

Audited
Financial
Statements

June 30,
2016

Burgess and Commissioners
of Walkersville, MD

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INDEPENDENT AUDITOR'S REPORT

Burgess and Commissioners of Walkersville, MD
Walkersville, Maryland

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Burgess and Commissioners of Walkersville, MD (Town), as of and for the year ended June 30, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 3 through 17 and 48 through 52 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 53 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 21, 2016

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

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

The management of the Burgess and Commissioners of Walkersville, MD (Town of Walkersville) offers the following narrative overview and analysis of the financial statements for the fiscal year ended June 30, 2016. 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. This year the plan is to keep the discussion simple and shorter than it has been historically. The basic financial statements are comprised of the government-wide financial statements, fund financial statements, and notes to financial statements. We encourage readers to consider the information presented here in conjunction with additional information provided within the statements to further enhance their understanding of the Town's financial performance.

FINANCIAL HIGHLIGHTS

- ❖ The assets of the Town of Walkersville exceeded its liabilities at the close of June 30, 2016 by \$19,845,269 (net position). Of this amount, \$8,583,820 (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 \$940,141 and the Town increased its cash and equivalents by \$1,263,988. The General Fund increased cash and equivalents by \$1,260,049, and the Water Fund increased only by \$3,939.
- ❖ The General Fund reflected revenues over expenditures in the amount of \$1,338,858 and the Water Fund reflected a positive change in net position in the amount of \$152,967.
- ❖ As of June 30, 2016, the Town of Walkersville's governmental fund reported ending fund balances of \$7,909,075, an increase of \$1,338,858 in comparison with the prior year, reflecting a fiscally strong and positive position for the Town.
- ❖ The Town's business-type activities generated income from operations in the amount of \$151,132. Operating revenues increased in the Water Fund by \$196,663, or 19.8% to \$1,191,180. At the same time, operating expenses increased by \$61,968 or 7.6%. Charges for Services (Water Usage fees) were finally reflecting previous rate increases and were up by \$54,851, a 6.6 % increase. The increase of \$54,206 to \$200,413 in Wireless tower income continues to help support the operations of the water plant.
- ❖ The Town continues to be debt free, but plans are progressing to build a new water plant. The Town has been qualified by Maryland Department of the Environment to finance the \$8 million+ projected cost of the new plant. We hope to be eligible for some debt forgiveness/grant funding from the department.
- ❖ The Town celebrates the payoff of the mortgage note on "Walkers Overlook." The balloon payment, interest, and penalties were received on December 8, 2015 in the amount of \$364,845. The total mortgage interest and principal payments for the year were \$392,241.
- ❖ Plant, property, and equipment of the General Fund totaled \$15,317,577 before factoring in accumulated depreciation. An increase of \$247,068 of infrastructure and property was recognized. There was a corresponding increase in accumulated depreciation of \$382,397 on these assets. Net capital assets used in governmental activities of the Town decreased by \$135,329 down to a total of \$7,318,286.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

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

- ❖ The General Fund did not have to budget funds to be spent from prior year's reserves. The General Fund revenues were \$723,863 more than expected for the year. Details of why this occurred will be explained later in this report. Expenditures were kept within conservative spending limits, coming in under-budget by \$614,995. 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 2016. This rate generated revenue in the amount of \$842,642. The Burgess and Commissioners still 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. 68. Financial statements of the participating employers are required to utilize GASB No. 68 for June 30, 2016. The Town is required to report its proportionate share of the State's unfunded liability as of June 30, 2016. The statements will include a Net pension liability in the amount of \$670,226, allocated between the General Fund and the Water Fund in the amounts of \$489,130 and \$181,096, 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. It is still questionable as to whether this objective was achieved or not.

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

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

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

government, public safety, public works, waste collection and disposal, recreation and culture, non-departmental, and capital outlay. The business-type activity of the Burgess & Commissioners of Walkersville, MD consists of a Water treatment and distribution operation.

The government-wide financial statements can be found on pages 18-19 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 20-23 of this report.

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

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

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

The basic proprietary fund financial statements can be found on pages 24-27 of this report.

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 28-47 of this report.

4) Required supplementary information can be found on pages 48-52.

5) Other supplementary information can be found on page 53.

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:

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
ASSETS						
Current and other assets	\$ 8,354,459	\$ 7,329,394	\$ 1,370,398	\$ 1,432,117	\$ 9,724,857	\$ 8,761,511
Capital assets	7,318,286	7,453,615	3,943,163	3,680,616	11,261,449	11,134,231
Deferred outflows of resources	116,951	54,648	41,431	20,884	158,382	75,532
Total Assets and Deferred Outflows of Resources	15,789,696	14,837,657	5,354,992	5,133,617	21,144,688	19,971,274
LIABILITIES						
Current liabilities	445,384	393,527	124,352	93,213	569,736	486,740
Noncurrent liabilities	489,130	377,847	181,096	144,396	670,226	522,243
Total Liabilities	934,514	771,374	305,448	237,609	1,239,962	1,008,983
Deferred inflows of resources	43,083	41,358	16,374	15,805	59,457	57,163
NET POSITION						
Invested in capital assets, net of related debt	7,318,286	7,453,615	3,943,163	3,680,616	11,261,449	11,134,231
Unrestricted	7,493,813	6,571,310	1,090,007	1,199,337	8,583,820	7,770,647
Total Net Position	\$ 14,812,099	\$ 14,024,925	\$ 5,033,170	\$ 4,879,953	\$ 19,845,269	\$ 18,904,878

The Town of Walkersville’s assets exceeded its liabilities by \$18,904,878 at the close of the June 30, 2015 fiscal year, and by \$19,845,269 at the close of June 30, 2016, an increase in net position of \$940,141 (5.0%). Total assets of \$19,971,274 at June 30, 2015 increased to \$21,144,688 by June 30, 2016, an increase of \$ 1,173,414 (5.9%). The increase in net position consists of an increase in Net investment in capital assets of \$127,218 and an increase of \$813,173 in unrestricted net position.

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

The largest portion of the Town of Walkersville's net position is its investment in capital assets (e.g., land, buildings, machinery, equipment, infrastructure), less any related debt used to acquire those assets that is still outstanding (\$11,261,449 or 56.7% of total net position). The Town of Walkersville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. GASB Statement No. 34 requires that all capital assets, including infrastructure, be reported. Accordingly, the Town has chosen to report all of its infrastructure assets with the implementation of GASB Statement No. 34, including certain developer constructed assets whose value was determined by using market prices for the year of construction.

Additionally, the Town must elect 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, \$9,431,757 is accounted for in cash, cash equivalents, and pooled investments, \$263,157 in receivables, \$27,517 in inventory, and \$2,426 in prepaid expenses.

At June 30, 2016, the Town continues to be debt free, but bracing to finance a new water plant that is expected to cost approximately \$8.4 million. Included in the Total Liabilities of \$1,239,962, there was \$452,691 in accounts payable, deposits of \$56,736 for amounts held in escrow for various projects, \$52,757 for staff accumulated leave and tax withholdings, unearned revenue of \$7,552, and \$670,226 for net pension liability.

At June 30, 2015 and 2016, 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 (Unaudited)

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	
	2016	2015	2016	2015	2016	2015
REVENUES						
Program Revenues						
Charges for services, fees fines	\$ 82,163	\$ 39,218	\$ 1,191,180	\$ 994,517	\$ 1,273,343	\$ 1,033,735
Operating grants and contributions	103,968	95,080	-	-	103,968	95,080
General Revenues						
Property taxes	1,158,801	1,140,813	-	-	1,158,801	1,140,813
Other state and local taxes	1,864,864	1,680,479	-	-	1,864,864	1,680,479
Other	197,730	214,729	1,835	8,507	199,565	223,236
Total Revenues	<u>3,407,526</u>	<u>3,170,319</u>	<u>1,193,015</u>	<u>1,003,024</u>	<u>4,600,541</u>	<u>4,173,343</u>
EXPENSES						
General government	508,312	505,145	-	-	508,312	505,145
Public safety	592,391	547,718	-	-	592,391	547,718
Public works	785,763	758,578	-	-	785,763	758,578
Waste collection and disposal	232,774	236,829	-	-	232,774	236,829
Recreation and culture	197,792	170,026	-	-	197,792	170,026
Non-departmental	303,320	229,505	-	-	303,320	229,505
Water utility services	-	-	1,040,048	977,764	1,040,048	977,764
Total Expenses	<u>2,620,352</u>	<u>2,447,801</u>	<u>1,040,048</u>	<u>977,764</u>	<u>3,660,400</u>	<u>3,425,565</u>
Change In Net Position	787,174	722,518	152,967	25,260	940,141	747,778
NET POSITION - BEGINNING	<u>14,024,925</u>	<u>13,302,407</u>	<u>4,880,203</u>	<u>4,854,943</u>	<u>18,905,128</u>	<u>18,157,350</u>
NET POSITION - ENDING	<u>\$ 14,812,099</u>	<u>\$ 14,024,925</u>	<u>\$ 5,033,170</u>	<u>\$ 4,880,203</u>	<u>\$ 19,845,269</u>	<u>\$ 18,905,128</u>

Total revenues for the Town of Walkersville were \$4,600,541 for the year ended June 30, 2016, up \$427,198 (10.2%) from FY 2015. Governmental activities provided \$3,407,526 and business-type activities provided \$1,193,015, 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:

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, 2016, the unassigned fund balance of the General Fund was \$7,590,019.

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

Town of Walkersville
Revenues Classified by Source
Governmental Funds

	<u>Amount</u>		<u>Percent of Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues				
Local property taxes and interest	\$ 1,159,562	\$ 1,141,890	30.73%	35.86%
Licenses and permits	74,138	30,032	1.96%	0.94%
Grants and shared taxes	1,911,027	1,775,559	50.65%	55.76%
Other revenue	628,449	236,954	16.66%	7.44%
Total Revenues	\$ 3,773,176	\$ 3,184,435	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 \$842,642, up \$16,223 (2.0%) from last year, reflecting the third year of the 15.0¢ per \$100 of assessed value tax rate and the effects of an increased assessable base. Gross business personal property tax revenue increased by a mere \$1,260 (0.4%) to \$307,946. 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 increased by \$189 to \$8,974.
- ❖ **Licenses and Permits** – This consists of Traders licenses and Planning and Zoning licensing and review fees. The increase of \$44,106 is mostly from an increase in Planning and Zoning fees in the amount of \$42,939, due to fees collected from the upcoming Walkersville Library, Sheetz expansion, and the developments of Mill Run, Parkside, and the Bell Property. Trader license revenue was up \$1,167.
- ❖ **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. The total Grants and shared taxes increased by \$135,468 to \$1,911,027. The substantial increases occurred as follows: an increase in the Highway User Revenues in the amount of \$22,928, a 13.6% increase, an increase in Income Tax of \$60,670, or 8.1%, and an increase in Tax Equity from Frederick County in the amount of \$98,057, or 13.6%. This increase from the County is a reimbursement of taxes to 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 \$391,495, or 165.2%, and included small variations in all categories. The mortgage interest and principal payments and the payoff of the balloon for the Walker Farm mortgage in the amount of \$392,241 comprises the entire variance.

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

Town of Walkersville
Expenditures by Function
Governmental Funds

	Amount		Percent of Total	
	2016	2015	2016	2015
Expenditures				
General government	\$ 466,274	\$ 458,463	19.15%	17.41%
Public safety	591,991	547,718	24.32%	20.80%
Public works	489,629	479,676	20.11%	18.21%
Waste collection and disposal	232,774	236,829	9.56%	9.00%
Recreation and culture	153,242	121,257	6.30%	4.60%
Non-departmental	252,615	231,910	10.38%	8.81%
Capital outlay	247,793	557,584	10.18%	21.17%
Total Expenditures	\$ 2,434,318	\$ 2,633,437	100.00%	100.00%

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

- ❖ **General Government** – The increase in the General government expenditures in the amount of \$ 7,811 is attributable in part to the following: Office salaries increased by \$564, Office operating expenses increased by \$3,319, or 45.6%, Training, meetings, and travel increased by \$6,150, 212.9%, due to participation and attendance at conferences by the new Burgess and a Commissioner that served as President of the Frederick Chapter of the Maryland Municipal League. It was also a license renewal year for the Town Manager and required continuing education expenses. Legal expenses increased by \$7,806 as the Town continues to be plagued with several litigious claims. Planning and zoning expenses increased \$7,144, or 9.0%, corresponding to the increase in licenses and permitting, due to developer activity in four upcoming build outs. Utilities decreased by \$8,776, or 17.5%, as a result of more efficient fixtures in the Town Hall.
- ❖ **Public Safety** – This category increased overall by \$44,273 (8.1%) due to the increase in the Maryland State Police Resident trooper program of \$45,433, 8.9% over last year's contract. Code Enforcement expense incurred a slight increase of \$843 (8.4%) as the Code Enforcement Officer has begun to operate proactively, rather than on a complaint driven platform. Three hundred and sixty-one cases have been addressed through June 30, 2016. The Town's contribution to the fire and rescue companies is back to the annual amount of \$12,500 each, down by \$2,000 this year. Last year the Town made an annual contribution towards equipment that was a one-time donation.
- ❖ **Public Works** - This category increased overall by \$9,953, with an increase in Maintenance salaries of \$25,125, a 9.6% increase. Last year's loss of maintenance and water staff resulting in a hiring of new workers and reflects the replacement salaries for the entire year. Maintenance on streets category was down by \$12,582 (14.5%). Parts, tools, and supplies were up by \$6,066, or 95.3% and Truck and Equipment expenditures were down by \$10,348 or 17.6%. The categories of Street lighting, Safety, and Uniforms and boots did not fluctuate from last year.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

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

- ❖ **Waste Collection and Disposal** - This category decreased by \$4,055. While costs for the trash contract remained constant, the tipping fees decreased most likely due to the two annual Town-sponsored bulk trash collection days, effectively reducing the impact on the landfill. Our established recycling dumpster continues to be successful and busy. Open 2 Wednesdays per month, with a hired recycling monitor, it received support and reimbursement this year from Frederick County in the amount of \$6,834.
- ❖ **Recreation and Culture** - This category increased by \$31,985, or 26.4% overall with mostly increases in the line items as follows: Parks and recreation increased by \$18,055 or 58.8% due to mulch replacement throughout the parks, and several pieces of our playground equipment underwent significant repairs or replacement. The Parks mowing contract was rebid this year and the contractor took the opportunity to include higher gas and maintenance needs in the contract in the amount of \$87,831, an increase of \$12,475 or 16.6%.
- ❖ **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 increased overall by \$20,705, or 8.9%, with significant fluctuations in two categories. The retirement plan expense decreased by \$4,293, or 8.4%, as the State decreased the Town contribution from 9.73% to 8.53% on 6/30/2015 salaries. Health, life and dental insurance increased heftily by \$18,803, or 17.9%, hooray for the Affordable Care Act!
- ❖ **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 \$196,663, an increase of 19.8%, with significant increases in Charges for service, Connection fees, and Wireless tower income. Charges for service increased \$54,851, a 6.6% increase reflecting the enactment of the automatic 1% increase to the tier rates every October, despite a decrease of 953,795 less gallons of water used and billed. The Town collected \$88,000 in connection fees related to the Mill Run subdivision, versus no developer connection fees the past several years. Wireless telecommunication income is increased by \$54,206 or 37.1%, for a total of \$200,413. Wireless carriers continue to be active and expanding service on the Crum Road and Discovery water towers, adding antennae and increasing their lease agreements.

Non-Operating Revenues - Interest income is up by \$917, even as rates remain low. There was no equipment sold at auction this year, so no gain from sale of fixed assets is recognized in the Water Fund.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

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

Operating Expenses - The Water Fund's operating expenses increased overall by \$61,968 or 7.6%. Increases and decreases above \$4,000 will be considered. Staff salaries decreased by \$4,757, a 2.4% decrease, continuing to reflect the loss of water operators in FY 2015 and 2016, and replacements hired at entry level salaries. An increase in Payroll taxes of \$6,480 reflects the Town's responsibility to pay MD Unemployment reimbursements to the state as benefits were paid to terminated employees. Pension expense was up by \$13,692 and over-budget by \$14,463, a result of entries made to record the GASB 68 liabilities allocated to the Town through the MD State Retirement Agency. Medical insurance was up \$4,923, or 9.0%, staying in check despite the Affordable Care Act, due to the lower premiums on the newest, youngest hire to the Water Fund. Administrative expenses were up \$5,191 compared to last year, but were right on target compared to the budget. Distribution maintenance and Chemicals were both up significantly by \$24,668 or 24.5%, and \$14,050 or 8.5% respectively. The Town continues to stay on top of maintenance with the replacement of meters with the sensor meters and fire hydrants as needed to keep the system in excellent condition. Total Capital Outlay increased by \$410,848 which consists of water line improvements in the amount of \$250,944, beginning engineering on the new water plant in the amount of \$61,221, and an increase in Equipment purchased of \$98,683. Details of these investments are provided in the Capital section of this report. Depreciation expense, a non-cash outlay, increased by \$316, to \$158,389.

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, 2016, there were no adjustments made to the originally adopted budgets. The Town philosophy is that the budget, even though adopted by an ordinance, is a planning tool and not a restrictive document. In other words, if funds are budgeted there is no urgency to spend them within the fiscal year. Conversely, if a need arises and the plan is not in the budget to address it, it nevertheless is evaluated and addressed if it is needed to provide the best service and support of our citizens. Also, the budgeting process is approached very conservatively, i.e. including lower expectations for revenue to be received and estimating on the high side for expected expenses. For these reasons, variances between the budget and actual in the Governmental and Enterprise Funds will be taken with a grain of salt. Only explainable variances will be mentioned or discussed.

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

General Fund

- ❖ Local property taxes and interest continue to fall below expectations, lower than the budgeted amount by \$10,358, or (1.2%). This continues to be a puzzler, because it should be simple to use the estimated assessable base provided by the state and multiply it out by the current tax rate. So, either the estimate is consistently off, or more people than projected qualify after the fact for property tax credits. Personal property tax revenue exceeded budget expectations by \$30,306, 10.9%. This continues to be a difficult area to project as we have to wait for the assessments provided to the state through the personal property tax returns. Planning and zoning revenue exceeded expectations by a whopping \$58,290, or 582.9%, as a result of several developments gearing up for approval and paying their appropriate permitting and review fees.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

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

Highway user tax revenue was way up, by \$139,759, due to a one-time grant from the State of Maryland. The Program Open Space income was \$76,500 less than expected, due to the timing and completion of the projects. Reimbursement from the State as projects were completed amounted to \$13,500 for the newly refurbished basketball court at Community Park. Income taxes received were higher than anticipated by \$91,495, or 12.8%, an ongoing positive sign for the economy, people are making money and paying taxes. Tax Equity was exactly the amount the County told us it would be, \$821,246, an increase over last year's amount by \$98,057, 13.6%. Walkersville has chosen Tax equity rather than Tax differential as the calculation for our reimbursement from the County for duplicate services provided. Franchise fees exceeded budget by \$23,763, due to not knowing how to predict the gross revenue of Comcast, and leaning to the conservative side. And finally, the Town received the balloon payment paying off the second mortgage it held on the Walker Farm property. Interest and principal payments came in over budget in the amount of \$392,241, due to budgeting nothing for the loan for the current fiscal year. The due date had been extended and actual receipt was tentative during budget deliberations. Miscellaneous revenue exceeded the budget expectations of \$1,000 by \$60,390. The variance included a reimbursement from FEMA in the amount of \$45,832 to help the Town with expenses incurred during the Snowzilla event in early 2016. The Veteran Brick project also brought in \$11,973 for the building of a memorial at Memorial Park. Income from town snow removal and mowing of property in the amount of \$1,180, \$600 received as restitution from a motorist who wrecked a town light pole, \$826 received from cashing in scrap metal obtained during the water line replacement project, and \$834 received as the LGIT insurance reimbursement for the snow plow stolen from our truck while in for service makes up the lion's share of the variance. We will continue to budget this at \$1,000, even though this was another unusual year for miscellaneous income. Total Revenues exceeded budget by \$723,863, a 23.7% variance, due to extra conservative projections.

- ❖ Actual expenditures were under budgeted expenditures by \$614,995 or 20.2%. The categories of General Government, Public Safety, Public Works, Waste Collection and Disposal, and Capital Outlay had variances above \$4,000, so will be discussed. General government was under budget by \$49,736, and included positive variances in Salaries \$8,514, Operating expenses \$5,979, Utilities \$18,710, Repairs and maintenance \$12,107, Economic Development Commission \$10,944, again a result of conservative budgeting. Public Safety had a positive variance of \$30,845 due to a savings of \$31,086 on the contract with the Maryland State Police. Public works was over by \$5,084, which was a combination of a positive variance in Salaries of \$6,170 and Street lighting of \$6,690, along with negative variances in Maintenance of \$13,905 and Parts, tools, and supplies of \$4,431. Waste collection and disposal was under by \$28,426, and Capital Outlay was under by \$510,332. The variance in Capital Outlay is mostly a result of many of the listed projects not being implemented plus the amount of \$219,275 being available for projects and not designated or spent. 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

- ❖ To realistically evaluate the Water Fund operating revenues, you must first remove the \$631,636 budgeted to be used from savings and reserves. Without this, the budgeted current revenue becomes \$989,050. Comparing that to actual received of \$1,193,015, the Water Fund received \$203,965 more than expected, or 20.6%. Charges for service received \$57,591 more than expected, a 7.0% positive variance. Automatic 1% rate increases are beginning to generate

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

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

more revenue, even as gallons used decreases and citizens continue to conserve water. Developers' connection charges, used for expanding the system, are starting to kick in, as we received Mill Run's \$88,000 water tap agreement, an unbudgeted item. Wireless tower income exceeded budget expectations by \$56,963, or 39.7%, as carriers scramble to expand, replace, and stay up on the latest and greatest cellular technology. The Water Fund depends on this wireless revenue to stay viable.

- ❖ Total operating expenses were more than expected by \$9,523, not a shabby estimate of the year's work. Salaries came in under budget by \$35,989, Workers' compensation was under by \$4,153, and Payroll taxes that include the MD Unemployment tax reimbursement were over by \$7,151, due to the employee termination issue we have discussed repeatedly throughout this report. 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 2 -5%. Pension plan expense is over budget by \$14,463 due to the effects of the required GASB 68 adjusting entries. Electricity, Distribution maintenance, and Chemicals all reflected negative variances, i.e. were over budget by \$4,957, \$25,365, and \$30,238 respectively. A possible explanation is that the costs of these commodities continue to explode exponentially and it is impossible to predict them even with our conservative approach. Another explanation is that perhaps the Public Works Director is providing obsolete or inaccurate information to the budgeting committee. Sewer treatment fees and other operating expenses have been controlled and reflect positive variances of \$8,615 and \$13,303, respectively. Miscellaneous expense was under-budget by \$4,527, again, due to having no basis for this estimate.

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, 2016, amounts to \$11,261,449 (net of accumulated depreciation) compared to \$11,134,231 at June 30, 2015, an increase of \$ 127,218. 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 2016, there were no contributions of infrastructure from developers.

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

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

This year's capital additions included:

Purchased by Town:

- Heritage Farm Park Climber steps/walk plank	\$ 2,813
- Heritage Farm Park Green 6' Wave slide	2,378
- Community Park Basketball court and pavement game	29,835
- Burgess Desktop computer	715
- SXHT-90 Boiler expansion tank/2 Taco Hy-vents	4,339
- Blower motor, pulley, and belt for AHU #2	682
- 1/4 HP pump for Town Hall Boiler	1,156
- Liquid storage safety cabinet	1,317
- Snow plow and strobes	4,988
- Solenoid valve/adaptor block assembly for JC	1,140
- Snow plow and lights to replace stolen equipment	2,168
- Premier trailer	1,427
- 8' Tornado salt spreader	4,995
- 2016 Dodge Ram 2500	40,643
- Downcut walk behind saw	2,228
- Asphalt sealant meter/crack sealer	49,440
- 2016 Freightliner dump/plow/salt spreader	139,539
- Liberty Street paving	11,319
- Glade Blvd. paving	3,350
- Heritage Farm Park building/construction in progress	13,091
- Liberty Street waterline replacement	250,944
- Butterfly valve	1,053
- Flowline echospan level transmitter	790
- Metrotech/VM radio frequency line tracer	3,850
- 2 - Hydrant flow tester/diffusers	2,265
- HQ11d portable pH meter	566
- 2100Q portable turbidimeter	1,166
- 1720E Turb sensor assembly	1,645
- ABS JC-11W submersible pump	1,050
- Magnetic locator	850
- Touchreader II visual display	2,320
- Goulds sewage pump	766
- 2 - ITT AC Pumps @ \$11,340	22,680
- Water plant/construction planning/engineering in process	<u>61,221</u>

Total purchased by the Town \$ 668,729

The Town of Walkersville's fiscal year 2017 capital budget plans for spending \$835,551 compared to FY 2016's budget of \$1,506,675 for capital projects. Some of FY 2016's projects were not implemented or completed, and thus reappeared in the FY 2017 budget. Also, budgeting for the new water plant is not in FY 2016 as it is doubtful construction will begin in FY 2017. Paving and street maintenance is ongoing, with \$ 165,551 available for unexpected needs or savings. The FY 2017 capital budget includes the regular annual budgeting of equipment, major paving and overlay projects in the amount of \$310,000 in the General Fund budget and \$360,000 in the Water Fund capital budget. The Town

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

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

continues to proceed with the engineering for the new water plant. The selection of the microfiltration with reverse osmosis option has involved increasing cost estimates and has reached a considerable \$8.4 million. As the process proceeds for the design of the plant, costs have been increasing exponentially. Options are being explored for grant and loan funding from Maryland State agencies in the water arena, and we have qualified for a loan of the entire amount. Figuring out how to pay the loan back has proven stressful and a resolution has not yet been found. 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, but approval from the State has been granted to finance the entire upcoming water plant construction.

Subsequent Items for Future Financial Statements

- ❖ The Town of Walkersville adopted its General Fund budget based on a 16.0¢ tax rate per \$100 of assessed value for FY 2017. Commissioners voted to raise the tax rate by 1¢, in an effort to generate an additional \$57,922 in real property revenue. The constant yield rate was 14.76¢. As property assessments rise, the constant yield will continue to fall. The potential revenue with the 16¢ rate adopted will generate \$926,738, versus the \$854,916 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 2016, the refurbishment of the Community Park basketball court was completed, significantly over the \$15,000 estimated cost at \$29,835. A reimbursement of \$13,500 was received from POS.
- ❖ 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 cost for this building continues to grow and to date is not estimable. Only \$100,925 will be received once the building is completed. To date \$13,091 has been spent on engineering and permit and departmental reviews of the plans.
- ❖ Plans for the construction of Richard Winn Lane are in question now that the Century Center property has entered foreclosure. The timeline and responsibility for constructing the road is being investigated in hopes of arriving at a quick solution for its installation.
- ❖ The Town-operated Water Utility had a reasonable year with Charges for service coming in \$57,591 over what was expected. The automatic 1% increase to the tier rates will be supplemented by a new rate schedule, effective October 1, 2016, in an attempt to generate enough income to sustain loan payments when the new plant is built. With upcoming design of the new water plant, a 20% increase to 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 (Unaudited)

- ❖ The Burgess and Commissioners continue to operate in their conservative manner, even though the Town is very strong financially. An election resulted in a new Burgess and a new Commissioner, along with four incumbents maintaining their positions. Pressure from citizens to address crime and drug issues in the Town has led to 2 additional resident troopers being planned for in the next fiscal year. Also, a contract has been signed to install surveillance cameras throughout the Town parks, shop, and town hall building. These two initiatives will hopefully alleviate many of the concerns expressed at several hearings on these issues and will be major expenses in the General Fund budget.
- ❖ The Town has also revamped its Code Enforcement objectives, going from a complaint driven system to pro-active enforcement. Our officer spends several hours each day roaming the town and pin pointing and citing problem areas of tall grass, snow removal, and inoperable and untagged vehicles. The Town also recently adopted a property maintenance ordinance that will aid in citing and addressing dilapidated and neglected properties.
- ❖ The Town was faced with addressing several legal, ethical, and personnel issues over the last year, a reflection of the times in which we live. Legal expenses and unemployment compensation expense categories were affected substantially as we dealt with these issues. Despite a year of change of leadership and stressful legal issues, the Town continues to grow and thrive with exciting plans for the future. We look forward to the completion of the three new developments in process, a new library on the way, planning and engineering of a state of the art water plant, and hiring energetic new employees when those of us nearing retirement age finally take the plunge.

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, 2016**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 988,776	\$ 585,159	\$ 1,573,935
Investments - Maryland Local Government			
Investment Pool	5,559,747	697,620	6,257,367
Certificates of deposit, including accrued interest	1,600,455	-	1,600,455
Receivables			
Taxes	1,057	-	1,057
Other	29,754	-	29,754
Water service charges, net of allowance for uncollectibles of \$775	-	72,375	72,375
Due from other governmental agencies	159,971	-	159,971
Inventory, at cost, net of allowance	12,392	15,125	27,517
Prepaid expenses	1,277	1,149	2,426
Internal balances	1,030	(1,030)	-
Capital Assets			
Land	2,047,319	7,507	2,054,826
Buildings & furnishings	1,853,126	40,743	1,893,869
Equipment	956,159	540,368	1,496,527
Improvements	1,683,588	15,358	1,698,946
Water treatment plant	-	1,635,275	1,635,275
Distribution system	-	3,453,138	3,453,138
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	8,746,301	-	8,746,301
Construction in progress	31,084	61,221	92,305
Accumulated depreciation	(7,999,291)	(3,818,122)	(11,817,413)
Total Assets	15,672,745	5,313,561	20,986,306
DEFERRED OUTFLOWS OF RESOURCES	116,951	41,431	158,382
Total Assets and Deferred Outflows of Resources	15,789,696	5,354,992	21,144,688
LIABILITIES			
Current Liabilities			
Accounts payable	363,887	88,804	452,691
Accrued salaries and withholdings	41,497	11,260	52,757
Unearned revenue	4,688	2,864	7,552
Deposits	35,312	21,424	56,736
Total Current Liabilities	445,384	124,352	569,736
Noncurrent Liabilities			
Net pension liability	489,130	181,096	670,226
Total Liabilities	934,514	305,448	1,239,962
DEFERRED INFLOWS OF RESOURCES	43,083	16,374	59,457
Net Position			
Net investment in capital assets	7,318,286	3,943,163	11,261,449
Unrestricted	7,493,813	1,090,007	8,583,820
TOTAL NET POSITION	\$ 14,812,099	\$ 5,033,170	\$ 19,845,269

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Statement of Activities
Year Ended June 30, 2016

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	\$ 508,312	\$ 74,149	\$ 1,030	\$ -	\$ (433,133)	\$ -	\$ (433,133)
Public safety	592,391	-	31,633	-	(560,758)	-	(560,758)
Public works	785,763	1,180	45,832	-	(738,751)	-	(738,751)
Waste collection and disposal	232,774	6,834	-	-	(225,940)	-	(225,940)
Recreation and culture	197,792	-	25,473	-	(172,319)	-	(172,319)
Non-departmental	303,320	-	-	-	(303,320)	-	(303,320)
Total Governmental Activities	<u>2,620,352</u>	<u>82,163</u>	<u>103,968</u>	<u>-</u>	<u>(2,434,221)</u>	<u>-</u>	<u>(2,434,221)</u>
Business-Type Activities							
Water	<u>1,040,048</u>	<u>1,191,180</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>151,132</u>	<u>151,132</u>
TOTAL GOVERNMENT	<u>\$ 3,660,400</u>	<u>\$ 1,273,343</u>	<u>\$ 103,968</u>	<u>\$ -</u>	<u>(2,434,221)</u>	<u>151,132</u>	<u>(2,283,089)</u>
General Revenues							
Taxes							
Property taxes, levied for general purposes					1,158,801	-	1,158,801
Income taxes					806,495	-	806,495
Highway taxes					190,925	-	190,925
Other local taxes					867,444	-	867,444
Franchise fees					78,463	-	78,463
Investment earnings					52,262	1,835	54,097
Miscellaneous					67,005	-	67,005
Total General Revenues, Special Items, and Transfers					<u>3,221,395</u>	<u>1,835</u>	<u>3,223,230</u>
Change in net position					787,174	152,967	940,141
NET POSITION - BEGINNING					<u>14,024,925</u>	<u>4,880,203</u>	<u>18,905,128</u>
NET POSITION - ENDING					<u>\$ 14,812,099</u>	<u>\$ 5,033,170</u>	<u>\$ 19,845,269</u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Balance Sheet – Governmental Fund
June 30, 2016

	General Fund
ASSETS	
Current Assets	
Cash	\$ 988,776
Investments - Maryland Local Government	
Investment Pool	5,559,747
Certificates of deposit, including accrued interest	1,600,455
Receivables	
Taxes	1,057
Other	29,754
Due from other governmental agencies	159,971
Due from other funds	1,030
Prepaid expenses	1,277
Inventory, at cost	<u>12,392</u>
TOTAL ASSETS	<u>\$ 8,354,459</u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	\$ 363,887
Accrued salaries and withholdings	41,497
Deposits	35,312
Unearned revenue	<u>4,688</u>
Total Liabilities	<u>445,384</u>
Fund Balance	
Nonspendable	13,669
Assigned	305,387
Unassigned	<u>7,590,019</u>
Total Fund Balance	<u>7,909,075</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 8,354,459</u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Reconciliation of Fund Balance to the Statement of Net Position of
Governmental Activities
June 30, 2016

TOTAL FUND BALANCE - GOVERNMENTAL FUND \$ 7,909,075

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

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	15,317,577	
Accumulated depreciation	<u>(7,999,291)</u>	7,318,286

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

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

Net pension liability	(489,130)	
Deferred outflows of resources	116,951	
Deferred inflows of resources	<u>(43,083)</u>	<u>(415,262)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 14,812,099

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Statement of Revenues, Expenditures and Change in Fund Balance – Governmental Fund
Year Ended June 30, 2016

	General Fund
Revenues	
Local property taxes and interest	\$ 1,159,562
Licenses and permits	74,138
Grants and shared taxes	1,911,027
Other revenue	<u>628,449</u>
Total Revenues	<u>3,773,176</u>
Expenditures	
General government	466,274
Public safety	591,991
Public works	489,629
Waste collection and disposal	232,774
Recreation and culture	153,242
Non-departmental	252,615
Capital outlay	<u>247,793</u>
Total Expenditures	<u>2,434,318</u>
Excess of Revenues Over Expenditures	1,338,858
TOTAL FUND BALANCE - BEGINNING OF YEAR	<u>6,570,217</u>
TOTAL FUND BALANCE - END OF YEAR	<u>\$ 7,909,075</u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balances
of Governmental Fund to the Statement of Activities
June 30, 2016

EXCESS OF REVENUES OVER EXPENDITURES - GOVERNMENTAL FUND \$ 1,338,858

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

Governmental funds report capital outlay as expenditures. However, in the
government-wide statement of activities, the cost of those assets is
allocated over their estimated useful lives as depreciation expense.
This is the amount of capital assets recorded in the current period. 247,793

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. (383,122)

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. (365,650)

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. (50,705)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 787,174

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Statement of Net Position – Proprietary Fund
Business Type Activities – Enterprise Fund
June 30, 2016

	Water Fund
ASSETS	
Current Assets	
Cash	\$ 585,159
Investments - Maryland Local Government Investment Pool	697,620
Receivables Water service charges (net of allowance for uncollectibles of \$775)	72,375
Prepaid expenses	1,149
Inventory, at cost, net of allowance	<u>15,125</u>
Total Current Assets	1,371,428
NonCurrent Assets	
Property, plant and equipment, net of accumulated depreciation	<u>3,943,163</u>
Total Assets	5,314,591
DEFERRED OUTFLOWS OF RESOURCES	<u>41,431</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 5,356,022</u></u>
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 88,804
Due to other funds	1,030
Unearned revenues	2,864
Accrued salaries and withholdings	11,260
Deposits	<u>21,424</u>
Total Current Liabilities	125,382
Noncurrent Liabilities	
Net pension liability	<u>181,096</u>
Total Liabilities	<u>306,478</u>
DEFERRED INFLOWS OF RESOURCES	<u>16,374</u>
Net Position	
Invested in capital assets	3,943,163
Unrestricted	<u>1,090,007</u>
Total Net Position	<u>5,033,170</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 5,356,022</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, 2016

	Water Fund
OPERATING REVENUES	
Charges for services	\$ 885,691
Meter service charge	1,905
Connection fees	88,000
Penalties and interest	14,770
Wireless tower income	200,413
Other income	<u>401</u>
Total Operating Revenues	<u>1,191,180</u>
OPERATING EXPENSES	
Depreciation	158,389
Salaries	196,591
Electricity	66,957
Distribution maintenance	125,365
Parts, supplies, and tools	1,007
Chemicals	180,238
Sewer treatment fees	117,091
Other operating expenses	24,697
Audit	8,750
Legal expense	4,865
Administrative expenses	17,953
Pension plan	32,163
Workmen's compensation insurance	4,847
Payroll taxes	24,951
Property insurance	12,763
Medical insurance	59,333
Safety	615
Miscellaneous	<u>3,473</u>
Total Operating Expenses	<u>1,040,048</u>
Income From Operations	151,132
NON-OPERATING REVENUES	
Interest income	<u>1,835</u>
Change in Net Position	152,967
NET POSITION - BEGINNING OF YEAR	<u>4,880,203</u>
NET POSITION - END OF YEAR	<u><u>\$ 5,033,170</u></u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Statement of Cash Flows – Proprietary Fund
Business Type Activities – Enterprise Fund
Year Ended June 30, 2016

	Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,197,271
Cash payments to suppliers for goods and services	(650,834)
Cash payments to employees for services	<u>(182,020)</u>
Net Cash Provided By Operating Activities	<u>364,417</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Decrease in due from other funds	<u>58,623</u>
Net Cash Provided By Non-Capital Financing Activities	<u>58,623</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	<u>(420,936)</u>
Net Cash (Used In) Capital and Related Financing Activities	<u>(420,936)</u>
CASH FLOW FROM INVESTING ACTIVITIES	
Interest on cash and investments	<u>1,835</u>
Net Increase In Cash and Cash Equivalents	3,939
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,278,840</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 1,282,779</u></u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Statement of Cash Flows – Proprietary Fund
Business Type Activities – Enterprise Fund
Year Ended June 30, 2016

	Water Fund
RECONCILIATION OF INCOME FROM OPERATIONS	
TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Income from operations	\$ 151,132
Adjustments to reconcile income from operations to net cash provided by operating activities:	
Depreciation	158,389
Decrease in receivables	3,726
(Increase) in prepaid expenses	(1,149)
Decrease in inventory	4,458
Increase in accounts payable	30,925
Increase in deferred revenue	2,864
(Decrease) in accrued salaries	(2,150)
(Decrease) in deposits	(499)
Change in net pension liability	<u>16,721</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 364,417</u>
RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS	
PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF	
NET POSITION	
Cash	\$ 585,159
Investments - Maryland Local Government	
Investment Pool	<u>697,620</u>
	<u>\$ 1,282,779</u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements
Year Ended June 30, 2016

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, 2016 and for the year then ended and have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to local governments. The Governmental Accounting Standards Board (the GASB) is the standard setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the *GASB's Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification).

Reporting Entity

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

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

Government-Wide and Fund Financial Statements

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

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

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

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements
Year Ended June 30, 2016

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.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements
Year Ended June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The government reports the following major governmental funds:

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

The government reports the following major proprietary funds:

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

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

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

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements
Year Ended June 30, 2016

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
Year Ended June 30, 2016

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, 2016.

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

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

Statement of Cash Flows

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

Accounts Receivable

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

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
Year Ended June 30, 2016

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

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period, and so will not be recognized as an outflow of resources (expense) until then. At June 30, 2016, 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's deferred inflows of resources at June 30, 2016 consists 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
Year Ended June 30, 2016

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, 2016 consists of the following:

	<u>Government Wide Activities</u>	
	<u>Governmental</u>	<u>Business Type</u>
	<u>Activities</u>	<u>Activities</u>
		<u>Water Fund</u>
Capital assets	\$ 15,317,577	\$ 7,761,285
Accumulated depreciation	<u>(7,999,291)</u>	<u>(3,818,122)</u>
Net investment in capital assets	<u>\$ 7,318,286</u>	<u>\$ 3,943,163</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, 2016 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
Year Ended June 30, 2016

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, as those expenditures are included in the General Fund budget.

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, 2016, the carrying amount of the Town's deposits was \$3,174,390 including interest receivable. The related bank balance totaled \$3,179,849.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements
Year Ended June 30, 2016

NOTE 3 CASH AND CERTIFICATES OF DEPOSIT (CONTINUED)

Following is a schedule of the Town's deposits by financial institution at June 30, 2016:

Woodsboro Bank	\$ 850,000
The Columbia Bank	500,000
Capital One Bank	243,827
First United Bank & Trust	250,000
PNC Bank	<u>1,336,022</u>
	<u>\$ 3,179,849</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, 2016 \$1,475,549 of the Town's deposits were exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank not in the Town's name	<u>\$ 1,475,549</u>
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NOTE 4 INVESTMENTS

As of June 30, 2016 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	\$ 6,257,367

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
Year Ended June 30, 2016

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, which represents \$670,000 less related closing expenses of \$54,548, and financed the remaining \$400,000. Interest on the mortgage receivable is 5%. The note was being amortized over 240 months, with a 3-year balloon payment originally due July 1, 2015. The maturity date of the note was subsequently extended multiple times. The note was 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, 2016 were \$392,241, including interest of \$26,591. The mortgage was paid in full during the year ended June 30, 2016.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements
Year Ended June 30, 2016

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.

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BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements
Year Ended June 30, 2016

NOTE 6 INVENTORY

Inventory consists of the following:

	General Fund
Inventory at cost (fund balance - reserved for inventory)	<u>\$ 12,392</u>
	Enterprise Fund
Inventory, at cost	\$ 15,424
Allowance for obsolete inventory	<u>(299)</u>
	<u>\$ 15,125</u>

NOTE 7 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
GOVERNMENTAL ACTIVITIES				
Capital Assets, Not Being Depreciated				
Land	\$ 2,047,319	\$ -	\$ -	\$ 2,047,319
Construction in progress	17,993	13,091	-	31,084
Total Capital Assets Not Being Depreciated	<u>2,065,312</u>	<u>13,091</u>	<u>-</u>	<u>2,078,403</u>
Capital Assets Being Depreciated				
Improvements	1,648,562	35,026	-	1,683,588
Infrastructure	8,731,632	14,669	-	8,746,301
Building and furnishings	1,853,851	-	(725)	1,853,126
Equipment	771,152	185,007	-	956,159
Total Capital Assets Being Depreciated	<u>13,005,197</u>	<u>234,702</u>	<u>(725)</u>	<u>13,239,174</u>
Total Capital Assets	<u>15,070,509</u>	<u>247,793</u>	<u>(725)</u>	<u>15,317,577</u>
Accumulated Depreciation				
Improvements	(864,248)	(47,058)	-	(911,306)
Infrastructure	(4,974,129)	(261,924)	-	(5,236,053)
Building and furnishings	(1,082,716)	(46,576)	725	(1,128,567)
Equipment	(695,801)	(27,564)	-	(723,365)
Total Accumulated Depreciation	<u>(7,616,894)</u>	<u>(383,122)</u>	<u>725</u>	<u>(7,999,291)</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 7,453,615</u>	<u>\$ (135,329)</u>	<u>\$ -</u>	<u>\$ 7,318,286</u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements
Year Ended June 30, 2016

NOTE 7 CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
BUSINESS-TYPE ACTIVITIES				
Capital Assets, Not Being Depreciated				
Land	\$ 7,507	\$ -	\$ -	\$ 7,507
Construction in progress	-	61,221	-	61,221
Total Capital Assets Not Being Depreciated	<u>7,507</u>	<u>61,221</u>	<u>-</u>	<u>68,728</u>
Capital Assets Being Depreciated				
Equipment	431,597	108,771	-	540,368
Improvements	15,358	-	-	15,358
Building and furnishings	40,743	-	-	40,743
Water treatment plant	1,635,275	-	-	1,635,275
Distribution system	3,202,194	250,944	-	3,453,138
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>7,332,842</u>	<u>359,715</u>	<u>-</u>	<u>7,692,557</u>
Total Capital Assets	<u>7,340,349</u>	<u>420,936</u>	<u>-</u>	<u>7,761,285</u>
Accumulated depreciation				
Equipment	(332,874)	(25,886)	-	(358,760)
Improvements	(14,620)	(179)	-	(14,799)
Building and furnishings	(20,520)	(1,259)	-	(21,779)
Water treatment plant	(865,276)	(36,610)	-	(901,886)
Distribution system	(999,538)	(62,065)	-	(1,061,603)
Water systems	(145,665)	(2,347)	-	(148,012)
Water towers	(1,223,696)	(26,976)	-	(1,250,672)
Filter rehabilitation project	(54,148)	(2,888)	-	(57,036)
Urban detritification project	(3,396)	(179)	-	(3,575)
Total Accumulated Depreciation	<u>(3,659,733)</u>	<u>(158,389)</u>	<u>-</u>	<u>(3,818,122)</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 3,680,616</u>	<u>\$ 262,547</u>	<u>\$ -</u>	<u>\$ 3,943,163</u>

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

Governmental Activities

General government	\$ 42,038
Public safety	400
Public works	296,134
Recreation and culture	44,550
	<u>\$ 383,122</u>

Business-Type Activities

Water	<u>\$ 158,389</u>
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BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements
Year Ended June 30, 2016

NOTE 8 GOVERNMENTAL FUND BALANCES

The detail of the fund balance classifications aggregated on the balance sheet as of June 30, 2016 is as follows:

	<u>General Fund</u>
FUND BALANCES	
Nonspendable	
Reserved for inventory	\$ 12,392
Prepaid expenses	1,277
	<u>13,669</u>
Assigned for capital projects	
HFP building	18,608
Park projects	286,779
	<u>305,387</u>
Unassigned	<u>7,590,019</u>
	<u>\$ 7,909,075</u>

NOTE 9 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.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements
Year Ended June 30, 2016

NOTE 9 RETIREMENT PLAN (CONTINUED)

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.

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, 2016, 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:

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements
Year Ended June 30, 2016

NOTE 9 RETIREMENT PLAN (CONTINUED)

	Employees' Retirement and Pension System
Town's proportionate share of net pension liability	\$ 670,226
State's proportionate share of net pension liability associated with the Town	<u>-</u>
Net Pension Liability	<u>\$ 670,226</u>

The net pension liability was measured as of June 30, 2015 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, 2015, the Town's proportion was .0032251% for the System.

For the year ended June 30, 2016, the Town recognized pension expense of \$93,958 related to governmental activities and \$31,061 related to business-type activities. As of June 30, 2016, 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	\$ 39,594	\$ -
Net difference between projected and actual investment earnings	59,033	-
Difference between actual and expected experience	-	59,456
Town contributions subsequent to the measurement date	<u>59,755</u>	<u>-</u>
	<u>\$ 158,382</u>	<u>\$ 59,456</u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements
Year Ended June 30, 2016

NOTE 9 RETIREMENT PLAN (CONTINUED)

Town contributions subsequent to the measurement date totaling \$59,755 are reported as deferred outflows of resources related to pensions and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2017	\$	(5,850)
2018	\$	(5,850)
2019	\$	(5,850)
2020	\$	(5,850)
2021	\$	(15,771)

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, 2015, using the entry age normal actuarial cost method. Inflation is assumed to be 2.95% for general and 3.45% 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 7.55%. Mortality rates were based on the RP-2000 Combined Healthy Mortality table projected to the year 2025.

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%	6.30%
Fixed income	10%	0.60%
Credit opportunity	10%	3.20%
Real return	14%	1.80%
Absolute return	10%	4.20%
Private equity	10%	7.20%
Real estate	10%	4.40%
Cash	1%	0.00%
Total	100%	

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements
Year Ended June 30, 2016

NOTE 9 RETIREMENT PLAN (CONTINUED)

Discount Rate

A single discount rate of 7.55% 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 7.55%. 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.

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 7.55%, 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 6.55%	Current Rate (7.55%)	1% to 8.55%
Town's proportionate share of the net pension liability	\$ 947,269	\$ 670,227	\$ 440,512

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, 2015. This can be found at www.sra.state.md.us/Agency/Downloads/CAFR/CAFR-2015.pdf.

NOTE 10 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.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements
Year Ended June 30, 2016

NOTE 11 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.

NOTE 12 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 13 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 14 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, 2016 the Economic Development Revenue Bonds outstanding had an aggregate principal amount payable of \$1,437,739.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements
Year Ended June 30, 2016

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, 2016 amounted to \$13,585.

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, 2016 amounted to \$18,779.

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, 2016 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.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Water	\$ 1,030

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, 2016. The annual rental income from this lease amounts to \$32,000.

NOTE 19 SUBSEQUENT EVENTS

The Town has evaluated events and transactions subsequent to June 30, 2016 through October 21, 2016, the date these financial statements were available to be issued. Based on definitions and requirements of generally accepted accounting principles, management has identified no events that have occurred subsequent to June 30, 2016 through October 21, 2016 that require recognition or disclosure in the financial statements.

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)

	2016	2015
Town's proportion of the net pension liability	0.0032%	0.0029%
Town's proportionate share of the net pension liability	\$ 670,226	\$ 522,243
State's proportionate share of the net pension liability associated with the Town	<u>-</u>	<u>-</u>
Total	<u>\$ 670,226</u>	<u>\$ 522,243</u>
Town's covered-employee payroll	\$ 700,523	\$ 699,913
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	95.68%	74.62%
Plan fiduciary net position as a percentage of the total pension liability	68.78%	71.87%

Notes

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

* 2016 and 2015 are the only years available. This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

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

	2016	2015
Contractually required contribution	\$ 59,755	\$ 67,977
Contributions in relation to the contractually required contribution	<u>59,755</u>	<u>67,977</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 700,523	\$ 699,913
Contributions as a percentage of covered-employee payroll	8.53%	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.

* 2016 and 2015 are the only years available. This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
General Fund - Statement of Revenues and Expenditures - Budget and Actual
Year Ended June 30, 2016
(Unaudited)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Local property taxes and interest				
Real property	\$ 853,000	\$ 853,000	\$ 842,642	\$ (10,358)
Personal property	277,640	277,640	307,946	30,306
Penalties and interest	8,000	8,000	8,974	974
	<u>1,138,640</u>	<u>1,138,640</u>	<u>1,159,562</u>	<u>20,922</u>
Licenses and permits				
Traders	4,000	4,000	5,848	1,848
Planning and zoning	10,000	10,000	68,290	58,290
	<u>14,000</u>	<u>14,000</u>	<u>74,138</u>	<u>60,138</u>
Grants and shared taxes				
State of Maryland				
Admissions	38,660	38,660	46,198	7,538
Highway tax	51,166	51,166	190,925	139,759
Grant for police protection	31,171	31,171	31,633	462
Program Open Space grant	90,000	90,000	13,500	(76,500)
Frederick County				
Income tax	715,000	715,000	806,495	91,495
Grant in lieu of property taxes	1,030	1,030	1,030	-
Tax equity program	821,246	821,246	821,246	-
	<u>1,748,273</u>	<u>1,748,273</u>	<u>1,911,027</u>	<u>162,754</u>
Other Revenue				
Interest	19,700	19,700	25,671	5,971
Franchise fees	54,700	54,700	78,463	23,763
Rent	60,000	60,000	56,345	(3,655)
Contributions and donations	6,500	6,500	7,505	1,005
Mortgage interest and principal payments	-	-	392,241	392,241
Recycling center	6,500	6,500	6,834	334
Other	1,000	1,000	61,390	60,390
	<u>148,400</u>	<u>148,400</u>	<u>628,449</u>	<u>480,049</u>
Total Revenues	<u>3,049,313</u>	<u>3,049,313</u>	<u>3,773,176</u>	<u>723,863</u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
General Fund - Statement of Revenues and Expenditures - Budget and Actual
Year Ended June 30, 2016
(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	215,900	215,900	207,386	8,514
Operating expenses	11,500	11,500	10,594	906
Training, meetings, and travel	5,510	5,510	9,039	(3,529)
	<u>250,910</u>	<u>250,910</u>	<u>245,019</u>	<u>5,891</u>
Executive				
Burgess' salary	12,500	12,500	12,500	-
Financial administration				
Independent auditing	10,000	10,000	8,750	1,250
Operating expenses	10,500	10,500	4,521	5,979
	<u>20,500</u>	<u>20,500</u>	<u>13,271</u>	<u>7,229</u>
Legal expenses	20,000	20,000	23,684	(3,684)
Planning and zoning	82,900	82,900	86,905	(4,005)
Municipal buildings				
Utilities	60,000	60,000	41,290	18,710
Repairs and maintenance	40,000	40,000	27,893	12,107
	<u>100,000</u>	<u>100,000</u>	<u>69,183</u>	<u>30,817</u>
Other				
Dues	8,200	8,200	7,681	519
Economic Development Commission	15,000	15,000	4,056	10,944
County property taxes	6,000	6,000	3,975	2,025
	<u>29,200</u>	<u>29,200</u>	<u>15,712</u>	<u>13,488</u>
Total General Government	<u>516,010</u>	<u>516,010</u>	<u>466,274</u>	<u>49,736</u>
Public Safety				
Police and traffic control	587,186	587,186	556,100	31,086
Code enforcement	10,750	10,750	10,891	(141)
Volunteer company contributions:				
Fire department	12,500	12,500	12,500	-
Ambulance service	12,500	12,500	12,500	-
Total Public Safety	<u>622,936</u>	<u>622,936</u>	<u>591,991</u>	<u>30,945</u>
Public Works				
Streets, roadways, and alleys				
Salaries	292,285	292,285	286,115	6,170
Maintenance	60,000	60,000	73,905	(13,905)
Parts, tools, and supplies	8,000	8,000	12,431	(4,431)
Truck and equipment	50,000	50,000	48,379	1,621
Street lighting	65,760	65,760	59,070	6,690
Safety	2,000	2,000	2,229	(229)
Uniforms/Boots	6,500	6,500	7,500	(1,000)
Total Public Works	<u>484,545</u>	<u>484,545</u>	<u>489,629</u>	<u>(5,084)</u>
Waste Collection and Disposal	261,200	261,200	232,774	28,426
Recreation and Culture				
Parks and recreation	40,000	40,000	48,774	(8,774)
Parks - mowing	87,831	87,831	87,831	-
Heritage Building	2,000	2,000	-	2,000
Heritage Manor House	10,000	10,000	4,297	5,703
Senior citizens	10,600	10,600	12,340	(1,740)
Total Recreation and Culture	<u>150,431</u>	<u>150,431</u>	<u>153,242</u>	<u>(2,811)</u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
General Fund - Statement of Revenues and Expenditures - Budget and Actual
Year Ended June 30, 2016
(Unaudited)

(Continued)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Non-Departmental				
Retirement and pension costs	46,980	46,980	47,005	(25)
Workmen's compensation	16,700	16,700	10,360	6,340
Payroll taxes	48,100	48,100	45,850	2,250
Medical insurance	111,800	111,800	123,736	(11,936)
Insurance	16,000	16,000	13,085	2,915
Community contributions	2,186	2,186	2,498	(312)
Security measures	5,000	5,000	-	5,000
Other	9,300	9,300	10,081	(781)
Total Non-Departmental	<u>256,066</u>	<u>256,066</u>	<u>252,615</u>	<u>3,451</u>
Capital Outlay				
Machinery and equipment	178,850	178,850	185,007	(6,157)
GIS - engineering	10,000	10,000	-	10,000
Paving projects	110,000	110,000	14,669	95,331
Available for capital projects	219,275	219,275	-	219,275
Park projects	35,000	35,000	35,026	(26)
Program Open Space grant expense	175,000	175,000	13,091	161,909
Design of Fountain Rock connection	1,000	1,000	-	1,000
HFP building maintenance	3,000	3,000	-	3,000
Town entrance sign	20,000	20,000	-	20,000
Watershed development	6,000	6,000	-	6,000
Total Capital Outlay	<u>758,125</u>	<u>758,125</u>	<u>247,793</u>	<u>510,332</u>
Total Expenditures	<u>3,049,313</u>	<u>3,049,313</u>	<u>2,434,318</u>	<u>614,995</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,338,858</u>	<u>\$ 1,338,858</u>
FUND BALANCES - BEGINNING OF YEAR			<u>6,570,217</u>	
FUND BALANCES - END OF YEAR			<u>\$ 7,909,075</u>	

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Water Department Fund - Statement of Revenues and Expenditures - Budget and Actual
Year Ended June 30, 2016
(Unaudited)

	<u>Budgeted Amounts</u>		<u>Budgetary Basis</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Final Budget - Positive (Negative)</u>
REVENUES				
Operating Revenues				
Charges for service	\$ 828,100	\$ 828,100	\$ 885,691	\$ 57,591
Meter service charge	1,000	1,000	1,905	905
Connection fees	-	-	88,000	88,000
Penalties and interest	15,000	15,000	14,770	(230)
Wireless tower income	143,450	143,450	200,413	56,963
Other income	500	500	401	(99)
Total Operating Revenues	988,050	988,050	1,191,180	203,130
Non-operating Revenues				
Carryover of fund balance to finance current year's operations	631,636	631,636	-	(631,636)
Interest income	1,000	1,000	1,835	835
TOTAL REVENUES	<u>1,620,686</u>	<u>1,620,686</u>	<u>1,193,015</u>	<u>(427,671)</u>
EXPENSES				
Operating Expenses				
Salaries	232,580	232,580	196,591	35,989
Electricity	62,000	62,000	66,957	(4,957)
Distribution maintenance	100,000	100,000	125,365	(25,365)
Parts, supplies, and tools	1,500	1,500	1,007	493
Chemicals	150,000	150,000	180,238	(30,238)
Sewer treatment fees	125,706	125,706	117,091	8,615
Other operating expenses	38,000	38,000	24,697	13,303
Audit	10,000	10,000	8,750	1,250
Legal fees	5,000	5,000	4,865	135
Administrative expenses	17,600	17,600	17,953	(353)
Pension plan	17,700	17,700	32,163	(14,463)
Workmen's compensation insurance	9,000	9,000	4,847	4,153
Payroll taxes	17,800	17,800	24,951	(7,151)
Property insurance	15,000	15,000	12,763	2,237
Medical insurance	60,750	60,750	59,333	1,417
Safety	1,500	1,500	615	885
Miscellaneous	8,000	8,000	3,473	4,527
Total Operating Expenses	872,136	872,136	881,659	(9,523)
Capital Outlay				
Equipment	93,000	93,000	108,771	(15,771)
Water treatment plant	355,550	355,550	61,221	294,329
Water line improvements	300,000	300,000	250,944	49,056
Total Capital Outlay	748,550	748,550	420,936	327,614
Total Expenses	1,620,686	1,620,686	1,302,595	318,091
NET (LOSS) BUDGETARY BASIS	<u>\$ -</u>	<u>\$ -</u>	<u>(109,580)</u>	<u>\$ (109,580)</u>
ADJUSTMENT TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) BASIS				
To adjust for depreciation			(158,389)	
To adjust for capital outlay			420,936	
NET INCOME GAAP BASIS			<u>\$ 152,967</u>	