



To the Burgess and Commissioners of Walkersville, MD
Walkersville, Maryland

Ladies and Gentlemen:

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Burgess and Commissioners of Walkersville, MD (Town) for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 15, 2023. Professional standards also require that we communicate to you the following information related to our audit.

SIGNIFICANT AUDIT MATTERS

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Burgess and Commissioners of Walkersville, MD are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the Town adopted the provisions of the Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*, during the year ended June 30, 2023. We noted no transactions entered into by the Town during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the governmental activities', the business-type activities', and each major fund's financial statements were:

Management's estimate of useful lives for property and equipment as well as the depreciation expense is based on the Town's estimate of the length of time of the asset's productive use. The lives are described in Note 1 of the financial statements.

The Town estimates allowances for doubtful accounts based on factors surrounding the credit risk of specific customers, historical trends, projection of trends, and other information.

The Town's estimate of the fair value of investments is based on quoted values from brokers and other reliable sources.

Management's estimate for their proportionate share of the Maryland State Retirement and Pension System is based upon the actuarial calculations that are performed yearly.

The Town's estimate of remaining lease terms for the wireless tower contracts is based on management's current assessment of the remaining useful lives of the equipment.

The Town also makes accounting estimates regarding significant contingencies and commitments.

We evaluated key factors and assumptions used to develop the useful lives for property and equipment, the estimate of the fair value of investments, the pension liability and the determination of collectability of accounts receivable determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of cash and certificates of deposit in Note 3 of the financial statements summarizes the amount of Town deposits in each financial institution and the amount of custodial credit risk associated with the deposits.

The disclosure of investments in Note 4 of the financial statements discloses the types of investments that the Town owns, along with the fair value of those investments. This Note also discloses the participation in the MLGIP and the custodial credit risk and interest rate risk associated with the investments.

The disclosure of tax abatements in Note 5 of the financial statements discloses the total amount of property taxes abated during the year in accordance with GASB 77.

The disclosure of the Town's loan payable in Note 8 of the financial statements discloses the terms of the water treatment plant loan and the required principal and interest payments for the duration of the loan.

The disclosure in Note 10 of the financial statements discloses the State of Maryland pension plans that the Town participates in to provide retirement benefits to its staff, as well as pertinent information about the Town's pension liability.

The disclosure of the interfund loan in Note 17 of the financial statements discloses the \$1.9 million loaned from the General Fund to the Water Fund, along with the required principal and interest payments for the duration of the loan.

The disclosure of the Town's leases in Note 18 of the financial statements discloses the leases receivable and related deferred inflows of resources related to the Town being a lessor in various lease agreements.

To the Burgess and Commissioners of Walkersville, MD
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The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes all adjustments that were identified during the audit process and corrected by management. Some of these adjustments were identified internally by management and provided to us. The remaining adjustments were detected as a result of our audit procedures.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 25, 2023. There is a copy of this letter available with the Town Manager.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Burgess and Commissioners of Walkersville, MD's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Burgess and Commissioners of Walkersville, MD's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

OTHER MATTERS

We applied certain limited procedures to Management's Discussion and Analysis, the Schedule of Town's Proportionate Share of the Net Pension Liability – Maryland State Retirement and Pension System and Employees' Retirement and Pension Systems, the Schedule of Town's Contributions to Pension Systems – Maryland State Retirement and Pension System and Employees' Retirement and Pension Systems, and the Budgetary Comparison Schedule – General Fund, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the Budgetary Comparison Schedule - Water Fund which accompanies the financial statements but is not RSI. We did not audit or perform other procedures on this other information, and we do not express an opinion or provide any assurance on it.

RESTRICTION ON USE

This information is intended solely for the information and use of the Burgess and Commissioners of Walkersville, MD and management of the Burgess and Commissioners of Walkersville, MD and is not intended to be, and should not be, used by anyone other than these specified parties.

Smith Elliott Kearns + Company, LLC

Hagerstown, Maryland
October 25, 2023

Burgess and Commissioners of Walkersville, MD
Summary of Audit Adjustments
June 30, 2023

<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
Adjusting Journal Entries JE # 1			
To adjust beginning balances and net position in the General Fund			
001-1010	Cash-PNC Checking	21,906.00	
001-1013	Certificates of Deposit	177.00	
001-1021	Taxes Receivable-Personal Prop	1,841.00	
001-1012	Cash for A/R postings		225.00
001-2150	Payroll Holding Account		21,832.00
001-3200	Unappropriated Surplus		1,867.00
Total		<u>23,924.00</u>	<u>23,924.00</u>
Adjusting Journal Entries JE # 2			
To adjust beginning balances and net position in the Water Fund			
500-1010	Cash - PNC Checking	410.00	
500-1013	Certificates of Deposit	12.00	
500-1011	Cash - PNC American Rescue Funds		128.00
500-3283	Retained Earnings		294.00
Total		<u>422.00</u>	<u>422.00</u>
Adjusting Journal Entries JE # 3			
To adjust expenses recorded in Water Fund for consistency			
500-5327	CIP/Flex Net Sensus AMI	19,512.00	
500-5150	Distribution System Maintenanc		19,512.00
Total		<u>19,512.00</u>	<u>19,512.00</u>
Adjusting Journal Entries JE # 4			
To adjust water fund inventory and reserve for inventory to actual.			
500-1100	Inventory	133,258.00	
500-5150	Distribution System Maintenanc		133,258.00
Total		<u>133,258.00</u>	<u>133,258.00</u>
Adjusting Journal Entries JE # 5			
To adjust vacation accrual as of 6/30/23.			
001-5040	Office Salaries	4,244.00	
001-5080	Planning & Zoning Expenses	2,551.00	
500-2147	Accrued Salaries	6,293.00	
001-2147	Accrued Salaries		6,022.00
001-5120	Maintenance Salaries		773.00
500-5122	Water Salaries		6,293.00
Total		<u>13,088.00</u>	<u>13,088.00</u>
Adjusting Journal Entries JE # 6			
To record accrued interest payable on water fund loan and adjust loan admin fees to actual			
500-5246	WTP Loan Interest	24,637.00	
500-5247	WTP Loan Admin Fees	13,286.00	
500-2101	Accounts Payable		13,286.00
500-2190	Accrued Interest Payable		24,637.00
Total		<u>37,923.00</u>	<u>37,923.00</u>
Adjusting Journal Entries JE # 7			
To accrue 4th quarter franchise fees			
001-1053	Accounts Receivable-Other	22,323.00	
001-4161	Franchise Fees		22,323.00
Total		<u>22,323.00</u>	<u>22,323.00</u>
Adjusting Journal Entries JE # 8			
To adjust real estate tax revenue and receivable			
001-4111	Taxes-Real Property	60,691.00	
001-1020	Taxes Receivable-Real Estate		60,691.00
Total		<u>60,691.00</u>	<u>60,691.00</u>

Burgess and Commissioners of Walkersville, MD

Summary of Audit Adjustments

June 30, 2023

Adjusting Journal Entries JE # 9

To adjust real estate tax receivable to Frederick County records			
001-4111	Taxes-Real Property	8,449.00	
001-1020	Taxes Receivable-Real Estate		8,449.00
Total		<u><u>8,449.00</u></u>	<u><u>8,449.00</u></u>

Adjusting Journal Entries JE # 10

To record 4th quarter A&A revenue and receivable			
001-1030	Accounts Receivable-State	14,740.00	
001-4152	Admissions & Amusements Tax		14,740.00
Total		<u><u>14,740.00</u></u>	<u><u>14,740.00</u></u>

Adjusting Journal Entries JE # 11

To adjust interest expense and record accrued interest payable on interfund loan (Water Fund entry)			
500-5248	Promissory Note Interest	17,489.00	
500-2190	Accrued Interest Payable		17,489.00
Total		<u><u>17,489.00</u></u>	<u><u>17,489.00</u></u>

Adjusting Journal Entries JE # 12

To adjust interest income and record accrued interest receivable on interfund loan (General Fund entry)			
001-1062	Accrued Interest Receivable on Interfund Loan		
		17,489.00	
001-4615	Interest from Water Fund Loan 2.5%		17,489.00
Total		<u><u>17,489.00</u></u>	<u><u>17,489.00</u></u>

Adjusting Journal Entries JE # 13

To record General Fund A/P checks issued 7/26/23 and 8/9/23			
001-5035	Office Supplies & Expense	193.00	
001-5035	Office Supplies & Expense	229.00	
001-5073	On-Call Engineering Services	277.00	
001-5075	Legal Expenses	780.00	
001-5080	Planning & Zoning Expenses	490.00	
001-5085	Building Maintenance & Repair		
		839.00	
001-5086	Utilities	1,246.00	
001-5125	Street Maintenance	2,578.00	
001-5135	Truck & Equipment Expenses	19.00	
001-5135	Truck & Equipment Expenses	57.00	
001-5142	Parts, Tools, & Supplies	38.00	
001-5142	Parts, Tools, & Supplies		
		120.00	
001-5142	Parts, Tools, & Supplies	128.00	
001-5155	Street Lighting	5,227.00	
001-5160	Parks & Recreation	209.00	
001-5160	Parks & Recreation	385.00	
001-5249	Capital/Maple & Maryland Ave Road Recons	1,575.00	
001-5254	MS4 Projects		
		30,817.00	
001-2101	Accounts Payable		8,433.00
001-2101	Accounts Payable		36,774.00
Total		<u><u>45,207.00</u></u>	<u><u>45,207.00</u></u>

Adjusting Journal Entries JE # 14

To record Water Fund A/P checks issued 7/23/23 and 8/9/23			
500-5035	Office Supplies & Expenses	400.00	
500-5086	Utilities	3,634.00	
500-5150	Distribution System Maintenanc	4,228.00	
500-5165	Chemicals	4,966.00	
500-2101	Accounts Payable		4,628.00
500-2101	Accounts Payable		8,600.00
Total		<u><u>13,228.00</u></u>	<u><u>13,228.00</u></u>

Burgess and Commissioners of Walkersville, MD

Summary of Audit Adjustments

June 30, 2023

Adjusting Journal Entries JE # 15

To adjust General Fund A/P due to duplicate recording of J&J trash invoices			
001-2101	Accounts Payable	6,890.00	
001-2101	Accounts Payable	294,926.00	
001-5115	Trash Collection		294,926.00
001-5116	Yard Waste Rmvl.- mulch pile closing		6,890.00
Total		<u>301,816.00</u>	<u>301,816.00</u>

Adjusting Journal Entries JE # 16

To reclass deferred tower income to correct account			
500-2220	Unearned Revenue	10,199.00	
500-2221	Deferred Revenue-Short Term		10,199.00
Total		<u>10,199.00</u>	<u>10,199.00</u>

Adjusting Journal Entries JE # 17

To adjust unearned revenue based on ARPA expenditures incurred in FY23			
500-4611	American Rescue Funds	701,684.00	
500-2220	Unearned Revenue		701,684.00
Total		<u>701,684.00</u>	<u>701,684.00</u>

Adjusting Journal Entries JE # 18

To adjust due to/from for ARPA Funds owed to General Fund for GF expenditure			
001-1060	Due To/From Water Fund	64,714.00	
001-4611	American Rescue Funds		64,714.00
Total		<u>64,714.00</u>	<u>64,714.00</u>

Adjusting Journal Entries JE # 19

To adjust due to/from for ARPA Funds owed to General Fund for GF expenditure			
500-4611	American Rescue Funds	64,714.00	
500-1060	Due To/From General Fund		64,714.00
Total		<u>64,714.00</u>	<u>64,714.00</u>

Adjusting Journal Entries JE # 20

To record additional water receivable based on unbilled amounts for May and June			
500-1040	Accounts Receivable- Water	3,732.00	
500-4110	Water Usage		3,732.00
Total		<u>3,732.00</u>	<u>3,732.00</u>

Adjusting Journal Entries JE # 21

To reclass Q3 and Q4 rental income to earned revenue			
001-2190	Deferred Revenue	17,600.00	
001-4680	Rental Income		17,600.00
Total		<u>17,600.00</u>	<u>17,600.00</u>

Adjusting Journal Entries JE # 22

To defer Walkers Overlook connection fee not yet placed in service			
500-4134	Connection Fees - DWA	6,650.00	
500-2220	Unearned Revenue		6,650.00
Total		<u>6,650.00</u>	<u>6,650.00</u>

Adjusting Journal Entries JE # 23

To defer FY24 tower income payments made prior to year-end			
500-4661	Wireless/Telecomm Tower Income	9,849.00	
500-2221	Deferred Revenue-Short Term		9,849.00
Total		<u>9,849.00</u>	<u>9,849.00</u>

Adjusting Journal Entries JE # 24

To record CY impact of GASB 87 (General Fund)			
001-2900	Deferred Inflows - Leases	35,200.00	
001-1025	Lease Receivable		34,886.00
001-4680	Rental Income		314.00
Total		<u>35,200.00</u>	<u>35,200.00</u>

Burgess and Commissioners of Walkersville, MD

Summary of Audit Adjustments

June 30, 2023

Adjusting Journal Entries JE # 25

To record CY impact of GASB 87 (Water Fund)

	500-2900	Deferred Inflows - Leases	206,537.00	
	500-1025	Lease Receivable		195,935.00
	500-4610	Interest & Dividends		10,602.00
Total			206,537.00	206,537.00

Adjusting Journal Entries JE # 26

To record additional income tax revenue and receivable based on subsequent payments made by State of MD

	001-1030	Accounts Receivable-State	118,323.00	
	001-4140	Income Taxes-County Shared		118,323.00
Total			118,323.00	118,323.00

Adjusting Journal Entries JE # 27

To accrue additional highway user revenues as receivables, based on reporting template provided by State

	001-1030	Accounts Receivable-State	67,186.00	
	001-4166	Highway Taxes		67,186.00
Total			67,186.00	67,186.00

Adjusting Journal Entries JE # 28

To adjust NPL, deferred inflows and deferred outflows in the General Fund based on GASB68 calculations

	001-1200	Deferred Outflows	131,178.00	
	001-2800	Deferred Inflows	45,608.00	
	001-2805	Net Pension Liability		170,849.00
	001-5190	Retirement Plan Expense		5,937.00
Total			176,786.00	176,786.00

Adjusting Journal Entries JE # 29

To adjust NPL, deferred inflows and deferred outflows in the Water Fund based on GASB68 calculations

	500-1200	Deferred Outflows	36,916.00	
	500-2800	Deferred Inflows	12,835.00	
	500-2805	Net Pension Liability		48,080.00
	500-5190	Retirement Plan Expense		1,671.00
Total			49,751.00	49,751.00

Adjusting Journal Entries JE # 30

To record prior period adjustment for accrued comp time in the General Fund

	001-3200	Unappropriated Surplus	61,748.00	
	001-2147	Accrued Salaries		61,748.00
Total			61,748.00	61,748.00

Adjusting Journal Entries JE # 31

To record prior period adjustment for accrued comp time in the Water Fund

	500-3283	Retained Earnings	15,102.00	
	500-2147	Accrued Salaries		15,102.00
Total			15,102.00	15,102.00

Adjusting Journal Entries JE # 32

To adjust accrued comp time in the General Fund

	001-2147	Accrued Salaries	9,907.00	
	001-5040	Office Salaries	970.00	
	001-5080	Planning & Zoning Expenses		142.00
	001-5120	Maintenance Salaries		10,735.00
Total			10,877.00	10,877.00

Adjusting Journal Entries JE # 33

To adjust accrued comp time in the Water Fund

	500-2147	Accrued Salaries	12,392.00	
	500-5122	Water Salaries		12,392.00
Total			12,392.00	12,392.00

Burgess and Commissioners of Walkersville, MD

Summary of Audit Adjustments

June 30, 2023

Adjusting Journal Entries JE # 34

To record A/P tested through subsequent disbursements			
	500-5321	CIP/Spring Garden Water Main Replacement	47,842.00
	500-2101	Accounts Payable	47,842.00
Total			<u>47,842.00</u>

Adjusting Journal Entries JE # 35

To adjust expenses and CIP to reflect general fund fixed assets placed in service in FY23.			
	001-1082	Park Improvements	5,678.00
	001-1082	Park Improvements	11,041.00
	001-1082	Park Improvements	42,266.00
	001-1082	Park Improvements	385,331.00
	001-1084	Equipment	67,121.00
	001-1084	Equipment	90,805.00
	001-1084	Equipment	163,507.00
	001-1085	Constuction in Progress	14,309.00
	001-1091	Infrastructure-Roads	11,308.00
	001-1091	Infrastructure-Roads	49,494.00
	001-1085	Constuction in Progress	57,815.00
	001-1085	Constuction in Progress	70,745.00
	001-5125	Street Maintenance	11,308.00
	001-5160	Parks & Recreation	5,678.00
	001-5162	Parks-Program Open Space	11,041.00
	001-5221	Capital Outlay/Small Equipment	163,507.00
	001-5223	Capital/Security-Camera network	20,060.00
	001-5250	Capital/Town Hall Audio Video Upgrades	9,306.00
	001-5251	Capital/Road and Sidewalk Study	49,494.00
	001-5253	Capita/Manor House Roof Replacement	56,575.00
	001-5255	Capital/Creamery Improvements	385,331.00
Total			<u>840,860.00</u>

Adjusting Journal Entries JE # 36

To adjust expenses into CIP to reflect ongoing general fund capital projects at year end.			
	001-1085	Constuction in Progress	21,891.00
	001-1085	Constuction in Progress	74,565.00
	001-1085	Constuction in Progress	198,003.00
	001-1085	Constuction in Progress	384,096.00
	001-5236	Capital Outlay/ POS- HFP	21,891.00
	001-5245	Capital/Town Hall Interior Redesign	198,003.00
	001-5249	Capital/Maple & Maryland Ave Road Recons	384,096.00
	001-5252	Capital/SWM GladeTwn/Deerfield/Colony Vil	74,565.00
Total			<u>678,555.00</u>

Adjusting Journal Entries JE # 37

To record general fund fixed asset disposals for FY23.			
	001-1089	Accum. Depr.- Equipment	92,306.00
	001-1094	Accum. Depr. - Roads	33,098.00
	001-1084	Equipment	92,306.00
	001-1091	Infrastructure-Roads	33,098.00
Total			<u>125,404.00</u>

Adjusting Journal Entries JE # 38

To adjust expenses and CIP to reflect water fund fixed assets placed in service in FY23.			
	500-1215	Water Plant	94,712.00
	500-1220	Distribution System	24,054.00
	500-1220	Distribution System	42,067.00
	500-1220	Distribution System	1,038,551.00
	500-1245	Construction In Progress	24,054.00
	500-1245	Construction In Progress	47,162.00
	500-1245	Construction In Progress	216,746.00
	500-5150	Distribution System Maintenanc	42,067.00
	500-5321	CIP/Spring Garden Water Main Replacement	821,805.00
	500-5326	CIP/WTP security fence and gate (ARF)	47,550.00
Total			<u>1,199,384.00</u>

Burgess and Commissioners of Walkersville, MD

Summary of Audit Adjustments

June 30, 2023

Adjusting Journal Entries JE # 39

To adjust expenses into CIP to reflect ongoing water fund capital projects at year end.

	500-1245	Construction In Progress	11,873.00	
	500-5150	Distribution System Maintenananc		11,873.00
Total			11,873.00	11,873.00

Adjusting Journal Entries JE # 40

To record water fund fixed asset disposals for FY23.

	500-1320	Accum. Deprec. - Distrib. Syst	12,415.00	
	500-1340	Accum. Deprec. - Equipment	46,283.00	
	500-1220	Distribution System		12,415.00
	500-1240	Equipment		46,283.00
Total			58,698.00	58,698.00

Adjusting Journal Entries JE # 41

To record general fund depreciation expense for FY23.

	001-5247	Depreciation Expense	478,624.00	
	001-1086	Accum. Depr. - Land and Improvements		1,151.00
	001-1087	Accum. Depr. - Park Improvements		86,379.00
	001-1088	Accum. Depr.-Buildings and Furnishings		30,800.00
	001-1089	Accum. Depr.- Equipment		133,715.00
	001-1094	Accum. Depr. - Roads		180,535.00
	001-1095	Accum. Depr.-Piping		31,258.00
	001-1096	Accum. Depr. -Storm Drains		14,786.00
Total			478,624.00	478,624.00

Adjusting Journal Entries JE # 42

To record water fund depreciation expense for FY23.

	500-5130	Depreciation	391,327.00	
	500-1310	Accum. Deprec. - Land Improvem		1,667.00
	500-1315	Accum. Deprec. - Water Plant		223,349.00
	500-1320	Accum. Deprec. - Distrib. Syst		105,338.00
	500-1330	Accum. Deprec. - Water Towers		26,402.00
	500-1340	Accum. Deprec. - Equipment		32,584.00
	500-1350	Accum. Deprec. - Buildings		1,987.00
Total			391,327.00	391,327.00

Adjusting Journal Entries JE # 43

To accrue receivable and related revenue for POS/LPPI funding owed to the Town based on expenses incurred for various park projects

	001-1030	Accounts Receivable-State	362,476.00	
	001-4331	Program Open Space Grant		362,476.00
Total			362,476.00	362,476.00

Adjusting Journal Entries JE # 44

To adjust due to/froms and gain/loss on disposal of assets due to proceeds being deposited in GF for sale of asset recorded in WF

	001-4710	Gain/Loss on Fixed Assets	2,175.00	
	500-1060	Due To/From General Fund	2,175.00	
	001-1060	Due To/From Water Fund		2,175.00
	500-4691	Gain/Loss on Dispos. of Assets		2,175.00
Total			4,350.00	4,350.00