17 TOWN LEASES RECEIVABLE (CONTINUED)

2024	\$ 17,600
Total minimum payments	17,600
Less amounts representing interest	<u>(53)</u>
Present value of lease receivable	17,547
Less amounts due within one year	<u>(17,547)</u>
Amounts due in more than one year	<u>\$ -</u>

Within the business-type activities, the Town receives monthly income from contracts with Sprint (now merged with T-Mobile), Verizon, AT&T, and T-Mobile. The contracts call for monthly payments ranging from \$3,652 per tower to \$6,355 per tower. The contracts call for annual increases of 3-4% and contain automatic renewal clauses in five-year increments. Management has estimated various termination dates for the leases based upon the likelihood of future renewals. The termination dates range from February 2027 through March 2029. The interest rate used to determine the net present value of the leases receivable and deferred inflows of resources under each of these leases is 0.80%. Following is a schedule of future minimum lease receipts under this lease agreement at June 30, 2023:

2024	\$ 202,239
2025	210,329
2026	218,742
2027	227,492
2028	69,304
2029-2032	<u>26,878</u>
Total minimum payments	954,984
Less amounts representing interest	<u>(54,846)</u>
Present value of lease receivable	900,138
Less amounts due within one year	<u>(202,239)</u>
Amounts due in more than one year	<u>\$ 697,899</u>

NOTE 18 AMERICAN RESCUE PLAN FUNDING

The Town received its first installment of American Rescue Plan funding in the amount of \$2,582,963 during the year ended June 30, 2022. In September 2022, the Town received its second installment of American Rescue Plan funding in the amount of \$2,586,962. Of this amount, the Town has spent \$2,025,797 through June 30, 2023, of which \$1,881,279 was spent during the year ended June 30, 2023. This amount has been recognized as revenue in the government-wide and fund statements. The remaining portion of \$3,140,128 was not spent prior to year-end, and is therefore classified as unearned revenue on the government-wide and proprietary statements.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

NOTE 19 RESTATEMENT

As described in Note 11, it was discovered in the current year that the Town has not been accruing compensatory time payable to certain employees. As a result, both beginning net position and beginning fund balances were restated to account for amounts that should have been accrued as of June 30, 2022. Following is a breakdown of the restatements of net position in each fund, as well as the restatement of the governmental fund balance in the general fund:

	Governmental Activities	Business-type Activities/ Water Fund
Net Position - June 30, 2022 - Previously Reported	\$ 17,139,293	\$ 5,116,133
Adjustment for compensated absences liability	<u>(61,748)</u>	<u>(15,102)</u>
Net Position - June 30 , 2022 - Restated	<u>\$ 17,077,545</u>	<u>\$ 5,101,031</u>
	General Fund	
Fund Balance - June 30, 2022 - Previously Reported	\$ 9,998,726	
Adjustment for compensated absences liability	<u>(61,748)</u>	
Net Position - June 30 , 2022 - Restated	<u>\$ 9,936,978</u>	

The amount of the restatement for the change in net position/fund balance is considered to be immaterial.

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)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Town's proportion of the net pension liability	0.0044%	0.0044%	0.0039%	0.0036%	0.0034%	0.0030%	0.0031%	0.0032%	0.0029%
Town's proportionate share of the net pension liability	\$ 882,727	\$ 663,798	\$ 884,904	\$ 750,890	\$ 705,083	\$ 655,187	\$ 723,711	\$ 670,226	\$ 522,243
Town's covered-employee payroll	\$ 974,901	\$ 952,778	\$ 952,128	\$ 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	90.55%	69.67%	92.94%	83.90%	84.88%	83.69%	95.88%	95.68%	74.62%
Plan fiduciary net position as a percentage of the total pension liability	76.27%	81.84%	70.72%	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.

* 2015-2023 are the only years available. This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

2023 amounts reflect no changes in assumptions as follows:
Discount rate and investment rate of return assumption remained at 6.80%.
Inflation assumption remained at 2.25% and wage inflation assumption remained at 2.75%.
No change in salary range.
No change in mortality factors.

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)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 106,550	\$ 100,690	\$ 97,498	\$ 83,946	\$ 74,759	\$ 67,011	\$ 61,670	\$ 59,755	\$ 67,977
Contributions in relation to the contractually required contribution	<u>106,550</u>	<u>100,690</u>	<u>97,498</u>	<u>83,946</u>	<u>74,759</u>	<u>67,011</u>	<u>61,670</u>	<u>59,755</u>	<u>67,977</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 974,901	\$ 952,778	\$ 952,128	\$ 894,945	\$ 830,650	\$ 782,834	\$ 754,832	\$ 700,523	\$ 699,913
Contributions as a percentage of covered-employee payroll	10.93%	10.57%	10.24%	9.38%	9.00%	8.56%	8.17%	8.53%	9.71%

Notes

The amounts presented for each fiscal year are based on the contributions calculated and paid in that fiscal year.

* 2015-2023 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
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2023
(Unaudited)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Local property taxes and interest				
Real property	\$ 1,038,606	\$ 1,038,606	\$ 1,044,394	\$ 5,788
Personal property	315,267	315,267	349,990	34,723
Penalties and interest	9,500	9,500	10,632	1,132
	<u>1,363,373</u>	<u>1,363,373</u>	<u>1,405,016</u>	<u>41,643</u>
Licenses and permits				
Traders	3,000	3,000	4,156	1,156
Planning and zoning	10,000	10,000	20,078	10,078
	<u>13,000</u>	<u>13,000</u>	<u>24,234</u>	<u>11,234</u>
Grants and shared taxes				
Federal				
American Rescue Plan funds	-	-	349,714	349,714
State of Maryland				
Admissions	60,000	60,000	63,328	3,328
Highway tax	296,002	296,002	304,662	8,660
Grant for police protection	47,000	47,000	46,370	(630)
Program Open Space grant	370,694	370,694	362,476	(8,218)
Frederick County				
Income tax	1,040,000	1,040,000	1,241,183	201,183
Grant in lieu of property taxes	1,030	1,030	1,030	-
Tax equity program	1,001,000	1,001,000	1,002,940	1,940
CFFC park grant	-	-	8,526	8,526
	<u>2,815,726</u>	<u>2,815,726</u>	<u>3,380,229</u>	<u>564,503</u>
Other Revenue				
Interest	9,300	9,300	264,963	255,663
Franchise fees	85,000	85,000	88,855	3,855
Rent	52,000	52,000	60,469	8,469
Recycling center	6,500	6,500	-	(6,500)
Proceeds on sale of assets	-	-	5,150	5,150
Other	100	100	5,208	5,108
	<u>152,900</u>	<u>152,900</u>	<u>424,645</u>	<u>271,745</u>
Total Revenues	<u>\$ 4,344,999</u>	<u>\$ 4,344,999</u>	<u>\$ 5,234,124</u>	<u>\$ 889,125</u>
EXPENDITURES				
General Government				
Legislative				
Town Council				
Commissioners' salaries	\$ 18,000	\$ 18,000	\$ 13,650	\$ 4,350
Other				
Salaries	325,000	325,000	231,720	93,280
Operating expenses	12,750	12,750	21,349	(8,599)
Training, meetings, and travel	5,600	5,600	5,162	438
	<u>361,350</u>	<u>361,350</u>	<u>271,881</u>	<u>89,469</u>
Executive				
Burgess' salary	12,500	12,500	12,500	-
Financial administration				
Independent auditing	11,000	11,000	11,250	(250)
Operating expenses	25,000	25,000	19,626	5,374
	<u>36,000</u>	<u>36,000</u>	<u>30,876</u>	<u>5,124</u>
Legal expenses	15,000	15,000	14,680	320
Planning and zoning	130,000	130,000	116,328	13,672
Municipal buildings				
Utilities	60,000	60,000	65,568	(5,568)
Repairs and maintenance	30,000	30,000	26,347	3,653
	<u>90,000</u>	<u>90,000</u>	<u>91,915</u>	<u>(1,915)</u>
Other				
Dues	8,600	8,600	8,812	(212)
County property taxes	5,000	5,000	4,828	172
	<u>13,600</u>	<u>13,600</u>	<u>13,640</u>	<u>(40)</u>
Total General Government	<u>658,450</u>	<u>658,450</u>	<u>551,820</u>	<u>106,630</u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Budgetary Comparison Schedule - General Fund (Continued)
Year Ended June 30, 2023
(Unaudited)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Safety				
Police and traffic control	1,360,094	1,360,094	1,498,762	(138,668)
Code enforcement	13,000	13,000	9,797	3,203
Volunteer company contributions:				
Fire department	15,000	15,000	15,000	-
Ambulance service	15,000	15,000	15,000	-
Total Public Safety	1,403,094	1,403,094	1,538,559	(135,465)
Public Works				
Streets, roadways, and alleys				
Salaries	450,000	450,000	474,465	(24,465)
Maintenance	142,000	142,000	36,377	105,623
Parts, tools, and supplies	12,000	12,000	10,927	1,073
Truck and equipment	55,000	55,000	54,390	610
Street lighting	60,000	60,000	61,673	(1,673)
Safety	4,000	4,000	1,799	2,201
On-call engineering	5,000	5,000	554	4,446
Uniforms/Boots	5,600	5,600	4,821	779
Total Public Works	733,600	733,600	645,006	88,594
Waste Collection and Disposal	294,000	294,000	426,432	(132,432)
Recreation and Culture				
Parks and recreation	48,600	48,600	57,480	(8,880)
Parks - mowing	80,000	80,000	85,143	(5,143)
Parks - Program Open Space	40,000	40,000	19,962	20,038
Heritage Building	2,000	2,000	1,884	116
Heritage Manor House	10,000	10,000	2,690	7,310
Senior citizens	4,000	4,000	1,473	2,527
Total Recreation and Culture	184,600	184,600	168,632	15,968
Non-Departmental				
Retirement and pension costs	105,000	105,000	121,079	(16,079)
Workmen's compensation	25,000	25,000	21,734	3,266
Payroll taxes	66,000	66,000	71,573	(5,573)
Medical insurance	154,000	154,000	192,570	(38,570)
Insurance	23,000	23,000	21,830	1,170
Community contributions	10,000	10,000	308,400	(298,400)
MS4 projects	60,000	60,000	65,442	(5,442)
Security measures	10,000	10,000	5,290	4,710
Other	28,500	28,500	28,734	(234)
Total Non-Departmental	481,500	481,500	836,652	(355,152)
Capital Outlay				
Machinery and equipment	243,000	243,000	92,762	150,238
Available for capital projects	200,000	200,000	-	200,000
Park projects	35,000	35,000	119,784	(84,784)
Roads and sidewalks (Maple/Maryland Ave)	950,000	950,000	384,096	565,904
Road/sidewalk study	85,000	85,000	60,802	24,198
HFP building maintenance	3,000	3,000	-	3,000
Playground	175,000	175,000	324,532	(149,532)
EZ Communicator	8,000	8,000	-	8,000
Watershed development	7,000	7,000	-	7,000
MS4 projects	500,000	500,000	74,565	425,435
Town Hall Renovations	350,000	350,000	298,114	51,886
Total Capital Outlay	2,556,000	2,556,000	1,354,655	1,201,345
Total Expenditures	6,311,244	6,311,244	5,521,756	789,488
CHANGE IN FUND BALANCE	\$ (1,966,245)	\$ (1,966,245)	\$ (287,632)	\$ 1,678,613
ADJUSTMENT TO BUDGETARY BASIS				
Designated from surplus	1,966,245	1,966,245		
	<u>\$ -</u>	<u>\$ -</u>		

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Budgetary Comparison Schedule - Water Fund
Year Ended June 30, 2023
(Unaudited)

	Budgeted Amounts		Budgetary Basis	Variance with Final Budget
	Original	Final	Actual Amounts	- Positive (Negative)
REVENUES				
Operating Revenues				
Charges for service	\$ 1,398,000	\$ 1,398,000	\$ 1,510,049	\$ 112,049
Meter service charge	2,000	2,000	1,350	(650)
Connection fees	-	-	70,400	70,400
Penalties and interest	12,500	12,500	14,177	1,677
Other income	500	500	3,638	3,138
Total Operating Revenues	1,413,000	1,413,000	1,599,614	186,614
Non-operating Revenues				
Wireless tower income	170,000	170,000	218,126	48,126
American Rescue Plan grant	-	-	1,531,565	1,531,565
Gain on sale of assets	-	-	2,175	2,175
Interest income	900	900	29,321	28,421
Total Non-operating Revenues	170,900	170,900	1,781,187	1,610,287
TOTAL REVENUES	1,583,900	1,583,900	3,380,801	1,796,901
EXPENSES				
Operating Expenses				
Salaries	234,000	234,000	182,166	51,834
Electricity	115,000	115,000	166,286	(51,286)
Distribution maintenance	160,532	160,532	278,193	(117,661)
Parts, supplies, and tools	6,000	6,000	3,854	2,146
Chemicals	115,000	115,000	75,207	39,793
Sewer treatment fees	350,000	350,000	366,248	(16,248)
Other operating expenses	21,200	21,200	18,615	2,585
Audit	11,000	11,000	11,250	(250)
Legal fees	1,000	1,000	-	1,000
Administrative expenses	24,625	24,625	35,355	(10,730)
Pension plan	31,000	31,000	21,517	9,483
Workmen's compensation insurance	10,000	10,000	6,904	3,096
Payroll taxes	19,000	19,000	14,913	4,087
Property insurance	23,000	23,000	21,227	1,773
Medical insurance	40,000	40,000	36,980	3,020
Safety	2,000	2,000	1,815	185
Miscellaneous	6,500	6,500	676	5,824
Total Operating Expenses	1,169,857	1,169,857	1,241,206	(71,349)
Capital Outlay				
Equipment	-	-	11,873	(11,873)
Water treatment plant security fence	-	-	47,550	(47,550)
Distribution system	-	-	863,872	(863,872)
Total Capital Outlay	-	-	923,295	(923,295)
Other Expenses				
Debt service - MDE	286,883	286,883	50,149	236,734
Debt service - interfund loan	64,778	64,778	19,261	45,517
Total Other Expenses	351,661	351,661	69,410	282,251
Total Expenses	1,521,518	1,521,518	2,233,911	(712,393)
CHANGE IN NET POSITION - BUDGETARY BASIS	\$ 62,382	\$ 62,382	1,146,890	\$ 1,084,508
ADJUSTMENT TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) BASIS				
To adjust for depreciation			(391,327)	
To adjust for capital outlay			923,295	
CHANGE IN NET POSITION - GAAP BASIS			\$ 1,678,858	

**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, 2023, 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 20, 2023.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 or significant deficiencies may exist that were not identified.

Report on 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 20, 2023