

Audited
Financial
Statements

June 30,
2021

Burgess and Commissioners
of Walkersville, MD

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INDEPENDENT AUDITOR'S REPORT

Burgess and Commissioners of Walkersville, MD
Walkersville, Maryland

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Burgess and Commissioners of Walkersville, MD (Town), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Burgess and Commissioners of Walkersville, MD's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Burgess and Commissioners of Walkersville, MD, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and on pages 4 through 16, the schedules related to pension liabilities on pages 48 through 49, and the general fund budgetary comparison schedule on pages 50-51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2021 on our consideration of the Burgess and Commissioners of Walkersville, MD's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Burgess and Commissioners of Walkersville, MD's internal control over financial reporting and compliance.

Smith Elliott Kearns* Company, LLC

Hagerstown, Maryland
October 29, 2021

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

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

The management of the Burgess and Commissioners of Walkersville, MD (Town of Walkersville) provides the following narrative overview and analysis of the financial statements for the fiscal year ended June 30, 2021. We offer this information for all those interested citizens who want to invest the time to read and understand their Town's financial operations. The basic financial statements are comprised of the government-wide financial statements, fund financial statements, and notes to financial statements. We encourage readers to consider the information presented here in conjunction with additional information provided within the statements to further enhance their understanding of the Town's financial performance.

FINANCIAL HIGHLIGHTS

- ❖ The assets of the Town of Walkersville exceeded its liabilities at the close of June 30, 2021 by \$21,718,247 (*net position*). Of this amount, \$9,520,266 (*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 \$917,484, while the Town decreased its cash and equivalents (including certificates of deposit) by \$311,646. The General Fund decreased cash and equivalents by \$446,953, and the Water Fund increased its cash position by \$135,307.
- ❖ The Governmental Activities reflected a positive change in net position in the amount of \$423,075 and the Business-Type Activities reflected an increase in net position in the amount of \$494,409.
- ❖ As of June 30, 2021, the Town of Walkersville's governmental fund reported ending fund balances of \$10,185,094, a decrease of \$227,512 in comparison with the prior year.
- ❖ The Town's business-type activities earned income from operations in the amount of \$357,328. Operating revenues increased in the Water Fund by \$322,471 to \$1,746,732. At the same time, operating expenses also increased by \$216,570.
- ❖ At June 30, 2021, the Town increased its debt due to the continued construction of the new water plant, which requires payment of the draws and then submission to the Maryland Department of the Environment (MDE) for reimbursement of the construction billing. The Town has committed to 2 loans, issued via bonds, one tax-exempt loan in the amount of \$7,271,545 and one forgivable loan in the amount of \$1,500,000. As of June 30, 2021, the Town had completed construction of the water plant and made the first principal payment on the bond, leaving an outstanding balance of \$7,327,373 at June 30, 2021.
- ❖ Plant, property, and equipment of the Governmental Activities totaled \$17,130,536 before factoring in accumulated depreciation. An increase of \$944,648 of infrastructure and property was recognized, offset by \$73,100 in disposals. There was a corresponding increase in accumulated depreciation of \$441,032 on these assets. Net capital assets used in governmental activities of the Town increased by \$461,149 to a total of \$7,330,740.
- ❖ It is the desired goal of the Town to continue to operate conservatively and manage resources responsibly. With large projects on the horizon, this goal will be tested in the coming years.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

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

- ❖ The Burgess and Commissioners approved the real estate property tax rate of 14.0¢ per \$100 of assessed property value for FY 2021, a decrease of 2 cents from FY 2020. This rate generated revenue in the amount of \$937,584, a decrease of \$71,458 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 \$1,253,133 for 5 resident troopers in FY 2021.
- ❖ The Maryland State Retirement and Pension System, of which the Burgess and Commissioners of Walkersville, MD is a participating governmental unit, has implemented GASB No. 68. Financial statements of the participating employers are required to utilize GASB No. 68 as of June 30, 2015. This is the seventh year that the Town is required to report its proportionate share of the State's unfunded liability. As of June 30, 2021, the statements include a net pension liability in the amount of \$884,904, allocated between the Governmental Activities and the Business-Type Activities in the amounts of \$680,710 and \$204,194, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

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

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Burgess & Commissioners of Walkersville, MD, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Burgess & Commissioners of Walkersville, MD can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, citizens may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

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

Proprietary Funds

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

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

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

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 27-47 of this report.

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

Other supplementary information can be found on page 52.

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

Town of Walkersville
Net Position Summary

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
ASSETS						
Current and other assets	\$ 10,951,814	\$ 10,993,811	\$ 213,567	\$ 237,373	\$ 11,165,381	\$ 11,231,184
Capital assets	7,330,740	6,869,590	12,194,614	11,713,610	19,525,354	18,583,200
Deferred outflows of resources	185,720	139,647	55,430	42,400	241,150	182,047
Total Assets and Deferred Outflows of Resources	\$ 18,468,274	\$ 18,003,048	\$ 12,463,611	\$ 11,993,383	\$ 30,931,885	\$ 29,996,431
LIABILITIES						
Current liabilities	501,927	581,205	580,085	683,058	1,082,012	1,264,263
Noncurrent liabilities	714,336	576,241	7,324,628	7,241,123	8,038,964	7,817,364
Total Liabilities	1,216,263	1,157,446	7,904,713	7,924,181	9,120,976	9,081,627
Deferred inflows of resources	70,847	87,513	21,815	26,528	92,662	114,041
NET POSITION						
Invested in capital assets, net of related debt	7,330,740	6,869,590	4,867,241	4,431,711	12,197,981	11,301,301
Unrestricted	9,850,424	9,888,499	(330,158)	(389,037)	9,520,266	9,499,462
Total Net Position	17,181,164	16,758,089	4,537,083	4,042,674	21,718,247	20,800,763
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 18,468,274	\$ 18,003,048	\$ 12,463,611	\$ 11,993,383	\$ 30,931,885	\$ 29,996,431

The Town of Walkersville's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$20,800,763 at the close of the June 30, 2020 fiscal year, and by \$21,718,247 at the close of June 30, 2021, an increase in net position of \$917,484, (4.4%). Total assets and deferred outflows of resources of \$29,996,431 at June 30, 2020 increased to \$30,931,885 by June 30, 2021, an increase of \$935,454, (3.1%). The increase in assets is mostly due to an increase in capital assets of both funds, as well as an increase in deferred outflows related to the Town's share of the Maryland State pension liability.

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 (\$12,197,981 or 56% of total net position). The Town of Walkersville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. GASB Statement No. 34 requires that all capital assets, including infrastructure, be reported. Accordingly, the Town has chosen to report all of its infrastructure assets with the implementation of GASB Statement No. 34, including certain developer constructed assets whose value was determined by using market prices for the year of construction. Additionally, the Town must elect either 1) depreciate these assets over their estimated useful life, or 2) develop a system of asset management designed to maintain their condition perpetually and to report on their condition within the financial statements. The Town elected the first method and uses the depreciation method on infrastructure systems reporting.

Of the remaining Town assets, \$10,470,706 is accounted for in cash and cash equivalents, \$647,048 in receivables, \$26,348 in inventory, and \$21,279 in prepaid expenses.

Total liabilities include \$7,327,373 in debt, \$561,627 in accounts payable, deposits of \$74,726 for amounts held in escrow for various projects, \$80,222 for staff accumulated leave and tax withholdings, unearned revenue of \$164,799, accrued interest payable of \$27,325, and \$884,904 for net pension liability.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

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

At June 30, 2021 and 2020, the Town had positive balances in all categories of net position, except for the business-type activities unrestricted net position in the amount of (\$330,158) and (\$389,037), respectively, 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:

Town of Walkersville Changes in Net Position						
	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2019	2021	2020
REVENUES						
Program Revenues						
Charges for services, fees fines	\$ 34,058	\$ 59,215	\$ 1,961,791	\$ 1,633,596	\$ 1,995,849	\$ 1,692,811
Operating grants and contributions	198,851	115,639	-	-	198,851	115,639
General Revenues						
Property taxes	1,291,457	1,355,709	-	-	1,291,457	1,355,709
Other state and local taxes	2,333,722	2,168,098	-	-	2,333,722	2,168,098
Other	265,671	328,192	893	15,379	266,564	343,571
Total Revenues	4,123,759	4,026,853	1,962,684	1,648,975	6,086,443	5,675,828
EXPENSES						
General government	597,770	625,490	-	-	597,770	625,490
Public safety	1,313,609	1,213,204	-	-	1,313,609	1,213,204
Public works	961,946	853,618	-	-	961,946	853,618
Waste collection and disposal	190,629	297,721	-	-	190,629	297,721
Recreation and culture	198,661	156,177	-	-	198,661	156,177
Non-departmental	438,069	536,714	-	-	438,069	536,714
Water utility services	-	-	1,468,275	1,255,275	1,468,275	1,255,275
Loss on disposal of assets	-	-	-	154,580	-	154,580
Total Expenses	3,700,684	3,682,924	1,468,275	1,409,855	5,168,959	5,092,779
Change In Net Position	423,075	343,929	494,409	239,120	917,484	583,049
NET POSITION - BEGINNING	16,758,089	16,414,160	4,042,674	3,803,554	20,800,763	20,217,714
NET POSITION - ENDING	\$ 17,181,164	\$ 16,758,089	\$ 4,537,083	\$ 4,042,674	\$ 21,718,247	\$ 20,800,763

Total revenues for the Town of Walkersville were \$6,086,443 for the year ended June 30, 2021, up \$410,615 (7.2%) from FY 2020. Governmental activities provided \$4,123,759 and business-type activities provided \$1,962,684, primarily from charges for water services and non-operating wireless tower income. Total expenses for governmental activities were \$3,700,684 and total expenses for business-type activities were \$1,468,275. Net position at June 30, 2021 totaled \$21,718,247, an increase of \$917,484 from the June 30, 2020 net position of \$20,800,763.

Financial Analysis of the Town's Funds

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

Governmental Funds Revenue and Expenditure Analysis

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

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

The General Fund is the chief operating fund of the Town. On June 30, 2021, the unassigned fund balance of the General Fund was \$8,356,880, up \$58,350 from June 30, 2020.

Town of Walkersville
Revenues Classified by Source
Governmental Funds

	Amount		Percent of Total	
	2021	2020	2021	2020
Revenues				
Local property taxes and interest	\$ 1,026,664	\$ 1,355,709	26.60%	33.65%
Licenses and permits	26,820	53,563	0.70%	1.33%
Grants and shared taxes	2,532,573	2,280,279	65.63%	56.59%
Other revenue	272,907	339,800	7.07%	8.43%
Total Revenues	\$ 3,858,964	\$ 4,029,351	100.00%	100.00%

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 \$937,584, down \$71,458 (7.1%) from last year. The decrease was mainly due to the Burgess and Commissioners approving a reduction in the tax rate of 16.0¢ per \$100 to 14.0¢ per \$100, offset by an increase in the net assessable real property base of \$30,102,638. The gross business personal property tax revenue decreased by \$257,386 (76.4%) to \$79,369. 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. Penalties and interest category remained steady, only decreasing by \$201, to \$9,711.
- ❖ **Licenses and Permits** – This consists of traders licenses and planning and zoning licensing and review fees. Traders licenses increased \$70 to \$4,675. Planning and zoning fees decreased significantly by \$16,813, to \$22,145. Much of this decrease was the result of fewer new development in FY 2021 compared to FY 2022.
- ❖ **Grants and Shared Taxes** – This category includes admissions and amusement tax, highway taxes, police protection grant, Program Open Space, income taxes, grant in lieu of property taxes, and the tax equity program from Frederick County. The total grants and shared taxes increased by \$252,294 to \$2,532,573. Highway user revenues increased by \$23,460 to \$274,718, admissions tax revenues increased by \$25,324 to \$71,575, grant for police protection was up \$2,009, Frederick County shared income taxes increased by \$96,525 to \$1,040,768, and tax equity from Frederick County increased by \$20,315, to \$946,661. 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.
- ❖ **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 \$66,893, mainly due to a drastic decline in interest rates.

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

Town of Walkersville
Expenditures by Function
Governmental Funds

	Amount		Percent of Total	
	2021	2020	2021	2020
Expenditures				
General government	\$ 521,715	\$ 567,686	12.77%	14.20%
Public safety	1,311,782	1,211,310	32.10%	30.31%
Public works	625,915	561,086	15.32%	14.04%
Waste collection and disposal	190,629	297,721	4.66%	7.45%
Recreation and culture	137,916	114,333	3.37%	2.86%
Non-departmental	396,339	499,268	9.70%	12.49%
Capital outlay	902,180	745,500	22.08%	18.65%
Total Expenditures	\$ 4,086,476	\$ 3,996,904	100.00%	100.00%

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

- ❖ **General Government** – General government expenditures for FY 2021 were \$45,971 lower than prior year. Office salaries decreased by \$27,587 due to turnover in the Town Manager position. Operating expenses for financial administration decreased \$8,186, which was primarily the result of several new computer purchases made in FY 2020 that did not recur in FY 2021. Planning and zoning fees also decreased by \$12,795 due to less new development compared to the prior year. These decreases were partially offset by an increase in repairs and maintenance on municipal buildings in the amount of \$6,298.
- ❖ **Public Safety** – This category increased again this year by \$100,472. Of this increase, \$93,171 is directly attributable to police and traffic control. Additionally, the Town made contributions of \$25,000 each to the local fire department and rescue company. The Town continues to operate proactively on code enforcement cases.
- ❖ **Public Works** - This category increased overall by \$64,829. Specific increases were seen in maintenance (\$31,678), truck and equipment (\$17,280), and street lighting (\$13,136). These increases are due to current year purchases not qualifying for capitalization and more road maintenance needed. Uniforms and boots primarily includes the work clothing allowance which remains \$600 per person, and the uniforms provided by Cintas which cost approximately \$2,800 per person for those who utilize the service. This is the final year uniforms will be provided by Cintas, as the Town made the choice to increase the work clothing allowance and remove the Cintas option.
- ❖ **Waste Collection and Disposal** - This category decreased by \$107,092, primarily due to the Town changing contracts and hiring a new vendor for weekly waste collection. The Town continues to sponsor two annual bulk trash collection days, effectively reducing the impact on the landfill. Our established recycling dumpster continues to be successful and busy.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

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

- ❖ **Recreation and Culture** – This category increased by \$23,583, mostly due to parks and recreation expenses being \$32,673 higher than prior year, as the Town made park purchases in FY 2021 that did not qualify for capitalization. This increase was partially offset by a decrease in senior citizens expenses of \$6,960 due to the lack of meetings as a result of COVID-19.
- ❖ **Non-Departmental** – Expenditures include retirement plan expenditures, workers' compensation insurance, payroll taxes, health, life and dental insurance, liability insurance, community donations, security measures, and miscellaneous other expenditures. The category decreased overall by \$102,929, due to several expenditures in this category being capitalized, and therefore being recorded as capital outlay.
- ❖ **Capital Outlay** – Capital outlay expenditures increased by \$156,680. The details of current year capital outlay additions for both funds can be found on page 15.

ENTERPRISE FUND REVENUE AND EXPENSE ANALYSIS

Water Utility

Operating Revenues

Total operating revenues were up by \$322,471, mostly a result of the Town implementing a \$50/connection annual fee to assist with debt service on the new water plant, as well as a \$75,287 increase in connection fees as developments continue their build out. Charges for services increased \$251,023, of which approximately \$148,000 is for the debt service.

Non-Operating Revenues (Expenses)

The largest change in this category is the prior year loss on disposal of capital assets of \$154,580, which did not recur in FY 2021. Notable current year fluctuations are an increase in wireless tower income of \$5,724 offset by a decrease in interest income of \$14,486 due to interest rates declining sharply.

Operating Expenses

The Water Fund's operating expenses increased \$216,570. Notable fluctuations include a \$34,365 increase in electricity, a \$19,395 increase in distribution maintenance, \$132,707 decrease in chemicals, and \$140,718 increase in sewer treatment fees. The decrease in chemicals and offsetting increase in sewer treatment fees is the result of the new water treatment plant. The new water plant will use less chemicals than the old plant, but has higher electrical needs.

Depreciation expense, a non-cash outlay, increased by \$148,677, to \$329,916, mainly due to the water plant being placed in service.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

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

ANALYSIS OF BUDGET AND ACTUAL RESULTS

Governmental and Enterprise Funds

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

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

General Fund

- ❖ Personal property tax revenue received was less than budgeted by \$156,725. As noted above, this fluctuation is primarily due to a large amount of taxes not being received within 60 days of the Town's fiscal year-end, and therefore that portion is recognized as a deferred inflow instead of income. Income taxes received were higher than anticipated by \$150,844, 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. Highway user tax revenue received is \$224,718 above budget, as the amounts evolve throughout the year as notified by the State Highway Administration and the Town budgeted conservatively for this amount. Program Open Space income was \$55,575 less than expected, due to timing of the Town's remittance of the reimbursement request to the State. Interest income received from banks was \$33,852 less than the budgeted amount, due to the sharp decline in interest rates as the COVID-19 pandemic continues. Lastly, other revenue was \$80,644 higher than budget due to an unexpected reimbursement from Frederick County for the prior year's mulch pile closure. Total revenues were over budget by \$286,476.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

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

- ❖ General government expenditures were under budget by \$73,967, most notably due to lower than budgeted salaries of \$58,342 and a favorable budget variance in planning and zoning of \$14,718. Public safety expenditures have an unfavorable budget variance of \$91,926 due to the rising costs of utilizing five Maryland state troopers. Public works expenditures were under budget by \$16,185 due to salaries and maintenance coming in under budget. Waste collection and disposal expenditures were under budget by \$110,871 due to the Town securing a contract with a new vendor at a significantly reduced cost. Recreation and culture expenditures came in under budget by \$480,934, mostly due to the costs related to the HFP building/Program Open Space being included in capital outlay. Non-departmental expenditures are higher than budgeted, by \$40,719, 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 \$865,820, due to the \$1 million being available for capital projects not actually being spent. The Burgess and Commissioners and town staff continue to budget in an extremely conservative manner; however, projects aimed at improving infrastructure and park usages have been approved and will be paid with previous surplus funds.

Water Fund

- ❖ Actual revenues exceeded budgeted revenues by \$576,392. This is primarily due to favorable budget variances for charges for service and connection fees. Charges for service received \$258,167 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 adding a semi-annual fee of \$25/connection to each water bill. 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. Wireless tower income (a non-operating revenue source) exceeded budget expectations by \$7,259, as carriers continue to expand, replace, and stay up on the latest cellular technology. The Water Fund depends on this wireless revenue to stay viable.
- ❖ Total operating expenses were more than expected by \$169,323, which includes notable overages in sewer treatment fees of \$138,308, and electricity of \$41,665. Conversely, the Town saw savings compared to budget in chemicals of \$28,656.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Town of Walkersville's total investment in capital assets, net of related debt, including construction in process, for its governmental and business type activities as of June 30, 2021, amounts to \$12,197,981 (net of accumulated depreciation) compared to \$11,301,301 at June 30, 2020, an increase of \$896,680. 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 2021, there were no contributions of infrastructure from developers.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

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

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

This Year's Capital Additions Included:

Purchased by Town:

Communication upgrade to tank system	\$	7,541
Maintenance shop/ water treatment well upgrades		63,500
Server installation and setup		14,158
Security camera and audio		44,575
New door for Food Bank		2,768
Sewage ejector pump		3,549
Town Gateway signs		15,906
Heritage Farm Park		289,314
Water treatment plant		666,105
Dodge Ram 3500 and snow plow		58,359
HFP barn stabilization		170,690
Fountain Rock Road modification		98,883
Biggs Ford paving		183,140
Town Hall interior redesign		27,919
Wet taps for pond and 12' main		66,691
		<hr/>
Total Purchased by the Town	\$	<u>1,713,098</u>

The Town of Walkersville's fiscal year 2022 budget plans for spending \$1,398,000. This amount includes budgeting for improvements to computers, security, equipment, major paving and overlay projects, and additional funds for the Heritage Farm Park barn stabilization. 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, 2021, \$7,542,798 has been drawn on the bonds.

Subsequent Items for Future Financial Statements

- ❖ The Town of Walkersville adopted its General Fund budget based on a 14.0¢ tax rate per \$100 of assessed value for FY 2022, which remains the same from FY 2021. Our tax rate continues to be a source of pride to the Burgess & Commissioners as one of the lowest tax rates in the State of Maryland for a town of our size.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

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

- ❖ The Town functioned for an entire year with 5 resident troopers. Speeding continues to be the most often expressed complaint by residents. Calls for service remain up, but COVID-19 did reduce the number of traffic stops performed during part of the year. 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 will need to budget for or allocate American Rescue Funds for storm water retention programs that 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 may be completed by the end of FY 2022.
- ❖ 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

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, 2021**

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Current Assets			
Cash	\$ 292,485	\$ 1,332,574	\$ 1,625,059
Cash equivalents - Maryland Local Government			
Investment Pool	7,489,283	506,327	7,995,610
Certificates of deposit, including accrued interest	850,037	-	850,037
Receivables			
Taxes	265,960	-	265,960
Franchise fees	21,953	-	21,953
Water service charges, net of allowance for uncollectibles of \$775	-	140,412	140,412
Due from other governmental agencies	218,723	-	218,723
Current portion of interfund loan	49,494	(49,494)	-
Accrued interest receivable (payable) on interfund loan	8,460	(8,460)	-
Inventory, at cost, net of allowance	11,616	14,732	26,348
Prepaid expenses	14,731	6,548	21,279
Internal balances	(72,795)	72,795	-
Total Current Assets	9,149,947	2,015,434	11,165,381
Noncurrent Assets			
Long-term interfund loan	1,801,867	(1,801,867)	-
Capital assets not being depreciated	2,648,095	33,607	2,681,702
Capital assets net of accumulated depreciation	4,682,645	12,161,007	16,843,652
Total Noncurrent Assets	9,132,607	10,392,747	19,525,354
Total Assets	18,282,554	12,408,181	30,690,735
DEFERRED OUTFLOWS OF RESOURCES			
	185,720	55,430	241,150
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 18,468,274	\$ 12,463,611	\$ 30,931,885
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 408,328	\$ 153,299	\$ 561,627
Current portion of compensated absences and withholdings	27,996	8,391	36,387
Unearned revenue	17,600	147,199	164,799
Deposits	48,003	26,723	74,726
Current portion of bonds payable	-	217,148	217,148
Accrued interest payable	-	27,325	27,325
Total Current Liabilities	501,927	580,085	1,082,012
Noncurrent Liabilities			
Net pension liability	680,710	204,194	884,904
Portion due or payable after one year			
Compensated absences	33,626	10,209	43,835
Bonds payable	-	7,110,225	7,110,225
Total Noncurrent Liabilities	714,336	7,324,628	8,038,964
Total Liabilities	1,216,263	7,904,713	9,120,976
DEFERRED INFLOWS OF RESOURCES			
	70,847	21,815	92,662
Net Position			
Net investment in capital assets	7,330,740	4,867,241	12,197,981
Unrestricted (deficit)	9,850,424	(330,158)	9,520,266
Total Net Position	17,181,164	4,537,083	21,718,247
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 18,468,274	\$ 12,463,611	\$ 30,931,885

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Statement of Activities
Year Ended June 30, 2021

					Net (Expense) Revenue and Changes in Net Position		
		Program Revenues			Primary Government		
Program Activities	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT							
Governmental Activities							
General government	\$ 597,770	\$ 26,820	\$ 16,594	\$ -	\$ (554,356)	\$ -	\$ (554,356)
Public safety	1,313,609	-	47,907	-	(1,265,702)	-	(1,265,702)
Public works	961,946	1,880	-	-	(960,066)	-	(960,066)
Waste collection and disposal	190,629	5,358	-	-	(185,271)	-	(185,271)
Recreation and culture	198,661	-	134,350	-	(64,311)	-	(64,311)
Non-departmental	438,069	-	-	-	(438,069)	-	(438,069)
Total Governmental Activities	3,700,684	34,058	198,851	-	(3,467,775)	-	(3,467,775)
Business-Type Activities							
Water	1,468,275	1,961,791	-	-	-	493,516	493,516
TOTAL GOVERNMENT	\$ 5,168,959	\$ 1,995,849	\$ 198,851	\$ -	(3,467,775)	493,516	(2,974,259)
General Revenues							
Taxes							
Property taxes, levied for general purposes					1,291,457	-	1,291,457
Income taxes					1,040,768	-	1,040,768
Highway taxes					274,718	-	274,718
Other local taxes					1,018,236	-	1,018,236
Franchise fees					87,011	-	87,011
Investment earnings					42,676	893	43,569
Gain (loss) on disposal of assets					6,000	-	6,000
Miscellaneous					129,984	-	129,984
Total General Revenues					3,890,850	893	3,891,743
Change in Net Position					423,075	494,409	917,484
NET POSITION - BEGINNING					16,758,089	4,042,674	20,800,763
NET POSITION - ENDING					\$ 17,181,164	\$ 4,537,083	\$ 21,718,247

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Balance Sheet – Governmental Fund
June 30, 2021

	General Fund
ASSETS	
Cash	\$ 292,485
Cash equivalents - Maryland Local Government	
Investment Pool	7,489,283
Certificates of deposit, including accrued interest	850,037
Receivables	
Taxes	265,960
Franchise fees	21,953
Due from other governmental agencies	218,723
Accrued interest receivable	8,460
Prepaid expenditures	14,731
Inventory, at cost	11,616
Due from other funds - short-term	49,494
Due from other funds - long-term	<u>1,801,867</u>
TOTAL ASSETS	<u>\$ 11,024,609</u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	\$ 408,328
Accrued salaries and withholdings	27,996
Due to other funds	72,795
Unearned revenue	17,600
Deposits	<u>48,003</u>
Total Liabilities	<u>574,722</u>
Deferred Inflows of Resources	
Unavailable tax revenue	<u>264,793</u>
Fund Balance	
Nonspendable	1,828,214
Unassigned	<u>8,356,880</u>
Total Fund Balance	<u>10,185,094</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 11,024,609</u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position of
Governmental Activities
June 30, 2021

TOTAL FUND BALANCE - GOVERNMENTAL FUND \$ 10,185,094

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	17,130,536	
Accumulated depreciation	<u>(9,799,796)</u>	7,330,740

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. 264,793

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

Net pension liability	(680,710)	
Deferred outflows of resources	185,720	
Deferred inflows of resources	<u>(70,847)</u>	(565,837)

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: (33,626)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 17,181,164

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Governmental Fund
Year Ended June 30, 2021

	General Fund
REVENUES	
Local property taxes and interest	\$ 1,026,664
Licenses and permits	26,820
Grants and shared taxes	2,532,573
Other revenue	<u>272,907</u>
Total Revenues	<u>3,858,964</u>
EXPENDITURES	
General government	521,715
Public safety	1,311,782
Public works	625,915
Waste collection and disposal	190,629
Recreation and culture	137,916
Non-departmental	396,339
Capital outlay	<u>902,180</u>
Total Expenditures	<u>4,086,476</u>
Change in Fund Balance	(227,512)
TOTAL FUND BALANCE - BEGINNING OF YEAR	<u>10,412,606</u>
TOTAL FUND BALANCE - END OF YEAR	<u><u>\$ 10,185,094</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, 2021

CHANGE IN FUND BALANCE - GOVERNMENTAL FUND	\$ (227,512)
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.	902,180
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.	(441,032)
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.	264,793
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.	(41,728)
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.	(33,626)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 423,075</u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Statement of Net Position – Proprietary Fund
June 30, 2021

	Water Fund
ASSETS	
Current Assets	
Cash	\$ 1,332,574
Cash equivalents - Maryland Local Government	
Investment Pool	506,327
Receivables	
Water service charges (net of allowance for uncollectibles of \$775)	140,412
Due from other funds	72,795
Prepaid expenses	6,548
Inventory, at cost, net of allowance	14,732
	<u>2,073,388</u>
Total Current Assets	
	<u>2,073,388</u>
Noncurrent Assets	
Capital assets not being depreciated	33,607
Capital assets net of accumulated depreciation	12,161,007
	<u>12,194,614</u>
Total Noncurrent Assets	
	<u>12,194,614</u>
Total Assets	14,268,002
DEFERRED OUTFLOWS OF RESOURCES	<u>55,430</u>
	<u>55,430</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 14,323,432</u>
	<u>\$ 14,323,432</u>
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 153,299
Unearned revenues	147,199
Current portion of compensated absences and withholdings	8,391
Deposits	26,723
Current portion of bonds payable	217,148
Current portion of interfund loan	49,494
Accrued interest payable	35,785
	<u>638,039</u>
Total Current Liabilities	
	<u>638,039</u>
Noncurrent Liabilities	
Net pension liability	204,194
Portion due or payable after one year	
Compensated absences	10,209
Bonds payable	7,110,225
Due to other funds	1,801,867
	<u>9,126,495</u>
Total Noncurrent Liabilities	
	<u>9,126,495</u>
Total Liabilities	9,764,534
	<u>9,764,534</u>
DEFERRED INFLOWS OF RESOURCES	<u>21,815</u>
	<u>21,815</u>
Net Position	
Net investment in capital assets	4,867,241
Unrestricted (deficit)	(330,158)
	<u>4,537,083</u>
Total Net Position	
	<u>4,537,083</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 14,323,432</u>
	<u>\$ 14,323,432</u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund
Year Ended June 30, 2021

	Water Fund
OPERATING REVENUES	
Charges for services	\$ 1,414,159
Meter service charge	2,280
Connection fees	319,687
Penalties and interest	10,456
Other income	<u>150</u>
Total Operating Revenues	<u>1,746,732</u>
OPERATING EXPENSES	
Depreciation	329,916
Salaries	250,153
Electricity	111,665
Distribution maintenance	150,737
Parts, supplies, and tools	8,320
Chemicals	56,344
Sewer treatment fees	302,308
Other operating expenses	13,389
Audit	10,250
Legal expense	90
Administrative expenses	32,363
Pension plan	34,389
Workmen's compensation insurance	6,788
Payroll taxes	19,127
Property insurance	18,433
Medical insurance	43,237
Safety	961
Miscellaneous	<u>934</u>
Total Operating Expenses	<u>1,389,404</u>
Income From Operations	<u>357,328</u>
NON-OPERATING REVENUES (EXPENSES)	
Wireless tower income	215,059
Interest income	893
Interest expense	<u>(78,871)</u>
Total Non-Operating Revenues (Expenses)	<u>137,081</u>
Change in Net Position	494,409
NET POSITION - BEGINNING OF YEAR	<u>4,042,674</u>
NET POSITION - END OF YEAR	<u><u>\$ 4,537,083</u></u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Statement of Cash Flows – Proprietary Fund
Year Ended June 30, 2021

	Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,994,692
Cash payments to suppliers for goods and services	(949,083)
Cash payments to employees for services	<u>(240,576)</u>
Net Cash Provided By Operating Activities	<u>805,033</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Decrease in due from other funds	<u>222,335</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(810,918)
Interest paid on notes payable	(78,871)
Payments on interfund loan	(48,639)
Payments on bonds payable	(215,425)
Proceeds from bonds payable	<u>260,899</u>
Net Cash (Used In) Capital and Related Financing Activities	<u>(892,954)</u>
CASH FLOW FROM INVESTING ACTIVITIES	
Interest on cash and investments	<u>893</u>
Net Increase In Cash and Cash Equivalents	135,307
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,703,594</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 1,838,901</u></u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Statement of Cash Flows – Proprietary Fund (Continued)
Year Ended June 30, 2021

	Water Fund
RECONCILIATION OF INCOME FROM OPERATIONS	
TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Income from operations	\$ 357,328
Adjustments to reconcile income from operations to net cash provided by operating activities:	
Depreciation	329,916
Non-operating wireless tower income	215,059
(Increase) in receivables	(6,664)
(Increase) in prepaid expenses	(2,432)
(Increase) in inventory	(1,544)
(Decrease) in accounts payable	(135,204)
(Decrease) in accrued interest payable	(568)
Increase in deferred revenue	40,215
(Decrease) in accrued salaries	(2,225)
(Decrease) in deposits	(650)
Change in net pension liability and related items	11,802
	<u>11,802</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 805,033</u></u>
RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS	
PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF	
NET POSITION	
Cash	\$ 1,332,574
Cash equivalents - Maryland Local Government	
Investment Pool	506,327
	<u><u>\$ 1,838,901</u></u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity

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

The accompanying financial statements are presented as of June 30, 2021 and for the year then ended and have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to local governments. The Governmental Accounting Standards Board (the GASB) is the standard setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the *GASB's Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification).

Reporting Entity

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

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

Government-Wide and Fund Financial Statements

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

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

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

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Balances

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

Nonspendable

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

Restricted

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

Committed

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

Assigned

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

Unassigned

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

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

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The government reports the following major governmental funds:

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

The government reports the following major proprietary funds:

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

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Use of Estimates in the Preparation of Financial Statements

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

Real Estate and Personal Property Taxes

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

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

At June 30, 2021, taxes receivable not collected within 60 days of year-end totaled \$264,793. This amount is recorded as a deferred inflow of resources in the governmental fund.

Inventories and Prepaid Items

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

Capital Assets

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

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Statement of Cash Flows

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

Accounts Receivable

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

Concentrations of Credit Risk

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

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risks and Uncertainties

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

Investments

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

Taxes and Town Services

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

Rate of Town Taxes

Real estate tax	\$.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 two items that qualify for reporting in this category: one is related to the Town's pension plan, and the other is related to unavailable tax revenues.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

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

Net Investment in Capital Assets

Consists of capital assets grouped into one component of net position. Accumulated depreciation and the outstanding balances of debt, accounts payable, and retainage payable that are attributable to the acquisition, construction or improvement of these assets reduce the category. Net investment in capital assets as of June 30, 2021 consists of the following:

	Government Wide Activities	
	Governmental Activities	Business Type Activities/ Water Fund
Capital Assets	\$ 17,130,536	\$ 16,845,600
Accumulated depreciation	(9,799,796)	(4,650,986)
Bonds payable	-	(7,327,373)
Net Investment in Capital Assets	<u>\$ 7,330,740</u>	<u>\$ 4,867,241</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, 2021, the Town had no restrictions of net position.

Unrestricted

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

Net Position Flow Assumption

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

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

Notes to Financial Statements

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

General governmental revenues and expenditures accounted for in the General Fund are controlled by a formal budgetary accounting system in accordance with legal requirements that govern the Town's operations. 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

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, 2021, the carrying amount of the Town's deposits was \$2,475,096 including interest receivable. The related bank balance totaled \$2,449,900.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

NOTE 3 CASH AND CERTIFICATES OF DEPOSIT (CONTINUED)

Following is a schedule of the Town's deposits by financial institution at June 30, 2021:

Woodsboro Bank	\$ 850,000
PNC Bank	1,599,900
	<u>\$ 2,449,900</u>

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk, however, follows State law. As of June 30, 2021 \$1,699,900 of the Town's deposits were exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank not in the Town's name	<u>\$ 1,699,900</u>
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NOTE 4 INVESTMENTS

As of June 30, 2021 the Town had the following investments and maturities.

Investment Type	Maturities	Fair Value
Maryland Local Government Investment Pool	See description of MLGIP	\$ 7,995,610

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

Significant policies that relate to MLGIP are as follows:

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

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

Notes to Financial Statements

NOTE 4 INVESTMENTS (CONTINUED)

Interest Rate Risk

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

Credit Risk

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

NOTE 5 TAX ABATEMENT

The Town adopted a resolution in September 1978, under the authority of Article 23A, Section 19(n), of the Annotated Code of Maryland, whereby property owners within the Town's annexed area can receive tax abatements, provided certain stipulations are met. Under the terms of the resolution, the property must remain zoned for agricultural use only and the residents must forgo receiving any municipal services or benefits. As long as these conditions are met, the resident pays a nominal property tax of \$1 per year. Total property taxes abated under this agreement were \$6,205 for the year ended June 30, 2021.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

NOTE 6 INVENTORY

Inventory consists of the following:

	General Fund
Inventory, at cost	<u>\$ 11,616</u>
	Enterprise Fund
Inventory, at cost	\$ 15,848
Allowance for obsolete inventory	<u>(1,116)</u>
	<u>\$ 14,732</u>

NOTE 7 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
GOVERNMENTAL ACTIVITIES				
Capital Assets, Not Being Depreciated				
Land	\$ 2,047,319	\$ -	\$ -	\$ 2,047,319
Construction in progress	268,314	374,929	(42,467)	600,776
Total Capital Assets Not Being Depreciated	<u>2,315,633</u>	<u>374,929</u>	<u>(42,467)</u>	<u>2,648,095</u>
Capital Assets Being Depreciated				
Improvements	1,858,101	206,889	-	2,064,990
Infrastructure	9,074,953	288,290	-	9,363,243
Building and furnishings	1,845,711	9,103	-	1,854,814
Equipment	1,164,590	65,437	(30,633)	1,199,394
Total Capital Assets Being Depreciated	<u>13,943,355</u>	<u>569,719</u>	<u>(30,633)</u>	<u>14,482,441</u>
Total Capital Assets	<u>16,258,988</u>	<u>944,648</u>	<u>(73,100)</u>	<u>17,130,536</u>
Accumulated Depreciation				
Improvements	(1,067,605)	(61,198)	-	(1,128,803)
Infrastructure	(6,241,352)	(239,944)	-	(6,481,296)
Building and furnishings	(1,287,178)	(44,723)	-	(1,331,901)
Equipment	(793,262)	(95,167)	30,633	(857,796)
Total Accumulated Depreciation	<u>(9,389,397)</u>	<u>(441,032)</u>	<u>30,633</u>	<u>(9,799,796)</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 6,869,591</u>	<u>\$ 503,616</u>	<u>\$ (42,467)</u>	<u>\$ 7,330,740</u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

Notes to Financial Statements

NOTE 7 CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
BUSINESS-TYPE ACTIVITIES				
Capital Assets, Not Being Depreciated				
Land	\$ 7,507	\$ -	\$ -	\$ 7,507
Construction in progress	7,740,013	26,100	(7,740,013)	26,100
Total Capital Assets Not Being Depreciated	7,747,520	26,100	(7,740,013)	33,607
Capital Assets Being Depreciated				
Equipment	589,459	51,079	-	640,538
Improvements	15,358	66,691	-	82,049
Building and furnishings	45,738	-	-	45,738
Water treatment plant	1,644,577	8,399,520	-	10,044,097
Distribution system	4,313,713	7,541	-	4,321,254
Water systems	60,000	-	-	60,000
Water towers	1,618,317	-	-	1,618,317
Total Capital Assets Being Depreciated	8,287,162	8,524,831	-	16,811,993
Total Capital Assets	16,034,682	8,550,931	(7,740,013)	16,845,600
Accumulated Depreciation				
Equipment	(468,403)	(40,163)	-	(508,566)
Improvements	(15,295)	(62)	-	(15,357)
Building and furnishings	(28,135)	(1,987)	-	(30,122)
Water treatment plant	(1,045,193)	(173,200)	-	(1,218,393)
Distribution system	(1,347,046)	(88,094)	-	(1,435,140)
Water systems	(59,999)	(1)	-	(60,000)
Water towers	(1,356,999)	(26,409)	-	(1,383,408)
Total Accumulated Depreciation	(4,321,070)	(329,916)	-	(4,650,986)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 11,713,612</u>	<u>\$ 8,221,015</u>	<u>\$ (7,740,013)</u>	<u>\$ 12,194,614</u>

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

Governmental Activities

General government	\$ 59,242
Public safety	1,827
Public works	319,218
Recreation and culture	60,745
	<u>\$ 441,032</u>

Business-Type Activities

Water	<u>\$ 329,916</u>
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BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD **Notes to Financial Statements**

NOTE 8 BONDS PAYABLE

In October 2018, the Town borrowed \$8,771,545 from the Maryland Department of the Environment (MDE), via the issuance of two bonds. The Burgess and Commissioners of Walkersville, Maryland Drinking Water Bond, Series 2018A was issued in the amount of \$7,271,545, and the Burgess and Commissioners of Walkersville, Maryland Drinking Water Bond, Series 2018B was issued in the amount of \$1,500,000. The purpose of the bonds is to finance the construction of a new water treatment plant for the Town. Terms of the Series 2018A bond call for annual principal payments due February 1 each year, beginning in 2020. The bond has an interest rate of 0.80% per annum and interest is due semiannually on the first day of February and August, commencing February 1, 2019, with final payment due February 1, 2050. The Series 2018B bond is payable on demand at any time prior to October 24, 2028, together with interest at a rate of 3.56% per annum. If the bond is not called prior to October 24, 2028, and provided the Town meets certain conditions, it shall be deemed to be forgiven, with principal and accrued interest cancelled. The bonds are secured by the full faith and credit and unlimited taxing power of the Town. The bonds are subject to mandatory repayment and may be prepaid by the Town in whole or in part, only at such times and in such amounts, and upon the payment by the Town of such prepayment premium or penalty, as the Director of the Maryland Water Quality Financing Administration (MWQFA) may specify and approve. The bonds also contain a provision that in the event of default for nonpayment of principal and interest, the full amount of the bonds shall be immediately due and payable, and the MWQFA may take any necessary legal action to collect amounts due. At June 30, 2021, the full amounts of the bonds have not been utilized.

	Beginning Balance	Additions	Reductions	Ending Balance	Current Maturities
Bonds payable - MDE	\$ 7,281,899	\$ 260,899	\$ (215,425)	\$ 7,327,373	\$ 217,148

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

	Principal	Interest
Year Ending June 30,		
2022	\$ 217,148	\$ 56,448
2023	218,885	54,712
2024	220,636	52,960
2025	222,401	51,196
2026	224,181	49,416
2027-2031	1,148,093	221,742
2032-2036	1,194,758	213,530
2037-2041	1,243,319	124,666
2042-2046	1,293,853	74,130
2047-2050	1,344,099	21,542
	<u>\$ 7,327,373</u>	<u>\$ 920,342</u>

As of June 30, 2021, the Town has not been notified that the Series 2018B bond will be called; as such, it is included within the contractual maturities above. If forgiven, principal and interest related to this bond would not have to be repaid.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

NOTE 9 GOVERNMENTAL FUND BALANCES

The detail of the fund balance classifications aggregated on the balance sheet as of June 30, 2021 is as follows:

	General Fund
FUND BALANCES	
Nonspendable	
Inventory	\$ 11,616
Prepaid expenditures	14,731
Due from other funds - long-term	<u>1,801,867</u>
	<u>1,828,214</u>
Unassigned	<u>8,356,880</u>
	<u><u>\$ 10,185,094</u></u>

NOTE 10 RETIREMENT PLAN

Summary of Significant Accounting Policies

Pensions

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

General Information About the Pension Plans

Plan Description

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

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

NOTE 10 RETIREMENT PLAN (CONTINUED)

Benefits Provided

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

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

Contributions

Both RCPB and ACPS participants are required to contribute 7% of their annual compensation. The Town is required to contribute the remaining amounts necessary to pay benefits when due. During the year ended June 30, 2021, the Town paid contributions totaling \$97,498.

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

At June 30, 2021, the Town reported a liability for its proportionate share of the net pension liability. The amount recognized by the Town as its proportionate share of the net pension liability and the total portion of the net pension liability that was associated with the Town for both plans in which the Town participates is as follows:

	Employees' Retirement and Pension System
Town's proportionate share of net pension liability	<u>\$ 884,904</u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

NOTE 10 RETIREMENT PLAN (CONTINUED)

The net pension liability was measured as of June 30, 2020 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, 2020, the Town's proportion was 0.0039135% for the System. This was an increase of 0.0002729% over the prior year.

For the year ended June 30, 2021, the Town recognized pension expense of \$76,003 related to governmental activities and \$21,495 related to business-type activities. As of June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ -	\$ -
Net difference between projected and actual investment earnings	143,652	91,233
Difference between actual and expected experience	-	1,429
Town contributions subsequent to the measurement date	97,498	-
	<u>\$ 241,150</u>	<u>\$ 92,662</u>

Town contributions subsequent to the measurement date totaling \$97,498 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, 2022. 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	\$ 9,560
2023	9,560
2024	9,560
2025	9,560
2026	12,750

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

NOTE 10 RETIREMENT PLAN (CONTINUED)

Actuarial Methods and Assumptions

The total pension liability for each of the defined benefit cost-sharing plans was determined by an actuarial valuation as of June 30, 2020, using the entry age normal actuarial cost method. Inflation is assumed to be 2.60% for general and 3.10% for wages. The discount rate and long-term expected rate of return on pension plan investments used in the determination of the total pension liability is 7.40%. Mortality rates were based on the Pub-2010 Mortality Tables with projected generational mortality improvements based on the MP-2018 fully generational mortality improvement scale.

Investments

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Public equity	37%	5.20%
Rate sensitive	19%	-0.30%
Credit opportunity	9%	2.80%
Absolute return	8%	1.80%
Private equity	13%	6.50%
Real assets	14%	4.30%
Total	100%	

Discount Rate

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

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

NOTE 10 RETIREMENT PLAN (CONTINUED)

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

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

	1% Decrease to 6.40%	Current Rate (7.40%)	1% Increase to 8.40%
Town's proportionate share of the net pension liability	\$ 1,259,804	\$ 884,904	\$ 572,647

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, 2020. This can be found at www.sra.state.md.us/Agency/Downloads/CAFR/CAFR-2020.pdf.

There were no amounts payable to the pension plan as of June 30, 2021.

NOTE 11 COMPENSATED ABSENCES

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

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

	Beginning Balance	Additions	Reductions	Ending Balance	Current Maturities
Compensated absences					
Governmental activities	\$ 70,567	\$ 19,039	\$ (27,990)	\$ 61,616	\$ 27,996
Business-type activities	\$ 20,090	\$ 6,963	\$ (8,422)	\$ 18,631	\$ 8,391

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

Notes to Financial Statements

NOTE 12 DEFERRED COMPENSATION PLAN

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

NOTE 13 AGREEMENTS WITH DEVELOPERS

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

NOTE 14 RISK MANAGEMENT

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

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

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

NOTE 15 CONDUIT DEBT OBLIGATIONS

The Town has issued Economic Development Revenue Bonds to provide assistance to the Walkersville Volunteer Rescue Company No. 24 (Company) for the acquisition and construction of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying financing agreement. Upon repayment of the bonds, ownership of the acquired facilities transfers to the Company served by the bond issuance. Neither the Burgess and Commissioners of Walkersville, MD, nor any public body thereof is obligated in any manner for repayment of the bonds. In accordance with the Governmental Accounting Standards Board, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2021 the Economic Development Revenue Bonds outstanding had an aggregate principal amount payable of \$1,131,458.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

Notes to Financial Statements

NOTE 16 MAINTENANCE AGREEMENTS

The Town entered into a contract for the maintenance of the Crum Road water tower effective September 1, 2004. The contract requires an annual payment of \$34,118 for the first three years, a base annual payment of \$11,026 for the next three years, and beginning in 2010 and each third year thereafter, the fee will be adjusted to reflect the current cost of service, never exceeding a 5% increase or decrease. The contract is cancelable at any time. Total expense under this contract for the year ended June 30, 2021 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, 2021 amounted to \$20,845.

On September 5, 2007 the Town entered into a contract with the same vendor of the two maintenance agreements described above for the maintenance of the Discovery water tower. This contract will require annual payments of \$42,211 for the first three years, a base annual payment of \$12,045 for the next three years, and beginning in 2013 and each third year thereafter, the fee will be adjusted to reflect the current cost of service, never exceeding a 5% increase or decrease. This contract is cancelable at any time. Total expense under this contract for the year ended June 30, 2021 amounted to \$16,473, and was paid in quarterly installments of \$4,118 each.

NOTE 17 INTERFUND RECEIVABLES AND PAYABLES

Outstanding balances between funds are reported as “internal balances” or “due to/from other funds” and are the result of lending/borrowing arrangements 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:

Receivable Fund	Payable Fund	Amount
Water	General	\$ 72,795

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, 2021. 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 17 INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

	Beginning Balance	Additions	Reductions	Ending Balance	Current Maturities
Interfund loan	<u>\$ 1,900,000</u>	<u>\$ -</u>	<u>\$ (48,639)</u>	<u>\$ 1,851,361</u>	<u>\$ 49,494</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:

	Principal	Interest
Year Ending June 30,		
2022	\$ 49,494	\$ 32,183
2023	50,364	31,313
2024	51,249	30,428
2025	52,150	29,527
2026	53,066	28,611
2027-2031	279,654	128,730
2032-2036	305,110	103,274
2037-2041	332,883	75,501
2042-2046	363,184	45,200
2047-2049	<u>314,207</u>	<u>12,498</u>
	<u>\$ 1,851,361</u>	<u>\$ 517,265</u>

NOTE 18 OPERATING LEASES

The Town entered into a lease for 200 acres of farm land with a farmer on October 17, 2012. The original lease expired December 31, 2016. The lease was renewed through December 31, 2017 with a possible year to year extension of up to four more years at the sole discretion of the Town. The lease was most recently renewed through December 31, 2021. The annual rental income from this lease amounts to \$35,200.

NOTE 19 WIRELESS TOWER INCOME

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 \$2,566 per tower to \$6,694 per tower. The contracts call for annual increases of 3-4% and contain automatic renewal clauses in five-year increments. Current agreements expire between April 2022 and March 2024. Future minimum lease receipts are as follows:

2022	\$ 226,339
2023	115,107
2024	25,090

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

	2021	2020	2019	2018	2017	2016	2015
Town's proportion of the net pension liability	0.0039%	0.0036%	0.0034%	0.0030%	0.0031%	0.0032%	0.0029%
Town's proportionate share of the net pension liability	\$ 884,904	\$ 750,890	\$ 705,083	\$ 655,187	\$ 723,711	\$ 670,226	\$ 522,243
Town's covered-employee payroll	\$ 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	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	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.

* 2015-2021 are the only years available. This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

2021 amounts reflect changes in assumptions as follows:

No changes in discount rate or investment rate of return.

No change in inflation assumptions.

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)

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 97,498	\$ 83,946	\$ 74,759	\$ 67,011	\$ 61,670	\$ 59,755	\$ 67,977
Contributions in relation to the contractually required contribution	<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>
Town's covered-employee payroll	\$ 952,128	\$ 894,945	\$ 830,650	\$ 782,834	\$ 754,832	\$ 700,523	\$ 699,913
Contributions as a percentage of covered-employee payroll	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.

* 2015-2021 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, 2021
(Unaudited)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Local property taxes and interest				
Real property	\$ 919,223	\$ 919,223	\$ 937,584	\$ 18,361
Personal property	236,094	236,094	79,369	(156,725)
Penalties and interest	9,500	9,500	9,711	211
	<u>1,164,817</u>	<u>1,164,817</u>	<u>1,026,664</u>	<u>(138,153)</u>
Licenses and permits				
Traders	3,000	3,000	4,675	1,675
Planning and zoning	24,000	24,000	22,145	(1,855)
	<u>27,000</u>	<u>27,000</u>	<u>26,820</u>	<u>(180)</u>
Grants and shared taxes				
State of Maryland				
Admissions	50,745	50,745	71,575	20,830
Highway tax	50,000	50,000	274,718	224,718
Grant for police protection	44,343	44,343	47,907	3,564
Program Open Space grant	189,925	189,925	134,350	(55,575)
Frederick County				
Income tax	889,924	889,924	1,040,768	150,844
Grant in lieu of property taxes	1,030	1,030	1,030	-
Tax equity program	946,661	946,661	946,661	-
Federal COVID-19 Relief Funds	-	-	15,564	15,564
	<u>2,172,628</u>	<u>2,172,628</u>	<u>2,532,573</u>	<u>359,945</u>
Other Revenue				
Interest from banks	46,905	46,905	13,053	(33,852)
Interest from Water Fund loan	33,038	33,038	29,623	(3,415)
Franchise fees	82,000	82,000	87,011	5,011
Rent	37,500	37,500	51,118	13,618
Contributions and donations	2,000	2,000	-	(2,000)
Recycling center	6,500	6,500	5,358	(1,142)
Proceeds on sale of assets	-	-	6,000	6,000
Other	100	100	80,744	80,644
	<u>208,043</u>	<u>208,043</u>	<u>272,907</u>	<u>64,864</u>
Total Revenues	<u>\$ 3,572,488</u>	<u>\$ 3,572,488</u>	<u>\$ 3,858,964</u>	<u>\$ 286,476</u>
EXPENDITURES				
General Government				
Legislative				
Town Council				
Commissioners' salaries	\$ 18,000	\$ 18,000	\$ 17,700	\$ 300
Other				
Salaries	282,000	282,000	223,658	58,342
Operating expenses	13,000	13,000	18,573	(5,573)
Training, meetings, and travel	8,600	8,600	2,077	6,523
	<u>321,600</u>	<u>321,600</u>	<u>262,008</u>	<u>59,592</u>
Executive				
Burgess' salary	12,500	12,500	12,500	-
Financial administration				
Independent auditing	10,500	10,500	10,250	250
Operating expenses	20,000	20,000	20,863	(863)
	<u>30,500</u>	<u>30,500</u>	<u>31,113</u>	<u>(613)</u>
Legal expenses	20,000	20,000	14,640	5,360
Planning and zoning	125,000	125,000	110,282	14,718
Municipal buildings				
Utilities	47,500	47,500	46,765	735
Repairs and maintenance	25,000	25,000	31,909	(6,909)
	<u>72,500</u>	<u>72,500</u>	<u>78,674</u>	<u>(6,174)</u>
Other				
Dues	8,582	8,582	8,128	454
County property taxes	5,000	5,000	4,370	630
	<u>13,582</u>	<u>13,582</u>	<u>12,498</u>	<u>1,084</u>
Total General Government	<u>595,682</u>	<u>595,682</u>	<u>521,715</u>	<u>73,967</u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Budgetary Comparison Schedule - General Fund (Continued)
Year Ended June 30, 2021
(Unaudited)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				- Positive
				(Negative)
Public Safety				
Police and traffic control	1,153,856	1,153,856	1,253,133	(99,277)
Code enforcement	16,000	16,000	8,649	7,351
Volunteer company contributions:				
Fire department	25,000	25,000	25,000	-
Ambulance service	25,000	25,000	25,000	-
Total Public Safety	1,219,856	1,219,856	1,311,782	(91,926)
Public Works				
Streets, roadways, and alleys				
Salaries	436,000	436,000	422,119	13,881
Maintenance	70,000	70,000	57,335	12,665
Parts, tools, and supplies	12,000	12,000	10,882	1,118
Truck and equipment	55,000	55,000	58,798	(3,798)
Street lighting	60,000	60,000	67,141	(7,141)
Safety	1,500	1,500	3,607	(2,107)
Uniforms/Boots	7,600	7,600	6,033	1,567
Total Public Works	642,100	642,100	625,915	16,185
Waste Collection and Disposal	301,500	301,500	190,629	110,871
Recreation and Culture				
Parks and recreation	49,600	49,600	52,016	(2,416)
Parks - mowing	90,000	90,000	74,500	15,500
Parks - Program Open Space	459,250	459,250	5,957	453,293
Heritage Building	2,000	2,000	-	2,000
Heritage Manor House	10,000	10,000	5,443	4,557
Senior citizens	8,000	8,000	-	8,000
Total Recreation and Culture	618,850	618,850	137,916	480,934
Non-Departmental				
Retirement and pension costs	80,700	80,700	78,944	1,756
Workmen's compensation	15,370	15,370	19,650	(4,280)
Payroll taxes	68,500	68,500	63,642	4,858
Medical insurance	140,000	140,000	138,061	1,939
Insurance	16,000	16,000	18,437	(2,437)
Community contributions	3,550	3,550	9,949	(6,399)
Security measures	8,000	8,000	5,210	2,790
Other	23,500	23,500	62,446	(38,946)
Total Non-Departmental	355,620	355,620	396,339	(40,719)
Capital Outlay				
Machinery and equipment	144,000	144,000	107,226	36,774
GIS zoning layers maintenance	10,000	10,000	-	10,000
Available for capital projects	1,000,000	1,000,000	-	1,000,000
Park projects	35,000	35,000	-	35,000
Biggs Ford/Fountain Rock paving	210,000	210,000	282,022	(72,022)
Park paving path and benches	25,000	25,000	-	25,000
HFP building maintenance	3,000	3,000	-	3,000
Town Gateway signs	35,000	35,000	15,906	19,094
HFP/POS	-	-	289,314	(289,314)
Watershed development	7,000	7,000	-	7,000
MS4 Permitting	60,000	60,000	-	60,000
HFP barn stabilization	170,000	170,000	170,690	(690)
Fountain Rock Road modification	69,000	69,000	-	69,000
Town Hall Renovations	-	-	27,919	(27,919)
Building and furnishings	-	-	9,103	(9,103)
Total Capital Outlay	1,768,000	1,768,000	902,180	865,820
Total Expenditures	5,501,608	5,501,608	4,086,476	1,415,132
CHANGE IN FUND BALANCE	\$ (1,929,120)	\$ (1,929,120)	\$ (227,512)	\$ 1,701,608
ADJUSTMENT TO BUDGETARY BASIS				
Designated from surplus	1,659,795	1,659,795		
Designated from Parks Accrual	269,325	269,325		
	<u>\$ -</u>	<u>\$ -</u>		

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Budgetary Comparison Schedule - Water Fund
Year Ended June 30, 2021
(Unaudited)

	Budgeted Amounts		Budgetary Basis	Variance with
	Original	Final	Actual Amounts	Final Budget - Positive (Negative)
REVENUES				
Operating Revenues				
Charges for service	\$ 1,155,992	\$ 1,155,992	\$ 1,414,159	\$ 258,167
Meter service charge	2,000	2,000	2,280	280
Connection fees	-	-	319,687	319,687
Penalties and interest	16,500	16,500	10,456	(6,044)
Other income	500	500	150	(350)
Total Operating Revenues	1,174,992	1,174,992	1,746,732	571,740
Non-operating Revenues				
Wireless tower income	207,800	207,800	215,059	7,259
Interest income	3,500	3,500	893	(2,607)
Total Non-operating Revenues	211,300	211,300	215,952	4,652
TOTAL REVENUES	1,386,292	1,386,292	1,962,684	576,392
EXPENSES				
Operating Expenses				
Salaries	244,000	244,000	250,153	(6,153)
Electricity	70,000	70,000	111,665	(41,665)
Distribution maintenance	140,000	140,000	150,737	(10,737)
Parts, supplies, and tools	4,000	4,000	8,320	(4,320)
Chemicals	85,000	85,000	56,344	28,656
Sewer treatment fees	164,000	164,000	302,308	(138,308)
Other operating expenses	27,800	27,800	13,389	14,411
Audit	10,500	10,500	10,250	250
Legal fees	2,000	2,000	90	1,910
Administrative expenses	23,425	23,425	32,363	(8,938)
Pension plan	25,140	25,140	34,389	(9,249)
Workmen's compensation insurance	5,800	5,800	6,788	(988)
Payroll taxes	19,000	19,000	19,127	(127)
Property insurance	17,000	17,000	18,433	(1,433)
Medical insurance	44,000	44,000	43,237	763
Safety	2,000	2,000	961	1,039
Miscellaneous	6,500	6,500	934	5,566
Total Operating Expenses	890,165	890,165	1,059,488	(169,323)
Capital Outlay				
Equipment	28,000	28,000	70,579	(42,579)
Wet taps for pond and 12' main	85,000	85,000	66,691	18,309
Water treatment plant	-	-	666,107	(666,107)
Distribution system	-	-	7,541	(7,541)
Total Capital Outlay	113,000	113,000	810,918	(697,918)
Other Expenses				
Interfund loan debt service	82,000	82,000	29,623	52,377
MDE loan debt service	288,286	288,286	49,248	239,038
Total Other Expenses	370,286	370,286	78,871	291,415
Total Expenses	1,373,451	1,373,451	1,949,277	(575,826)
CHANGE IN NET POSITION - BUDGETARY BASIS	\$ 12,841	\$ 12,841	13,407	\$ 566
ADJUSTMENT TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) BASIS				
To adjust for depreciation			(329,916)	
To adjust for capital outlay			810,918	
CHANGE IN NET POSITION - GAAP BASIS			\$ 494,409	

**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, 2021, 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 29, 2021.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Smith Elliott Kearns* Company, LLC

Hagerstown, Maryland
October 29, 2021