

Audited
Financial
Statements

June 30,
2015

Burgess and Commissioners
of Walkersville, MD

CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	4-18
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Position	19
Statement of Activities	20
FUND FINANCIAL STATEMENTS	
Balance Sheet – Governmental Fund	21
Reconciliation of Fund Balance to Net Position of Governmental Activities	22
Statement of Revenues, Expenditures, and Change in Fund Balance – Governmental Fund	23
Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balance of Governmental Fund to the Statement of Activities	24
Statement of Net Position – Proprietary Fund	25
Statement of Revenues, Expenses and Change in Net Position – Proprietary Fund	26
Statement of Cash Flows – Proprietary Fund	27-28
NOTES TO FINANCIAL STATEMENTS	29-49
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)	
Schedule of Town's Proportionate Share of the Net Pension Liability – Maryland State Retirement and Pension System Employees' Retirement and Pension Systems	50
Schedule of Town's Contributions to Pension Systems – Maryland State Retirement and Pension System Employees' Retirement and Pension Systems	51
Statement of Revenues and Expenditures - Budget and Actual – General Fund	52-54
OTHER SUPPLEMENTARY INFORMATION (UNAUDITED)	
Statement of Revenues and Expenses - Budget and Actual – Water Fund	55



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, 2015, 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. 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, 2015, 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.

Emphasis of Matter

As described in Note 10 to the financial statements, for the year ended June 30, 2015 the Burgess and Commissioners of Walkersville, MD adopted new accounting guidance, *Governmental Accounting Standards (GASB Statement) No. 68, Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 4 through 18 and 50 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Burgess and Commissioners of Walkersville, MD's basic financial statements. The budgetary comparison information for the water fund on page 55 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The water fund budgetary comparison statement is the responsibility of management. The information 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.

Smith Elliott Kearns & Company, LLC

Hagerstown, Maryland
October 27, 2015

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

MD&A Management's Discussion and Analysis

The management of the Burgess and Commissioners of Walkersville, MD (Town of Walkersville) offers the following narrative overview and analysis of the financial statements for the fiscal year ended June 30, 2015. We provide this information in the hopes that a citizen will invest the time to read and understand their Town's financial operations, particularly if they are inclined to discuss or make assertions regarding the financial statements. But let's be honest, probably no one, other than the writer and the auditor reviewers will ever crack the pages of this report. 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. So, here we go again:

FINANCIAL HIGHLIGHTS

- ❖ The assets of the Town of Walkersville exceeded its liabilities at the close of June 30, 2015 by \$ 18,904,878 (net position). Of this amount, \$ 7,770,647 (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 \$ 747,778 and the Town increased its cash and equivalents by \$ 782,279. The General Fund increased cash and equivalents by \$ 632,710, and the Water Fund increased by \$ 149,569.
- ❖ The General Fund reflected revenues over expenditures in the amount of \$ 550,998 and the Water Fund reflected a positive change in net position in the amount of \$ 25,260.
- ❖ As of June 30, 2015, the Town of Walkersville's governmental fund reported ending fund balances of \$ 6,570,217, an increase of \$ 550,998 in comparison with the prior year, still reflecting positive fiscal strength for the Town.
- ❖ The Town's business-type activities generated income from operations in the amount of \$ 16,753. For a change, operating revenues increased in the Water Fund by \$ 9,345, or .9% to \$ 994,517. At the same time, operating expenses increased by \$ 22,684 or 2.4%. Charges for Services (Water Usage fees) were down \$ 7,084, a .8% decrease. The increase of \$16,137 in Wireless tower income helped to keep the fund in the black this year. On June 10, 2015 an ordinance was introduced to adopt a new water rate schedule, in hopes of addressing the decreasing revenues for charges for service. The previous annual 1% increase to water billing tiers failed to produce the projected increases.
- ❖ The Town continues to be debt free, but plans are progressing to build a new water plant. While the Town plans to try to self-finance the lion's share of the project, the cost estimates continue to rise, and it will be necessary to fund some of the costs by outside borrowing.
- ❖ The Town continues to hold a second mortgage note on "Walkers Overlook". The balloon payment due date has been extended to October 15, 2015, for a balance of \$365,650. Also, additional interest and penalties will be added to the balance due because of late payments.
- ❖ Plant, property, and equipment of the General Fund totaled \$15,070,509. A net increase of \$ 543,179 of infrastructure and property was recognized. There was a corresponding net increase in accumulated depreciation of \$ 359,947 on these assets. Net capital assets used in governmental activities of the Town increased by \$ 183,232 to a total of \$ 7,453,615.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

MD&A Management's Discussion and Analysis

- ❖ The General Fund did not have to budget funds to be spent from prior year's reserves. The General Fund revenues were \$ 100,939 more than expected for the year. Expenditures were kept within conservative spending limits, coming in under-budget by \$ 450,059. The Town continues to operate conservatively, managing its resources responsibly.
- ❖ The Burgess and Commissioners adopted and continued with a 15.0¢ tax rate for FY 2015. This rate generated revenue in the amount of \$ 826,419. The Burgess and Commissioners efficiently maintain and manage the operations of the Town with one of the lowest tax rates in the State of Maryland.
- ❖ 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. 67. Financial statements of the participating employers are required to utilize GASB No. 68 for June 30, 2015. The Town is required to report its proportionate share of the State's unfunded liability as of June 30, 2015. The statements will include a Net pension liability in the amount of \$ 522,243, allocated between the General Fund and the Water Fund in the amounts of \$ 377,847 and \$ 144,396, 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.

1) 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,

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

MD&A Management's Discussion and Analysis

Non-departmental, and Capital outlay. The business-type activity of the Burgess & Commissioners of Walkersville, MD consists of a Water treatment and distribution operation.

The government-wide financial statements can be found on pages 19-20 of this report.

2) 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 21-24 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 25-28 of this report.

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

3) Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-49 of this report.

4) Required supplementary information can be found on pages 50-54.

5) Other supplementary information can be found on page 55.

Government-wide Financial Analysis

Statement of Net Position

Net position may serve over time as a useful indicator of a government's financial position. The following table reflects the condensed Government-wide Statement of Net Position:

**Town of Walkersville
Net Position Summary**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
ASSETS						
Current and other assets	\$ 7,329,394	\$ 6,747,259	\$ 1,432,117	\$ 1,257,892	\$ 8,761,511	\$ 8,005,151
Capital assets	7,453,615	7,270,383	3,680,616	3,829,730	11,134,231	11,100,113
Deferred outflows of resources	54,648	49,650	20,884	18,927	75,532	68,577
Total Assets and Deferred Outflows of Resources	14,837,657	14,067,292	5,133,617	5,106,549	19,971,274	19,173,841
LIABILITIES						
Current liabilities	393,527	348,274	93,213	92,692	486,740	440,966
Noncurrent liabilities	377,847	416,611	144,396	158,914	522,243	575,525
Total Liabilities	771,374	764,885	237,609	251,606	1,008,983	1,016,491
Deferred inflows of resources	41,358	-	15,805	-	57,163	-
NET POSITION						
Invested in capital assets, net of related debt	7,453,615	7,270,383	3,680,616	3,829,730	11,134,231	11,100,113
Unrestricted	6,571,310	6,032,024	1,199,337	1,024,963	7,770,647	7,056,987
Total Net Position	\$ 14,024,925	\$ 13,302,407	\$ 4,879,953	\$ 4,854,693	\$ 18,904,878	\$ 18,157,100

The Town of Walkersville's assets exceeded its liabilities by \$18,157,100 at the close of the June 30, 2014 fiscal year, and by \$18,904,878 at the close of June 30, 2015, an increase in net position of \$753,793 (4.2%). Total assets of \$19,105,264 at June 30, 2014 increased to \$19,971,274 by June 30, 2015, an increase of \$ 866,010 (4.5%). The increase in net position consists of an increase of \$ 34,118 in Net investment in capital assets and a \$ 713,660 increase in unrestricted net position.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

MD&A Management's Discussion and Analysis

The largest portion of the Town of Walkersville's net position \$ 11,134,231 (58.9%), reflects 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. The Town of Walkersville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Historically, infrastructure has not been included in capital asset reporting for governmental activities. GASB Statement No. 34 requires that all capital assets, including infrastructure, be reported. The Town has chosen to report all of its infrastructure assets with the implementation of GASB Statement No. 34 for the year ending June 30, 2004 and all future years, including certain developer constructed assets whose value was determined by using market prices for the year of construction. Additionally, the Town must elect to 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 has elected the first method and will use the depreciation method on infrastructure systems reporting.

Of the remaining Town assets, \$ 8,167,769 is accounted for in cash, cash equivalents, and pooled investments, \$ 559,388 in receivables including a mortgage receivable in the amount of \$ 365,650, \$33,189 in inventory, and \$ 1,165 in prepaid expenses.

At June 30, 2015, the Town continues to be debt free. Included in the Total Liabilities of \$ 1,008,983, there was \$ 370,978 in accounts payable, deposits of \$ 57,285 for amounts held in escrow for various projects, \$ 52,712 for staff accumulated leave and tax withholdings, \$5,765 in unearned revenue and \$ 522,243 for net pension liability.

At June 30, 2014 and 2015, the Town had positive balances in all categories of net position, for the government as a whole, and for governmental activities.

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

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	
	2015	2014	2015	2014	2015	2014
REVENUES						
Program Revenues						
Charges for services, fees fines	\$ 39,218	\$ 25,536	\$ 994,517	\$ 985,172	\$ 1,033,735	\$ 1,010,708
Operating grants and contributions	95,080	43,449	-	-	95,080	43,449
Capital grants and contributions	-	-	-	-	-	-
General Revenues						
Property taxes	1,140,813	1,146,426	-	-	1,140,813	1,146,426
Other state and local taxes	1,680,479	1,630,469	-	-	1,680,479	1,630,469
Other	214,729	189,097	8,507	954	223,236	190,051
Total Revenues	<u>3,170,319</u>	<u>3,034,977</u>	<u>1,003,024</u>	<u>986,126</u>	<u>4,173,343</u>	<u>4,021,103</u>
EXPENSES						
General government	505,145	484,088	-	-	505,145	484,088
Public safety	547,718	543,788	-	-	547,718	543,788
Public works	758,578	719,458	-	-	758,578	719,458
Waste collection and disposal	236,829	241,412	-	-	236,829	241,412
Recreation and culture	170,026	164,897	-	-	170,026	164,897
Non-departmental	229,505	599,648	-	-	229,505	599,648
Water utility services	-	-	977,764	1,095,067	977,764	1,095,067
Total Expenses	<u>2,447,801</u>	<u>2,753,291</u>	<u>977,764</u>	<u>1,095,067</u>	<u>3,425,565</u>	<u>3,848,358</u>
Change In Net Position	722,518	281,686	25,260	(108,941)	747,778	172,745
NET POSITION - BEGINNING	<u>13,302,407</u>	<u>13,020,721</u>	<u>4,854,693</u>	<u>4,963,634</u>	<u>18,157,100</u>	<u>17,984,355</u>
NET POSITION - ENDING	<u>\$ 14,024,925</u>	<u>\$ 13,302,407</u>	<u>\$ 4,879,953</u>	<u>\$ 4,854,693</u>	<u>\$ 18,904,878</u>	<u>\$ 18,157,100</u>

Total revenues for the Town of Walkersville were \$ 4,179,108 for the year ended June 30, 2015, up \$ 158,005 (3.9%) from FY 2014. Governmental activities provided \$ 3,176,084 and business-type activities provided \$ 1,003,024, primarily from charges for water services.

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:

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

Governmental Funds Revenue and Expense Analysis

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

The General Fund is the chief operating fund of the Town. On June 30, 2015, the unassigned fund balance of the General Fund was \$ 6,289,224.

Town of Walkersville
Revenues Classified by Source
Governmental Funds

	Amount		Percent of Total	
	2015	2014	2015	2014
Revenues				
Local property taxes and interest	\$ 1,141,890	\$ 1,146,770	35.86%	37.63%
Licenses and permits	30,032	17,395	0.94%	0.57%
Grants and shared taxes	1,775,559	1,665,991	55.76%	54.67%
Other revenue	236,954	217,203	7.44%	7.13%
Total Revenues	\$ 3,184,435	\$3,047,359	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 \$ 826,419, up \$ 6,679 (.8%) from last year, reflecting the second year of the 15.0¢ per \$100 of assessed value tax rate. Gross business personal property tax revenue decreased by \$ 11,369 (3.6%) to \$ 306,686. Personal property taxes are assessed based on taxpayer-provided information. The timing and amounts of reportable inventories affect the revenues from personal property assessment returns, so it is impossible to explain or predict the changes. Penalties and interest category was down by \$ 190 to \$ 8,785.
- ❖ **Licenses and Permits** – This consists of Traders licenses and Planning and Zoning licensing and review fees. The Town no longer receives a portion of the County liquor license revenue, but the revenue in this category is up this year by \$ 12,637 to \$ 30,032. The increase of 72.6% breaks down between the categories as follows: Trader license revenue was down \$ 1,824, a 28.0% decrease from last year, and Planning & Zoning fees increased \$ 14,462, up to \$ 25,351, a 132.8% increase from last year’s \$ 10,889.
- ❖ **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 Tax Equity program from Frederick County. Admissions and Amusement tax is down by \$ 2,161, a 4.7% decrease compared to last year’s \$ 45,629. Highway User Revenue increased by \$ 5,416, a 3.3% increase over last year’s \$162,581. The Grant for Police Protection increased to \$32,720, a \$1,828 increase, or 5.9%. Program Open Space income is up \$ 57,730 as most of the previously approved Town projects were completed, and reimbursed 90% by the grant. Income tax revenue increased to \$ 745,825, a \$ 25,470 increase of 3.5%. The Grant in lieu of property taxes remains the same every year at \$1,030. Tax equity payments from Frederick

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

County increased to \$ 723,189, a \$ 21,286 increase from last year’s \$ 701,903. This 3.0% increase is the County’s way of supplementing the Walkersville taxpayers for services provided by the Town in lieu of the County providing them.

- ❖ **Other Revenue** – Other revenue includes interest income, franchise fees, senior citizens revenue, rental income, mortgage interest and principal payments, snow/mow removal income, miscellaneous revenues, and various other minor revenues. This year, the category increased by \$19,751, or 9.1%. Franchise fees from Comcast increased by \$ 2,166, a 3.0% increase, most probably because of increases in the cable company rates. The cable company’s rates continue to go up and the Town receives 5% of the gross revenue under the franchise agreement. Interest income decreased by \$ 1,407, a 6.3% decrease, attributable to the continuing lowering of interest rates. Interest rates fluctuated as low as .03% to a high of .08% with an actual annual yield of .05% at June 30, 2015 in the Town’s Local Government Investment Pool accounts for the fiscal year. The highest local CD rate of 1.92% is locked until February 2016. All others currently range from .195% - .27%. Rental fees increased by \$ 1,295, a 2.3% increase. Senior citizens collected \$6,941 to contribute to the Town’s food expenses in the amount of \$ 10,375 for their dining enjoyment. The stipend received from Frederick County for use in operating a recycling dumpster increased to \$ 6,546, an increase of .7% or \$ 43. We received mortgage interest and principal payments for the entire year in the amount of \$ 31,680, the same as last year, as we continue to finance part of the sale of the Walker Farm. Hopefully, the balloon payment will be received on the extended due date, October 15, 2015. Other revenue in the amount of \$ 39,048 was up by \$18,641, or 91.4%. The other revenue included a Walkersville History DVD, a Heritage Farm Park print, mowing and snow removal fees in the amount of \$ 2,640, and sales of miscellaneous patches and booklets. It also included \$ 35,241 for the abandoned bank accounts of the Heritage Farm Preservation Society that were claimed by the Town.

Town of Walkersville
Expenditures by Function
Governmental Funds

	Amount		Percent of Total	
	2015	2014	2015	2014
Expenditures				
General government	\$ 458,463	\$ 437,981	17.41%	21.32%
Public safety	547,718	543,788	20.80%	26.47%
Public works	479,676	452,952	18.21%	22.05%
Waste collection and disposal	236,829	241,412	9.00%	11.75%
Recreation and culture	121,257	114,962	4.60%	5.59%
Non-departmental	231,910	232,687	8.81%	11.33%
Capital outlay	557,584	30,775	21.17%	1.49%
Debt retirement	-	-	-	-%
Total Expenditures	\$ 2,633,437	\$ 2,054,557	100.00%	100.00%

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

MD&A Management's Discussion and Analysis

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

- ❖ **General Government** – The overall increase in the General government expenditures in the amount of \$ 20,482 is attributable to the following significant changes: Office salaries increased by \$ 6,397 or 3.2%, Legal expenses increased by \$8,624, or 118.89%, due to several litigious claims the Town had to defend this year. Planning and zoning expenses increased \$ 15,676, or 24.5%, due to developer activity in four upcoming build outs. Utilities decreased by \$ 8,684, or 14.8%, possibly as a result of more efficient fixtures in the Town Hall.
- ❖ **Public Safety** – This category increased overall by \$ 3,930 (a mere .7% increase) due to the increase in the Maryland State Police Resident trooper program of \$ 2,107, .4% over last year's contract. Code Enforcement expense was steady with a slight decrease of \$ 177 (1.7%). The Code Enforcement Officer was very busy again this year, with over 300 cases, and continues to excel at his job of bringing Town citizens into compliance with the Town Code. The Town annually contributes \$12,500 each to the fire company and the ambulance company. This year, the Town contributed an additional \$ 2,000 towards the fire company's new equipment.
- ❖ **Public Works** - This category increased overall by \$ 26,724. Maintenance salaries were up by \$ 3,422, a 1.3% increase. Maintenance on streets category was up by \$ 35,125 (68.4%), as we restriped and marked streets for \$6,533, contracted out street sweeping and leaf removal at a cost of \$ 5,988, and spent \$ 62,599 in deicing salt due to the harsh winter. Parts, tools, and supplies decreased by \$ 2,213, or 25.8%. Truck and Equipment expenditures were down by \$ 16,252 or 21.7%. Street lighting increased by \$ 7,691, a 14.9% increase, given the historical trend of rising utility costs. Safety continues to be a priority for Town staff, even though the category decreased by \$ 1,484, or 58.1%. Uniforms and boots increased by \$ 435, or 6.8%. Town staff continue to utilize their \$ 500 annual clothing allowances and rates with the uniform company have increased.
- ❖ **Waste Collection and Disposal** - This category decreased by \$ 4,583. While costs for the trash contract remained constant, the tipping fees decreased most likely due to the Town-sponsored bulk trash collection days each year reduce the impact on the landfill. We have also established a recycling dumpster for use by residents and business who do not have curbside. This is open 2 Wednesdays per month, and a monitor has been hired to insure that only recyclable items are deposited in the dumpster. A reimbursement in the amount of \$ 6,546 was received to offset the Town's costs to operate the site.
- ❖ **Recreation and Culture** – This category increased by \$ 6,295, or 5.5% overall with a combination of increases and decreases in the line items as follows: Parks and recreation and Senior citizens expenses decreased \$ 3,418 and \$ 75, respectively, and Parks mowing increased \$ 11,874. Several Program Open Space projects were completed and reimbursed this year, but show up in the Capital Outlay section of the report. Heritage Manor House expenses increased by \$1,214.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

MD&A Management's Discussion and Analysis

- ❖ **Non-Departmental** – Expenses include retirement plan expense, workers' compensation insurance, employment taxes, health, life and dental insurance, liability insurance, community donations, and miscellaneous other expenses. The category decreased overall by \$ 777, or .3%, with very little fluctuations in the categories. The retirement plan expense decreased by \$ 321, or .6%, as the State decreased the Town contribution from 10.00% to 9.73% of 6/30/2014 salaries. Workers' compensation decreased by \$ 2,326, or 20.9% as our excellent experience resulted in lowered premium. Employment taxes increased by \$ 2,085, or 4.9%, in conjunction with salary increased. Health, life and dental insurance was steady with a slight increase of \$ 137, or .1%, something to do with the Affordable Care Act and the age related premiums.
- ❖ **Depreciation Expense** – Implementation of GASB 34 required the Town to recognize depreciation expense in the government-wide financial statements on what was formerly the General Fixed Assets Account Group. This change primarily affects the Governmental Funds since what is now known as the Business-type Activities have always recorded depreciation expense. Depreciation expense is not a current use of funds; however, it is a measure of the diminishing utility of assets purchased or constructed with funds in previous years.

Enterprise Funds Revenue and Expense Analysis

Water Utility

Operating Revenues - Total operating revenues were up by \$ 9,345, an increase of .9%, with a \$ 7,084 decrease in water usage charges for service revenues, a decrease of .8%. Water usage charges continue to decrease, despite the enactment of an automatic 1% increase to the tier rates every October. Our citizens continue to be diligent in their water conservation efforts. The Town continues to struggle to stretch the current revenue to maintain operations at the water plant. Meter service charges and Penalties and interest on outstanding water bills both increased slightly by \$ 278 and \$ 146, respectively, a 21.2% increase and a .9% increase, so citizens continue conserving water and paying their bills timely. Wireless telecommunication income is increased by \$ 16,137 or 12.4%, for a total of \$ 146,207. Wireless carriers have been very active on the Crum Road water tower, adding antennae and increasing their lease agreements.

Non-Operating Revenues - Interest income is down by \$ 36, as rates remain low and Water Fund income is needed to maintain operations. This year, 3 pieces of equipment were sold at auction, with a gain from sale of fixed assets of \$7,589 recognized in the Water Fund.

Operating Expenses - The Water Fund's operating expenses increased overall by \$ 16,336 or 2.0%, with large increases and decreases in many of the categories. Staff salaries decreased by \$ 7,348, a 3.5% decrease, due to the loss of 2 water operators in April and replacements not hired until June. Pension expense was down \$ 1,019 (5.2%), payroll tax expense was up \$ 3,119 (20.3%), workers' compensation insurance was down \$ 1,018 (17.6%), and health, life, and dental insurance was down by \$ 3,421 (5.9%). There were substantial increases in the categories of Electricity, Chemicals, Sewer treatment fees, other operating expenses, and Legal fees. Electricity increased by \$12,397 or 22.8%, Chemicals increased by \$ 21,782 or 15.1%, Sewer treatment fees increased by \$ 16,236 or 16.3%, other operating expenses increased by \$ 6,014 or 27.7%, and Legal fees increased by \$7,350. Distribution maintenance is down significantly by \$17,800 or 15.0%. Administrative expenses decreased by \$ 2,189 or 14.6% and Miscellaneous expenses decreased by \$17,248 or 85.9% because last year included start-up expenses of investigating the replacement of the water plant, along with the repair of a sinkhole. Total Capital Outlay decreased by \$ 391,152, which consists of last year's water line completion in the amount of \$ 321,520, and a decrease of \$ 69,632

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

MD&A Management's Discussion and Analysis

in equipment additions. Depreciation expense, a non-cash outlay, increased by \$ 6,348, a 4.2% increase, to \$ 158,073.

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, operates as a self-sustaining business. For the fiscal year ended June 30, 2015, there were no adjustments made to the originally adopted budgets.

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

General Fund

Local property taxes and interest did not meet expectations by \$ 3,305, or (.3%). Personal property tax revenue exceeded budget expectations by \$ 6,686, 2.2%, while real property taxes reflected a negative variance of \$ 8,776, (1.1%). Penalties and interest on tax payments that did not meet budget expectations by \$ 1,215. As the Commissioners continue their emphasis on lower tax rates and property tax revenue goes down, businesses seem to be holding their own and the Town is reaping some benefit through their prosperity and personal property taxes assessed. Traders' license income exceeded the increased annual budget amount of \$ 4,000, by \$ 681 or 17.0%. The Maryland legislature redirected revenue from liquor licenses to the counties, therefore, the Town is out whatever was generated within the Town and has a negative variance of \$ 1,600. We will no longer budget for this item. Planning and zoning revenue exceeded expectations by \$ 20,351, or 407.0%, as a result of several developments gearing up for approval. Admissions tax did not meet expectations by \$ 3,532, or 7.5%. Highway user tax revenue was right on budget with a slight increase of \$ 582. The State Aid for Police Protection grant at \$ 32,720 was \$ 617 more than budgeted. The Program Open Space income was \$ 17,100 less than expected, due to the timing and completion of the projects. The reimbursement from the State as projects were completed amounted to \$ 61,330. Income taxes received were higher than anticipated by \$ 39,125, or 5.5%, a positive sign for the economy. Tax Equity was exactly the amount the County told us it would be, \$ 723,189, an increase over last year's amount by \$ 21,286, 3.0%. Walkersville continues to choose Tax equity rather than Tax differential as the calculation for our reimbursement from the County for duplicate services provided. Rental income exceeded budget by \$ 3,460, which includes a farm lease of 200 acres, park pavilion, and room rentals in the Town Hall. Interest rates remain consistently low; conservative budgeting for income at \$ 20,750 resulted in actual exceeding expectations by \$ 32, for a total of \$ 20,782. Franchise fees exceeded budget by \$ 9,496, due to not knowing how to predict the gross revenue of Comcast. The Town negotiated the agreement for the next 15 years, with revenue calculated at 5% of their gross revenues. Contributions and donations in the amount of \$ 6,941 exceeded expectations by \$ 441. Contributions and donations consist of revenue collected from the Senior Citizens group to offset the costs of food catering. The Town continues to hold a second mortgage on the Walker Farm property. The due date of July 1, 2015 for the balloon payment was extended by 90 days, to October 15, 2015. Interest and principal payments came in over budget in the amount of \$ 13,095, due to the budgeting of only the interest portion of the mortgage payments received. The Town entered into an agreement with Frederick County to provide a dumpster recycling facility, located in the Town Hall parking lot two Wednesdays per month. The County reimburses the Town for this expense, which was

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

MD&A Management's Discussion and Analysis

underestimated by \$ 546. Miscellaneous revenue exceeded the budget expectations of \$ 1,000 by \$ 38,050. The variance included income from snow removal and mowing in the amount of \$ 2,500, peddlers' permits in the amount of \$875, and the claimed funds of the defunct Heritage Preservation Society in the amount of \$ 35,241. We will continue to budget this at \$ 1,000, as this was another unusual year for miscellaneous income. Total Revenues exceeded budget by \$ 100,939, a 3.3% variance.

Actual expenditures were under budgeted expenditures by \$ 450,059 or 14.6%, with all budget categories being under-spent, except Legal expenses over budget by \$ 7,878. Under-spent categories break out as follows: General government was under by \$ 35,882, and includes the over budget legal category above. Public safety was under by \$ 16,808, Public works was under by \$ 16,074, Waste collection and disposal was under by \$ 34,631, Recreation and culture was under by \$ 11,343, Non-departmental was under by \$ 23,020, and Capital Outlay was under by \$ 312,301. Several of the capital projects were not commenced or were in process, accounting for the difference between budget and actual. Also, the Burgess and Commissioners and town staff continue to budget in an extremely conservative manner, giving priority to spending the funds entrusted to us in the most responsible processes, ensuring that our citizens receive the best services for their tax dollars.

Water Fund

Water total operating revenues were more than expected by \$ 21,517, with variances in every category. Charges for service continues to be a concern with \$ 6,160 less than expected received, a .7% variance from budget expectations. Automatic 1% rate increases still have not done the job in generating sufficient revenue, as citizens continue to conserve water. Meter service charges were up by \$ 588, or 58.8%, and Penalties and interest were \$ 882 over budget, or 5.9%. As we are steadily replacing meters with models that utilize scanning readers, maintenance calls on old meters are declining. Developers' connection charges, used for expanding the system, were not budgeted for or received as water tap agreements are not yet in place for the upcoming developments. Wireless tower income exceeded budget expectations by \$ 26,707, or 22.3%. The Total Revenues variance was \$ 301,801 less than expected, due to not utilizing the projected amount of reserve funds to balance the budget in the amount of \$ 323,236.

Total operating expenses were less than expected by \$ 49,795. Salaries came in under budget by \$ 26,817, as we lost 2 water operators in April who were not replaced until June. Raises in the amount of 5% are budgeted for all staff, along with 160 hours of compensatory time for the male workers, while raises ranged from 0-2% + \$ 500 - \$ 2,000. Pension plan expense was close to target with a slight variance of \$ 7 under budget, and Medical insurance was under budget by \$ 4,090. Workers compensation insurance was under-spent by \$ 5,244. Payroll taxes were over budget by \$ 971. Electricity, Distribution maintenance, and Chemicals were over budget by \$6,699, \$ 5,697, and \$ 6,188 respectively. Sewer treatment fees, Other operating expenses, Administrative expenses, and Safety expense were under-budget by \$ 10,086, \$ 9,268, \$ 8,048, and \$ 1,449, in part because of the efficiently managed spending and the conservative budgeting philosophy of the Town. Audit fees were under-budget by \$ 1,500 at \$ 8,500. Legal fees were over budget by 6,350 due to some particularly lengthy legal employee issues that are ongoing. Property insurance was under-budget by \$ 3,595, due to lowered premiums for good experience rating. Miscellaneous expense was under-budget by \$ 5,181.

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

Capital Assets and Debt Administration

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, 2015, amounts to \$ 11,134,231 (net of accumulated depreciation) compared to \$11,100,113 at June 30, 2014, an increase of \$ 34,118. 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, storm water 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 2015, there were no contributions of infrastructure from developers.

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

This year’s capital additions included:

Purchased by Town:

- Heritage Farm Park path extension	\$ 56,750
- Park pavilion roofs (5)	32,000
- Outside door on DePaola office	1,810
- Town manager office computer	1,092
- Police patrol bikes (2)	1,998
- Tiller	1,895
- Truck	29,235
- Snow plow for new truck	5,178
- Snow plow with alarm system for 2nd truck	5,276
- Hi-side box for new truck	1,295
- Glade Road design/construction	262,310
- Paving projects:	
George St., William St., Main St., Hahn Circle, and Goldsboro Place	158,744
- Water pump motor	6,012
- Water billing office computer	1,093
- Sensus Series 4090 meter gun	1,498
- Sensus Series 4094 meter gun	1,486
	<hr/>
Total purchased by the Town	<u><u>\$ 567,672</u></u>

The Town of Walkersville’s fiscal year 2016 capital budget plans for spending \$ 1,506,675 compared to FY 2015’s budget of \$ 1,297,855 for capital projects. Some of FY 2015’s projects were not implemented or completed, and thus reappeared in the FY 2016 budget. Trucks and equipment replacement will be the emphasis in the FY 2016 budget. Paving and street maintenance is ongoing. The water line replacement for Liberty Street and Moon Maiden Court is in the design phases for next year. The FY

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

MD&A Management's Discussion and Analysis

2016 capital budget includes the regular annual budgeting of equipment, major paving and overlay projects in the amount of \$ 758,125 in the General Fund budget and \$ 748,550 in the Water Fund capital budget. The Town has completed a study for replacement of the aging water plant. Several options were reviewed in the study, and the Burgess and Commissioners committed to the Microfiltration with Reverse Osmosis option, considered the state of the art option for the Town. As the process proceeds for the design of the plant, costs have been increasing exponentially. Previously, the Town had planned to finance the water plant by loaning funds from the General Fund to the Water Fund, but now cost estimates have exceeded the Town's ability to completely cover the loan, so options are being explored for grant and loan funding from Maryland State agencies in the water arena. This plan has up to a ten year completion goal. More detailed information about the Town's capital assets is presented in Notes 1, 7, and 8 to the financial statements.

Long-Term Debt Activity

The Town of Walkersville has no long term debt activity at this time and, but plans are inevitable to finance at least a portion of the upcoming new water plant.

Subsequent Items for Future Financial Statements

- ❖ The Town of Walkersville operated its General Fund on the 15.0¢ tax rate per \$100 of assessed value for FY 2015. Continuing this rate has effectively lowered the Constant Yield Rate to 14.73¢. As property assessments rise, the constant yield will continue to fall. The potential revenue with the 15¢ rate adopted will generate \$ 853,028, versus the \$837,932 projected by using the constant yield rate. Our tax rate continues to be one of the lowest tax rates in the State of Maryland for a town of our size.
- ❖ The Town continues to utilize Program Open Space to complete various projects in our parks. During FY 2015, five pavilion roofs were replaced with heavy duty maintenance-free tin roofs in Heritage Farm Park (1), Creamery Park (1), and Community Park (3). The additional walking paths were paved and completed at Heritage Farm Park, adding approximately 3,700 linear feet of walkways to the park, or 7/10ths of a mile. Refurbishment of the basketball court at Community Park, and sizing it to a regulation size, has been awarded, and weather permitting will be completed this fall.
- ❖ The Town plans to turn over operations of the Heritage Farm Park Manor House to the Boy Scouts of America, to be used for a museum, meetings, and a place to earn merit badges for historical preservation and construction. To accomplish this, a building is planned so that Glade Valley Athletic Association can move their storage of equipment and meeting needs to a site at the park. The Town has applied for Program Open Space funds to help with this goal.
- ❖ The Town-operated Water Utility had a reasonable year but the service revenue continues to come in lower than anticipated. The automatic 1% increase to the tier rates implemented last year has failed to meet the needs of operations. The Commissioners adopted a new water rate schedule, increasing the base billing amount and a 5% increase to the tiers to be effective on water used beginning October 1, 2015. With upcoming design of the new water plant, operating revenue needs to be a priority consideration. Our water utility is our most important priority with providing our citizens the best tasting, cleanest, safest drinking water on the planet.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

MD&A Management's Discussion and Analysis

- ❖ The Burgess and Commissioners continue to operate in their conservative manner, even though the Town is very strong financially. They continue to look for ways to provide tax relief for the citizens and promote the “do more with less” attitude. We continue to proceed cautiously, taking the rebounding economy and other cash flow issues into consideration prior to going forward with any expenditure.

- ❖ A citizen movement against crime and drug use in the Town has emerged. A hearing was held to discuss the state of the Town and consider our police protection staffing and options. Three drug seminars have been scheduled and held, but attendance was sparse. HOA and neighborhood watch groups have contacted the town and communications are being shared with links to each others' Facebook pages and websites. Crime information and surveillance videos will be shared and disseminated through the Town's network of concerned citizens. Resident troopers have been active in establishing connections in order to meet citizens' expectations.

- ❖ The Town continues to thrive and we continue to count our blessings!

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, 2015**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 2,738,049	\$ 582,567	\$ 3,320,616
Investments - Maryland Local Government			
Investment Pool	2,550,098	696,273	3,246,371
Certificates of deposit, including accrued interest	1,600,782	-	1,600,782
Receivables			
Taxes	4,688	-	4,688
Other	17,650	-	17,650
Water service charges, net of allowance for uncollectibles of \$775	-	76,101	76,101
Mortgage receivable - current portion	365,650	-	365,650
Due from other governmental agencies	95,299	-	95,299
Inventory, at cost, net of allowance	13,606	19,583	33,189
Prepaid expenses	1,165	-	1,165
Internal balances	(57,593)	57,593	-
Capital Assets			
Land	2,047,319	7,507	2,054,826
Buildings & furnishings	1,853,851	40,743	1,894,594
Equipment	771,152	431,597	1,202,749
Improvements	1,648,562	15,358	1,663,920
Water treatment plant	-	1,635,275	1,635,275
Distribution system	-	3,202,194	3,202,194
Water systems	-	236,026	236,026
Water towers	-	1,618,317	1,618,317
Filter rehabilitation project	-	144,394	144,394
Urban denitrification system	-	8,938	8,938
Infrastructure	8,731,632	-	8,731,632
Construction in progress	17,993	-	17,993
Accumulated depreciation	(7,616,894)	(3,659,733)	(11,276,627)
 Total Assets	 14,783,009	 5,112,733	 19,895,742
 Deferred outflow of resources	 54,648	 20,884	 75,532
 Total Assets and Deferred Outflows of Resources	 14,837,657	 5,133,617	 19,971,274
LIABILITIES			
Current Liabilities			
Accounts payable	313,099	57,879	370,978
Accrued salaries and withholdings	39,301	13,411	52,712
Unearned revenue	5,765	-	5,765
Deposits	35,362	21,923	57,285
 Total Current Liabilities	 393,527	 93,213	 486,740
Noncurrent Liabilities			
Net pension liability	377,847	144,396	522,243
 Total Liabilities	 771,374	 237,609	 1,008,983
 Deferred inflows of resources	 41,358	 15,805	 57,163
Net Position			
Net investment in capital assets	7,453,615	3,680,616	11,134,231
Unrestricted	6,571,310	1,199,587	7,770,897
 TOTAL NET POSITION	 \$ 14,024,925	 \$ 4,880,203	 \$ 18,905,128

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Statement of Activities
Year Ended June 30, 2015

Program Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT							
Governmental Activities							
General government	\$ 505,145	\$ 30,032	\$ 1,030	\$ -	\$ (474,083)	\$ -	\$ (474,083)
Public safety	547,718	-	32,720	-	(514,998)	-	(514,998)
Public works	758,578	2,640	-	-	(755,938)	-	(755,938)
Waste collection and disposal	236,829	6,546	-	-	(230,283)	-	(230,283)
Recreation and culture	170,026	-	61,330	-	(108,696)	-	(108,696)
Non-departmental	229,505	-	-	-	(229,505)	-	(229,505)
Total Governmental Activities	2,447,801	39,218	95,080	-	(2,313,503)	-	(2,313,503)
Business-Type Activities							
Water	977,764	994,517	-	-	-	16,753	16,753
TOTAL GOVERNMENT	\$ 3,425,565	\$ 1,033,735	\$ 95,080	\$ -	(2,313,503)	16,753	(2,296,750)
General Revenues							
Taxes							
Property taxes, levied for general purposes					1,140,813	-	1,140,813
Income taxes					745,825	-	745,825
Highway taxes					167,997	-	167,997
Other local taxes					766,657	-	766,657
Franchise fees					74,496	-	74,496
Investment earnings					39,422	918	40,340
Miscellaneous					100,811	7,589	108,400
Total General Revenues, Special Items, and Transfers					3,036,021	8,507	3,044,528
Change in net position					722,518	25,260	747,778
NET POSITION - BEGINNING-RESTATED					13,302,407	4,854,943	18,157,350
NET POSITION - ENDING					\$ 14,024,925	\$ 4,880,203	\$ 18,905,128

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Balance Sheet – Governmental Fund
June 30, 2015

	General Fund
ASSETS	
Current Assets	
Cash	\$ 2,738,049
Investments - Maryland Local Government	
Investment Pool	2,550,098
Certificates of deposit, including accrued interest	1,600,782
Receivables	
Other	22,338
Due from other governmental agencies	95,299
Prepaid expenses	1,165
Inventory, at cost	<u>13,606</u>
TOTAL ASSETS	<u>\$ 7,021,337</u>
LIABILITIES AND FUND BALANCES	
Liabilities	
Accounts payable	\$ 313,099
Accrued salaries and withholdings	39,301
Deposits	35,362
Unearned revenue	5,765
Due to other funds	<u>57,593</u>
Total Liabilities	<u>451,120</u>
Fund Balances	
Nonspendable	13,606
Assigned	267,387
Unassigned	<u>6,289,224</u>
Total Fund Balances	<u>6,570,217</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,021,337</u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Reconciliation of Fund Balance to the Statement of Net Position of
Governmental Activities
June 30, 2015

TOTAL FUND BALANCE - GOVERNMENTAL FUND \$ 6,570,217

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

Long-term assets not available to pay for current-period expenditures and, therefore, are deferred in the funds:

Long-term mortgage receivable	365,650
-------------------------------	---------

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

Property, plant and equipment	15,070,509	
Accumulated depreciation	(7,616,894)	7,453,615

The net pension liability associated with the Town's proportate 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 consist of:

Net pension liability	(377,847)	
Deferred outflows of resources	54,648	
Deferred inflows of resources	(41,358)	(364,557)

NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 14,024,925**

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Statement of Revenues, Expenditures and Change in Fund Balance – Governmental Fund
Year Ended June 30, 2015

	General Fund
Revenues	
Local property taxes and interest	\$ 1,141,890
Licenses and permits	30,032
Grants and shared taxes	1,775,559
Other revenue	<u>236,954</u>
Total Revenues	<u>3,184,435</u>
Expenditures	
General government	458,463
Public safety	547,718
Public works	479,676
Waste collection and disposal	236,829
Recreation and culture	121,257
Non-departmental	231,910
Capital outlay	<u>557,584</u>
Total Expenditures	<u>2,633,437</u>
Excess of Revenues Over Expenditures	550,998
TOTAL FUND BALANCES - BEGINNING OF YEAR	<u>6,019,219</u>
TOTAL FUND BALANCES - END OF YEAR	<u><u>\$ 6,570,217</u></u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Statement of Net Position – Proprietary Fund
Business Type Activities – Enterprise Fund
June 30, 2015

EXCESS OF REVENUES OVER EXPENDITURES - GOVERNMENTAL FUND	\$ 550,998
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.</p>	557,584
<p>Depreciation expense on capital assets is reported in the government-wide statement of activities, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.</p>	(374,353)
<p>Revenues and expenditures are reported in the statement of activities on the accrual basis and in the governmental funds when they provide or use current financial resources. This is the net difference between the prior year and current year unearned revenues.</p>	(1,077)
<p>The principal payments received on the mortgage receivable are reflected as revenue on the governmental fund statements and therefore are an increase in fund balance, however these payments are reflected as a reduction in the mortgage receivable on the Statement of Net Position, with no effect on the Net Position.</p>	(13,039)
<p>In the government-wide financial statements, activity related to the Town's proportionate share of the Maryland State Retirement and Pension System is recognized when the costs are incurred, adjusted for the actuarial measurement date of the plan. In the governmental funds, expenditures are recognized when current financial resources are used. This year, actual costs of the plan were less than current resources used.</p>	<u>2,405</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 722,518</u></u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Statement of Net Position – Proprietary Fund
Business Type Activities – Enterprise Fund
June 30, 2015

	Water Fund
ASSETS	
Current Assets	
Cash	\$ 582,567
Investments - Maryland Local Government Investment Pool	696,273
Receivables Water service charges (net of allowance for uncollectibles of \$775)	76,101
Due from other funds	57,593
Inventory, at cost, net of allowance	<u>19,583</u>
Total Current Assets	1,432,117
NonCurrent Assets	
Property, plant and equipment, net of accumulated depreciation	<u>3,680,616</u>
Total Assets	5,112,733
Deferred outflow of resources	20,884
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u><u>\$ 5,133,617</u></u>
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 57,879
Accrued salaries and withholdings	13,411
Deposits	<u>21,923</u>
Total Current Liabilities	93,213
Noncurrent Liabilities	
Net pension liability	<u>144,396</u>
Total Liabilities	<u>237,609</u>
Deferred inflows of resources	<u>15,805</u>
Net Position	
Invested in capital assets	3,680,616
Unrestricted	<u>1,199,587</u>
Total Net Position	<u>4,880,203</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 5,133,617</u></u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Statement of Revenues, Expenses and Change in Net Position – Proprietary Fund
Business Type Activities – Enterprise Fund
Year Ended June 30, 2015

	Water Fund
OPERATING REVENUES	
Charges for services	\$ 830,840
Meter service charge	1,588
Penalties and interest	15,882
Wireless tower income	<u>146,207</u>
Total Operating Revenues	<u>994,517</u>
OPERATING EXPENSES	
Depreciation	158,073
Salaries	201,348
Electricity	66,699
Distribution maintenance	100,697
Parts, supplies, and tools	1,115
Chemicals	166,188
Sewer treatment fees	115,620
Other operating expenses	27,952
Audit	8,500
Legal expense	7,350
Administrative expenses	12,762
Pension plan	18,548
Workmen's compensation insurance	4,756
Payroll taxes	18,471
Property insurance	12,405
Medical insurance	54,410
Safety	51
Miscellaneous	<u>2,819</u>
Total Operating Expenses	<u>977,764</u>
Income From Operations	16,753
NON-OPERATING REVENUES	
Interest income	918
Gain from sale of fixed assets	<u>7,589</u>
Change in Net Position	25,260
NET POSITION - BEGINNING OF YEAR-RESTATED	<u>4,854,943</u>
NET POSITION - END OF YEAR	<u><u>\$ 4,880,203</u></u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Statement of Cash Flows – Proprietary Fund
Business Type Activities – Enterprise Fund
Year Ended June 30, 2015

	Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 989,790
Cash payments to suppliers for goods and services	(607,672)
Cash payments to employees for services	<u>(205,376)</u>
Net Cash Provided By Operating Activities	<u>176,742</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Decrease in due from other funds	<u>(25,591)</u>
Net Cash (Used In) Non-Capital Financing Activities	<u>(25,591)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(10,088)
Proceeds from the sale of capital assets	<u>7,589</u>
Net Cash (Used In) Capital and Related Financing Activities	<u>(2,499)</u>
CASH FLOW FROM INVESTING ACTIVITIES	
Interest on cash and investments	<u>917</u>
Net Increase In Cash and Cash Equivalents	149,569
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,129,271</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,278,840</u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Statement of Cash Flows – Proprietary Fund
Business Type Activities – Enterprise Fund
Year Ended June 30, 2015

	Water Fund
RECONCILIATION OF INCOME FROM OPERATIONS	
TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Income from operations	\$ 16,753
Adjustments to reconcile income from operations to net cash provided by operating activities:	
Depreciation	158,073
(Increase) in receivables	(1,171)
Decrease in inventory	2,106
Increase in accounts payable	8,775
(Decrease) in deferred revenue	(6,265)
(Decrease) in accrued salaries	(4,028)
Increase in deposits	2,499
	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 176,742
	<hr/> <hr/>
RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS	
PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF	
NET POSITION	
Cash	\$ 582,567
Investments - Maryland Local Government	
Investment Pool	696,273
	<hr/>
	\$ 1,278,840
	<hr/> <hr/>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements
June 30, 2015

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, 2015 and for the year then ended and have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to local governments. The Governmental Accounting Standards Board (the GASB) is the standard setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the *GASB's Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification).

Reporting Entity

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

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

Government-Wide and Fund Financial Statements

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and inventories.

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.

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, gross receipts, and sales taxes are 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

June 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Use of Estimates in the Preparation of Financial Statements

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

Real Estate and Personal Property Taxes

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

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

Inventories and Prepaid Items

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$500 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements
June 30, 2015

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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the year ended June 30, 2015.

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

<u>Assets</u>	<u>Years</u>
Buildings & Furnishings	5-40
Equipment	3-20
Improvements	5-40
Water Treatment Plant	5-50
Distribution System	3-50
Water Systems	75
Water Towers	5-40
Filter Rehabilitation Project	50
Urban Dentrification 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
June 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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	\$.15 per \$100 of assessable base
Property taxes	\$.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 resources (expense) until then. At June 30, 2015, the Town's deferred outflows of resources represent employer contributions made for the Town's share of the Maryland State Retirement and Pension System (Pension Plan) after the actuarial measurement date of the Pension Plan. Deferred outflows also include amounts deferred due to changes in the Pension Plan's actuarial assumptions that will be amortized in future periods.

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 reports unavailable tax revenues as deferred inflows of resources on the governmental funds balance sheet. The Town's deferred inflows of resources at June 30, 2015 also consist of the net difference between projected and actual earnings on the Town's proportionate share of the State of Maryland Retirement and Pension System pension plan investments.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements
June 30, 2015

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, 2015 consists of the following:

	Government Wide Activities	
	Governmental Activities	Business Type Activities Water Fund
Capital assets	\$ 15,070,509	\$ 7,340,349
Accumulated depreciation	(7,616,894)	(3,659,733)
Net investment in capital assets	<u>\$ 7,453,615</u>	<u>\$ 3,680,616</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, 2015 the Town had no restrictions of net assets.

Unrestricted

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

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements
June 30, 2015

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

There was no approved Capital Projects Fund budget. The Town budgets Capital Projects in the General Fund.

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

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

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

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

NOTE 3 CASH AND CERTIFICATES OF DEPOSIT

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

At June 30, 2015, the carrying amount of the Town's deposits was \$4,921,398 including interest receivable. The related bank balance totaled \$4,931,831.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements
June 30, 2015

NOTE 3 CASH AND CERTIFICATES OF DEPOSIT (CONTINUED)

Following is a schedule of the Town's deposits by financial institution at June 30, 2015:

Woodsboro Bank	\$ 850,000
The Columbia Bank	500,000
Capital One Bank	243,269
First United Bank & Trust	250,000
PNC Bank	<u>3,088,562</u>
	<u>\$ 4,931,831</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, 2015 \$2,529,540 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>\$ 2,529,540</u>
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NOTE 4 INVESTMENTS

As of June 30, 2015 the Town had the following investments and maturities.

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>
Maryland Local Government Investment Pool	See description of MLGIP	\$ 3,246,371

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
June 30, 2015

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 MORTGAGE RECEIVABLE

On August 15, 2012, the Town sold a farm house for a sales price of \$1,070,000. Of the total sales price the Town received cash in the amount of \$615,452, \$670,000 less related closing expenses of \$54,548, and financed the remaining \$400,000. Interest on the mortgage receivable is 5%. The note is being amortized over 240 months, with a 3-year balloon payment originally due July 1, 2015. The note was subsequently extended to August 15, 2015, and then again to October 15, 2015. The note is guaranteed by business entities of the borrower and an individual related to the borrower. Monthly payments of \$2,640 commenced in September 2012. Total payments received during the year ended June 30, 2015 were \$31,680, including interest of \$18,640. The outstanding balance on the mortgage receivable at June 30, 2015 was \$365,650.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements
June 30, 2015

NOTE 6 INVENTORY

Inventory consists of the following:

	General Fund
Inventory at cost (fund balance - reserved for inventory)	<u>\$ 13,606</u>
	Enterprise Fund
Inventory, at cost	\$ 19,945
Allowance for obsolete inventory	<u>(362)</u>
	<u>\$ 19,583</u>

NOTE 7 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
GOVERNMENTAL ACTIVITIES				
Capital Assets, Not Being Depreciated				
Land	\$ 2,047,319	\$ -	\$ -	\$ 2,047,319
Construction in progress	54,058	-	(36,065)	17,993
Total Capital Assets Not Being Depreciated	<u>2,101,377</u>	<u>-</u>	<u>(36,065)</u>	<u>2,065,312</u>
Capital Assets Being Depreciated				
Improvements	1,559,812	88,750	-	1,648,562
Infrastructure	8,274,512	457,120	-	8,731,632
Building and furnishings	1,852,041	1,810	-	1,853,851
Equipment	739,588	45,970	(14,406)	771,152
Total Capital Assets Being Depreciated	<u>12,425,953</u>	<u>593,650</u>	<u>(14,406)</u>	<u>13,005,197</u>
Total Capital Assets	<u>14,527,330</u>	<u>593,650</u>	<u>(50,471)</u>	<u>15,070,509</u>
Accumulated Depreciation				
Improvements	(815,478)	(48,770)	-	(864,248)
Infrastructure	(4,715,750)	(258,379)	-	(4,974,129)
Building and furnishings	(1,036,034)	(46,682)	-	(1,082,716)
Equipment	(689,685)	(20,522)	14,406	(695,801)
Total Accumulated Depreciation	<u>(7,256,947)</u>	<u>(374,353)</u>	<u>14,406</u>	<u>(7,616,894)</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 7,270,383</u>	<u>\$ 219,297</u>	<u>\$ (36,065)</u>	<u>\$ 7,453,615</u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements
June 30, 2014

NOTE 7 CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
BUSINESS-TYPE ACTIVITIES				
Capital Assets, Not Being Depreciated				
Land	\$ 7,507	\$ -	\$ -	\$ 7,507
Construction in progress	-	-	-	-
Total Capital Assets Not Being Depreciated	<u>7,507</u>	<u>-</u>	<u>-</u>	<u>7,507</u>
Capital Assets Being Depreciated				
Equipment	501,516	4,076	(73,995)	431,597
Improvements	15,358	-	-	15,358
Building and furnishings	40,743	-	-	40,743
Water treatment plant	1,629,263	6,012	-	1,635,275
Distribution system	3,204,497	-	(2,303)	3,202,194
Water systems	236,026	-	-	236,026
Water towers	1,618,317	-	-	1,618,317
Filter rehabilitation project	144,394	-	-	144,394
Urban detritification project	8,938	-	-	8,938
Total Capital Assets Being Depreciated	<u>7,399,052</u>	<u>10,088</u>	<u>(76,298)</u>	<u>7,332,842</u>
Total Capital Assets	<u>7,406,559</u>	<u>10,088</u>	<u>(76,298)</u>	<u>7,340,349</u>
Accumulated depreciation				
Equipment	(380,499)	(25,240)	72,865	(332,874)
Improvements	(14,388)	(232)	-	(14,620)
Building and furnishings	(19,261)	(1,259)	-	(20,520)
Water treatment plant	(828,964)	(36,312)	-	(865,276)
Distribution system	(939,477)	(62,365)	2,304	(999,538)
Water systems	(143,319)	(2,346)	-	(145,665)
Water towers	(1,196,441)	(27,255)	-	(1,223,696)
Filter rehabilitation project	(51,261)	(2,887)	-	(54,148)
Urban detritification project	(3,219)	(177)	-	(3,396)
Total Accumulated Depreciation	<u>(3,576,829)</u>	<u>(158,073)</u>	<u>75,169</u>	<u>(3,659,733)</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 3,829,730</u>	<u>\$ (147,985)</u>	<u>\$ (1,129)</u>	<u>\$ 3,680,616</u>

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

Governmental Activities

General government	\$ 46,682
Public works	278,902
Recreation and culture	48,769
	<u>\$ 374,353</u>

Business-Type Activities

Water	<u>\$ 158,073</u>
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BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements
June 30, 2015

NOTE 8 GOVERNMENTAL FUND BALANCES

The detail of the fund balance classifications aggregated on the balance sheet as of June 30, 2015 is as follows:

	<u>General Fund</u>
FUND BALANCES	
Nonspendable	
Reserved for inventory	\$ 13,606
Assigned for capital projects	
HFP building	15,608
Park projects	<u>251,779</u>
	<u>267,387</u>
Unassigned	<u>6,289,224</u>
	<u>\$ 6,570,217</u>

NOTE 9 RESTATEMENT

During the year ended June 30, 2015, the Town adopted *GASB Statement No. 68 Accounting and Financial Reporting for Pensions*, which required the Town to record the net pension liability, deferred outflows and inflows of resources, and pension expense associated with their proportionate share of the Maryland State Retirement and Pension System. As a result, the beginning net position amount for governmental and business activities reflects the changes as of June 30, 2014, resulting from the addition of the previously unrecorded information:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net Position - June 30, 2014 - As Reported	\$ 13,669,368	\$ 4,994,930
Record net pension liability	(416,611)	(158,914)
Record deferred outflows of resources	<u>49,650</u>	<u>18,927</u>
Net Position - June 30, 2014 - Restated	<u>\$ 13,302,407</u>	<u>\$ 4,854,943</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 Maryland State Employees' Retirement System and the Employees' Alternate Contributory Pension System (System), which are statewide agent cost-sharing multiple-employer public employee retirement systems administered by the Maryland State Retirement and Pension Systems in accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland.

Benefits Provided

A member of the Employees' Retirement System may retire with full benefits after attaining the age of 60, or after completing 30 years of creditable service regardless of age. The annual retirement allowance is equal to 1/55 of a member's average final compensation (i.e., average of the member's three highest years of annual earnable compensation) multiplied by the number of years of creditable service. A member may retire with reduced benefits after completing 25 years of creditable service regardless of age. The Retirement System also provides death and disability benefits. As of June 30, 2011, all Town participants in the Employees' Retirement System were retired.

A member of the Employees' Pension System 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 with a provision for additional benefits for compensation earned in excess of the social security wage base. A member may retire with reduced benefits after attaining age 55 and completing 15 years of eligibility service. The Pension System also provides death and disability benefits.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements
June 30, 2015

NOTE 10 RETIREMENT PLAN (CONTINUED)

Contributions

Retirement System participants are required to contribute 5% of their annual compensation; however, their retirement benefits are subject to a 5% limit on their annual cost of living adjustment. Alternate Contributory Pension System members are required to contribute 7% of earnable compensation. The Town is required to contribute the remaining amounts necessary to pay benefits when due.

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

At June 30, 2015, the Town reported a liability for its proportionate share of the net pension liability. The amount recognized by the Town as its proportionate share of the net pension liability and the total portion of the net pension liability that was associated with the Town is as follows:

	Employees' Retirement and Pension System
Town's proportionate share of net pension liability	\$ 522,243
State's proportionate share of net pension liability associated with the Town	<u>-</u>
	<u>\$ 522,243</u>

The net pension liability was measured as of June 30, 2014 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 relative to the projected contributions of all participating school districts, Libraries and the State, actuarially determined. At June 30, 2014, the Town's proportion was .00294276% for the System.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements
June 30, 2015

NOTE 10 RETIREMENT PLAN (CONTINUED)

For the year ended June 30, 2015, the Town recognized pension expense of \$46,777 related to governmental activities and \$17,876 related to business-type activities. As of June 30, 2015, 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	\$ 7,555	\$ -
Net difference between projected and actual investment earnings		57,163
Town contributions subsequent to the measurement date	<u>67,977</u>	<u>-</u>
	<u>\$ 75,532</u>	<u>\$ 57,163</u>

\$67,977 reported as deferred outflows of resources related to pensions resulting from the Town contributions subsequent to the measurement date will be recognized as a net reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2016	\$ (9,632)
2017	\$ (9,632)
2018	\$ (9,632)
2019	\$ (9,632)
2020	\$ (9,632)
Thereafter	\$ (1,448)

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, 2014, using the entry age normal actuarial cost method. Inflation is assumed to be 2.9% for general and 3.4% 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 7.65%. Mortality rates were based on the RP-2000 Combined Healthy Mortality table projected to the year 2025.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements
June 30, 2015

NOTE 10 RETIREMENT PLAN (CONTINUED)

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	35%	4.70%
Fixed income	10%	2.00%
Credit opportunity	10%	3.00%
Real return	14%	2.80%
Absolute return	10%	5.00%
Private equity	10%	6.30%
Real estate	10%	4.50%
Cash	1%	1.40%
Total	100%	

Discount Rate

A single discount rate of 7.65% 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 7.65%. 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
June 30, 2015

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 7.65%, 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% to 6.65%	Current Rate (7.65%)	1% to 8.65%
Town's proportionate share of the net pension liability	\$ 752,619	\$ 522,243	\$ 329,276

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, 2014.

This can be found at www.sra.state.md.us/Agency/Downloads/CAFR/CAFR-2014.pdf.

NOTE 11 COMPENSATED ABSENCES

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

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

NOTE 12 DEFERRED COMPENSATION PLAN

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

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

Notes to Financial Statements

June 30, 2015

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. During FY 2008 the Company refinanced the bonds with PNC Bank. As of June 30, 2015 the Economic Development Revenue Bonds outstanding had an aggregate principal amount payable of \$1,489,405.

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, 2015 amounted to \$13,585.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements
June 30, 2015

NOTE 16 MAINTENANCE AGREEMENTS (CONTINUED)

On July 12, 2006 the Town entered into an additional contract with the same vendor for the maintenance of the Heritage water tower. This contract requires annual payments of \$46,310 for the first three years, a base annual payment of \$15,242 for the next three years, and beginning in 2012 and each third year thereafter, the fee will be adjusted to reflect the current cost of service, never exceeding a 5% increase or decrease. The contract is cancelable at any time. Total expense under this contract for the year ended June 30, 2015 amounted to \$16,918.

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, 2015 amounted to \$13,370.

NOTE 17 INTERFUND RECEIVABLES AND PAYABLES

Outstanding balances between funds are reported as “internal balances” or “due to/from other funds” and are the result of lending/borrowing arrangements outstanding at the end of the fiscal year.

Due to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water	General	\$ 57,593

NOTE 18 OPERATING LEASES

The Town entered into a lease for 200 acres of farm land with a farmer on October 17, 2012. The lease was for a term beginning on January 1, 2013 and ending on December 31, 2013 with a possible year to year extension of up to 3 years at the sole discretion of the Town. The lease was extended through December 31, 2015. The annual rental income from this lease amounts to \$32,000.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements
June 30, 2015

NOTE 19 SUBSEQUENT EVENTS

The Town has evaluated events and transactions subsequent to June 30, 2015 through October 27, 2015, the date these financial statements were available to be issued. Based on definitions and requirements of generally accepted accounting principles, management has identified two events that have occurred subsequent to June 30, 2015 through October 27, 2015 that require recognition or disclosure in the financial statements.

In October 2015, the Town extended the farm lease (see Note 18) through December 31, 2016. During the spring of 2016, the Town plans to put the lease out for public bid.

In October 2015, the Town sent a letter of default on promissory note related to the mortgage receivable (see Note 5). The letter of default automatically extended the mortgage receivable to November 15, 2015, at which time the Town expects to receive the full outstanding balance of the mortgage, plus interest and penalties that have been accrued.

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)

	2015
Town's proportion of the net pension liability	0.0029%
Town's proportionate share of the net pension liability	\$ 522,243
State's proportionate share of the net pension liability associated with the Town	-
Total	\$ 522,243
Town's covered-employee payroll	\$ 699,913
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	74.62%
Plan fiduciary net position as a percentage of the total pension liability	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 is the only year available. This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

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)

	2015
Contractually required contribution	\$ 67,977
Contributions in relation to the contractually required contribution	<u>67,977</u>
Contribution deficiency (excess)	\$ -
Town's covered-employee payroll	\$ 699,913
Contributions as a percentage of covered-employee payroll	9.71%

Notes

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

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

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
General Fund - Statement of Revenues and Expenditures - Budget and Actual
Year Ended June 30, 2015
(Unaudited)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Local property taxes and interest				
Real property	\$ 835,195	\$ 835,195	\$ 826,419	\$ (8,776)
Personal property	300,000	300,000	306,686	6,686
Penalties and interest	10,000	10,000	8,785	(1,215)
	<u>1,145,195</u>	<u>1,145,195</u>	<u>1,141,890</u>	<u>(3,305)</u>
Licenses and permits				
Traders	4,000	4,000	4,681	681
Alcoholic beverages	1,600	1,600	-	(1,600)
Planning and zoning	5,000	5,000	25,351	20,351
	<u>10,600</u>	<u>10,600</u>	<u>30,032</u>	<u>19,432</u>
Grants and shared taxes				
State of Maryland				
Admissions	47,000	47,000	43,468	(3,532)
Highway tax	167,415	167,415	167,997	582
Grant for police protection	32,103	32,103	32,720	617
Program Open Space grant	78,430	78,430	61,330	(17,100)
Frederick County				
Income tax	706,700	706,700	745,825	39,125
Grant in lieu of property taxes	1,030	1,030	1,030	-
Tax equity program	723,189	723,189	723,189	-
	<u>1,755,867</u>	<u>1,755,867</u>	<u>1,775,559</u>	<u>19,692</u>
Other Revenue				
Interest	20,750	20,750	20,782	32
Franchise fees	65,000	65,000	74,496	9,496
Rent	54,000	54,000	57,460	3,460
Contributions and donations	6,500	6,500	6,941	441
Mortgage interest and principal payments	18,584	18,584	31,679	13,095
Recycling center	6,000	6,000	6,546	546
Other	1,000	1,000	39,050	38,050
	<u>171,834</u>	<u>171,834</u>	<u>236,954</u>	<u>65,120</u>
 Total Revenues	 <u>3,083,496</u>	 <u>3,083,496</u>	 <u>3,184,435</u>	 <u>100,939</u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
General Fund - Statement of Revenues and Expenditures - Budget and Actual
Year Ended June 30, 2015
(Unaudited)

(Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
General Government				
Legislative				
Town Council				
Commissioners' salaries	\$ 18,000	\$ 18,000	\$ 18,000	\$ -
Other				
Salaries	211,500	211,500	206,822	4,678
Operating expenses	10,100	10,100	7,275	2,825
Training, meetings, and travel	5,510	5,510	2,889	2,621
	<u>245,110</u>	<u>245,110</u>	<u>234,986</u>	<u>10,124</u>
Executive				
Burgess' salary	12,500	12,500	12,500	-
Financial administration				
Independent auditing	10,000	10,000	8,500	1,500
Operating expenses	6,500	6,500	3,842	2,658
	<u>16,500</u>	<u>16,500</u>	<u>12,342</u>	<u>4,158</u>
Legal expenses	8,000	8,000	15,878	(7,878)
Planning and zoning	80,000	80,000	79,761	239
Municipal buildings				
Utilities	58,135	58,135	50,066	8,069
Repairs and maintenance	40,000	40,000	31,848	8,152
	<u>98,135</u>	<u>98,135</u>	<u>81,914</u>	<u>16,221</u>
Other				
Dues	8,100	8,100	8,690	(590)
Economic Development Commission	20,000	20,000	8,417	11,583
County property taxes	6,000	6,000	3,975	2,025
	<u>34,100</u>	<u>34,100</u>	<u>21,082</u>	<u>13,018</u>
Total General Government	<u>494,345</u>	<u>494,345</u>	<u>458,463</u>	<u>35,882</u>
Public Safety				
Police and traffic control	527,926	527,926	510,667	17,259
Code enforcement	9,600	9,600	10,051	(451)
Volunteer company contributions:				
Fire department	14,500	14,500	14,500	-
Ambulance service	12,500	12,500	12,500	-
Total Public Safety	<u>564,526</u>	<u>564,526</u>	<u>547,718</u>	<u>16,808</u>
Public Works				
Streets, roadways, and alleys				
Salaries	284,250	284,250	260,990	23,260
Maintenance	60,000	60,000	86,487	(26,487)
Parts, tools, and supplies	8,000	8,000	6,365	1,635
Truck and equipment	65,000	65,000	58,727	6,273
Street lighting	70,000	70,000	59,172	10,828
Safety	2,000	2,000	1,072	928
Uniforms/Boots	6,500	6,500	6,863	(363)
Total Public Works	<u>495,750</u>	<u>495,750</u>	<u>479,676</u>	<u>16,074</u>
Waste Collection and Disposal	271,460	271,460	236,829	34,631
Recreation and Culture				
Parks and recreation	40,000	40,000	30,719	9,281
Parks - mowing	70,000	70,000	75,356	(5,356)
Heritage Building	2,000	2,000	-	2,000
Heritage Manor House	10,000	10,000	4,807	5,193
Senior citizens	10,600	10,600	10,375	225
Total Recreation and Culture	<u>132,600</u>	<u>132,600</u>	<u>121,257</u>	<u>11,343</u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
General Fund - Statement of Revenues and Expenditures - Budget and Actual
Year Ended June 30, 2015
(Unaudited)

(Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Non-Departmental				
Retirement and pension costs	49,780	49,780	51,298	(1,518)
Workmen's compensation	19,000	19,000	8,805	10,195
Payroll taxes	47,000	47,000	44,426	2,574
Medical insurance	107,600	107,600	104,933	2,667
Insurance	16,000	16,000	12,405	3,595
Community contributions	1,250	1,250	1,113	137
Security measures	5,000	5,000	1,050	3,950
Other	9,300	9,300	7,880	1,420
Total Non-Departmental	254,930	254,930	231,910	23,020
Capital Outlay				
Machinery and equipment	84,000	84,000	45,970	38,030
GIS - engineering	10,000	10,000	-	10,000
Paving projects	110,000	110,000	158,744	(48,744)
Available for capital projects	82,740	82,740	-	82,740
Park projects	35,000	35,000	88,750	(53,750)
Program Open Space grant expense	87,145	87,145	-	87,145
Design of Fountain Rock connection	1,000	1,000	-	1,000
Building improvements	10,000	10,000	1,810	8,190
HFP building maintenance	3,000	3,000	-	3,000
Glade Road design/construction	421,000	421,000	262,310	158,690
Gateway to Walkersville	20,000	20,000	-	20,000
Watershed development	6,000	6,000	-	6,000
Total Capital Outlay	869,885	869,885	557,584	312,301
Total Expenditures	3,083,496	3,083,496	2,633,437	450,059
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	\$ 550,998	\$ 550,998
FUND BALANCES - BEGINNING OF YEAR			5,026,417	
FUND BALANCES - END OF YEAR			\$ 5,577,415	

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Water Department Fund - Statement of Revenues and Expenditures - Budget and Actual
Year Ended June 30, 2015
(Unaudited)

	Budgeted Amounts		Budgetary Basis	Variance with
	Original	Final	Actual Amounts	Final Budget - Positive (Negative)
REVENUES				
Operating Revenues				
Charges for service	\$ 837,000	\$ 837,000	\$ 830,840	\$ (6,160)
Meter service charge	1,000	1,000	1,588	588
Penalties and interest	15,000	15,000	15,882	882
Wireless tower income	119,500	119,500	146,207	26,707
Other income	500	500	-	(500)
Total Operating Revenues	973,000	973,000	994,517	21,517
Non-operating Revenues				
Carryover of fund balance to finance current year's operations	323,236	323,236	-	(323,236)
Gain from the sale of fixed assets	-	-	7,589	7,589
Interest income	1,000	1,000	918	(82)
TOTAL REVENUES	1,297,236	1,297,236	1,003,024	(294,212)
EXPENSES				
Operating Expenses				
Salaries	228,165	228,165	201,348	26,817
Electricity	60,000	60,000	66,699	(6,699)
Distribution maintenance	95,000	95,000	100,697	(5,697)
Parts, supplies, and tools	1,500	1,500	1,115	385
Chemicals	160,000	160,000	166,188	(6,188)
Sewer treatment fees	125,706	125,706	115,620	10,086
Other operating expenses	37,000	37,000	27,952	9,048
Audit	10,000	10,000	8,500	1,500
Legal fees	1,000	1,000	7,350	(6,350)
Administrative expenses	20,810	20,810	12,762	8,048
Pension plan	18,555	18,555	18,548	7
Workmen's compensation insurance	10,000	10,000	4,756	5,244
Payroll taxes	17,500	17,500	18,471	(971)
Property insurance	16,000	16,000	12,405	3,595
Medical insurance	58,500	58,500	54,410	4,090
Safety	1,500	1,500	51	1,449
Miscellaneous	8,000	8,000	2,819	5,181
Total Operating Expenses	869,236	869,236	819,691	49,545
Capital Outlay				
Equipment	28,000	28,000	10,088	17,912
Water line improvements	400,000	400,000	-	400,000
Total Capital Outlay	428,000	428,000	10,088	417,912
Total Expenses	1,297,236	1,297,236	829,779	467,457
NET INCOME BUDGETARY BASIS	\$ -	\$ -	173,245	\$ 173,245
ADJUSTMENT TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) BASIS				
To adjust for depreciation			(158,073)	
To adjust for capital outlay			10,088	
NET INCOME GAAP BASIS			\$ 25,260	