

Audited
Financial
Statements

June 30,
2017

Burgess and Commissioners
of Walkersville, MD

CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	3-17
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Position	18
Statement of Activities	19
FUND FINANCIAL STATEMENTS	
Balance Sheet – Governmental Fund	20
Reconciliation of Fund Balance to Net Position of Governmental Activities	21
Statement of Revenues, Expenditures, and Change in Fund Balance – Governmental Fund	22
Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balance of Governmental Fund to the Statement of Activities	23
Statement of Net Position – Proprietary Fund	24
Statement of Revenues, Expenses and Change in Net Position – Proprietary Fund	25
Statement of Cash Flows – Proprietary Fund	26-27
NOTES TO FINANCIAL STATEMENTS	28-46
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)	
Schedule of Town's Proportionate Share of the Net Pension Liability – Maryland State Retirement and Pension System Employees' Retirement and Pension Systems	47
Schedule of Town's Contributions to Pension Systems – Maryland State Retirement and Pension System Employees' Retirement and Pension Systems	48
Statement of Revenues and Expenditures - Budget and Actual – General Fund	49-51
OTHER SUPPLEMENTARY INFORMATION (UNAUDITED)	
Statement of Revenues and Expenses - Budget and Actual – Water Fund	52



Smith Elliott Kearns & Company, LLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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, 2017, 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, 2017, 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 47 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The water fund budgetary comparison 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 16, 2017

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, 2017. We provide this information for all those interested citizens who want to invest the time to read and understand their Town's financial operations. The basic financial statements are comprised of the government-wide financial statements, fund financial statements, and notes to financial statements. We encourage readers to consider the information presented here in conjunction with additional information provided within the statements to further enhance their understanding of the Town's financial performance.

FINANCIAL HIGHLIGHTS

- ❖ The assets of the Town of Walkersville exceeded its liabilities at the close of June 30, 2017 by \$20,812,322 (*net position*). Of this amount, \$9,671,266 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- ❖ The Town's total net position increased by \$967,053 and the Town increased its cash and equivalents by \$1,189,060. The General Fund increased cash and equivalents by \$1,184,712, and the Water Fund increased only by \$4,348.
- ❖ The General Fund reflected revenues over expenditures in the amount of \$1,078,711 and the Water Fund reflected a positive change in net position in the amount of \$195,381.
- ❖ As of June 30, 2017, the Town of Walkersville's governmental fund reported ending fund balances of \$8,987,786, an increase of \$1,078,711 in comparison with the prior year, once again reflecting a fiscally strong and positive position for the Town.
- ❖ The Town's business-type activities generated income from operations in the amount of \$188,623. Operating revenues increased in the Water Fund by \$84,454, or 7.1% to \$1,275,634. At the same time, operating expenses increased by \$46,963 or 4.5%. Charges for services (water usage fees) were reflecting previous rate increases and were up by \$152,733, a 17.2% increase. Although there was a decrease of \$15,196 in Wireless tower income, the \$185,217 current year revenue continues to help support the operations of the water plant.
- ❖ The Town continues to be debt free, and plans are progressing to build a new water plant that will change that status drastically. Design plans are nearly complete and the water plant project will soon commence the bidding process. The Town has been qualified by Maryland Department of the Environment to finance the \$9 million+ projected cost of the new plant. If we are able to award the project and have a signed contract for the construction by December 31, 2017, we hope to be eligible for some debt forgiveness/grant funding from the department.
- ❖ Plant, property, and equipment of the General Fund totaled \$15,320,871 before factoring in accumulated depreciation. An increase of \$3,295 of infrastructure and property was recognized. There was a corresponding increase in accumulated depreciation of \$313,783 on these assets. Net capital assets used in governmental activities of the Town decreased by \$310,488 down to a total of \$7,007,798.
- ❖ The General Fund did not have to budget funds to be spent from prior year's reserves. The General Fund revenues were \$154,876 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

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

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

in under-budget by \$923,835. The Town continues to operate conservatively, managing its resources responsibly.

- ❖ The Burgess and Commissioners raised the real estate property tax rate to 16.0 cents per \$100 of assessed property value for FY 2017. This rate generated revenue in the amount of \$917,156, an increase of \$74,514. The tax rate was raised in anticipation of adding two additional Maryland State Police Resident Troopers to the Town's roster, for a total of five police officers serving the Town. 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, 2017. This is the second year that the Town is required to report its proportionate share of the State's unfunded liability. As of June 30, 2017, the statements include a net pension liability in the amount of \$723,711, allocated between the General Fund and the Water Fund in the amounts of \$530,527 and \$193,184, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

1) Government-Wide Financial Statements

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

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

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

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

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

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

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.

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

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

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 28-46 of this report.

4) Required supplementary information can be found on pages 47-51.

5) Other supplementary information can be found on page 52.

Government-wide Financial Analysis

Statement of Net Position

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

**Town of Walkersville
Net Position Summary**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
ASSETS						
Current and other assets	\$ 9,472,819	\$ 8,354,459	\$ 1,403,214	\$ 1,370,398	\$ 10,876,033	\$ 9,724,857
Capital assets	7,007,798	7,318,286	4,133,258	3,943,163	11,141,056	11,261,449
Deferred outflows of resources	158,730	116,951	53,629	41,431	212,359	158,382
Total Assets and Deferred Outflows of Resources	16,639,347	15,789,696	5,590,101	5,354,992	22,229,448	21,144,688
LIABILITIES						
Current liabilities	485,033	445,384	152,887	124,352	637,920	569,736
Noncurrent liabilities	530,527	489,130	193,184	181,096	723,711	670,226
Total Liabilities	1,015,560	934,514	346,071	305,448	1,361,631	1,239,962
Deferred inflows of resources	40,016	43,083	15,479	16,374	55,495	59,457
NET POSITION						
Invested in capital assets, net of related debt	7,007,798	7,318,286	4,133,258	3,943,163	11,141,056	11,261,449
Unrestricted	8,575,973	7,493,813	1,095,293	1,090,007	9,671,266	8,583,820
Total Net Position	\$ 15,583,771	\$ 14,812,099	\$ 5,228,551	\$ 5,033,170	\$ 20,812,322	\$ 19,845,269

The Town of Walkersville’s assets exceeded its liabilities by \$19,845,269 at the close of the June 30, 2016 fiscal year, and by \$20,812,322 at the close of June 30, 2017, an increase in net position of \$967,053 (4.9%). Total assets and deferred outflows of resources of \$21,144,688 at June 30, 2016 increased to \$22,229,448 by June 30, 2017, an increase of \$1,084,760 (5.1%). The increase in net position consists of a decrease of \$120,393 in net investment in capital assets and an increase of \$1,087,446 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 (\$11,141,056 or 53.5% 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, \$10,620,817 is accounted for in cash, cash equivalents, and pooled investments, \$209,555 in receivables, \$26,198 in inventory, and \$19,463 in prepaid expenses.

At June 30, 2017, the Town continues to be debt free, but bracing to finance a new water plant in the \$9.4 million dollar range. Included in the Total Liabilities of \$1,361,631, there was \$479,667 in accounts payable, deposits of \$93,036 for amounts held in escrow for various projects, \$62,267 for staff accumulated leave and tax withholdings, Unearned revenue of \$2,950, and \$723,711 for net pension liability.

At June 30, 2017 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	
	2017	2016	2017	2016	2017	2016
REVENUES						
Program Revenues						
Charges for services, fees fines	\$ 40,746	\$ 82,163	\$ 1,275,634	\$ 1,191,180	\$ 1,316,380	\$ 1,273,343
Operating grants and contributions	34,780	103,968	-	-	34,780	103,968
General Revenues						
Property taxes	1,230,629	1,158,801	-	-	1,230,629	1,158,801
Other state and local taxes	1,875,731	1,864,864	-	-	1,875,731	1,864,864
Other	207,263	197,730	6,758	1,835	214,021	199,565
Total Revenues	3,389,149	3,407,526	1,282,392	1,193,015	4,671,541	4,600,541
EXPENSES						
General government	514,066	508,312	-	-	514,066	508,312
Public safety	621,473	592,391	-	-	621,473	592,391
Public works	787,650	785,763	-	-	787,650	785,763
Waste collection and disposal	246,534	232,774	-	-	246,534	232,774
Recreation and culture	189,159	197,792	-	-	189,159	197,792
Non-departmental	258,595	303,320	-	-	258,595	303,320
Water utility services	-	-	1,087,011	1,040,048	1,087,011	1,040,048
Total Expenses	2,617,477	2,620,352	1,087,011	1,040,048	3,704,488	3,660,400
Change In Net Position	771,672	787,174	195,381	152,967	967,053	940,141
NET POSITION - BEGINNING	14,812,099	14,024,925	5,033,170	4,880,203	19,845,269	18,905,128
NET POSITION - ENDING	\$ 15,583,771	\$ 14,812,099	\$ 5,228,551	\$ 5,033,170	\$ 20,812,322	\$ 19,845,269

Total revenues for the Town of Walkersville were \$4,671,541 for the year ended June 30, 2017, up \$71,000 (1.5%) from FY 2016. Governmental activities provided \$3,389,149 and business-type activities provided \$1,282,392, 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, 2017, the unassigned fund balance of the General Fund was \$8,635,772.

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>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues				
Local property taxes and interest	\$1,230,629	\$1,159,562	36.31%	30.73%
Licenses and permits	32,736	74,138	0.97%	1.96%
Grants and shared taxes	1,910,191	1,911,027	56.36%	50.65%
Other revenue	215,594	628,449	6.36%	16.66%
Total Revenues	<u>\$3,389,150</u>	<u>\$3,773,176</u>	<u>100.00%</u>	<u>100.00%</u>

The following provides an explanation of changes in revenues by source over the prior year.

- ❖ **Local property taxes and interest** – This consists of real and personal property tax revenues and the penalties and interest thereon. Gross real property tax revenues were \$917,156, up \$74,514 (8.8%) from last year. This reflects the increase of 1¢ in the tax rate adopted by the Burgess and Commissioners. The tax rate of 16.0¢ per \$100 of assessed value tax rate and the effects of a \$3,602,944 increase in the estimated assessable base. Gross business personal property tax revenue decreased by \$4,184 (1.4%) to \$303,762. 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 \$737, to \$9,711.
- ❖ **Licenses and permits** – This consists of Traders licenses and planning and zoning licensing and review fees. Traders’ licenses decreased by \$837 to \$5,011. Planning and zoning fees decreased by \$40,565, to \$27,725. The bulk of developer review and improvement fees were collected last year for the Walkersville Library, Sheetz expansion, and the developments of Mill Run, Parkside, and the Bell property. All have broken ground and are in construction process except the Bell property.
- ❖ **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 decreased by a miniscule \$836 to \$1,910,191. Decreases occurred as follows: in admissions and amusement tax in the amount of \$111, in the highway user revenues in the amount of \$2,273 (a 1.2% decrease), and in tax equity from Frederick County in the amount of \$17,853, or 2.2%. Tax equity from the County is a reimbursement of taxes to Walkersville taxpayers for services provided by the Town in lieu of the County providing them. It is based on a formula devised by Frederick County and is not based on what the Town spent but what the County spends to provide the services. Categories that increased include the grant for police protection by \$1,797, and income tax by \$31,104, or 3.9%.
- ❖ **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 category decreased \$412,855, or 65.7%, mainly due to the receipt last year of the Walker Farm mortgage payoff of \$392,241.

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

The remaining decrease of \$20,614 is a combination of increases in most categories and a decrease in recycling expenses of \$1,604, and a major decrease in Other in the amount of \$59,293. Last year, a substantial reimbursement from FEMA for snow removal and the Memorial Park brick project beefed up this category and accounts for the decrease this year. The categories with increases are as follows: an increase of \$19,340 in interest income as rates are slowly climbing towards the 1% rate, franchise fees increased \$4,905, rent increased \$12,195 due to a timing issue with the farm rent, contributions and donations increased \$972, and proceeds on disposal of assets sold at auction in the amount of \$2,871.

Town of Walkersville
Expenditures by Function
Governmental Funds

	<u>Amount</u>		<u>Percent of Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Expenditures				
General government	\$ 461,626	\$ 466,274	19.98%	19.15%
Public safety	620,279	591,991	26.85%	24.32%
Public works	478,640	489,629	20.72%	20.11%
Waste collection and disposal	246,534	232,774	10.67%	9.56%
Recreation and culture	143,905	153,242	6.23%	6.30%
Non-departmental	262,044	252,615	11.34%	10.38%
Capital outlay	97,411	247,793	4.22%	10.18%
Total Expenditures	<u>\$ 2,310,439</u>	<u>\$ 2,434,318</u>	<u>100.00%</u>	<u>100.00%</u>

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

- ❖ **General government** – The decrease in the general government expenditures of \$4,648 is attributable in part to the following: office salaries increased by \$13,094, or 6.6% due to a 5% cap on raises and a significant bonus to the accountant due to her increased workload for the new water treatment plant. Operating expenses and training, meetings, and travel decreased by less than \$1,000 each, so no comment. Legal expenses decreased by \$7,074 as current year's fees returned to normal. Planning and zoning expenses decreased \$7,401, or 8.5%, corresponding to the decrease in fees collected for licenses and permitting already processed. Utilities increased by \$1,223, or 3%, despite the installation of efficient fixtures in the Town Hall. Perhaps higher electric and fuel rates are the culprit.

- ❖ **Public safety** – This category increased overall by \$28,288 (4.8%) due to the increase in the Maryland State Police Resident trooper program of \$22,430, 4.0% over last year's contract. Code enforcement expense increased \$ 5,858 (53.8%) as a result of direction from the Burgess and Commissioners that the Code Enforcement Officer operates proactively, rather than on a complaint driven platform. As a result, 165 cases have been addressed in FY 2017. The Town's contribution to the fire and rescue companies continues to be the annual amount \$12,500 each.

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

- ❖ **Public works** - This category decreased overall by \$10,989, with an increase in maintenance salaries of \$38,451, a 13.4% increase. This includes 5% raises for staff, and mid-year raises for new hires. Maintenance on streets category was down by \$46,414 (62.8%). Parts, tools, and supplies were down by \$3,604, or 29.0% and truck and equipment expenses were down \$5,056 or 10.5%. Uniforms and boots are up by \$1,400 or 18.7%. The work clothing allowance was increased from \$500 to \$600 per person, and the uniforms provided by Cintas cost approximately \$2,700 per person for those who utilize the service.

- ❖ **Waste collection and disposal** - This category increased by \$13,760, due to the bidding of the trash contract. The base contract in the amount of \$90,000 plus tipping fees paid to Frederick County is renewable for the next five years. The Town continues to sponsor two annual bulk trash collection days, effectively reducing the impact on the landfill. Our established recycling dumpster continues to be successful and busy. Open two Wednesdays per month, with a hired recycling monitor, it received support and reimbursement this year from Frederick County of \$5,230.

- ❖ **Recreation and culture** - This category decreased by \$9,337, or 6.1% overall with mostly increases in the line items as follows: parks and recreation decreased by \$15,169 or 31.1% due to much of the park maintenance being completed last year. The parks mowing contract remains consistent at \$87,831. New expenses in this category include the implementation of plans for a recreational building at Heritage Farm Park in the amount of \$1,422 and the commencement of a Sustainability Green Team that incurred \$493. Heritage Manor house maintenance expenses were up by \$1,755 or 40.8% and senior citizens meal expenses were up by \$2,162 (17.5%) due to the increase in the cost of meals from \$5 to \$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 \$9,429, or 3.7%, with minimal fluctuations in most categories. The retirement plan expense increased by \$3,096, or 6.6%, even as the State decreased the Town contribution from 8.53% to 8.17% on 6/30/2016 salaries. Two new employees for the entire year and employee salary increases contributed to the increase. Workers compensation and payroll taxes increased by \$1,038 and \$4,634 in direct proportion to the increase in salaries. Health, life and dental insurance decreased by \$8,950, due to a refund of premiums from Care First Blue Cross and a decrease in monthly premiums.

- ❖ **Depreciation expense** - Implementation of GASB 34 required the Town to recognize depreciation expense in the government-wide financial statements on what was formerly the general fixed assets account group. This change primarily affects the governmental funds since what is now known as the business-type activities have always recorded depreciation expense. Depreciation expense is not a current use of funds; however, it is a measure of the diminishing utility of assets purchased or constructed with funds in previous years. Depreciation expense for the governmental fund totaled \$407,899 in FY 2017.

Enterprise Funds Revenue and Expense Analysis

Water Utility

Operating Revenues: Total operating revenues were up by \$84,454, an increase of 7.1%, with a significant increase in charges for service in the amount of \$152,733 (17.2%). The Town implemented a 20% across the board rate increase for 10/1/2016. Connection fees decreased by \$55,800 as collections related to the Mill Run subdivision occurred last year. Meter service charges and penalties and interest remained steady with slight increases of \$111 and \$2,877 respectively. Wireless telecommunication income is decreased by \$15,196 or 7.6%, for a total of \$185,217. This is a reasonable amount as last year's income included a payment of back rent from Verizon for their location on the Discovery tower in the amount of \$27,500.

Non-operating Revenues: Interest income is up by \$2,111, as rates inch upwards towards 1%, noted before. Equipment sold at auction this year, and split between the General and Water funds, resulted in a gain on disposal of assets in the amount of \$2,812.

Operating Expenses: The Water Fund's operating expenses increased overall by \$23,012 or 2.6%. Increases and decreases above \$4,000 will be considered and/or explained. Most minor increases and decreases were expected variations that occur from year to year. No concerns that staff salaries increased by \$2,113, electricity increased by \$1,106, distribution maintenance increased by \$1,153, sewer treatment fees increased by \$1,476, followed by decreases to administrative expenses of \$2,021, medical insurance of \$1,456, and miscellaneous of \$1,986. An increase of 17.9% in chemicals, or \$32,276 to \$212,514 continues to perplex and annoy, due to the annual input and assurances from the Public Works department that the chemical usage at the water plant should be going down. Other operating expenses increased by \$15,250 to \$39,947, due to increases in truck and equipment expenses and computer expenses associated with the water plant. There were less legal issues to deal with this year in the Water Fund, resulting in a decrease in legal fees of \$4,752. The decrease of \$18,652 in pension plan expense is due to the accumulation of entries made to record the GASB 68 liabilities allocated to the Town through the MD State Retirement Agency. Payroll taxes decreased by \$10,424 to \$14,527, due to last year's category including the MD unemployment reimbursements to the state as benefits were paid to terminated employees. For FY 2017, the reimbursements of \$8,336 were set up as a separate line item, rather than a part of payroll taxes. Total capital outlay decreased by \$48,500, and consists of new equipment in the amount of \$40,952, a rebuilt pump in the distribution system in the amount of \$12,000, and engineering and design of the new water plant in the amount of \$319,484, as construction in process. Details of these investments are provided in the Capital section of this report. Depreciation expense, a non-cash outlay, increased by \$23,951, to \$182,340.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

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

Analysis of Budget and Actual Results

Governmental and Enterprise Funds

The Town budgets for the General Fund and the Water Fund. The General Fund is the operating fund and comprises all the transactions and activities of the Town, except for the water utility. The Water Fund, on the other hand, operates as a self-sustaining business. For the fiscal year ended June 30, 2017, 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 are usually explained using the above approach. Only explainable variances will be mentioned or discussed.

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

General Fund

- ❖ Local property taxes received were \$48,356 above expectations, 5.6%. For budgeting purposes, the estimated assessable base provided by the state is multiplied by the Town's current tax rate of 15.0¢ per \$100 of assessed value. The assessment changes throughout the year as new properties are built and some citizens qualify for tax abatements. Personal property tax revenue exceeded budget expectations by \$26,122, 9.4%. This continues to be a difficult area to project as we wait for the assessments provided to the state through the personal property tax returns. Underestimating this continues to be budgeting policy. Planning and zoning revenue exceeded expectations by \$12,725, or 84.8%, as developments in process for approval pay their appropriate permitting and review fees. Timing continues to be the variable in estimating this. Highway user tax revenue was down by \$10,652, due to a one-time grant from the State of Maryland turning into a two-time grant. The grant was smaller than last year and the revenue was overestimated. The Program Open Space income was \$100,925 less than expected, because the dreaded HFP sports building has yet to be bid or built or paid for. Therefore, POS funds have not been requested for reimbursement. Income taxes received were higher than anticipated by \$108,329, or 14.9%, an ongoing positive sign for the economy, people are making money and paying taxes. This budget category is estimated by averaging the three previous years and typically is always underestimated. Tax equity was exactly the amount the County told us it would be, \$803,393, a decrease from last year's amount of \$17,853, 2.2%. Walkersville has chosen tax equity rather than tax differential as the calculation for our reimbursement from the County for duplicate services provided. Interest income received was \$22,111 above the budgeted amount. This is still a difficult category to estimate, despite rates inching towards the 1% area. Franchise fees exceeded budget by \$26,298, due to not knowing how to predict the gross revenue of Comcast, and continuing to lean to the conservative side. Rental income was \$12,660 over budget due to timing of farm rental income and increased reservations of the town's facilities. Total revenues exceeded budget by \$154,876, a 4.8% variance, due to conservative projections.

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

- ❖ Actual expenditures were under budgeted expenditures by \$923,835 or 28.6%. General government was under budget by \$39,024, and included notable positive variances in Salaries \$6,820, Legal expenses \$3,390, Planning and zoning \$9,216, Utilities \$7,487, and Repairs and maintenance \$14,133, again a result of conservative budgeting. Public Safety had a positive variance of \$144,859 due to a savings of \$146,608 on the projected contract with the Maryland State Police for five officers. The assignment of the additional officers was postponed until October 1, 2017. Public works was under-budget by \$119,860, which was a combination of a positive variance in Salaries of \$14,434, Maintenance of \$82,509, Truck and equipment of \$16,677 and Street lighting of \$6,063, with a negative variance in Uniforms/boots of \$1,900. Waste collection and disposal was under by \$14,466. Recreation and Culture was under budget by \$194,040, due to the ongoing saga with the Heritage Farm Park building. Plans were to have the building constructed this fiscal year, but hold ups with the design and bidding are ongoing. Non-departmental is under by \$33,446, with most of the variance (\$19,079) attributable to lowered medical insurance rates this year. Security measures technical support and maintenance agreement was expected to be higher due to the installation of the blessed security camera system throughout the Town. Security was under by \$8,772, but the expectation is that it will catch up in the future. Capital outlay was under by \$378,140. The variance in capital outlay is mostly a result of many of the listed projects not being implemented plus the amount of \$165,551 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 \$211,580 budgeted to be used from savings and reserves. Without this, the budgeted current revenue becomes \$1,083,500. Comparing that to actual received of \$1,282,392, the Water Fund received \$198,892 more than expected, or 18.4%. Charges for service received \$152,924 more than expected, a 17.3% positive variance. The Town implemented a 20% across the board increase on water usage beginning October 1, 2016, in an attempt to increase revenue to the point of being able to support the debt of the upcoming construction of the water plant. Automatic 1% rate increases are also helping to generate more revenue, even as gallons used decreases and citizens continue to conserve water. Developers' connection charges in the amount of \$32,200 were received from Sheetz, Frederick County Library, and Dan Ryan Builders. Wireless tower income exceeded budget expectations by \$5,217, or 2.9%, as carriers continue 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 less than expected by \$30,409. Salaries came in under budget by \$16,296, Workers' compensation was under by \$81, Payroll taxes were under by \$1,973, and MD Unemployment was under \$2,336. Although raises of 5% are budgeted for all staff, they are rarely awarded. One hundred sixty hours of compensatory time for the male workers continues to be budgeted, and this year a one-time bonus payment was made to the Town accountant to acknowledge her diligence in shepherding the water fund loan, design, and bidding paperwork through many processes. Pension plan expense is under budget by \$2,179 and not affected by the effects of the required GASB 68 adjusting entries. Electricity and distribution maintenance reflected positive variances in the amounts of \$3,937 and \$13,482. No comment on the negative variance in chemicals of \$27,514, as that topic was previously discussed. Sewer treatment fees

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

and other operating expenses have been controlled and reflect slight negative variances of \$1,467 and \$1,347, respectively. Miscellaneous expense was under-budget by \$6,513, 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, 2017, amounts to \$11,141,056 (net of accumulated depreciation) compared to \$11,261,449 at June 30, 2016, a decrease of \$120,393. 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 2017, there were no contributions of infrastructure from developers.

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

This year’s capital additions included:

Purchased by Town:

- Heritage Farm Park fence in front of Manor House	\$	16,920
- Heritage Farm Park athletic building in process		5,636
- Myer snow plow		5,374
- Tapco speed sign		8,610
- Security camera system		60,871
- 2016 Dodge Ram 2500 truck		37,812
- Rebuilt pump		12,000
- (2) backflow preventers		9,300
- Pipe and cable locator		3,140
- Water plant/construction planning/engineering in process		<u>310,184</u>

Total purchased by the Town \$ 469,847

The Town of Walkersville’s fiscal year 2018 capital budget plans for spending \$889,069 compared to FY 2017’s budget of \$835,551 for capital projects. Some of FY 2017’s projects were not implemented or completed, and thus reappeared in the FY 2018 budget. Also, budgeting for the new water plant is not in FY 2017 as it is doubtful construction will begin in FY 2017. Paving and street maintenance is ongoing, with \$80,055 available for unexpected needs or savings. The FY 2018 capital budget includes the regular annual budgeting of equipment, major paving and overlay projects in the amount of

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

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

\$399,055 in the General Fund budget and \$490,014 in the Water Fund capital budget. The Town continues to proceed with the engineering and design for the new water plant. The selection of the Microfiltration with Reverse Osmosis option has involved increasing cost estimates and has reached \$8.8 million as of February 2017's cost estimate. 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 \$8.4 million. It is still unknown as to how the Town will pay back the loan, despite a 20% water rate increase. 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 \$8.4 million of the upcoming water plant construction.

Subsequent Items for Future Financial Statements

- ❖ The Town of Walkersville adopted its General Fund budget based on a 16.0 cent tax rate per \$100 of assessed value for FY 2018. Commissioners voted to keep the tax rate steady and hope for the best. The Constant Yield Rate was 15.95 cents. The potential revenue with the 16 cent rate will generate \$932,500. Our tax rate continues to be a source of pride to the Burgess & Commissioners as one of the lowest tax rates in the State of Maryland for a town of our size.
- ❖ The Town continues to utilize Program Open Space and is holding on to funding in the amount of \$189,925 for construction of the Heritage Farm Park athletic building. The building is wracked with issues such as design specifications and engineering review concerns of one member of the Planning Commission. As winter approaches, it is doubtful that bidding and construction will be completed in 2017.
- ❖ Plans for the construction of Richard Winn Lane are quickly coming together with a cost sharing agreement between the Town and Sheetz. Sheetz has agreed to bid, construct, and pay one-third, up to \$ 80,000, of the cost of the construction. We are hopeful this will be completed by the end of the year.
- ❖ The Town-operated water utility fund had another reasonable year with charges for service coming in \$152,924 over what was expected. The 20% increase in rates was implemented and though there have been many complaints, we need to continue raising the funds to operate and pay for our new plant.
- ❖ Two additional resident troopers have finally come on board as of October 1, 2017. Citizen demand is responsible for the pressure on politicians to delve into this exorbitant budget item in the amount of \$1,038,023. The opioid crisis and speeding seem to be the most often expressed complaints. The installation of surveillance cameras throughout the Town parks, shop, and town hall building has been a mixed blessing. The operation of the cameras is still questionable as to usefulness.
- ❖ The Town is celebrating its 125th Anniversary throughout 2017. Events that took place in FY 2017 include the reenactment of the signing of the Town charter, a May clean-up day, Walkersville Day and Town Walking tours and the Community Park Cub Mudder. We celebrated with special fireworks at the annual Walkersville Carnival and a 4th of July parade.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

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

August – October featured a Walkersville 125th Geocaching event and we celebrated September with a Community family picnic held at Heritage Farm Park. We are looking forward to Scary Walkersville History in October, followed by our annual Veterans' Day remembrance in November. There will also be a period costume and beard growing contest in November. We will end the year-long celebration with a Christkindlesmarket at several locations throughout the Town, and the Town's Holiday tree lighting at Creamery Park.

- ❖ 2018 brings another Federal/State regulation regarding the Town's addressing of illicit discharges into the stormwater management system. MS4 (Municipal Separate Storm Sewer System) is the dreaded regulation that the Town will be struggling to comply with in the coming years. An ordinance will be adopted and procedures to detect, inspect, address, and resolve illicit discharges into the storm system. Although it presents as extremely overwhelming, staff is preparing to implement the requirements. We have hired ARRO Engineers to help us with the drafting of the ordinance and direction on how to document our efforts. Pray for us.
- ❖ The Town was blessed with a fairly peaceful year and 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 to be completed and dedicated in January 2018, construction of a new water plant within 2 years, and hiring energetic new employees.

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, 2017**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 1,140,937	\$ 585,880	\$ 1,726,817
Investments - Maryland Local Government			
Investment Pool	6,591,745	701,247	7,292,992
Certificates of deposit, including accrued interest	1,601,008	-	1,601,008
Receivables			
Taxes	2,164	-	2,164
Other	23,951	-	23,951
Water service charges, net of allowance for uncollectibles of \$775	-	95,531	95,531
Due from other governmental agencies	87,909	-	87,909
Inventory, at cost, net of allowance	12,256	13,942	26,198
Prepaid expenses	13,291	6,172	19,463
Internal balances	(442)	442	-
Capital Assets			
Land	2,047,319	7,507	2,054,826
Buildings & furnishings	1,853,126	40,743	1,893,869
Equipment	942,368	565,065	1,507,433
Improvements	1,695,038	15,358	1,710,396
Water treatment plant	-	1,644,575	1,644,575
Distribution system	-	3,465,138	3,465,138
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	8,746,300	-	8,746,300
Construction in progress	36,720	371,405	408,125
Accumulated depreciation	(8,313,073)	(3,984,208)	(12,297,281)
 Total Assets	 16,480,617	 5,536,472	 22,017,089
 DEFERRED OUTFLOWS OF RESOURCES	 158,730	 53,629	 212,359
 Total Assets and Deferred Outflows of Resources	 16,639,347	 5,590,101	 22,229,448
 LIABILITIES			
Current Liabilities			
Accounts payable	363,384	116,283	479,667
Accrued salaries and withholdings	49,761	12,506	62,267
Unearned revenue	-	2,950	2,950
Deposits	71,888	21,148	93,036
 Total Current Liabilities	 485,033	 152,887	 637,920
Noncurrent Liabilities			
Net pension liability	530,527	193,184	723,711
 Total Liabilities	 1,015,560	 346,071	 1,361,631
 DEFERRED INFLOWS OF RESOURCES	 40,016	 15,479	 55,495
 Net Position			
Net investment in capital assets	7,007,798	4,133,258	11,141,056
Unrestricted	8,575,973	1,095,293	9,671,266
 TOTAL NET POSITION	 \$ 15,583,771	 \$ 5,228,551	 \$ 20,812,322

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Statement of Activities
Year Ended June 30, 2017

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	\$ 514,066	\$ 32,736	\$ 1,030	\$ -	\$ (480,300)	\$ -	\$ (480,300)
Public safety	621,473	-	33,430	-	(588,043)	-	(588,043)
Public works	787,650	2,780	-	-	(784,870)	-	(784,870)
Waste collection and disposal	246,534	5,230	-	-	(241,304)	-	(241,304)
Recreation and culture	189,159	-	320	-	(188,839)	-	(188,839)
Non-departmental	258,595	-	-	-	(258,595)	-	(258,595)
Total Governmental Activities	<u>2,617,477</u>	<u>40,746</u>	<u>34,780</u>	<u>-</u>	<u>(2,541,951)</u>	<u>-</u>	<u>(2,541,951)</u>
Business-Type Activities							
Water	<u>1,087,011</u>	<u>1,275,634</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>188,623</u>	<u>188,623</u>
TOTAL GOVERNMENT	<u>\$ 3,704,488</u>	<u>\$ 1,316,380</u>	<u>\$ 34,780</u>	<u>\$ -</u>	<u>(2,541,951)</u>	<u>188,623</u>	<u>(2,353,328)</u>
General Revenues							
Taxes							
Property taxes, levied for general purposes					1,230,629	-	1,230,629
Income taxes					837,599	-	837,599
Highway taxes					188,652	-	188,652
Other local taxes					849,480	-	849,480
Franchise fees					83,368	-	83,368
Investment earnings					45,011	3,946	48,957
Gain on disposal of capital assets					2,871	2,812	5,683
Miscellaneous					<u>76,013</u>	<u>-</u>	<u>76,013</u>
Total General Revenues, Special Items, and Transfers					<u>3,313,623</u>	<u>6,758</u>	<u>3,320,381</u>
Change in net position					771,672	195,381	967,053
NET POSITION - BEGINNING					<u>14,812,099</u>	<u>5,033,170</u>	<u>19,845,269</u>
NET POSITION - ENDING					<u>\$ 15,583,771</u>	<u>\$ 5,228,551</u>	<u>\$ 20,812,322</u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Balance Sheet – Governmental Fund
June 30, 2017

	General Fund
ASSETS	
Current Assets	
Cash	\$ 1,140,937
Investments - Maryland Local Government	
Investment Pool	6,591,745
Certificates of deposit, including accrued interest	1,601,008
Receivables	
Taxes	2,164
Other	23,951
Due from other governmental agencies	87,909
Prepaid expenses	13,291
Inventory, at cost	<u>12,256</u>
TOTAL ASSETS	<u>\$ 9,473,261</u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	\$ 363,384
Accrued salaries and withholdings	49,761
Due to other funds	442
Deposits	<u>71,888</u>
Total Liabilities	<u>485,475</u>
Fund Balance	
Nonspendable	25,547
Assigned	326,467
Unassigned	<u>8,635,772</u>
Total Fund Balance	<u>8,987,786</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 9,473,261</u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Reconciliation of Fund Balance to the Statement of Net Position of
Governmental Activities
June 30, 2017

TOTAL FUND BALANCE - GOVERNMENTAL FUND \$ 8,987,786

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	15,320,871	
Accumulated depreciation	<u>(8,313,073)</u>	7,007,798

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

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

Net pension liability	(530,527)	
Deferred outflows of resources	158,730	
Deferred inflows of resources	<u>(40,016)</u>	<u>(411,813)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 15,583,771

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Statement of Revenues, Expenditures and Change in Fund Balance – Governmental Fund
Year Ended June 30, 2017

	General Fund
Revenues	
Local property taxes and interest	\$ 1,230,629
Licenses and permits	32,736
Grants and shared taxes	1,910,191
Other revenue	<u>215,594</u>
Total Revenues	<u>3,389,150</u>
Expenditures	
General government	461,626
Public safety	620,279
Public works	478,640
Waste collection and disposal	246,534
Recreation and culture	143,905
Non-departmental	262,044
Capital outlay	<u>97,411</u>
Total Expenditures	<u>2,310,439</u>
Excess of Revenues Over Expenditures	1,078,711
TOTAL FUND BALANCE - BEGINNING OF YEAR	<u>7,909,075</u>
TOTAL FUND BALANCE - END OF YEAR	<u>\$ 8,987,786</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
Year Ended June 30, 2017

EXCESS OF REVENUES OVER EXPENDITURES - GOVERNMENTAL FUND	\$ 1,078,711
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.	97,411
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.	(407,899)
In the government-wide financial statements, activity related to the Town's proportionate share of the Maryland State Retirement and Pension System is recognized when the costs are incurred, adjusted for the actuarial measurement date of the plan. In the governmental funds, expenditures are recognized when current financial resources are used. This year, actual costs of the plan were more than current resources used.	<u>3,449</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 771,672</u></u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Statement of Net Position – Proprietary Fund
Business Type Activities – Enterprise Fund
June 30, 2017

	Water Fund
ASSETS	
Current Assets	
Cash	\$ 585,880
Investments - Maryland Local Government Investment Pool	701,247
Receivables	
Water service charges (net of allowance for uncollectibles of \$775)	95,531
Due from other funds	442
Prepaid expenses	6,172
Inventory, at cost, net of allowance	<u>13,942</u>
Total Current Assets	1,403,214
NonCurrent Assets	
Property, plant and equipment, net of accumulated depreciation	<u>4,133,258</u>
Total Assets	5,536,472
DEFERRED OUTFLOWS OF RESOURCES	<u>53,629</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 5,590,101</u></u>
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 116,283
Unearned revenues	2,950
Accrued salaries and withholdings	12,506
Deposits	<u>21,148</u>
Total Current Liabilities	152,887
Noncurrent Liabilities	
Net pension liability	<u>193,184</u>
Total Liabilities	<u>346,071</u>
DEFERRED INFLOWS OF RESOURCES	<u>15,479</u>
Net Position	
Invested in capital assets	4,133,258
Unrestricted	<u>1,095,293</u>
Total Net Position	<u>5,228,551</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 5,590,101</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, 2017

	Water Fund
OPERATING REVENUES	
Charges for services	\$ 1,038,424
Meter service charge	2,016
Connection fees	32,200
Penalties and interest	17,647
Wireless tower income	185,217
Other income	<u>130</u>
Total Operating Revenues	<u>1,275,634</u>
OPERATING EXPENSES	
Depreciation	182,340
Salaries	198,704
Electricity	68,063
Distribution maintenance	126,518
Parts, supplies, and tools	728
Chemicals	212,514
Sewer treatment fees	118,567
Other operating expenses	39,947
Audit	9,000
Legal expense	113
Administrative expenses	15,932
Pension plan	13,511
Workmen's compensation insurance	5,219
Payroll taxes	14,527
MD unemployment	8,336
Property insurance	13,397
Medical insurance	57,877
Safety	231
Miscellaneous	<u>1,487</u>
Total Operating Expenses	<u>1,087,011</u>
Income From Operations	188,623
NON-OPERATING REVENUES	
Interest income	3,946
Gain on disposal of assets	<u>2,812</u>
Total Non-Operating Revenues	6,758
Change in Net Position	195,381
NET POSITION - BEGINNING OF YEAR	<u>5,033,170</u>
NET POSITION - END OF YEAR	<u><u>\$ 5,228,551</u></u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Statement of Cash Flows – Proprietary Fund
Business Type Activities – Enterprise Fund
Year Ended June 30, 2017

	Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,252,291
Cash payments to suppliers for goods and services	(682,328)
Cash payments to employees for services	<u>(198,465)</u>
Net Cash Provided By Operating Activities	<u>371,498</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
(Increase) in due from other funds	<u>(1,472)</u>
Net Cash (Used In) Non-Capital Financing Activities	<u>(1,472)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(372,436)
Proceeds from sale of capital assets	<u>2,812</u>
Net Cash (Used In) Capital and Related Financing Activities	<u>(369,624)</u>
CASH FLOW FROM INVESTING ACTIVITIES	
Interest on cash and investments	<u>3,946</u>
Net Increase In Cash and Cash Equivalents	4,348
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,282,779</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 1,287,127</u></u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Statement of Cash Flows – Proprietary Fund
Business Type Activities – Enterprise Fund
Year Ended June 30, 2017

	<u>Water Fund</u>
RECONCILIATION OF INCOME FROM OPERATIONS	
TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Income from operations	\$ 188,623
Adjustments to reconcile income from operations to net cash provided by operating activities:	
Depreciation	182,340
(Increase) in receivables	(23,156)
(Increase) in prepaid expenses	(5,023)
Decrease in inventory	1,183
Increase in accounts payable	27,479
Increase in deferred revenue	88
Increase in accrued salaries	1,245
(Decrease) in deposits	(276)
Change in net pension liability	<u>(1,005)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 371,498</u>
RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS	
PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF	
NET POSITION	
Cash	\$ 585,880
Investments - Maryland Local Government	
Investment Pool	<u>701,247</u>
	<u>\$ 1,287,127</u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements
June 30, 2017

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, 2017 and for the year then ended and have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to local governments. The Governmental Accounting Standards Board (the GASB) is the standard setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the *GASB's Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification).

Reporting Entity

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

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

Government-Wide and Fund Financial Statements

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Balances

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

Nonspendable

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

Restricted

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

Committed

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

Assigned

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

Unassigned

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Taxpayer-assessed income 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
June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Use of Estimates in the Preparation of Financial Statements

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

Real Estate and Personal Property Taxes

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

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

Inventories and Prepaid Items

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

Capital Assets

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

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements
June 30, 2017

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, 2017.

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
June 30, 2017

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	\$.16 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, 2017, 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, 2017 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
June 30, 2017

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, 2017 consists of the following:

	<u>Government Wide Activities</u>	
	<u>Governmental Activities</u>	<u>Business Type Activities Water Fund</u>
Capital Assets	\$ 15,320,871	\$ 8,117,466
Accumulated depreciation	<u>(8,313,073)</u>	<u>(3,984,208)</u>
Net Investment in Capital Assets	<u>\$ 7,007,798</u>	<u>\$ 4,133,258</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, 2017 the Town had no restrictions of net assets.

Unrestricted

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

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements
June 30, 2017

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, 2017, the carrying amount of the Town's deposits was \$3,327,825 including interest receivable. The related bank balance totaled \$3,337,292.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements
June 30, 2017

NOTE 3 CASH AND CERTIFICATES OF DEPOSIT (CONTINUED)

Following is a schedule of the Town's deposits by financial institution at June 30, 2017:

Woodsboro Bank	\$ 850,000
The Columbia Bank	500,000
Capital One Bank	244,486
First United Bank & Trust	250,000
PNC Bank	<u>1,492,806</u>
	<u>\$ 3,337,292</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, 2017 \$1,201,587 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>\$ 1,201,587</u>
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NOTE 4 INVESTMENTS

As of June 30, 2017 the Town had the following investments and maturities.

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>
Maryland Local Government Investment Pool	See description of MLGIP	\$ 7,292,992

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

Significant policies that relate to MLGIP are as follows:

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

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements
June 30, 2017

NOTE 4 INVESTMENTS (CONTINUED)

Interest Rate Risk

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

Credit Risk

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

NOTE 5 TAX ABATEMENT

The Town adopted a resolution in September 1978, under the authority of Article 23A, Section 19(n), of the Annotated Code of Maryland, whereby property owners within the Town's annexed area can receive tax abatements, provided certain stipulations are met. Under the terms of the resolution, the property must remain zoned for agricultural use only and the residents must forgo receiving any municipal services or benefits. As long as these conditions are met, the resident pays a nominal property tax of \$1 per year. Total property taxes abated under this agreement were \$7,219 for the year ended June 30, 2017.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements
June 30, 2017

NOTE 6 INVENTORY

Inventory consists of the following:

	General Fund
Inventory at cost (fund balance - reserved for inventory)	<u>\$ 12,256</u>
	Enterprise Fund
Inventory, at cost	\$ 14,796
Allowance for obsolete inventory	(854)
	<u>\$ 13,942</u>

NOTE 7 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
GOVERNMENTAL ACTIVITIES				
Capital Assets, Not Being Depreciated				
Land	\$ 2,047,319	\$ -	\$ -	\$ 2,047,319
Construction in progress	31,084	5,636	-	36,720
Total Capital Assets Not Being Depreciated	2,078,403	5,636	-	2,084,039
Capital Assets Being Depreciated				
Improvements	1,683,588	16,920	(5,470)	1,695,038
Infrastructure	8,746,300	-	-	8,746,300
Building and furnishings	1,853,126	-	-	1,853,126
Equipment	956,159	74,855	(88,646)	942,368
Total Capital Assets Being Depreciated	13,239,173	91,775	(94,116)	13,236,832
Total Capital Assets	15,317,576	97,411	(94,116)	15,320,871
Accumulated Depreciation				
Improvements	(911,306)	(47,761)	5,470	(953,597)
Infrastructure	(5,236,053)	(262,599)	-	(5,498,651)
Building and furnishings	(1,128,567)	(44,289)	-	(1,172,856)
Equipment	(723,365)	(53,250)	88,646	(687,969)
Total Accumulated Depreciation	(7,999,291)	(407,899)	94,116	(8,313,073)
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET				
	\$ 7,318,285	\$ (310,488)	\$ -	\$ 7,007,798

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements
June 30, 2017

NOTE 7 CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
BUSINESS-TYPE ACTIVITIES				
Capital Assets, Not Being Depreciated				
Land	\$ 7,507	\$ -	\$ -	\$ 7,507
Construction in progress	61,221	310,184	-	371,405
Total Capital Assets Not Being Depreciated	<u>68,728</u>	<u>310,184</u>	<u>-</u>	<u>378,912</u>
Capital Assets Being Depreciated				
Equipment	540,368	40,952	(16,255)	565,065
Improvements	15,358	-	-	15,358
Building and furnishings	40,743	-	-	40,743
Water treatment plant	1,635,275	9,300	-	1,644,575
Distribution system	3,453,138	12,000	-	3,465,138
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>7,692,557</u>	<u>62,252</u>	<u>(16,255)</u>	<u>7,738,554</u>
Total Capital Assets	<u>7,761,285</u>	<u>372,436</u>	<u>(16,255)</u>	<u>8,117,466</u>
Accumulated depreciation				
Equipment	(358,760)	(41,067)	16,255	(383,573)
Improvements	(14,799)	(124)	-	(14,923)
Building and furnishings	(21,779)	(1,259)	-	(23,038)
Water treatment plant	(901,886)	(36,844)	-	(938,730)
Distribution system	(1,061,603)	(70,819)	-	(1,132,422)
Water systems	(148,012)	(2,347)	-	(150,359)
Water towers	(1,250,672)	(26,814)	-	(1,277,486)
Filter rehabilitation project	(57,036)	(2,888)	-	(59,924)
Urban detritification project	(3,575)	(178)	-	(3,753)
Total Accumulated Depreciation	<u>(3,818,122)</u>	<u>(182,340)</u>	<u>16,255</u>	<u>(3,984,208)</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 3,943,163</u>	<u>\$ 190,096</u>	<u>\$ -</u>	<u>\$ 4,133,258</u>

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

Governmental Activities

General government	\$ 52,440
Public safety	1,194
Public works	309,011
Recreation and culture	45,254
	<u>\$ 407,899</u>

Business-Type Activities

Water	<u>\$ 182,340</u>
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BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements
June 30, 2017

NOTE 8 GOVERNMENTAL FUND BALANCES

The detail of the fund balance classifications aggregated on the balance sheet as of June 30, 2017 is as follows:

	<u>General Fund</u>
FUND BALANCES	
Nonspendable	
Reserved for inventory	\$ 12,256
Prepaid expenses	<u>13,291</u>
	<u>25,547</u>
Assigned for capital projects	
HFP building	21,608
Park projects	<u>304,859</u>
	<u>326,467</u>
Unassigned	<u>8,635,772</u>
	<u><u>\$ 8,987,786</u></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. Under these plans, membership is automatic for employees who work at least 500 hours in the fiscal year.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements
June 30, 2017

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, 2017, the Town reported a liability for its proportionate share of the net pension liability. The amount recognized by the Town as its proportionate share of the net pension liability and the total portion of the net pension liability that was associated with the Town is as follows:

	Employees' Retirement and Pension System
Town's proportionate share of net pension liability	\$ 723,711
State's proportionate share of net pension liability associated with the Town	<u>-</u>
Net Pension Liability	<u>\$ 723,711</u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements
June 30, 2017

NOTE 9 RETIREMENT PLAN (CONTINUED)

The net pension liability was measured as of June 30, 2016 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, 2016, the Town's proportion was 0.0030674% for the System.

For the year ended June 30, 2017, the Town recognized pension expense of \$44,285 related to governmental activities and \$12,931 related to business-type activities. As of June 30, 2017, 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	\$ 78,902	\$ -
Net difference between projected and actual investment earnings	71,787	-
Difference between actual and expected experience	-	55,494
Town contributions subsequent to the measurement date	<u>61,670</u>	<u>-</u>
	<u>\$ 212,359</u>	<u>\$ 55,494</u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements
June 30, 2017

NOTE 9 RETIREMENT PLAN (CONTINUED)

Town contributions subsequent to the measurement date totaling \$61,670 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2018	\$	(20,605)
2019	\$	(20,605)
2020	\$	(20,605)
2021	\$	(20,605)
2022	\$	(12,775)

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, 2016, 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-2014 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	37%	6.60%
Rate sensitive	20%	1.30%
Credit opportunity	9%	4.20%
Absolute return	9%	3.70%
Private equity	10%	7.40%
Real assets	15%	4.70%
Total	100%	

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements
June 30, 2017

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% Decrease to 6.55%	Current Rate (7.55%)	1% Increase to 8.55%
Town's proportionate share of the net pension liability	\$ 994,097	\$ 723,711	\$ 498,732

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, 2016. This can be found at www.sra.state.md.us/Agency/Downloads/CAFR/CAFR-2016.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
June 30, 2017

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, 2017 the Economic Development Revenue Bonds outstanding had an aggregate principal amount payable of \$1,382,951.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements
June 30, 2017

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, 2017 amounted to \$15,080.

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, 2017 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, 2017 amounted to \$14,841.

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>
Water	General	\$ 442

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 expired December 31, 2016. In April 2016, the lease was renewed through December 31, 2017 with a possible year to year extension of up to five years at the sole discretion of the Town. 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, 2017 through October 16, 2017, 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, 2017 through October 16, 2017 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)

	2017	2016	2015
Town's proportion of the net pension liability	0.0031%	0.0032%	0.0029%
Town's proportionate share of the net pension liability	\$ 723,711	\$ 670,226	\$ 522,243
State's proportionate share of the net pension liability associated with the Town	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 723,711</u>	<u>\$ 670,226</u>	<u>\$ 522,243</u>
Town's covered-employee payroll	\$ 754,832	\$ 700,523	\$ 699,913
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	95.88%	95.68%	74.62%
Plan fiduciary net position as a percentage of the total pension liability	65.79%	68.78%	71.87%

Notes

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

* 2017, 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)

	2017	2016	2015
Contractually required contribution	\$ 61,670	\$ 59,755	\$ 67,977
Contributions in relation to the contractually required contribution	<u>61,670</u>	<u>59,755</u>	<u>67,977</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 754,832	\$ 700,523	\$ 699,913
Contributions as a percentage of covered-employee payroll	8.17%	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.

* 2017, 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
Statement of Revenues and Expenditures – Budget and Actual – General Fund
Year Ended June 30, 2017
(Unaudited)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local property taxes and interest				
Real property	\$ 868,800	\$ 868,800	\$ 917,156	\$ 48,356
Personal property	277,640	277,640	303,762	26,122
Penalties and interest	8,000	8,000	9,711	1,711
	<u>1,154,440</u>	<u>1,154,440</u>	<u>1,230,629</u>	<u>76,189</u>
Licenses and permits				
Traders	4,000	4,000	5,011	1,011
Planning and zoning	15,000	15,000	27,725	12,725
	<u>19,000</u>	<u>19,000</u>	<u>32,736</u>	<u>13,736</u>
Grants and shared taxes				
State of Maryland				
Admissions	43,000	43,000	46,087	3,087
Highway tax	199,304	199,304	188,652	(10,652)
Grant for police protection	34,062	34,062	33,430	(632)
Program Open Space grant	100,925	100,925	-	(100,925)
Frederick County				
Income tax	729,270	729,270	837,599	108,329
Grant in lieu of property taxes	1,030	1,030	1,030	-
Tax equity program	803,393	803,393	803,393	-
	<u>1,910,984</u>	<u>1,910,984</u>	<u>1,910,191</u>	<u>(793)</u>
Other Revenue				
Interest	22,900	22,900	45,011	22,111
Franchise fees	57,070	57,070	83,368	26,298
Rent	55,880	55,880	68,540	12,660
Contributions and donations	6,500	6,500	8,477	1,977
Recycling center	6,500	6,500	5,230	(1,270)
Proceeds on disposal of assets	-	-	2,871	2,871
Other	1,000	1,000	2,097	1,097
	<u>149,850</u>	<u>149,850</u>	<u>215,594</u>	<u>65,744</u>
 Total Revenues	 \$ 3,234,274	 \$ 3,234,274	 \$ 3,389,150	 \$ 154,876

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Statement of Revenues and Expenditures - Budget and Actual - General Fund
Year Ended June 30, 2017
(Unaudited)

	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	227,300	227,300	220,480	6,820
Operating expenses	10,000	10,000	11,442	(1,442)
Training, meetings, and travel	6,490	6,490	8,350	(1,860)
	<u>261,790</u>	<u>261,790</u>	<u>258,272</u>	<u>3,518</u>
Executive				
Burgess' salary	12,500	12,500	12,500	-
Financial administration				
Independent auditing	9,500	9,500	9,000	500
Operating expenses	6,000	6,000	6,010	(10)
	<u>15,500</u>	<u>15,500</u>	<u>15,010</u>	<u>490</u>
Legal expenses	20,000	20,000	16,610	3,390
Planning and zoning	88,720	88,720	79,504	9,216
Municipal buildings				
Utilities	50,000	50,000	42,513	7,487
Repairs and maintenance	35,000	35,000	20,867	14,133
	<u>85,000</u>	<u>85,000</u>	<u>63,380</u>	<u>21,620</u>
Other				
Dues	8,140	8,140	8,138	2
Economic Development Commission	5,000	5,000	4,213	787
County property taxes	4,000	4,000	3,999	1
	<u>17,140</u>	<u>17,140</u>	<u>16,350</u>	<u>790</u>
Total General Government	<u>500,650</u>	<u>500,650</u>	<u>461,626</u>	<u>39,024</u>
Public Safety				
Police and traffic control	725,138	725,138	578,530	146,608
Code enforcement	15,000	15,000	16,749	(1,749)
Volunteer company contributions:				
Fire department	12,500	12,500	12,500	-
Ambulance service	12,500	12,500	12,500	-
Total Public Safety	<u>765,138</u>	<u>765,138</u>	<u>620,279</u>	<u>144,859</u>
Public Works				
Streets, roadways, and alleys				
Salaries	339,000	339,000	324,566	14,434
Maintenance	110,000	110,000	27,491	82,509
Parts, tools, and supplies	9,000	9,000	8,827	173
Truck and equipment	60,000	60,000	43,323	16,677
Street lighting	70,000	70,000	63,937	6,063
Safety	3,500	3,500	1,596	1,904
Uniforms/Boots	7,000	7,000	8,900	(1,900)
Total Public Works	<u>598,500</u>	<u>598,500</u>	<u>478,640</u>	<u>119,860</u>
Waste Collection and Disposal	261,000	261,000	246,534	14,466
Recreation and Culture				
Parks and recreation	40,000	40,000	33,605	6,395
Parks - mowing	87,800	87,800	87,831	(31)
POS - HFP Building	182,545	182,545	1,422	181,123
Sustainability Green Team	5,000	5,000	493	4,507
Heritage Building	2,000	2,000	-	2,000
Heritage Manor House	10,000	10,000	6,052	3,948
Senior citizens	10,600	10,600	14,502	(3,902)
Total Recreation and Culture	<u>337,945</u>	<u>337,945</u>	<u>143,905</u>	<u>194,040</u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Statement of Revenues and Expenditures - Budget and Actual - General Fund
Year Ended June 30, 2017
(Unaudited)

(Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Non-Departmental				
Retirement and pension costs	51,100	51,100	50,101	999
Workmen's compensation	12,475	12,475	11,398	1,077
Payroll taxes	52,900	52,900	50,484	2,416
Medical insurance	133,865	133,865	114,786	19,079
Insurance	16,000	16,000	13,085	2,915
Community contributions	2,650	2,650	2,374	276
Security measures	12,000	12,000	3,228	8,772
Other	14,500	14,500	16,588	(2,088)
Total Non-Departmental	295,490	295,490	262,044	33,446
Capital Outlay				
Machinery and equipment	55,000	55,000	74,855	(19,855)
GIS zoning layers maintenance	10,000	10,000	-	10,000
Paving projects	110,000	110,000	-	110,000
Available for capital projects	165,551	165,551	-	165,551
Park projects	35,000	35,000	22,556	12,444
Richard Winn Lane	1,000	1,000	-	1,000
Security camera network	70,000	70,000	-	70,000
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	475,551	475,551	97,411	378,140
Total Expenditures	3,234,274	3,234,274	2,310,439	923,835
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	\$ 1,078,711	\$ 1,078,711
FUND BALANCES - BEGINNING OF YEAR			7,909,075	
FUND BALANCES - END OF YEAR			\$ 8,987,786	

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Statement of Revenues and Expenditures – Budget and Actual – Water Fund
Year Ended June 30, 2017
(Unaudited)

	Budgeted Amounts		Budgetary Basis	Variance with
	Original	Final	Actual Amounts	Final Budget - Positive (Negative)
REVENUES				
Operating Revenues				
Charges for service	\$ 885,500	\$ 885,500	\$ 1,038,424	\$ 152,924
Meter service charge	1,500	1,500	2,016	516
Connection fees	-	-	32,200	32,200
Penalties and interest	15,000	15,000	17,647	2,647
Wireless tower income	180,000	180,000	185,217	5,217
Other income	500	500	130	(370)
Total Operating Revenues	1,082,500	1,082,500	1,275,634	193,134
Non-operating Revenues				
Carryover of fund balance to finance current year's operations	211,580	211,580	-	(211,580)
Interest income	1,000	1,000	3,946	2,946
Gain on disposal of assets	-	-	2,812	2,812
TOTAL REVENUES	1,295,080	1,295,080	1,282,392	(12,688)
EXPENSES				
Operating Expenses				
Salaries	215,000	215,000	198,704	16,296
Electricity	72,000	72,000	68,063	3,937
Distribution maintenance	140,000	140,000	126,518	13,482
Parts, supplies, and tools	1,500	1,500	728	772
Chemicals	185,000	185,000	212,514	(27,514)
Sewer treatment fees	117,100	117,100	118,567	(1,467)
Other operating expenses	38,600	38,600	39,947	(1,347)
Audit	9,500	9,500	9,000	500
Legal fees	5,000	5,000	113	4,887
Administrative expenses	20,150	20,150	15,932	4,218
Pension plan	15,690	15,690	13,511	2,179
Workmen's compensation insurance	5,300	5,300	5,219	81
Payroll taxes	16,500	16,500	14,527	1,973
MD unemployment	6,000	6,000	8,336	(2,336)
Property insurance	15,000	15,000	13,397	1,603
Medical insurance	63,240	63,240	57,877	5,363
Safety	1,500	1,500	231	1,269
Miscellaneous	8,000	8,000	1,487	6,513
Total Operating Expenses	935,080	935,080	904,671	30,409
Capital Outlay				
Equipment	60,000	60,000	40,952	19,048
Distribution system	-	-	12,000	(12,000)
Water treatment plant	300,000	300,000	319,484	(19,484)
Total Capital Outlay	360,000	360,000	372,436	(12,436)
Total Expenses	1,295,080	1,295,080	1,277,107	17,973
NET INCOME BUDGETARY BASIS	\$ -	\$ -	5,285	\$ 5,285
ADJUSTMENT TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) BASIS				
To adjust for depreciation			(182,340)	
To adjust for capital outlay			372,436	
NET INCOME GAAP BASIS			\$ 195,381	