

Audited  
Financial  
Statements

June 30,  
2022

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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, 2022, 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, 2022, 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.

#### *Change in Accounting Principle*

As discussed in Notes 17 and 19 to the financial statements, during the year ended June 30, 2022, the Town adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

## ***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 on pages 50 through 51 and the general fund budgetary comparison schedule on pages 52-53 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 26, 2022 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 26, 2022

## **BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD**

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

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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, 2022. 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**

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- ❖ The assets of the Town of Walkersville exceeded its liabilities at the close of June 30, 2022 by \$22,255,426 (*net position*). Of this amount, \$10,227,831 (*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 \$585,111, and the Town increased its cash and equivalents (including certificates of deposit) by \$3,476,306. The General Fund increased cash and equivalents by \$748,588, and the Water Fund increased its cash position by \$2,727,718.
- ❖ The Governmental Activities reflected a positive change in net position in the amount of \$81,393 and the Business-Type Activities reflected an increase in net position in the amount of \$503,718.
- ❖ As of June 30, 2022, the Town of Walkersville's governmental fund reported ending fund balances of \$9,998,726, a decrease of \$62,806 in comparison with the prior year.
- ❖ The Town's business-type activities earned income from operations in the amount of \$171,672. Operating revenues decreased in the Water Fund by \$5,047 to \$1,741,685. At the same time, operating expenses also decreased by \$180,609.
- ❖ As of June 30, 2022, the Town increased its debt due to the final draw on the water plant. 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. As of June 30, 2022, the Town had completed construction of the water plant and made principal payments on the bond, leaving an outstanding balance of \$7,878,082 at June 30, 2022.
- ❖ Plant, property, and equipment of the Governmental Activities totaled \$17,347,052 before factoring in accumulated depreciation. An increase of \$1,427,026 of improvements and equipment was recognized, offset by \$643,243 in disposals. There was a corresponding increase in accumulated depreciation of \$444,560 on these assets. Net capital assets used in governmental activities of the Town increased by \$293,750 to a total of \$7,624,490.
- ❖ Plant, property, and equipment of the Business-Type Activities totaled \$17,236,612 before factoring in accumulated depreciation. An increase of \$464,137 of improvements and equipment was recognized, offset by \$66,525 in disposals. There was a corresponding increase in accumulated depreciation of \$370,964 on these assets. Net capital assets used in business-type activities of the Town decreased by \$464,136 to a total of \$4,403,105.
- ❖ 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)**

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- ❖ The Burgess and Commissioners approved the real estate property tax rate of 14.0¢ per \$100 of assessed property value for FY 2022, consistent with FY 2021. This rate generated revenue in the amount of \$987,875, an increase of \$50,291 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 \$1,219,179 for 5 resident troopers in FY 2022.
- ❖ 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, 2022, the statements include a net pension liability in the amount of \$663,798, allocated between the Governmental Activities and the Business-Type Activities in the amounts of \$509,875 and \$153,923, 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, 2022, the Town has reported total leases receivable of \$1,148,506 and deferred inflows of resources related to these lease agreements of \$1,068,907. The implementation of this standard also resulted in a restatement of the prior year net position of both funds. Further details of the restatement are discussed in Note 19 to the financial statements.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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This discussion and analysis is intended to introduce the Burgess & Commissioners of Walkersville, MD's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### ***Government-Wide Financial Statements***

The government-wide financial statements are designed to provide an interested citizen with a broad overview of the Burgess & Commissioners of Walkersville, MD's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Burgess & Commissioners of Walkersville, MD's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Burgess & Commissioners of Walkersville, MD is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

## **BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD**

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

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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 27-49 of this report.

Required supplementary information can be found on pages 50-53.

Other information can be found on page 54.

**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	
	2022	2021*	2022	2021*	2022	2021*
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>						
Current and other assets	\$ 11,007,357	\$ 10,951,814	\$ 3,993,994	\$ 213,567	\$ 15,001,351	\$ 11,165,381
Noncurrent assets	7,641,722	7,417,780	13,169,122	13,506,257	20,810,844	20,924,037
Deferred outflows of resources	335,902	185,720	99,623	55,430	435,525	241,150
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 18,984,981</b>	<b>\$ 18,555,314</b>	<b>\$ 17,262,739</b>	<b>\$ 13,775,254</b>	<b>\$ 36,247,720</b>	<b>\$ 32,330,568</b>
<b>LIABILITIES</b>						
Current liabilities	900,227	625,489	3,200,944	580,085	4,101,171	1,205,574
Noncurrent liabilities	532,995	714,336	7,821,795	7,324,628	8,354,790	8,038,964
<b>Total Liabilities</b>	<b>1,433,222</b>	<b>1,339,825</b>	<b>11,022,739</b>	<b>7,904,713</b>	<b>12,455,961</b>	<b>9,244,538</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>412,466</b>	<b>157,589</b>	<b>1,123,867</b>	<b>1,258,126</b>	<b>1,536,333</b>	<b>1,415,715</b>
<b>NET POSITION</b>						
Invested in capital assets, net of related debt	7,624,490	7,417,780	4,403,105	4,867,241	12,027,595	12,285,021
Unrestricted	9,514,803	9,640,120	713,028	(254,826)	10,227,831	9,385,294
<b>Total Net Position</b>	<b>17,139,293</b>	<b>17,057,900</b>	<b>5,116,133</b>	<b>4,612,415</b>	<b>22,255,426</b>	<b>21,670,315</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 18,984,981</b>	<b>\$ 18,555,314</b>	<b>\$ 17,262,739</b>	<b>\$ 13,775,254</b>	<b>\$ 36,247,720</b>	<b>\$ 32,330,568</b>

\*as restated

The Town of Walkersville's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$21,670,315 (as restated) at the close of the June 30, 2021 fiscal year, and by \$22,255,426 at the close of June 30, 2022, an increase in net position of \$585,111 (2.7%). Total assets and deferred outflows of resources of \$32,330,568 at June 30, 2021 increased to \$36,247,720 by June 30, 2022, an increase of \$3,917,152 (12.1%). The increase in assets is mostly due to an increase in cash from the receipt of the Town's first 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 (\$12,027,595 or 54% of total net position). The Town of Walkersville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. GASB Statement No. 34 requires that all capital assets, including infrastructure, be reported. Accordingly, the Town has chosen to report all of its infrastructure assets with the implementation of GASB Statement No. 34, including certain developer constructed assets whose value was determined by using market prices for the year of construction. Additionally, the Town must elect either 1) depreciate these assets over their estimated useful life, or 2) develop a system of asset management designed to maintain their condition perpetually and to report on their condition within the financial statements. The Town elected the first method and uses the depreciation method on infrastructure systems reporting.

Of the remaining Town assets, \$13,947,012 is accounted for in cash and cash equivalents (including certificates of deposit), \$1,908,454 in receivables, \$23,780 in inventory, and \$30,272 in prepaid expenses.

Total liabilities include \$7,878,082 in debt, \$1,208,280 in accounts payable, deposits of \$69,587 for amounts held in escrow for various projects, \$77,818 for staff accumulated leave and tax withholdings, unearned revenue of \$2,528,381, accrued interest payable of \$30,015, and \$663,798 for net pension liability.

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

At June 30, 2022, the Town had positive balances in all categories of net position. At June 30, 2021, the Town had positive balances in all categories of net position, except for the business-type activities unrestricted net position in the amount of (\$254,826) (as restated), due to the cash needed for construction of the new water plant and its increased capacity fee.

**Statement of Activities – Changes in Net Position**

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

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
<b>REVENUES</b>						
<b>Program Revenues</b>						
Charges for services, fees fines	\$ 21,286	\$ 34,058	\$ 1,959,243	\$ 1,961,791	\$ 1,980,529	\$ 1,995,849
Operating grants and contributions	47,818	198,851	144,518	-	192,336	198,851
<b>General Revenues</b>						
Property taxes	1,330,171	1,291,457	-	-	1,330,171	1,291,457
Other state and local taxes	2,528,423	2,333,722	-	-	2,528,423	2,333,722
Other	146,849	265,671	14,162	893	161,011	266,564
<b>Total Revenues</b>	<b>4,074,547</b>	<b>4,123,759</b>	<b>2,117,923</b>	<b>1,962,684</b>	<b>6,192,470</b>	<b>6,086,443</b>
<b>EXPENSES</b>						
General government	601,225	597,770	-	-	601,225	597,770
Public safety	1,279,698	1,313,609	-	-	1,279,698	1,313,609
Public works	1,048,555	961,946	-	-	1,048,555	961,946
Waste collection and disposal	311,960	314,191	-	-	311,960	314,191
Recreation and culture	250,378	198,661	-	-	250,378	198,661
Non-departmental	383,015	438,069	-	-	383,015	438,069
Water utility services	-	-	1,614,205	1,468,275	1,614,205	1,468,275
Loss on disposal of assets	118,323	-	-	-	118,323	-
<b>Total Expenses</b>	<b>3,993,154</b>	<b>3,824,246</b>	<b>1,614,205</b>	<b>1,468,275</b>	<b>5,607,359</b>	<b>5,292,521</b>
<b>Change In Net Position</b>	<b>81,393</b>	<b>299,513</b>	<b>503,718</b>	<b>494,409</b>	<b>585,111</b>	<b>793,922</b>
<b>NET POSITION - BEGINNING, as restated</b>	<b>17,057,900</b>	<b>16,758,387</b>	<b>4,612,415</b>	<b>4,118,006</b>	<b>21,670,315</b>	<b>20,876,393</b>
<b>NET POSITION - ENDING</b>	<b>\$ 17,139,293</b>	<b>\$ 17,057,900</b>	<b>\$ 5,116,133</b>	<b>\$ 4,612,415</b>	<b>\$ 22,255,426</b>	<b>\$ 21,670,315</b>

\*The 2022 numbers presented include the impact of implementation of GASB 87, which was adopted during FY22. Accordingly, 2021 numbers present the restated impact in the beginning net position balance, but are not reflected in 2021 revenues.

Total revenues for the Town of Walkersville were \$6,192,470 for the year ended June 30, 2022, up \$106,027 (1.7%) from FY 2021. Governmental activities provided \$4,074,547 and business-type activities provided \$2,117,923, primarily from charges for water services and non-operating wireless tower rental income. Total expenses for governmental activities were \$3,993,154 and total expenses for business-type activities were \$1,614,205. Net position at June 30, 2022 totaled \$22,255,426, an increase of \$585,111 from the June 30, 2021 net position of \$21,670,315 (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)**

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The General Fund is the chief operating fund of the Town. On June 30, 2022, the unassigned fund balance of the General Fund was \$7,976,906, down \$379,874 from June 30, 2021.

**Town of Walkersville**  
**Revenues Classified by Source**  
**Governmental Funds**

	<u>Amount</u>		<u>Percent of Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
<b>Revenues</b>				
Local property taxes and interest	\$1,594,964	\$1,026,664	37.64%	26.60%
Licenses and permits	20,986	26,820	0.50%	0.70%
Grants and shared taxes	2,503,038	2,532,573	59.08%	65.63%
Other revenue	118,010	272,907	2.79%	7.07%
<b>Total Revenues</b>	<u>\$4,236,998</u>	<u>\$3,858,964</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 \$987,875, up \$50,291 (5.4%) from last year. The increase was mainly due to an increase in the net assessable real property base of 36,669,650. The gross business personal property tax revenue increased by \$515,663 (650%) to \$595,032. 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 are not included in revenue for this reason. This revenue is included in FY 2022 revenue, along with the true FY 2022 revenue of \$330,239. Penalties and interest increased by \$2,346, to \$12,057.
- ❖ **Licenses and Permits** – This consists of traders licenses and planning and zoning licensing and review fees. Traders licenses increased \$575 to \$5,250. Planning and zoning fees decreased significantly by \$6,409, to \$15,736. Much of this decrease was the result of fewer new development in FY 2022 compared to FY 2021.
- ❖ **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 decreased by \$29,535 to \$2,503,038. Highway user revenues decreased by \$48,006 to \$226,712, admissions tax revenues increased by \$7,412 to \$78,987, Frederick County shared income taxes increased by \$143,272 to \$1,184,040, and tax equity from Frederick County increased by \$18,820, to \$965,481. 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. There was also no Program Open Space revenue in FY 2022 (decrease of \$134,350 from FY 2021).
- ❖ **Other Revenue** – Other revenue includes interest income from banks, interest income on the interfund loan to the Water Fund, franchise fees, senior citizens revenue, rental income, recycling income, proceeds from the sale of assets, and various other minor revenues. This category decreased \$154,897, mainly due to a drastic decline in interest rates and miscellaneous income in FY 2021 that did not recur in FY 2022.

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

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**Town of Walkersville**  
**Expenditures by Function**  
**Governmental Funds**

	<b>Amount</b>		<b>Percent of Total</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>Expenditures</b>				
General government	\$ 530,823	\$ 521,715	12.35%	12.39%
Public safety	1,278,183	1,311,782	29.73%	31.16%
Public works	729,173	625,915	16.96%	14.87%
Waste collection and disposal	311,960	314,191	7.26%	7.46%
Recreation and culture	173,798	137,916	4.04%	3.28%
Non-departmental	416,107	396,339	9.68%	9.41%
Capital outlay	859,760	902,180	20.00%	21.43%
<b>Total Expenditures</b>	<b>\$ 4,299,804</b>	<b>\$ 4,210,038</b>	<b>100.00%</b>	<b>100.00%</b>

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

- ❖ **General Government** – General government expenditures for FY 2022 were \$9,108 higher than prior year. Operating expenses for financial administration increased \$10,623, which was primarily the result of several new computer purchases made in FY 2022 that did not qualify for capitalization. Utilities increased \$12,403 due to rising costs. These increases were partially offset by decreases in repairs and maintenance on municipal buildings in the amount of \$4,439 and in legal fees in the amount of \$9,251.
- ❖ **Public Safety** – This category decreased this year by \$33,599 due to savings in the amount paid for Maryland State Troopers. The Town continued to make contributions of \$25,000 each to the local fire department and rescue company. The Town also continues to operate proactively on code enforcement cases.
- ❖ **Public Works** - This category increased overall by 103,258. Specific increases were seen in salaries (\$43,666) and maintenance (\$63,471), due to current year purchases not qualifying for capitalization and more road maintenance needed, as well as the addition of new Town employees.
- ❖ **Waste Collection and Disposal** - This category decreased by \$2,231, keeping it fairly consistent with FY 2021.

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

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- ❖ **Recreation and Culture** – This category increased by \$35,882, mostly due to parks and recreation expenses being \$28,573 higher than prior year, as the Town made park purchases in FY 2022 that did not qualify for capitalization. There was also an increase in Heritage Manor House expenses of \$8,680.
- ❖ **Non-Departmental** – Expenditures include retirement plan expenditures, workers' compensation insurance, payroll taxes, health, life and dental insurance, liability insurance, community donations, security measures, and miscellaneous other expenditures. The category increased overall by \$19,768, mostly due to an increase in medical insurance.
- ❖ **Capital Outlay** – Capital outlay expenditures decreased by \$42,420. The details of current year capital outlay additions for both funds can be found on page 15.

**ENTERPRISE FUND REVENUE AND EXPENSE ANALYSIS**

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***Water Utility***

***Operating Revenues***

Total operating revenues were down by \$5,047, mostly as a result of a \$104,335 decrease in connection fees as there was less construction in the current year, compared to prior year. This decrease was largely offset by the Town increasing the annual fee to assist with debt service on the new water plant, from \$50/connection per year to \$100/connection per year. Charges for services increased \$97,206, of which most of the increase relates to this charge for the debt service.

***Non-Operating Revenues (Expenses)***

The largest change in this category is the current year American Rescue Plan grant funding. While the Town received more than \$2.5 million in Coronavirus State and Local Fiscal Recovery Funds, only \$144,518 was spent in FY 2022, and that amount is recognized as non-operating revenue. The remaining amount is considered unearned revenue until spent for allowable activities.

***Operating Expenses***

The Water Fund's operating expenses increased \$139,561. Notable fluctuations include increases in electricity (\$21,144), distribution maintenance (\$31,338), parts, supplies, and tools (\$46,867) and sewer treatment fees (\$29,352).

Depreciation expense, a non-cash outlay, increased by \$41,048, to \$370,964, mainly due to FY 2022 being the first full year that the water plant was in service.

Capital outlay decreased \$353,381 from the prior year, due to less capital projects occurring in FY 2022.

# **BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD**

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

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### **ANALYSIS OF BUDGET AND ACTUAL RESULTS**

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#### ***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 \$245,032. As noted above, this fluctuation is primarily due to a large amount of FY 2021 taxes not being received within 60 days of the Town's fiscal year-end, and therefore that portion was recognized as a deferred inflow instead of income in the prior year. The actual revenue recognition occurred in FY 2022, on top of the personal property tax income related to actual FY 22 tax bills. Income taxes received were higher than anticipated by \$239,797, continuing the positive signs that the economy is improving, and people are making money and paying taxes. This budget category is estimated by averaging the 3 previous years and typically is always underestimated.
- ❖ General government expenditures were under budget by \$182,977, most notably due to lower than budgeted salaries of \$130,912. Public safety expenditures have an unfavorable budget variance of \$19,915 due to the rising costs of utilizing five Maryland state troopers. Public works expenditures were over budget by \$23,073 due to salaries and maintenance being higher than expected with the hiring of new public works employees. Recreation and culture expenditures came in under budget by \$219,802, mostly due to the costs related to the HFP Whitmore/Zimmerman Building being included in capital outlay and the fact that no Program Open Space projects occurred in FY 2022. Non-departmental expenditures are higher than budgeted, by \$38,057, due to including items budgeted by the Town in capital outlay that were not actually capitalized during the year. Capital outlay expenditures are lower than budget, by \$491,240, 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, three 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)**

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***Water Fund***

- ❖ Actual revenues exceeded budgeted revenues by \$524,923. This is primarily due to favorable budget variances for charges for service and connection fees. Charges for service received \$133,365 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 increasing the annual debt service assessment from \$50/year per connection to \$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. American Rescue Plan grant income of \$144,518 was also not budgeted, as the Town had not decided at the time of budget how and when the funds would be spent.
- ❖ Total operating expenses were more than expected by \$40,045, which includes notable overages in sewer treatment fees of \$28,660, and electricity of \$42,809. Conversely, the Town saw savings compared to budget in chemicals of \$30,313.
- ❖ 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**

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***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, 2022, amounts to \$12,027,595 (net of accumulated depreciation) compared to \$12,285,021 at June 30, 2021, a decrease of \$257,426. 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 2022, 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)**

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This Year’s Capital Additions Included:

Purchased by Town:

Pennsylvania Drive water main replacement	\$ 43,946
Valves for various roads	65,654
Water treatment plant upgrade	6,600
Water pumps, turbidimeter, and base station	59,975
(2) Metro Matrix signs	31,549
2022 Chevy Silverado	48,757
(2) Speed signs	5,673
Zero-turn mower	13,553
2021 Ford Explorer	34,487
Town signs	15,906
Brine maker/sprayer	9,659
Town Hall curbing	23,018
Creamery Park improvements	42,308
Manor House intrusion/smoke protection system	6,985
Security installation at Creamery Park	4,546
HFP Whitmore Zimmerman Building	619,870
Construction in progress - security cameras	28,956
Construction in progress - Town Hall renovations	428,800
Construction in progress - Municipal Code online codification	2,516
Construction in progress - Maple and Maryland Avenue road reconstruction	52,628
Construction in progress - audio/visual upgrades	57,815
Construction in progress - Spring Garden water main replacement	216,746
Construction in progress - WTP security fence	47,162
Spare parts for water plant	<u>24,054</u>
 Total Purchased by the Town	 <u><u>\$ 1,891,163</u></u>

The Town of Walkersville’s fiscal year 2023 budget plans for required MS4 projects, new equipment, a road and sidewalk evaluation study, and a road and sidewalk replacement project on Maple and Maryland Avenue. 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, 2022, \$7,878,082 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 2023. 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.

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

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- ❖ The Town functioned for an entire year with 5 resident troopers. Speeding continues to be the most often expressed complaint by residents. With an ever-decreasing supply of academy graduates, 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.
- ❖ 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 Parkside, Mill Run, and Longley Green developments is complete. Spring View Estates should be completed by the second quarter of FY 2023.
- ❖ The need to improve the Town’s sidewalks, fix roads, and replace storm drains all point to major infrastructure improvements that will be challenging.

**REQUESTS FOR INFORMATION**

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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, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	\$ 1,532,351	\$ 4,059,683	\$ 5,592,034
Cash equivalents - Maryland Local Government Investment Pool	6,998,005	506,936	7,504,941
Certificates of deposit, including accrued interest	850,037	-	850,037
Receivables			
Taxes	253,735	-	253,735
Franchise fees	22,225	-	22,225
Water service charges, net of allowance for uncollectibles of \$775	-	157,000	157,000
Due from other governmental agencies	323,988	-	323,988
Leases receivable - due within one year	35,201	208,138	243,339
Current portion of interfund loan	63,220	(63,220)	-
Inventory, at cost, net of allowance	11,616	12,164	23,780
Prepaid expenses	21,600	8,672	30,272
Internal balances	(829,591)	829,591	-
	<u>9,282,387</u>	<u>5,718,964</u>	<u>15,001,351</u>
<b>Total Current Assets</b>			
<b>Noncurrent Assets</b>			
Long-term interfund loan	1,724,970	(1,724,970)	-
Leases receivable - due within more than one year	17,232	887,935	905,167
Capital assets not being depreciated	2,651,544	314,969	2,966,513
Capital assets net of accumulated depreciation	4,972,946	11,966,218	16,939,164
	<u>9,366,692</u>	<u>11,444,152</u>	<u>20,810,844</u>
<b>Total Noncurrent Assets</b>			
Total Assets	18,649,079	17,163,116	35,812,195
<b>DEFERRED OUTFLOWS OF RESOURCES - pension</b>			
	<u>335,902</u>	<u>99,623</u>	<u>435,525</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 18,984,981</u>	<u>\$ 17,262,739</u>	<u>\$ 36,247,720</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 818,410	\$ 389,870	\$ 1,208,280
Current portion of compensated absences and withholdings	38,953	7,070	46,023
Unearned revenue	-	2,528,381	2,528,381
Deposits	42,864	26,723	69,587
Current portion of bonds payable	-	218,885	218,885
Accrued interest payable	-	30,015	30,015
	<u>900,227</u>	<u>3,200,944</u>	<u>4,101,171</u>
<b>Total Current Liabilities</b>			
<b>Noncurrent Liabilities</b>			
Net pension liability	509,875	153,923	663,798
Portion due or payable after one year			
Compensated absences	23,120	8,675	31,795
Bonds payable	-	7,659,197	7,659,197
	<u>532,995</u>	<u>7,821,795</u>	<u>8,354,790</u>
<b>Total Noncurrent Liabilities</b>			
Total Liabilities	1,433,222	11,022,739	12,455,961
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows - pension	360,404	107,022	467,426
Deferred inflows - leases	52,062	1,016,845	1,068,907
	<u>412,466</u>	<u>1,123,867</u>	<u>1,536,333</u>
<b>Net Position</b>			
Net investment in capital assets	7,624,490	4,403,105	12,027,595
Unrestricted	9,514,803	713,028	10,227,831
	<u>17,139,293</u>	<u>5,116,133</u>	<u>22,255,426</u>
<b>Total Net Position</b>			
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 18,984,981</u>	<u>\$ 17,262,739</u>	<u>\$ 36,247,720</u>

**BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD**  
**Statement of Activities**  
**Year Ended June 30, 2022**

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
<b>PRIMARY GOVERNMENT</b>							
<b>Governmental Activities</b>							
General government	\$ 601,225	\$ 20,986	\$ 1,030	\$ -	\$ (579,209)	\$ -	\$ (579,209)
Public safety	1,279,698	-	46,788	-	(1,232,910)	-	(1,232,910)
Public works	1,048,555	300	-	-	(1,048,255)	-	(1,048,255)
Waste collection and disposal	311,960	-	-	-	(311,960)	-	(311,960)
Recreation and culture	250,378	-	-	-	(250,378)	-	(250,378)
Non-departmental	383,015	-	-	-	(383,015)	-	(383,015)
Total Governmental Activities	3,874,831	21,286	47,818	-	(3,805,727)	-	(3,805,727)
Business-Type Activities							
Water	1,614,205	1,741,685	144,518	-	-	271,998	271,998
<b>TOTAL GOVERNMENT</b>	<b>\$ 5,489,036</b>	<b>\$ 1,762,971</b>	<b>\$ 192,336</b>	<b>\$ -</b>	<b>(3,805,727)</b>	<b>271,998</b>	<b>(3,533,729)</b>
<b>General Revenues</b>							
Taxes							
Property taxes, levied for general purposes					1,330,171	-	1,330,171
Income taxes					1,184,040	-	1,184,040
Highway taxes					299,915	-	299,915
Other local taxes					1,044,468	-	1,044,468
Franchise fees					88,547	-	88,547
Wireless tower income					-	217,558	217,558
Investment earnings					2,999	11,037	14,036
Gain (loss) on disposal of assets					(118,323)	3,125	(115,198)
Miscellaneous					55,303	-	55,303
Total General Revenues					3,887,120	231,720	4,118,840
Change in Net Position					81,393	503,718	585,111
<b>NET POSITION - BEGINNING, as restated</b>					17,057,900	4,612,415	21,670,315
<b>NET POSITION - ENDING</b>					<b>\$ 17,139,293</b>	<b>\$ 5,116,133</b>	<b>\$ 22,255,426</b>

**BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD**  
**Balance Sheet – Governmental Fund**  
**June 30, 2022**

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	<b>General Fund</b>
<b>ASSETS</b>	
Cash	\$ 1,532,351
Cash equivalents - Maryland Local Government	
Investment Pool	6,998,005
Certificates of deposit, including accrued interest	850,037
Receivables	
Taxes	253,735
Franchise fees	22,225
Due from other governmental agencies	323,988
Prepaid expenditures	21,600
Inventory, at cost	11,616
Due from other funds - short-term	63,220
Due from other funds - long-term	<u>1,724,970</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 11,801,747</u></b>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>Liabilities</b>	
Accounts payable	\$ 818,410
Accrued salaries and withholdings	38,953
Due to other funds	829,591
Deposits	<u>42,864</u>
Total Liabilities	<u>1,729,818</u>
<b>Deferred Inflows of Resources</b>	
Unavailable tax revenue	<u>73,203</u>
<b>Fund Balance</b>	
Nonspendable	1,758,186
Committed	298,835
Unassigned	<u>7,941,705</u>
Total Fund Balance	<u>9,998,726</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$ 11,801,747</u></b>

**BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position of**  
**Governmental Activities**  
**June 30, 2022**

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**TOTAL FUND BALANCE - GOVERNMENTAL FUND** \$ 9,998,726

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	17,347,052	
Accumulated depreciation	<u>(9,722,562)</u>	7,624,490

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. 73,203

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. 52,433

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. (52,062)

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	(509,875)	
Deferred outflows of resources	335,902	
Deferred inflows of resources	<u>(360,404)</u>	(534,377)

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: (23,120)

**NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ 17,139,293

**BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance -**  
**Governmental Fund**  
**Year Ended June 30, 2022**

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	<b>General Fund</b>
<b>REVENUES</b>	
Local property taxes and interest	\$ 1,594,964
Licenses and permits	20,986
Grants and shared taxes	2,503,038
Other revenue	<u>118,010</u>
Total Revenues	<u>4,236,998</u>
<b>EXPENDITURES</b>	
General government	530,823
Public safety	1,278,183
Public works	729,173
Waste collection and disposal	311,960
Recreation and culture	173,798
Non-departmental	416,107
Capital outlay	<u>859,760</u>
Total Expenditures	<u>4,299,804</u>
Change in Fund Balance	(62,806)
<b>TOTAL FUND BALANCE - BEGINNING OF YEAR, as restated</b>	<u>10,061,532</u>
<b>TOTAL FUND BALANCE - END OF YEAR</b>	<u><u>\$ 9,998,726</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, 2022**

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<b>CHANGE IN FUND BALANCE - GOVERNMENTAL FUND</b>	\$ (62,806)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	859,760
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.	(444,560)
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.	(191,590)
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.	10,270
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.	34,679
Loss 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 loss is not reported as an expenditure in governmental funds.	(118,323)
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 less than the amounts used.	<u>(6,037)</u>
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<u>\$ 81,393</u>



**BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD**  
**Statement of Net Position – Proprietary Fund**  
**June 30, 2022**

	<u>Water Fund</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash	\$ 4,059,683
Cash equivalents - Maryland Local Government	
Investment Pool	506,936
Receivables	
Water service charges (net of allowance for uncollectibles of \$775)	157,000
Leases receivable - current	208,138
Due from other funds	829,591
Prepaid expenses	8,672
Inventory, at cost, net of allowance	<u>12,164</u>
 Total Current Assets	 <u>5,782,184</u>
<b>Noncurrent Assets</b>	
Leases receivable - noncurrent	887,935
Capital assets not being depreciated	314,969
Capital assets net of accumulated depreciation	<u>11,966,218</u>
 Total Noncurrent Assets	 <u>13,169,122</u>
 Total Assets	 <u>18,951,306</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	 <u>99,623</u>
 <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	 <u><u>\$ 19,050,929</u></u>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts payable	\$ 389,870
Unearned revenues	2,528,381
Current portion of compensated absences and withholdings	7,070
Deposits	26,723
Current portion of bonds payable	218,885
Current portion of interfund loan	63,220
Accrued interest payable	<u>30,015</u>
 Total Current Liabilities	 <u>3,264,164</u>
<b>Noncurrent Liabilities</b>	
Net pension liability	153,923
Portion due or payable after one year	
Compensated absences	8,675
Bonds payable	7,659,197
Due to other funds	<u>1,724,970</u>
 Total Noncurrent Liabilities	 <u>9,546,765</u>
 Total Liabilities	 <u>12,810,929</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows - pension	107,022
Deferred inflows - leases	<u>1,016,845</u>
	1,123,867
 <b>Net Position</b>	
Net investment in capital assets	4,403,105
Unrestricted (deficit)	<u>713,028</u>
 Total Net Position	 <u>5,116,133</u>
 <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	 <u><u>\$ 19,050,929</u></u>

**BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD**  
**Statement of Cash Flows – Proprietary Fund**  
**Year Ended June 30, 2022**

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	<b>Water Fund</b>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 1,511,365
Meter service charge	2,594
Connection fees	215,352
Penalties and interest	12,374
	<hr/>
Total Operating Revenues	1,741,685
	<hr/>
<b>OPERATING EXPENSES</b>	
Depreciation	370,964
Salaries	240,645
Electricity	132,809
Distribution maintenance	182,075
Parts, supplies, and tools	55,187
Chemicals	64,687
Sewer treatment fees	331,660
Other operating expenses	24,663
Audit	10,650
Legal expense	1,020
Administrative expenses	36,714
Pension plan	14,090
Workmen's compensation insurance	8,123
Payroll taxes	18,484
Property insurance	20,180
Medical insurance	46,949
Safety	252
Leak detection	10,560
Miscellaneous	301
	<hr/>
Total Operating Expenses	1,570,013
	<hr/>
Income From Operations	171,672
	<hr/>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Wireless tower income	217,558
American Rescue Plan grant	144,518
Interest income	11,037
Gain on sale of capital assets	3,125
Interest expense	(44,192)
	<hr/>
Total Non-Operating Revenues (Expenses)	332,046
	<hr/>
Change in Net Position	503,718
	<hr/>
<b>NET POSITION - BEGINNING OF YEAR, as restated</b>	4,612,415
	<hr/>
<b>NET POSITION - END OF YEAR</b>	<b>\$ 5,116,133</b>
	<hr/>

**BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD**  
**Statement of Cash Flows – Proprietary Fund**  
**Year Ended June 30, 2022**

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	<b>Water Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 1,667,835
Cash payments to suppliers for goods and services	(738,991)
Cash payments to employees for services	<u>(244,820)</u>
Net Cash Provided By Operating Activities	<u>684,024</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Cash received from American Rescue Plan Act	2,582,962
(Increase) in due from other funds	<u>(756,796)</u>
Net Cash Provided By Noncapital Financing Activities	<u>1,826,166</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets	(457,537)
Proceeds from sale of capital assets	3,125
Interest paid on notes payable	(44,192)
Payments on interfund loan	(63,172)
Payments on bonds payable	(217,148)
Proceeds from bonds payable	<u>767,857</u>
Net Cash (Used In) Capital and Related Financing Activities	<u>(11,067)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	
Interest on cash and investments	11,037
Rental income from wireless tower agreements	<u>217,558</u>
Net Cash Provided By Investing Activities	<u>228,595</u>
Net Increase In Cash and Cash Equivalents	2,727,718
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>1,838,901</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 4,566,619</u></u>
<b>RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION</b>	
Cash	\$ 4,059,683
Cash equivalents - Maryland Local Government	
Investment Pool	<u>506,936</u>
	<u><u>\$ 4,566,619</u></u>

**BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD**  
**Statement of Cash Flows – Proprietary Fund (Continued)**  
**Year Ended June 30, 2022**

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	<b>Water Fund</b>
<b>RECONCILIATION OF INCOME FROM OPERATIONS</b>	
<b>TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Income from operations	\$ 171,672
Adjustments to reconcile income from operations to net cash provided by operating activities:	
Depreciation	370,964
(Gain) on sale of capital assets	(3,125)
(Increase) in receivables	(16,588)
(Increase) in prepaid expenses	(2,124)
Decrease in inventory	2,568
Increase in accounts payable	236,646
(Decrease) in accrued interest payable	(5,770)
(Decrease) in deferred revenue	(57,262)
Increase in accrued expenses	1,533
Change in net pension liability and related items	<u>(14,490)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u><u>\$ 684,024</u></u></b>

# **BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD**

## **Notes to Financial Statements**

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### **NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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#### ***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, 2022 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.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***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**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***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**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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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 market.

***Capital Assets***

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



**BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD**  
**Notes to Financial Statements**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

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

***Statement of Cash Flows***

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

***Accounts Receivable***

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

***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*. This guidance was adopted by the Town on July 1, 2021. See Note 17 for further details.

**BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD**  
**Notes to Financial Statements**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Risks and Uncertainties***

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

***Investments***

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

***Taxes and Town Services***

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

***Rate of Town Taxes***

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

***Deferred Outflows and Inflows of Resources***

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

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

**BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD**  
**Notes to Financial Statements**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***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, 2022 consists of the following:

	<u>Government Wide Activities</u>	
	<u>Governmental</u>	<u>Business Type</u>
	<u>Activities</u>	<u>Activities/ Water Fund</u>
Capital Assets	\$ 17,347,052	\$ 17,236,612
Accumulated depreciation	(9,722,562)	(4,955,425)
Bonds payable	-	(7,878,082)
Net Investment in Capital Assets	<u>\$ 7,624,490</u>	<u>\$ 4,403,105</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, 2022, the Town had no restrictions of net position.

***Unrestricted***

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

***Net Position Flow Assumption***

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

***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**

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**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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***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.

**NOTE 3 CASH AND CERTIFICATES OF DEPOSIT**

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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, 2022, the carrying amount of the Town's deposits was \$6,442,071 including interest receivable. The related bank balance totaled \$6,463,673.

**BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD**  
**Notes to Financial Statements**

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**NOTE 3 CASH AND CERTIFICATES OF DEPOSIT (CONTINUED)**

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Following is a schedule of the Town's deposits by financial institution at June 30, 2022:

Woodsboro Bank	\$ 850,000
PNC Bank	<u>5,613,673</u>
	<u>\$ 6,463,673</u>

Included in the Town's cash balance at June 30, 2022 is \$2,528,381 that is restricted for spending based on Coronavirus State and Local Fiscal Recovery Fund guidance as legislated by the American Rescue Plan Act.

***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, 2022 \$5,300,111 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>\$ 5,300,111</u>
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**NOTE 4 INVESTMENTS**

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As of June 30, 2022 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	\$ 7,504,941

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**

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**NOTE 4 INVESTMENTS (CONTINUED)**

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***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**

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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 \$6,445 for the year ended June 30, 2022.

**BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD**  
**Notes to Financial Statements**

**NOTE 6 INVENTORY**

Inventory consists of the following:

	<b>General Fund</b>
Inventory, at cost	\$ 11,616
	<b>Enterprise Fund</b>
Inventory, at cost	\$ 12,899
Allowance for obsolete inventory	(735)
	\$ 12,164

**NOTE 7 CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2022 was as follows:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
<b>GOVERNMENTAL ACTIVITIES</b>				
<b>Capital Assets, Not Being Depreciated</b>				
Land	\$ 2,047,319	\$ -	\$ -	\$ 2,047,319
Construction in progress	600,776	570,716	(567,267)	604,225
Total Capital Assets Not Being Depreciated	2,648,095	570,716	(567,267)	2,651,544
<b>Capital Assets Being Depreciated</b>				
Improvements	2,064,990	696,727	(9,797)	2,751,920
Infrastructure	9,363,243	-	-	9,363,243
Building and furnishings	1,854,814	-	(608,946)	1,245,868
Equipment	1,199,394	159,583	(24,500)	1,334,477
Total Capital Assets Being Depreciated	14,482,441	856,310	(643,243)	14,695,508
Total Capital Assets	17,130,536	1,427,026	(1,210,510)	17,347,052
<b>Accumulated Depreciation</b>				
Improvements	(1,128,803)	(77,992)	6,654	(1,200,141)
Infrastructure	(6,481,296)	(226,514)	-	(6,707,810)
Building and furnishings	(1,331,901)	(46,055)	490,640	(887,316)
Equipment	(857,796)	(93,999)	24,500	(927,295)
Total Accumulated Depreciation	(9,799,796)	(444,560)	521,794	(9,722,562)
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET</b>	\$ 7,330,740	\$ 982,466	\$ (688,716)	\$ 7,624,490

**BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD**  
**Notes to Financial Statements**

**NOTE 7 CAPITAL ASSETS (CONTINUED)**

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 7,507	\$ -	\$ -	\$ 7,507
Construction in progress	26,100	287,962	(6,600)	307,462
Total Capital Assets Not Being Depreciated	<u>33,607</u>	<u>287,962</u>	<u>(6,600)</u>	<u>314,969</u>
<b>Capital Assets Being Depreciated</b>				
Equipment	640,538	59,975	(66,525)	633,988
Improvements	82,049	-	-	82,049
Building and furnishings	45,738	-	-	45,738
Water treatment plant	10,044,097	-	-	10,044,097
Distribution system	4,321,254	116,200	-	4,437,454
Water systems	60,000	-	-	60,000
Water towers	1,618,317	-	-	1,618,317
Total Capital Assets Being Depreciated	<u>16,811,993</u>	<u>176,175</u>	<u>(66,525)</u>	<u>16,921,643</u>
Total Capital Assets	<u>16,845,600</u>	<u>464,137</u>	<u>(73,125)</u>	<u>17,236,612</u>
<b>Accumulated Depreciation</b>				
Equipment	(508,566)	(32,557)	66,525	(474,598)
Improvements	(15,357)	(1,667)	-	(17,024)
Building and furnishings	(30,122)	(1,988)	-	(32,110)
Water treatment plant	(1,218,393)	(220,253)	-	(1,438,646)
Distribution system	(1,435,140)	(88,097)	-	(1,523,237)
Water systems	(59,999)	(1)	-	(60,000)
Water towers	(1,383,409)	(26,401)	-	(1,409,810)
Total Accumulated Depreciation	<u>(4,650,986)</u>	<u>(370,964)</u>	<u>66,525</u>	<u>(4,955,425)</u>
<b>BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET</b>	<u>\$ 12,194,614</u>	<u>\$ 93,173</u>	<u>\$ (6,600)</u>	<u>\$ 12,281,187</u>

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

**Governmental Activities**

General government	\$ 58,742
Public safety	1,515
Public works	307,723
Recreation and culture	76,580
	<u>\$ 444,560</u>

**Business-Type Activities**

Water	<u>\$ 370,964</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.

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Current Maturities</b>
Bonds payable - MDE	<u>\$ 7,327,373</u>	<u>\$ 767,857</u>	<u>\$ (217,148)</u>	<u>\$ 7,878,082</u>	<u>\$ 218,885</u>

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

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>
2023	\$ 218,885	\$ 55,527
2024	220,636	49,274
2025	222,401	47,508
2026	224,181	45,730
2027	225,974	43,936
2028-2032	1,157,278	192,272
2033-2037	1,204,317	145,204
2038-2042	1,253,265	96,284
2043-2047	1,304,204	45,346
2048-2050	<u>1,846,941</u>	<u>3,414</u>
	<u>\$ 7,878,082</u>	<u>\$ 724,495</u>

As of June 30, 2022, 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**

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**NOTE 9 GOVERNMENTAL FUND BALANCES**

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The detail of the fund balance classifications aggregated on the balance sheet as of June 30, 2022 is as follows:

	<u>General Fund</u>
<b>FUND BALANCES</b>	
<b>Nonspendable</b>	
Inventory	\$ 11,616
Prepaid expenditures	21,600
Due from other funds - long-term	<u>1,724,970</u>
	<u>1,758,186</u>
<b>Committed</b>	
Town Hall renovations	198,489
Road and sidewalk study	44,426
Municipal Code online codification	4,194
Road reconstruction engineering	38,893
Security upgrades	<u>12,833</u>
	<u>298,835</u>
<b>Unassigned</b>	<u>7,941,705</u>
	<u>\$ 9,998,726</u>

**NOTE 10 RETIREMENT PLAN**

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***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 hours in the fiscal year. Under ACPS, membership is automatic for employees who were active as of July 1, 2006 – June 30, 2011. As of June 30, 2011, ACPS was closed to new members.

**BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD**  
**Notes to Financial Statements**

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**NOTE 10 RETIREMENT PLAN (CONTINUED)**

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***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, 2022, the Town paid contributions totaling \$100,690.

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

At June 30, 2022, 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:

	<b>Employees' Retirement and Pension System</b>
Town's proportionate share of net pension liability	<u>\$ 663,798</u>

**BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD**  
**Notes to Financial Statements**

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**NOTE 10 RETIREMENT PLAN (CONTINUED)**

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The net pension liability was measured as of June 30, 2021 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, 2021, the Town's proportion was 0.0044246% for the System. This was an increase of 0.0005111% over the prior year.

For the year ended June 30, 2022, the Town recognized pension expense of \$77,797 related to governmental activities and \$22,893 related to business-type activities. As of June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Change in assumptions	\$ 125,652	\$ -
Net difference between projected and actual investment earnings	114,922	365,423
Difference between actual and expected experience	-	102,003
Changes in proportion and differences between employer contributions and share of contributions	94,261	-
Town contributions subsequent to the measurement date	<u>100,690</u>	<u>-</u>
	<u>\$ 435,525</u>	<u>\$ 467,426</u>

Town contributions subsequent to the measurement date totaling \$100,690 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2022	\$ (24,479)
2023	(24,479)
2024	(24,479)
2025	(24,479)
2026	<u>(34,675)</u>
	<u>\$ (132,591)</u>

**BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD**  
**Notes to Financial Statements**

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**NOTE 10 RETIREMENT PLAN (CONTINUED)**

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***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, 2021, using the entry age normal actuarial cost method. Inflation is assumed to be 2.25% for general and 2.75% for wages, which is a decrease of 2.60% and 3.10%, respectively, 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 a decrease from the rate of 7.40% 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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return</b>
Public equity	37%	4.70%
Rate sensitive	19%	-0.40%
Credit opportunity	9%	2.60%
Absolute return	8%	2.00%
Private equity	13%	6.50%
Real assets	14%	4.20%
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**

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**NOTE 10 RETIREMENT PLAN (CONTINUED)**

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***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:

	<b>1% Decrease to 5.80%</b>	<b>Current Rate (6.80%)</b>	<b>1% Increase to 7.80%</b>
Town's proportionate share of the net pension liability	\$ 1,130,541	\$ 663,798	\$ 276,638

***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, 2021. 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, 2022.

**NOTE 11 COMPENSATED ABSENCES**

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

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

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Current Maturities</b>
Compensated absences					
Governmental activities	<u>\$ 61,616</u>	<u>\$ 39,381</u>	<u>\$ (38,924)</u>	<u>\$ 62,073</u>	<u>\$ 38,953</u>
Business-type activities	<u>\$ 18,631</u>	<u>\$ 4,274</u>	<u>\$ (7,160)</u>	<u>\$ 15,745</u>	<u>\$ 7,070</u>

**BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD**  
**Notes to Financial Statements**

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**NOTE 12 DEFERRED COMPENSATION PLAN**

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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**

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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**

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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**

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**NOTE 15 MAINTENANCE AGREEMENTS**

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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, 2022 amounted to \$16,738.

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, 2022 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, 2022 amounted to \$16,473, and was paid in quarterly installments of \$4,118 each.

**NOTE 16 INTERFUND RECEIVABLES AND PAYABLES**

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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>
Water	General	\$ 829,591

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, 2022. 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)**

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Current Maturities</b>
Interfund loan	<u>\$1,851,361</u>	<u>\$ -</u>	<u>\$ (63,171)</u>	<u>\$1,788,190</u>	<u>\$ 63,220</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:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>
2023	\$ 63,220	\$ 1,329
2024	63,267	1,282
2025	63,314	1,234
2026	63,362	1,187
2027	63,409	1,139
2028-2032	317,762	4,983
2033-2037	318,955	3,889
2038-2042	320,155	2,590
2043-2047	321,356	1,388
2048-2050	193,390	254
	<u>\$1,788,190</u>	<u>\$ 19,275</u>

**NOTE 17 TOWN LEASES RECEIVABLE**

On July 1, 2021, the Town adopted 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.

The standard was applied using a full retrospective transition method. There was no impact to the beginning balance of the governmental fund statements as a result of the implementation. However, in order to record the lease receivable and deferred inflow of resources as of July 1, 2021, the net position previously reported for both governmental activities and proprietary activities was restated. See Note 19 for details of the restatement as a result of GASB 87 implementation.

**BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD**  
**Notes to Financial Statements**

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**NOTE 17 TOWN LEASES RECEIVABLE AND RESTATEMENT (CONTINUED)**

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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, 2022. Management estimated the lease would extend one additional year, through December 31, 2023, at which time the lease would terminate. 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, 2022:

2023	\$ 35,201
2024	17,600
Total minimum payments	<u>52,801</u>
Less amounts representing interest	<u>(368)</u>
Present value of lease receivable	52,433
Less amounts due within one year	<u>(35,201)</u>
Amounts due in more than one year	<u>\$ 17,232</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 \$2,669 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 October 2022 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, 2022:

2023	\$ 208,138
2024	202,239
2025	210,329
2026	218,742
2027	227,492
2028-2032	<u>88,230</u>
Total minimum payments	1,155,170
Less amounts representing interest	<u>(64,097)</u>
Present value of lease receivable	1,091,073
Less amounts due within one year	<u>(203,138)</u>
Amounts due in more than one year	<u>\$ 887,935</u>

**NOTE 18 AMERICAN RESCUE PLAN FUNDING**

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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. Of this amount, the Town spent \$144,518 during fiscal year 2022, and this amount has been recognized as revenue in the government-wide and proprietary fund statements. The remaining portion of \$2,438,445 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**

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**NOTE 18 AMERICAN RESCUE PLAN FUNDING (CONTINUED)**

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In September 2022, the Town received its second installment of American Rescue Plan funding in the amount of \$2,586,963.

**NOTE 19 RESTATEMENTS**

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Due to a change in accounting principle (adoption of GASB No. 87 as described in Note 17), as well as correction of an error, the Town restated its net position in both the governmental and proprietary funds as of July 1, 2021. The correction of an error occurred after the Town was informed that a former vendor had not billed the Town for services provided dating back to October 2020. Following is a breakdown of the restatements of net position:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Net Position - June 30, 2021 - Previously Reported	\$ 17,181,164	\$ 4,537,083
Record leases receivable (GASB 87)	87,040	1,311,643
Record deferred inflows of resources (GASB 87)	(86,742)	(1,236,311)
Adjustment for unbilled sanitation invoices	<u>(123,562)</u>	<u>-</u>
Net Position - June 30, 2021 - Restated	<u>\$ 17,057,900</u>	<u>\$ 4,612,415</u>

**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)**

	2022	2021	2020	2019	2018	2017	2016	2015
Town's proportion of the net pension liability	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	\$ 663,798	\$ 884,904	\$ 750,890	\$ 705,083	\$ 655,187	\$ 723,711	\$ 670,226	\$ 522,243
Town's covered-employee payroll	\$ 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	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	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.

\* 2015-2022 are the only years available. This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

2022 amounts reflect changes in assumptions as follows:

Decrease in discount rate and investment rate of return assumption from 7.40% to 6.80%.

Decrease in inflation assumption from 2.60% to 2.25% and wage inflation assumption from 3.10% to 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)**

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contribution	\$ 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>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>
Town's covered-employee payroll	\$ 952,778	\$ 952,128	\$ 894,945	\$ 830,650	\$ 782,834	\$ 754,832	\$ 700,523	\$ 699,913
Contributions as a percentage of covered-employee payroll	10.57%	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.

\* 2015-2022 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, 2022**  
**(Unaudited)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local property taxes and interest				
Real property	\$ 978,267	\$ 978,267	\$ 987,875	\$ 9,608
Personal property	350,000	350,000	595,032	245,032
Penalties and interest	9,500	9,500	12,057	2,557
	<u>1,337,767</u>	<u>1,337,767</u>	<u>1,594,964</u>	<u>257,197</u>
Licenses and permits				
Traders	3,000	3,000	5,250	2,250
Planning and zoning	15,000	15,000	15,736	736
	<u>18,000</u>	<u>18,000</u>	<u>20,986</u>	<u>2,986</u>
Grants and shared taxes				
State of Maryland				
Admissions	50,745	50,745	78,987	28,242
Highway tax	226,000	226,000	226,712	712
Grant for police protection	46,963	46,963	46,788	(175)
Program Open Space grant	15,000	15,000	-	(15,000)
Frederick County				
Income tax	944,243	944,243	1,184,040	239,797
Grant in lieu of property taxes	1,030	1,030	1,030	-
Tax equity program	950,000	950,000	965,481	15,481
	<u>2,233,981</u>	<u>2,233,981</u>	<u>2,503,038</u>	<u>269,057</u>
Other Revenue				
Interest	24,590	24,590	2,999	(21,591)
Franchise fees	85,000	85,000	88,547	3,547
Rent	50,000	50,000	22,849	(27,151)
Recycling center	6,500	6,500	-	(6,500)
Proceeds on sale of assets	-	-	3,126	3,126
Other	100	100	489	389
	<u>166,190</u>	<u>166,190</u>	<u>118,010</u>	<u>(48,180)</u>
<b>Total Revenues</b>	<b>\$ 3,755,938</b>	<b>\$ 3,755,938</b>	<b>\$ 4,236,998</b>	<b>\$ 481,060</b>
<b>EXPENDITURES</b>				
<b>General Government</b>				
Legislative				
Town Council				
Commissioners' salaries	\$ 18,000	\$ 18,000	\$ 16,500	\$ 1,500
Other				
Salaries	356,100	356,100	225,188	130,912
Operating expenses	19,000	19,000	19,761	(761)
Training, meetings, and travel	8,600	8,600	3,330	5,270
	<u>401,700</u>	<u>401,700</u>	<u>264,779</u>	<u>136,921</u>
Executive				
Burgess' salary	12,500	12,500	12,500	-
Financial administration				
Independent auditing	11,000	11,000	10,650	350
Operating expenses	50,000	50,000	31,486	18,514
	<u>61,000</u>	<u>61,000</u>	<u>42,136</u>	<u>18,864</u>
Legal expenses	20,000	20,000	5,389	14,611
Planning and zoning	125,000	125,000	106,064	18,936
Municipal buildings				
Utilities	50,000	50,000	59,168	(9,168)
Repairs and maintenance	30,000	30,000	27,470	2,530
	<u>80,000</u>	<u>80,000</u>	<u>86,638</u>	<u>(6,638)</u>
Other				
Dues	8,600	8,600	8,567	33
County property taxes	5,000	5,000	4,750	250
	<u>13,600</u>	<u>13,600</u>	<u>13,317</u>	<u>283</u>
<b>Total General Government</b>	<b>713,800</b>	<b>713,800</b>	<b>530,823</b>	<b>182,977</b>

**BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD**  
**Budgetary Comparison Schedule - General Fund (Continued)**  
**Year Ended June 30, 2022**  
**(Unaudited)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Public Safety</b>				
Police and traffic control	1,192,268	1,192,268	1,219,179	(29,911)
Code enforcement	16,000	16,000	9,004	6,996
Volunteer company contributions:				
Fire department	25,000	25,000	25,000	-
Ambulance service	25,000	25,000	25,000	-
<b>Total Public Safety</b>	<b>1,258,268</b>	<b>1,258,268</b>	<b>1,278,183</b>	<b>(19,915)</b>
<b>Public Works</b>				
Streets, roadways, and alleys				
Salaries	436,000	436,000	465,785	(29,785)
Maintenance	132,000	132,000	120,806	11,194
Parts, tools, and supplies	12,000	12,000	13,576	(1,576)
Truck and equipment	55,000	55,000	56,274	(1,274)
Street lighting	60,000	60,000	63,949	(3,949)
Safety	3,500	3,500	2,899	601
Uniforms/Boots	7,600	7,600	5,884	1,716
<b>Total Public Works</b>	<b>706,100</b>	<b>706,100</b>	<b>729,173</b>	<b>(23,073)</b>
Waste Collection and Disposal	302,000	302,000	311,960	(9,960)
<b>Recreation and Culture</b>				
Parks and recreation	48,600	48,600	80,589	(31,989)
Parks - mowing	90,000	90,000	74,500	15,500
Parks - Program Open Space	225,000	225,000	2,931	222,069
Heritage Building	2,000	2,000	1,655	345
Heritage Manor House	20,000	20,000	14,123	5,877
Senior citizens	8,000	8,000	-	8,000
<b>Total Recreation and Culture</b>	<b>393,600</b>	<b>393,600</b>	<b>173,798</b>	<b>219,802</b>
<b>Non-Departmental</b>				
Retirement and pension costs	95,000	95,000	80,973	14,027
Workmen's compensation	17,000	17,000	19,944	(2,944)
Payroll taxes	70,000	70,000	65,417	4,583
Medical insurance	140,000	140,000	169,354	(29,354)
Insurance	20,000	20,000	21,180	(1,180)
Community contributions	3,550	3,550	6,750	(3,200)
Security measures	10,000	10,000	1,620	8,380
Other	22,500	22,500	50,869	(28,369)
<b>Total Non-Departmental</b>	<b>378,050</b>	<b>378,050</b>	<b>416,107</b>	<b>(38,057)</b>
<b>Capital Outlay</b>				
Machinery and equipment	93,000	93,000	134,019	(41,019)
GIS zoning layers maintenance	10,000	10,000	-	10,000
Available for capital projects	200,000	200,000	-	200,000
Park projects	35,000	35,000	53,839	(18,839)
Roads and sidewalks (Maple)	450,000	450,000	52,628	397,372
HFP building maintenance	3,000	3,000	-	3,000
Playground	175,000	175,000	-	175,000
EZ Communicator	8,000	8,000	-	8,000
Watershed development	7,000	7,000	-	7,000
MS4 Permitting	60,000	60,000	-	60,000
Municipal Code online codification	-	-	2,516	(2,516)
HFP/Whitmore Zimmerman Building	-	-	68,509	(68,509)
Brine Sprayer	10,000	10,000	9,659	341
Town Hall Renovations	300,000	300,000	509,634	(209,634)
Building and furnishings	-	-	28,956	(28,956)
<b>Total Capital Outlay</b>	<b>1,351,000</b>	<b>1,351,000</b>	<b>859,760</b>	<b>491,240</b>
<b>Total Expenditures</b>	<b>5,102,818</b>	<b>5,102,818</b>	<b>4,299,804</b>	<b>803,014</b>
<b>CHANGE IN FUND BALANCE</b>	<b>\$ (1,346,880)</b>	<b>\$ (1,346,880)</b>	<b>\$ (62,806)</b>	<b>\$ 1,284,074</b>
<b>ADJUSTMENT TO BUDGETARY BASIS</b>				
Designated from surplus	1,346,880	1,346,880		
	<u>\$ -</u>	<u>\$ -</u>		

**BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD**  
**Budgetary Comparison Schedule - Water Fund**  
**Year Ended June 30, 2022**  
**(Unaudited)**

	Budgeted Amounts		Budgetary Basis	Variance with
	Original	Final	Actual Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
<b>Operating Revenues</b>				
Charges for service	\$ 1,378,000	\$ 1,378,000	\$ 1,511,365	\$ 133,365
Meter service charge	2,000	2,000	2,594	594
Connection fees	-	-	215,352	215,352
Penalties and interest	16,500	16,500	12,374	(4,126)
Other income	500	500	-	(500)
Total Operating Revenues	1,397,000	1,397,000	1,741,685	344,685
<b>Non-operating Revenues</b>				
Wireless tower income	195,000	195,000	217,558	22,558
American Rescue Plan grant	-	-	144,518	144,518
Gain on sale of assets	-	-	3,125	3,125
Interest income	1,000	1,000	11,037	10,037
Total Non-operating Revenues	196,000	196,000	376,238	180,238
<b>TOTAL REVENUES</b>	<b>1,593,000</b>	<b>1,593,000</b>	<b>2,117,923</b>	<b>524,923</b>
<b>EXPENSES</b>				
<b>Operating Expenses</b>				
Salaries	244,000	244,000	240,645	3,355
Electricity	90,000	90,000	132,809	(42,809)
Distribution maintenance	193,879	193,879	182,075	11,804
Parts, supplies, and tools	37,000	37,000	55,187	(18,187)
Chemicals	95,000	95,000	64,687	30,313
Sewer treatment fees	303,000	303,000	331,660	(28,660)
Other operating expenses	21,200	21,200	24,663	(3,463)
Audit	10,500	10,500	10,650	(150)
Legal fees	1,000	1,000	1,020	(20)
Administrative expenses	21,425	21,425	36,714	(15,289)
Pension plan	25,500	25,500	14,090	11,410
Workmen's compensation insurance	7,000	7,000	8,123	(1,123)
Payroll taxes	19,000	19,000	18,484	516
Property insurance	17,000	17,000	20,180	(3,180)
Medical insurance	40,000	40,000	46,949	(6,949)
Safety	2,000	2,000	252	1,748
Leak detection	30,000	30,000	10,560	19,440
Miscellaneous	1,500	1,500	301	1,199
Total Operating Expenses	1,159,004	1,159,004	1,199,049	(40,045)
<b>Capital Outlay</b>				
Equipment	17,000	17,000	59,975	(42,975)
Valves and spare parts	90,000	90,000	89,708	292
Water treatment plant security fence	-	-	47,162	(47,162)
Distribution system	-	-	260,692	(260,692)
Total Capital Outlay	107,000	107,000	457,537	(350,537)
<b>Other Expenses</b>				
Debt service	354,883	354,883	44,192	310,691
Total Other Expenses	354,883	354,883	44,192	310,691
Total Expenses	1,620,887	1,620,887	1,700,778	(79,891)
<b>CHANGE IN NET POSITION - BUDGETARY BASIS</b>	<b>\$ (27,887)</b>	<b>\$ (27,887)</b>	417,145	<b>\$ 445,032</b>
<b>ADJUSTMENT TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) BASIS</b>				
To adjust for depreciation			(370,964)	
To adjust for capital outlay			457,537	
<b>CHANGE IN NET POSITION - GAAP BASIS</b>			<b>\$ 503,718</b>	



**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, 2022, and the related notes to the financial statements, which collectively comprise Burgess and Commissioners of Walkersville's basic financial statements and have issued our report thereon dated October 26, 2022.

**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. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2022-001, that we consider to be a material weakness.

### ***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*.

### ***Burgess and Commissioner of Walkersville, MD's Response to Findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on the Town's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### ***Purpose of this Report***

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

Smith Elliott Kearns\* Company, LLC

Hagerstown, Maryland  
October 26, 2022

**BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2022**

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**FINDING 2022-001 – TIMELY REVIEW OF BANK RECONCILIATIONS FOR ACCURACY**

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**Condition:** During our review of the Town’s operating bank account reconciliations for the month of June, it was noted that reconciliations from March through June were not performed timely. The March bank statement for the Town’s proprietary fund operating account was not reconciled until May 24<sup>th</sup>, the April bank statement for the Town’s governmental fund operating account was not reconciled until August 10<sup>th</sup>, the May and June statements for the Town’s governmental fund operating account were not reconciled until August 19<sup>th</sup>, and the May and June statements for the Town’s proprietary fund operating account were not reconciled until August 22<sup>nd</sup>. As a result of these delays (including several months not being reconciled until after year-end), adjustments (some of which were material) were needed to reflect the proper year-end cash balances. Additionally, even after adjustments were made, there was still an unreconciled (but immaterial) difference in one cash account.

**Criteria:** The carrying value of cash reported on the Town’s general ledger should reflect timely recording of the deposits and payments made by the Town.

**Cause:** The bank reconciliation was not prepared and reviewed timely for accuracy, representing a breakdown in internal controls established by the Town.

**Effect:** As a result of the delayed preparation of the bank reconciliations, not all activity that had occurred during the year was recorded in the general ledger and the carrying value of the Town’s cash accounts was misstated. By not ensuring all transactions are recorded in the general ledger, there is an increased risk that errors may exist or that all activity is not accurately captured in the proper period within the financials.

**Recommendation:** Bank reconciliations should be prepared and reviewed as soon as possible after the end of each month. The reviewer should ensure that all transactions included in the bank statement are captured in the general ledger and that any reconciling items represent valid transactions that are captured in the proper accounting period.

**Views of Responsible Officials and Planned Corrective Action:** The Town has corrected the noted recommendation. An error with the Town’s aging accounting software caused the unreconciled difference that has since been addressed. Timely reconciliation will occur as noted.