

Audited
Financial
Statements

June 30,
2018

Burgess and Commissioners
of Walkersville, MD

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INDEPENDENT AUDITOR'S REPORT

Burgess and Commissioners of Walkersville, MD
Walkersville, Maryland

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Burgess and Commissioners of Walkersville, MD (Town), as of and for the year ended June 30, 2018, 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, 2018, 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 18 and 49 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Burgess and Commissioners of Walkersville, MD's basic financial statements. The budgetary comparison information for the water fund on page 53 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The water fund budgetary comparison statement 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 Keenan & Company, LLC

Hagerstown, Maryland
October 22, 2018

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

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

The management of the Burgess and Commissioners of Walkersville, MD (Town of Walkersville) provides the following narrative overview and analysis of the financial statements for the fiscal year ended June 30, 2018. We offer this information for all those interested citizens who want to invest the time to read and understand their Town's financial operations. The basic financial statements are comprised of the government-wide financial statements, fund financial statements, and notes to financial statements. We encourage readers to consider the information presented here in conjunction with additional information provided within the statements to further enhance their understanding of the Town's financial performance.

FINANCIAL HIGHLIGHTS

- ❖ The assets of the Town of Walkersville exceeded its liabilities at the close of June 30, 2018 by \$21,523,161 (*net position*). Of this amount, \$10,660,071 (*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 \$710,839 and the Town increased its cash and equivalents by \$1,170,027. The General Fund increased cash and equivalents by \$785,161, and the Water Fund increased by \$384,866.
- ❖ The General Fund reflected a change in fund balance in the amount of \$648,944 and the Water Fund reflected a positive change in net position in the amount of \$276,853.
- ❖ As of June 30, 2018, the Town of Walkersville's governmental fund reported ending fund balances of \$9,636,730, an increase of \$648,944 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 \$260,540. Operating revenues increased in the Water Fund by \$65,108, or 5.1% to \$1,340,742. At the same time, operating expenses decreased by \$6,809 or 0.6%. Charges for Services (Water Usage fees) were reflecting rate increases and were up by \$86,061, to \$1,124,485, an 8.3% increase. Wireless tower income increased by \$7,065, and the \$192,282 revenue continues to help support the operations of the water plant.
- ❖ At June 30, 2018, the Town continues to be debt free for a while longer, while plans are progressing to build a new water plant that will change that status drastically. The project has been awarded to M2 Construction, ground has been broken, and costs continue to rise as the Town prepares to issue bonds for the construction. The Town is working with an independent bond counsel and the Maryland Department of the Environment to finance the cost of the new plant. The Town has signed documents for 2 loans, one tax-exempt loan in the amount of \$7,275,000 and one forgivable grant in the amount of \$1,500,000.
- ❖ Plant, property, and equipment of the Governmental Activities totaled \$15,451,174 before factoring in accumulated depreciation. A net increase of \$130,303 of infrastructure and property was recognized. There was a corresponding increase in accumulated depreciation of \$345,389 on these assets. Net capital assets used in governmental activities of the Town decreased by \$215,086 down to a total of \$6,792,712.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

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

- ❖ The General Fund budgeted funds from surplus to be spent from prior year's reserves in the amount of \$192,037 to pay for the planned Heritage Farm Park building. Taking this into account the General Fund revenues were \$150,486 less than expected for the year as the building is still not ready to be bid. Expenditures were under-budget by \$799,430. The Town continues to operate conservatively, managing its resources responsibly.
- ❖ The Burgess and Commissioners approved the real estate property tax rate of 16.0¢ per \$100 of assessed property value for FY 2018. This rate generated revenue in the amount of \$940,985, an increase of \$23,829. The tax rate was raised last year 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 as of June 30, 2015. This is the third year that the Town is required to report its proportionate share of the State's unfunded liability. As of June 30, 2018, the statements include a net pension liability in the amount of \$655,187, allocated between the Governmental Activities and the Water Fund in the amounts of \$507,115 and \$148,072, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

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

The basic governmental fund financial statements can be found on pages 21-24 of this report.

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

Proprietary Funds

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

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

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

1) Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-48 of this report.

2) Required supplementary information can be found on pages 49-52.

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

Town of Walkersville
Net Position Summary

	Governmental Activities		Business-Type Activities		Total	
	2018	2017*	2018	2017*	2018	2017*
ASSETS						
Current and other assets	\$ 10,270,239	\$ 9,472,819	\$ 1,791,374	\$ 1,403,214	\$ 12,061,613	\$ 10,876,033
Capital assets	6,792,712	7,007,798	4,070,378	4,133,258	10,863,090	11,141,056
Deferred outflows of resources	147,698	158,730	43,126	53,629	190,824	212,359
Total Assets and Deferred Outflows of Resources	\$ 17,210,649	\$ 16,639,347	\$ 5,904,878	\$ 5,590,101	\$ 23,115,527	\$ 22,229,448
LIABILITIES						
Current liabilities	633,509	485,033	201,352	152,887	834,861	637,920
Noncurrent liabilities	507,115	530,527	148,072	193,184	655,187	723,711
Total Liabilities	1,140,624	1,015,560	349,424	346,071	1,490,048	1,361,631
Deferred inflows of resources	79,194	40,016	23,124	15,479	102,318	55,495
NET POSITION						
Invested in capital assets, net of related debt	6,792,712	7,007,798	4,070,378	4,133,258	10,863,090	11,141,056
Unrestricted	9,198,119	8,575,973	1,461,952	1,095,293	10,660,071	9,671,266
Total Net Position	15,990,831	15,583,771	5,532,330	5,228,551	21,523,161	20,812,322
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 17,210,649	\$ 16,639,347	\$ 5,904,878	\$ 5,590,101	\$ 23,115,527	\$ 22,229,448

*As restated

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

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

The Town of Walkersville's assets exceeded its liabilities by \$20,812,322 at the close of the June 30, 2017 fiscal year, and by \$21,523,161 at the close of June 30, 2018, an increase in net position of \$710,839 (3.4%). Total assets and deferred outflows of resources of \$22,229,448 at June 30, 2017 increased to \$23,115,527 by June 30, 2018, an increase of \$886,079 (4.0%). The increase in net position consists of a decrease of \$277,966 in Net investment in capital assets and an increase of \$988,805 in unrestricted net position.

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 (\$10,863,090 or 50.5% 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 elected the first method and uses the depreciation method on infrastructure systems reporting.

Of the remaining Town assets, \$11,790,844 is accounted for in cash, cash equivalents, and pooled investments, \$220,193 in receivables, \$35,393 in inventory, and \$15,183 in prepaid expenses.

At June 30, 2018, the Town continues to be debt free, but is bracing to finance a new water plant in the \$9.4 million dollar range. Included in the Total Liabilities of \$1,490,048, there was \$449,836 in accounts payable, deposits of \$61,060 for amounts held in escrow for various projects, \$66,829 for staff accumulated leave and tax withholdings, Unearned revenue of \$257,136, and \$655,187 for net pension liability.

At June 30, 2017 and 2018, 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	
	2018	2017	2018	2017	2018	2017
REVENUES						
Program Revenues						
Charges for services, fees fines	\$ 40,292	\$ 40,746	\$ 1,340,742	\$ 1,275,634	\$ 1,381,034	\$ 1,316,380
Operating grants and contributions	43,819	34,780	-	-	43,819	34,780
General Revenues						
Property taxes	1,088,086	1,230,629	-	-	1,088,086	1,230,629
Other state and local taxes	2,020,474	1,875,731	-	-	2,020,474	1,875,731
Other	268,496	207,263	16,313	6,758	284,809	214,021
Total Revenues	<u>3,461,167</u>	<u>3,389,149</u>	<u>1,357,055</u>	<u>1,282,392</u>	<u>4,818,222</u>	<u>4,671,541</u>
EXPENSES						
General government	574,490	514,066	-	-	574,490	514,066
Public safety	883,782	621,473	-	-	883,782	621,473
Public works	825,301	787,650	-	-	825,301	787,650
Waste collection and disposal	231,768	246,534	-	-	231,768	246,534
Recreation and culture	220,182	189,159	-	-	220,182	189,159
Non-departmental	291,658	270,940	-	-	291,658	270,940
Water utility services	-	-	1,080,202	1,074,666	1,080,202	1,074,666
Total Expenses	<u>3,027,181</u>	<u>2,629,822</u>	<u>1,080,202</u>	<u>1,074,666</u>	<u>4,107,383</u>	<u>3,704,488</u>
Change In Net Position	433,986	759,327	276,853	207,726	710,839	967,053
NET POSITION - BEGINNING, AS RESTATED	<u>15,556,845</u>	<u>14,797,518</u>	<u>5,255,477</u>	<u>5,047,751</u>	<u>20,812,322</u>	<u>19,845,269</u>
NET POSITION - ENDING	<u>\$ 15,990,831</u>	<u>\$ 15,556,845</u>	<u>\$ 5,532,330</u>	<u>\$ 5,255,477</u>	<u>\$ 21,523,161</u>	<u>\$ 20,812,322</u>

Total revenues for the Town of Walkersville were \$4,818,222 for the year ended June 30, 2018, up \$46,681 (3.1%) from FY 2017. Governmental activities provided \$3,461,167 and business-type activities provided \$1,357,055, primarily from charges for water services. Total Expenses for Governmental activities were \$3,027,181 and for business-type activities were \$1,080,202. The Net position-beginning balance was restated for both funds by a positive and negative \$26,926, thereby zeroing out the effect of the adjustment. Net position-ending totaled \$21,523,161, an increase of \$710,839 from \$20,812,322.

Financial Analysis of the Town's Funds

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

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

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, 2018, the unassigned fund balance of the General Fund was \$9,299,560, up \$663,788 from June 30, 2017.

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

	<u>Amount</u>		<u>Percent of Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues				
Local property taxes and interest	\$ 1,088,086	\$ 1,230,629	31.43%	36.31%
Licenses and permits	30,184	32,736	0.87%	0.97%
Grants and shared taxes	2,054,662	1,910,191	59.35%	56.36%
Other revenue	288,817	215,593	8.34%	6.36%
Total Revenues	<u>\$ 3,461,749</u>	<u>\$ 3,389,149</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 \$940,985, up \$23,829 (2.6%) from last year. The tax rate of 16.0¢ per \$100 of assessed value tax rate remained in effect and the estimated assessable base increased by \$3,602,944. The gross business personal property tax revenue took a hard hit and decreased by \$166,213 (54.7%) to \$137,549, due to 3 refunds issued to Lonza for previous years’ claims for refunds. 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 decreased by \$159, to \$9,552.

Licenses and Permits

This consists of traders licenses and planning and zoning licensing and review fees. Traders’ licenses remained steady with a slight increase of \$53 to \$5,064. Planning and Zoning fees decreased by \$2,605, to \$25,120. Developer review and improvement fees continue to be collected for the development of Rutters, Longley Green, Mill Run, Parkside, and the Bell property. All have broken ground and are in construction process except Longley Green. The Sheetz expansion and the Walkersville Library have been completed.

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

Grants and Shared Taxes

This category includes Admissions and Amusement tax, Highway User Revenue taxes, Police Protection grant, Program Open Space grant, income taxes, Grant in lieu of property taxes, and Tax Equity program from Frederick County. The total grants and shared taxes increased by \$144,471 to \$2,054,662. The only decrease occurred in Grant for Police Protection by \$272 to \$33,158. All other categories reflected increases as follows: Admissions and Amusement tax increased \$21,650 from \$46,087 to \$67,737, 47.0%, Highway User Revenues increased by \$6,624, a 3.5% increase to \$195,276, Frederick County Shared Income Taxes increased by \$72,847 to \$910,446, an 8.7% increase, and Tax Equity from Frederick County increased by \$43,622, to \$847,015, a 5.4% increase over last year’s \$803,393. Tax Equity from the County is a reimbursement of taxes to Walkersville taxpayers for services provided by the Town in lieu of the County providing them. It is based on a formula devised by Frederick County and is not based on what the Town spent but what the County spends to provide the services.

Other Revenue

Other revenue includes interest income, franchise fees, senior citizens revenue, rental income, snow/mow removal income, miscellaneous revenues, and various other minor revenues. This category increased \$73,223, or 34.0%, due to a combination of changes in the categories of Interest income, franchise fees, rental Income, and other as follows: Interest income increased by \$58,660 as rates are approaching 2% rapidly, and other revenue includes the recognition of a retainage of \$34,242 that was set up as a payable and then not owed by the Town. Decreases in franchise fees of \$1,205 and rental income of \$19,980 make up the rest of the difference in the category of other revenue.

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

	Amount		Percent of Total	
	2018	2017	2018	2017
Expenditures				
General government	\$ 519,846	\$ 461,626	18.48%	19.98%
Public safety	881,555	620,279	31.34%	26.85%
Public works	529,397	478,640	18.82%	20.72%
Waste collection and disposal	231,768	246,534	8.24%	10.67%
Recreation and culture	174,928	143,905	6.22%	6.23%
Non-departmental	291,782	262,044	10.37%	11.34%
Capital outlay	183,529	97,411	6.52%	4.22%
Total Expenditures	\$ 2,812,805	\$ 2,310,439	100.00%	100.00%

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

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

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

General Government

The increase in the General government expenditures of \$58,220 is attributable in part to the following: Office salaries increased by \$16,118, or 7.3% due to the overlapping hiring of a new accountant to replace the retiring accountant and the raise limitation of 3%. Operating expenses increased by \$11,495 as follows: office supplies increased by \$3,706, advertising & public notices by \$2,305, dues & subscriptions by \$227, current year expenses also included engineering fees for our GIS system in the amount of \$6,139 and a small generator for the shop in the amount of \$2,291. Planning and zoning expenses increased \$23,964, or 30.1%, due to the Planning & Zoning Administrator position becoming full-time. Utilities increased by \$6,676, or 15.7%, despite the installation of efficient fixtures in the Town Hall. Usage and the increase in electric and fuel rates are suspect.

Public Safety

This category increased overall by \$261,276 (42.1%) due to adding two additional Maryland State Police Resident Troopers, effective 10/1/2017, for a total of five troopers. The expenses for this category increased by \$266,401 or 46.1%. Code Enforcement expense decreased by \$5,125 (30.6%) due to the ongoing health issues of the Code Enforcement Officer limiting the time he can spend resolving violations. The Town still is operating proactively and is working on hiring an assistant to aid the current Code Enforcement Officer. To-date, 336 cases have been addressed for the 2018, and 2,300 cases have been addressed in total in the 10 years the officer has been handling complaints. The Town continues to contribute \$12,500 each to the fire and rescue companies annually.

Public Works

This category increased overall by \$50,757, with an increase in maintenance salaries of \$21,153, a 6.5% increase. This includes 4% raises for staff and various collections of compensatory time payments. Street maintenance increased by \$33,443 (121.7%). Parts, tools, and supplies increased by \$1,888, or 21.4% and truck and equipment expenses were up by \$3,982 or 9.0%. Street lighting actually went down by \$813, hopefully as a result of adding LED lighting to two of our streets as a trial. Uniforms and boots are down by \$875 or 9.8%. The work clothing allowance remains \$600 per person, and the uniforms provided by Cintas cost approximately \$2,800 per person for those who utilize the service.

Waste Collection and Disposal

This category decreased by \$14,766, due to placing less tonnage of trash in the county landfill. The base contract in the amount of \$90,000 plus tipping fees paid to Frederick County is renewable for the next four 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 in the amount of \$5,284.

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

Recreation and Culture

This category increased by \$31,023, or 21.6% overall with mostly increases in the line items as follows: Parks and recreation increased by \$32,486 or 96.7% due to tree trimming project throughout the parks that cost \$33,362. The Parks mowing contract remains consistent at \$87,831, and they contracted for extra work in the amount of \$1,500 and \$2,650 for picking up branches and mowing and chopping up leaves in the parks, for a total of \$91,981. Heritage Manor house maintenance expenses were steady with a slight decrease of \$306. Senior Citizens meal expenses were down by \$3,372 (23.3%) due to the seniors deciding to cut back to one day per week for more than just the summer.

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 \$29,738, or 11.4%, with minimal fluctuations in most categories. The retirement plan expense increased by \$4,728, or 9.4%, as the State increased the Town contribution from 8.53% to 8.56% on 6/30/2017 salaries. Employee salary increases and the new rate contributed to the increase. Workers compensation decreased by \$1,037 and payroll taxes increased by \$4,220 in direct proportion to the increase in salaries. Health, life and dental insurance increased by \$10,990, due to a rate increase, the overlap of two employees in the same position for part of the year, and the family coverage of the new employee. The Town security camera maintenance contract accounted for the \$5,392 increase in security measures.

Depreciation expense

Implementation of GASB 34 requires the Town to recognize depreciation expense in the financial statements. 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 recorded in the General Fund was \$398,030, down \$9,869 from 2017.

ENTERPRISE FUND REVENUE AND EXPENSE ANALYSIS

Water Utility

Operating Revenues: Total operating revenues were up by \$65,108, an increase of 5.1%, with an increase in charges for service in the amount of \$86,061 (8.3%). The Town implemented a 20% rate increase across the board effective October 1, 2016, and this year included the increased rates on both the November 2017 and the May 2018 billings. Connection fees decreased by \$26,250 as collections related to the various subdivisions occurred last year. Meter service charges and penalties and interest remained steady with a slight increase of \$254 and a decrease of \$1,892, respectively. Wireless telecommunication income increased by \$7,065 or 3.8%, for a total of \$192,282. Each lease includes annual rate increases on various dates during the year, ranging from 3-4%.

Non-operating Revenues: Interest income is up by \$6,032, as rates inch upwards towards 2%, noted before. Equipment sold at auction this year, and split between the General and Water funds as purchased, resulted in a gain on disposal of assets in the amount of \$6,335, an increase of \$3,523.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

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

Operating Expenses: The Water Fund's operating expenses decreased overall by \$16,107 or 1.8%. 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. Staff salaries increased by \$14,432, distribution maintenance increased by \$4,627, parts, supplies, and tools increased by \$13,170, administrative expenses increased by \$4,627, and workers compensation increased by \$4,861, Conversely, the Town saw decreases to chemicals of \$35,482 and other operating expenses of \$22,006. The decrease in chemicals, by 17% to \$177,032 is finally reflecting the Public Works department's claims that chemical cost/usage should be decreasing since we switched to a sodium hypochlorite system. Other operating expenses decreased by 55.1% to \$17,941, due to previous increases in truck and equipment expenses and computer expenses associated with the water plant, now catching up to normal. Payroll taxes are right on point for salaries paid in the Water Fund. FY 2018 had no reimbursements due to the State of Maryland for unemployed workers, resulting in a decrease of \$8,336. Total Capital Outlay decreased by \$243,677 and consists of new equipment in the amount of \$69,887, distribution system items in the amount of \$20,283 and engineering and design of the new water plant in the amount of \$38,589, 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 \$9,298, to \$191,638.

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, 2018, 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 \$8,485 above expectations, 0.9%. For budgeting purposes, the estimated assessable base provided by the state is multiplied by the Town's current tax rate of 16.0¢ 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 received a huge blow to budget expectations by \$(162,451), -54.2%. The Town's largest payer of business personal property tax, Lonza, qualified for huge refunds of property tax paid in previous years as follows: FY2015/2016 Lonza received a (\$77,017) adjustment to the certification, FY2016/2017 Lonza received a (\$45,840) adjustment, and FY2017/2018 Lonza received a (\$42,637) adjustment, for a total of (\$165,494) that hit the Town in this fiscal year. This accounts for almost the entire variance and it continues to be a difficult area to project as we wait for the assessments provided to the state

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

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through the personal property tax returns. The lag in processing Lonza's credits due put a huge dent in this year's projected revenues. Income taxes received were higher than anticipated by \$152,946 or 20.2%, continuing the positive signs that the economy is improving, and people are making money and paying taxes. This budget category is estimated by averaging the 3 previous years and typically is always underestimated. Admissions & Amusements tax was underestimated by \$21,737, or 47.3%, a category that is hard to estimate and typically uses the previous year's actual for the current year's budget. Happily, people are able to afford taxable entertainment activities. Planning and zoning revenue exceeded expectations by \$15,120, or 151.2%, as developments in process for approval pay their appropriate permitting and review fees. Timing continues to be the variable in estimating this and the Town continues its conservative approach. Highway user tax revenue was right on target with only a (\$340) difference between budget and actual. The Program Open Space (POS) income was \$100,925 less than expected, because the HFP sports building still, after 3 years, has yet to be bid or built or paid for. Therefore, POS funds have not been requested for reimbursement. Tax Equity was exactly the amount the County told us it would be, \$847,015, an increase over last year by \$43,622, 5.4%. 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 \$73,546 above the budgeted amount. Still a difficult category to estimate, as rates are closing in on 2%. Franchise fees exceeded budget by \$1,138, due to not knowing how to predict the gross revenue of Comcast and continuing to lean to the conservative side. Rental income was \$7,440 under budget and fluctuates based on the number of requests to rent Town facilities. Miscellaneous Revenue includes revenue recognized in the amount of \$34,242, which was a road construction retainage set up in a previous fiscal year, but then not owed on the project. Total Revenues were under budget by \$150,486, a -4.4% variance, but is affected by the \$192,037 Transfer from Surplus in the budget that was not utilized. If the \$192,037 is not considered, then revenue exceeds budget by \$41,551.

- ❖ Actual expenditures were under budgeted by \$799,430 or 22.1%. General government expenditures were over budget by \$5,786, and included notable negative variances in salaries (\$3,778), other-operating expenses (\$10,337), financial administration-operating expenses (\$1,616), and planning and zoning (\$7,968). Additionally, Geographic Information System (GIS) layer work costing \$6,139 and a portable generator costing \$2,290 are included in other-operating expenses, and ArcGIS software unexpectedly added \$3,000 to computer expenses. The Town also underestimated additional expenses needed for a full-time Planning and Zoning Administrator. A notable positive variance appeared in municipal buildings – repairs and maintenance in the amount of \$12,456, due to underestimating the need for painting or repairs to any of the Town's properties. Public Safety had a positive variance of \$201,668 due to a savings of \$193,092 on the projected contract with the Maryland State Police for 5 officers. Code enforcement expense was under by \$8,576 due to less hours put in by the officer because of health issues. Public works was under budget by \$77,018, which was a combination of a positive variance in salaries of \$9,521, maintenance of \$40,141, truck and equipment of \$20,659 and street lighting of \$6,876, and safety of \$1,961, with negative variances in parts, tools, and supplies (\$1,715) and uniforms/boots of (\$425). Waste collection and disposal was under by \$29,432. Recreation and Culture was under budget by \$277,254, due to the ongoing saga with the Heritage Farm Park building budgeted for \$292,962. Plans were to have the building constructed this fiscal year, but hold ups with the design and bidding are ongoing, still. Spending in Parks and recreation was over by \$25,591 and over in Parks-mowing due to extra contracting with the mowing contractor for branch removal and leaf grinding. The disbandment of the Sustainability Green Team resulted in not utilizing that category by \$5,020 and Heritage Manor House expense were under by \$4,254. Non-departmental is under by \$4,318, with most of the variance attributable to overages in medical insurance in the amount of \$4,576 and other in the amount of \$5,108, offset by positive variances in remaining line items. Technical

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

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

support and maintenance agreement for security measures was expected to be higher due to the installation of the blessed security camera system throughout the Town. Security was under by \$3,380 but was close to the estimated maintenance agreement on the system. Capital Outlay was under by \$215,526, which is mostly a result of many of the listed projects not being implemented plus the amount of \$80,055 being available for projects and not designated or spent. We spent \$8,602 more on Machinery and equipment than budgeted, but certainly can justify the security cameras and snow plow that put us over. Richard Winn Lane was completed with the help of the Sheetz Corporation handling the bidding and construction and the Town paying their share. As a result, we spent \$90,491 less than the cost estimate and the budget for the project. Yay Taxpayers!!! Moveable signs were not purchased for \$50,000. GIS zoning layers maintenance was not capitalized, although expense was incurred getting our mapping up to date with our engineering firm in the amount of \$6,139 that was included in General Government Other-Operating expenses. Watershed development typically includes the rental of port-o-potties that is included in Parks and recreation in the amount of \$6,735. 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 \$200,309 budgeted to be used from savings and reserves. Without this, the budgeted current revenue becomes \$1,235,615. Comparing that to actual received of \$1,357,055, the Water Fund received \$121,440 more than expected, or 9.8% rather than under expectations by (\$78,869). Charges for service received \$94,870 more than expected, a 9.2% positive variance. The Town continues to 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. Wireless tower income exceeded budget expectations by \$7,282, or 3.9%, 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. Interest income was received in the amount of \$9,978, over expectations by \$7,478 and the Town received a gain on assets sold at auction of \$6,335.
- ❖ Total operating expenses were less than expected by \$57,346, again due to conservative budgeting. Salaries came in under budget by \$5,064, payroll taxes were under by \$924, and MD unemployment was under \$1,000. Medical insurance was under by \$4,549 and miscellaneous went unspent by \$6,913. All of these variances were offset by workers' compensation which was over by \$5,120. Raises were capped this year at 4% on a vote by the commissioners. The Town continues to budget 160 hours of compensatory time for the maintenance and water operators for snow plowing and water main breaks. Pension plan expense was right on target, just under budget by \$479. Electricity and Distribution maintenance reflected positive variances in the amounts of \$1,740 and \$8,855. Parts, tools, and supplies went over budget by \$12,398 due to the purchase of 96 meters and 60 housing yokes to implement our transition to radio read meters and water billing. Chemicals came in under projected cost by \$7,968, finally reflecting the savings as hoped. Sewer treatment fees reflect a slight negative variance of \$2,946 while Other operating expenses is under by \$31,659, due to a decrease in Truck and equipment expense and Computer expense in the amounts of \$17,984 and \$3,886 in actual costs respectively. Legal fees were under by \$4,202, thankfully.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Town of Walkersville's total investment in capital assets, net of related debt, including construction in process, for its governmental and business type activities as of June 30, 2018, amounts to \$10,863,090 (net of accumulated depreciation) compared to \$11,141,056 at June 30, 2017, a decrease of \$277,966. This investment in capital assets includes infrastructure donated by developers, land, farm land, buildings, furnishings, equipment and machinery, water treatment plant, distribution system, water towers, roads, stormwater structures, recreation and parks facilities, as well as construction in progress.

GASB 34 requires the Town to include certain infrastructure items on the financial statement reporting effective with the year beginning July 1, 2003. These financial statements include all known assets, including infrastructure assets and certain developer assets, which were constructed and donated to the Town as a requirement of their development site plans. For FY 2018, 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:

- New porch on 25 W. Frederick Street house	\$	7,812
- Town Hall middle bay garage door opener		2,680
- Town Hall (4) air circulators		4,150
- Security camera system - 2 cameras		3,320
- Maintenance department lawnmower		12,900
- Richard Winn Lane		69,509
- Engineering fees for HFP building		50,418
- Mini-excavator shared by General and Water Funds		56,047
- Snow plow		4,716
- Valve exerciser		4,995
- Valve on Biggs Ford Road by Lonza		15,288
- 2017 Dodge Ram Truck		41,864
- Water plant/construction planning/engineering in progress		38,589
		<hr/>
Total purchased by the Town	\$	312,288
		<hr/>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

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

The Town of Walkersville's fiscal year 2019 capital budget plans for spending \$900,008 compared to FY 2018's budget of \$889,069 for capital projects. Some of FY 2018's projects were not implemented or completed, and thus reappeared in the FY 2019 budget. Paving and street maintenance is ongoing, with \$30,856 available for unexpected needs or savings. The FY 2019 capital budget includes the regular annual budgeting of equipment, major paving and overlay projects in the amount of \$341,356 in the General Fund budget and \$558,652 in the Water Fund capital budget. The Town has finally broken ground on the new water plant and the work progresses as this report is written. The selection of the Microfiltration with Reverse Osmosis option has involved increasing cost estimates and has reached \$9,046,855 as of October 2018's estimate of costs, including material price increases and change orders. The funding settlement date, set for October 24, 2018, includes grant and loan funding from Maryland State agencies in the amounts of \$1.5 million and \$7.275 million, respectively. More detailed information about the Town's capital assets is presented in Notes 1 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 \$ 8.775 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¢ tax rate per \$100 of assessed value for FY 2019. Commissioners voted to keep the tax rate steady and hope for the best. The Constant Yield Rate was 15.79¢. The potential revenue with the 16¢ rate will generate \$965,367. 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 lag time with our current engineers. As winter approaches again, and we have still not received the specifications, it is doubtful that bidding will be completed in 2018 and construction will hopefully commence in 2019.
- ❖ Richard Winn Lane was completed and dedicated on August 22, 2018, complete with 3 of Richard Winn's children there to cut the ribbon opening the road.
- ❖ The Town-operated Water Utility had another reasonable year with Charges for service coming in \$94,870 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.
- ❖ The Town functioned for three-quarters of the year with five resident troopers. Citizen demand is responsible for the pressure on politicians to budget for this in the amount of \$969,260 for FY 2019. The opioid crisis, juvenile thefts from unlocked cars, and speeding seem to be the most often expressed complaints. The installation of surveillance cameras throughout the Town parks, shop, and town hall building continues to be evaluated as to its usefulness.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

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

- ❖ The Town continues to celebrate its 125th Anniversary and there are still lots of throws, ornaments, coaster, golf shirts, tee shirts, and pottery to sell. All of the events of the previous year were well received and enjoyed. The final event is the burying of the time capsule that has yet to take place, as the original location at the end of the Town Hall parking lot was flooded by the rains of the year.
- ❖ MS4 (Municipal Separate Storm Sewer System) is the Federal/State regulation that the Town will be struggling to comply with in the coming years. An ordinance has been adopted and procedures to detect, inspect, address, and resolve illicit discharges into the storm system are being developed.
- ❖ The Walkersville Branch of the Frederick County Library has opened and is beautiful and much loved in the community.
- ❖ The Town was blessed with a fairly peaceful year and continues to grow and thrive with exciting plans for the future. An election in September 2018 resulted in re-election of the Burgess and one Commissioner, along with a turnover on the board with 4 new Commissioners. We continue to look forward to the completion of the three new developments in process, 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, 2018**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Current Assets			
Cash	\$ 688,972	\$ 961,931	\$ 1,650,903
Investments - Maryland Local Government Investment Pool	7,829,449	710,062	8,539,511
Certificates of deposit, including accrued interest Receivables	1,600,430	-	1,600,430
Franchise fees	20,068	-	20,068
Water service charges, net of allowance for uncollectibles of \$775	-	90,963	90,963
Due from other governmental agencies	109,162	-	109,162
Inventory, at cost, net of allowance	11,257	24,136	35,393
Prepaid expenses	11,864	3,319	15,183
Internal balances	(963)	963	-
Total Current Assets	10,270,239	1,791,374	12,061,613
Noncurrent Assets			
Capital Assets not being depreciated	2,116,464	417,501	2,533,965
Capital Assets net of accumulated depreciation	4,676,248	3,652,877	8,329,125
Total Noncurrent Assets	6,792,712	4,070,378	10,863,090
Total Assets	17,062,951	5,861,752	22,924,703
DEFERRED OUTFLOWS OF RESOURCES	147,698	43,126	190,824
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 17,210,649	\$ 5,904,878	\$ 23,115,527
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 387,117	\$ 62,719	\$ 449,836
Accrued salaries and withholdings	53,982	12,847	66,829
Unearned revenue	152,098	105,038	257,136
Deposits	40,312	20,748	61,060
Total Current Liabilities	633,509	201,352	834,861
Noncurrent Liabilities			
Net pension liability	507,115	148,072	655,187
Total Liabilities	1,140,624	349,424	1,490,048
DEFERRED INFLOWS OF RESOURCES	79,194	23,124	102,318
Net Position			
Net investment in capital assets	6,792,712	4,070,378	10,863,090
Unrestricted	9,198,119	1,461,952	10,660,071
Total Net Position	15,990,831	5,532,330	21,523,161
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 17,210,649	\$ 5,904,878	\$ 23,115,527

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Statement of Activities
Year Ended June 30, 2018

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	\$ 574,490	\$ 30,187	\$ 1,030	\$ -	\$ (543,273)	\$ -	\$ (543,273)
Public safety	883,782	-	33,158	-	(850,624)	-	(850,624)
Public works	825,301	3,606	-	-	(821,695)	-	(821,695)
Waste collection and disposal	231,768	6,499	-	-	(225,269)	-	(225,269)
Recreation and culture	220,182	-	9,631	-	(210,551)	-	(210,551)
Non-departmental	291,658	-	-	-	(291,658)	-	(291,658)
Total Governmental Activities	3,027,181	40,292	43,819	-	(2,943,070)	-	(2,943,070)
Business-Type Activities							
Water	1,080,202	1,340,742	-	-	-	260,540	260,540
TOTAL GOVERNMENT	\$ 4,107,383	\$ 1,381,034	\$ 43,819	\$ -	(2,943,070)	260,540	(2,682,530)
General Revenues							
Taxes							
Property taxes, levied for general purposes					1,088,086	-	1,088,086
Income taxes					910,446	-	910,446
Highway taxes					195,276	-	195,276
Other local taxes					914,752	-	914,752
Franchise fees					82,163	-	82,163
Investment earnings					103,671	9,978	113,649
Gain (loss) on disposal of capital assets					(582)	6,335	5,753
Miscellaneous					83,244	-	83,244
Total General Revenues					3,377,056	16,313	3,393,369
Change in net position					433,986	276,853	710,839
NET POSITION - BEGINNING, as restated					15,556,845	5,255,477	20,812,322
NET POSITION - ENDING					\$ 15,990,831	\$ 5,532,330	\$ 21,523,161

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Balance Sheet – Governmental Fund
June 30, 2018

	General Fund
ASSETS	
Cash	\$ 688,972
Investments - Maryland Local Government	
Investment Pool	7,829,449
Certificates of deposit, including accrued interest	1,600,430
Receivables	
Other	20,068
Due from other governmental agencies	109,162
Prepaid expenditures	11,864
Inventory, at cost	<u>11,257</u>
TOTAL ASSETS	<u>\$ 10,271,202</u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	\$ 387,117
Accrued salaries and withholdings	53,982
Due to other funds	963
Unearned revenue	152,098
Deposits	<u>40,312</u>
Total Liabilities	<u>634,472</u>
Fund Balance	
Nonspendable	23,121
Assigned	314,049
Unassigned	<u>9,299,560</u>
Total Fund Balance	<u>9,636,730</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 10,271,202</u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Reconciliation of Fund Balance to the Statement of Net Position of
Governmental Activities
June 30, 2018

TOTAL FUND BALANCE - GOVERNMENTAL FUND \$ 9,636,730

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

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

Property, plant and equipment	15,451,174	
Accumulated depreciation	<u>(8,658,462)</u>	6,792,712

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	(507,115)	
Deferred outflows of resources	147,698	
Deferred inflows of resources	<u>(79,194)</u>	<u>(438,611)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 15,990,831

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Statement of Revenues, Expenditures and Change in Fund Balance – Governmental Fund
Year Ended June 30, 2018

	General Fund
REVENUES	
Local property taxes and interest	\$ 1,088,086
Licenses and permits	30,184
Grants and shared taxes	2,054,662
Other revenue	<u>288,817</u>
Total Revenues	<u>3,461,749</u>
EXPENDITURES	
General government	519,846
Public safety	881,555
Public works	529,397
Waste collection and disposal	231,768
Recreation and culture	174,928
Non-departmental	291,782
Capital outlay	<u>183,529</u>
Total Expenditures	<u>2,812,805</u>
Change in Fund Balance	648,944
TOTAL FUND BALANCE - BEGINNING OF YEAR	<u>8,987,786</u>
TOTAL FUND BALANCE - END OF YEAR	<u><u>\$ 9,636,730</u></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, 2018

CHANGE IN FUND BALANCE - GOVERNMENTAL FUND	\$ 648,944
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.	183,529
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.	(398,030)
In the statement of activities, only the gain or loss on the disposition of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by cost of the capital assets sold less any accumulated depreciation.	(582)
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>125</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 433,986</u></u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Statement of Net Position – Proprietary Fund
Business Type Activities – Enterprise Fund
June 30, 2018

	Water Fund
ASSETS	
Current Assets	
Cash	\$ 961,931
Investments - Maryland Local Government Investment Pool	710,062
Receivables Water service charges (net of allowance for uncollectibles of \$775)	90,963
Due from other funds	963
Prepaid expenses	3,319
Inventory, at cost, net of allowance	<u>24,136</u>
Total Current Assets	1,791,374
Noncurrent Assets	
Capital Assets not being depreciated	417,501
Capital Assets net of accumulated depreciation	<u>3,652,877</u>
Total Noncurrent Assets	<u>4,070,378</u>
Total Assets	5,861,752
DEFERRED OUTFLOWS OF RESOURCES	<u>43,126</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 5,904,878</u>
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 62,719
Unearned revenues	105,038
Accrued salaries and withholdings	12,847
Deposits	<u>20,748</u>
Total Current Liabilities	201,352
Noncurrent Liabilities	
Net pension liability	<u>148,072</u>
Total Liabilities	<u>349,424</u>
DEFERRED INFLOWS OF RESOURCES	<u>23,124</u>
Net Position	
Invested in capital assets	3,652,877
Unrestricted	<u>1,879,453</u>
Total Net Position	<u>5,532,330</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 5,904,878</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, 2018

	Water Fund
OPERATING REVENUES	
Charges for services	\$ 1,124,485
Meter service charge	2,270
Connection fees	5,950
Penalties and interest	15,755
Wireless tower income	<u>192,282</u>
 Total Operating Revenues	 <u>1,340,742</u>
OPERATING EXPENSES	
Depreciation	191,638
Salaries	213,136
Electricity	70,260
Distribution maintenance	131,145
Parts, supplies, and tools	13,898
Chemicals	177,032
Sewer treatment fees	120,046
Other operating expenses	17,941
Audit	9,250
Legal expense	798
Administrative expenses	20,559
Pension plan	15,771
Workmen's compensation insurance	10,080
Payroll taxes	15,776
Property insurance	13,254
Medical insurance	58,251
Safety	280
Miscellaneous	<u>1,087</u>
 Total Operating Expenses	 <u>1,080,202</u>
 Income From Operations	 260,540
NON-OPERATING REVENUES	
Interest income	9,978
Gain on disposal of assets	<u>6,335</u>
 Total Non-Operating Revenues	 16,313
 Change in Net Position	 276,853
 NET POSITION - BEGINNING OF YEAR, AS RESTATED	 <u>5,255,477</u>
 NET POSITION - END OF YEAR	 <u><u>\$ 5,532,330</u></u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Statement of Cash Flows – Proprietary Fund
Business Type Activities – Enterprise Fund
Year Ended June 30, 2018

	Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,446,998
Cash payments to suppliers for goods and services	(736,333)
Cash payments to employees for services	<u>(212,852)</u>
Net Cash Provided By Operating Activities	<u>497,813</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
(Increase) in due from other funds	<u>(521)</u>
Net Cash (Used In) Non-Capital Financing Activities	<u>(521)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(128,759)
Proceeds from sale of capital assets	<u>6,355</u>
Net Cash (Used In) Capital and Related Financing Activities	<u>(122,404)</u>
CASH FLOW FROM INVESTING ACTIVITIES	
Interest on cash and investments	<u>9,978</u>
Net Increase In Cash and Cash Equivalents	384,866
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,287,127</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 1,671,993</u></u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Statement of Cash Flows – Proprietary Fund
Business Type Activities – Enterprise Fund
Year Ended June 30, 2018

	Water Fund
RECONCILIATION OF INCOME FROM OPERATIONS	
TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Income from operations	\$ 260,540
Adjustments to reconcile income from operations to net cash provided by operating activities:	
Depreciation	191,638
Decrease in receivables	4,568
Decrease in prepaid expenses	2,853
(Increase) in inventory	(10,194)
(Decrease) in accounts payable	(53,564)
Increase in deferred revenue	102,088
Increase in accrued salaries	322
(Decrease) in deposits	(400)
Change in net pension liability	(38)
	<u> </u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 497,813</u>
RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS	
PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF	
NET POSITION	
Cash	\$ 961,931
Investments - Maryland Local Government	
Investment Pool	710,062
	<u> </u>
	<u>\$ 1,671,993</u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity

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

The accompanying financial statements are presented as of June 30, 2018 and for the year then ended and have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to local governments. The Governmental Accounting Standards Board (the GASB) is the standard setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the *GASB's Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification).

Reporting Entity

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

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

Government-Wide and Fund Financial Statements

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

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

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

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Balances

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

Nonspendable

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

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 \$2,500 and useful life of one year or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Major outlays for capital assets and improvements are capitalized as projects are constructed and placed in service. 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, 2018.

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

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, 2018, 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, 2018 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

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, 2018 consists of the following:

	<u>Government Wide Activities</u>	
	<u>Governmental</u>	<u>Business Type</u>
	<u>Activities</u>	<u>Activities</u>
		<u>Water Fund</u>
Capital Assets	\$ 15,451,174	\$ 8,219,202
Accumulated depreciation	<u>(8,658,462)</u>	<u>(4,148,824)</u>
Net Investment in Capital Assets	<u>\$ 6,792,712</u>	<u>\$ 4,070,378</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, 2018 the Town had no restrictions of net position.

Unrestricted

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

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

General governmental revenues and expenditures accounted for in the General Fund are controlled by a formal budgetary accounting system in accordance with legal requirements that govern the Town's operations. 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, 2018, the carrying amount of the Town's deposits was \$3,251,333 including interest receivable. The related bank balance totaled \$3,312,962.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

NOTE 3 CASH AND CERTIFICATES OF DEPOSIT (CONTINUED)

Following is a schedule of the Town's deposits by financial institution at June 30, 2018:

Woodsboro Bank	\$ 850,000
The Columbia Bank	500,000
First United Bank & Trust	250,000
PNC Bank	<u>1,712,962</u>
	<u>\$ 3,312,962</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, 2018 \$1,361,903 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>\$ 1,361,903</u>
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NOTE 4 INVESTMENTS

As of June 30, 2018 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	\$ 8,539,511

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

Significant policies that relate to MLGIP are as follows:

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

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

NOTE 4 INVESTMENTS (CONTINUED)

Interest Rate Risk

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

Credit Risk

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

NOTE 5 TAX ABATEMENT

The Town adopted a resolution in September 1978, under the authority of Article 23A, Section 19(n), of the Annotated Code of Maryland, whereby property owners within the Town's annexed area can receive tax abatements, provided certain stipulations are met. Under the terms of the resolution, the property must remain zoned for agricultural use only and the residents must forgo receiving any municipal services or benefits. As long as these conditions are met, the resident pays a nominal property tax of \$1 per year. Total property taxes abated under this agreement were \$7,261 for the year ended June 30, 2018.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

NOTE 6 INVENTORY

Inventory consists of the following:

	General Fund
Inventory, at cost	<u>\$ 11,257</u>
	Enterprise Fund
Inventory, at cost	\$ 27,914
Allowance for obsolete inventory	<u>(3,778)</u>
	<u>\$ 24,136</u>

NOTE 7 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
GOVERNMENTAL ACTIVITIES				
Capital Assets, Not Being Depreciated				
Land	\$ 2,047,319	\$ -	\$ -	\$ 2,047,319
Construction in progress	36,719	50,418	(17,992)	69,145
Total Capital Assets Not Being Depreciated	<u>2,084,038</u>	<u>50,418</u>	<u>(17,992)</u>	<u>2,116,464</u>
Capital Assets Being Depreciated				
Improvements	1,695,038	-	(23,045)	1,671,993
Infrastructure	8,746,300	87,501	-	8,833,801
Building and furnishings	1,853,126	14,642	(8,057)	1,859,711
Equipment	942,368	48,960	(22,123)	969,205
Total Capital Assets Being Depreciated	<u>13,236,832</u>	<u>151,103</u>	<u>(53,225)</u>	<u>13,334,710</u>
Total Capital Assets	<u>15,320,870</u>	<u>201,521</u>	<u>(71,217)</u>	<u>15,451,174</u>
Accumulated Depreciation				
Improvements	(953,597)	(47,761)	23,045	(978,313)
Infrastructure	(5,498,651)	(247,333)	-	(5,745,984)
Building and furnishings	(1,172,856)	(43,861)	7,475	(1,209,242)
Equipment	(687,969)	(59,075)	22,121	(724,923)
Total Accumulated Depreciation	<u>(8,313,073)</u>	<u>(398,030)</u>	<u>52,641</u>	<u>(8,658,462)</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 7,007,797</u>	<u>\$ (196,509)</u>	<u>\$ (18,576)</u>	<u>\$ 6,792,712</u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

NOTE 7 CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
BUSINESS-TYPE ACTIVITIES				
Capital Assets, Not Being Depreciated				
Land	\$ 7,507	\$ -	\$ -	\$ 7,507
Construction in progress	371,405	38,589	-	409,994
Total Capital Assets Not Being Depreciated	<u>378,912</u>	<u>38,589</u>	<u>-</u>	<u>417,501</u>
Capital Assets Being Depreciated				
Equipment	565,065	69,887	(27,023)	607,929
Improvements	15,358	-	-	15,358
Building and furnishings	40,743	-	-	40,743
Water treatment plant	1,644,575	-	-	1,644,575
Distribution system	3,465,138	20,283	-	3,485,421
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>7,738,554</u>	<u>90,170</u>	<u>(27,023)</u>	<u>7,801,701</u>
Total Capital Assets	<u>8,117,466</u>	<u>128,759</u>	<u>(27,023)</u>	<u>8,219,202</u>
Accumulated depreciation				
Equipment	(383,574)	(50,407)	27,023	(406,958)
Improvements	(14,923)	(124)	-	(15,047)
Building and furnishings	(23,038)	(1,259)	-	(24,297)
Water treatment plant	(938,730)	(36,683)	-	(975,413)
Distribution system	(1,132,422)	(71,128)	-	(1,203,550)
Water systems	(150,359)	(2,347)	-	(152,706)
Water towers	(1,277,486)	(26,623)	-	(1,304,109)
Filter rehabilitation project	(59,924)	(2,888)	-	(62,812)
Urban detritification project	(3,753)	(179)	-	(3,932)
Total Accumulated Depreciation	<u>(3,984,209)</u>	<u>(191,638)</u>	<u>27,023</u>	<u>(4,148,824)</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 4,133,257</u>	<u>\$ (62,879)</u>	<u>\$ -</u>	<u>\$ 4,070,378</u>

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

Governmental Activities

General government	\$ 54,644
Public safety	2,227
Public works	295,905
Recreation and culture	45,254
	<u>\$ 398,030</u>

Business-Type Activities

Water	<u>\$ 191,638</u>
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BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

NOTE 8 GOVERNMENTAL FUND BALANCES

The detail of the fund balance classifications aggregated on the balance sheet as of June 30, 2018 is as follows:

	General Fund
FUND BALANCES	
Nonspendable	
Inventory	\$ 11,257
Prepaid expenditures	11,864
	<u>23,121</u>
Assigned for capital projects	
HFP building	24,608
Park projects	289,441
	<u>314,049</u>
Unassigned	<u>9,299,560</u>
	<u>\$ 9,636,730</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 Teachers and Employees Reformed Contributory Pension Benefit (RCPB) and the Teachers and Employees Alternate Contributory Pension System (ACPS), 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 RCPB, membership is automatic for employees who work at least 500 hours in the fiscal year. Under ACPS, membership is automatic for employees who were active as of July 1, 2006 – June 30, 2011. As of June 30, 2011, ACPS was closed to new members.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

NOTE 9 RETIREMENT PLAN (CONTINUED)

Benefits Provided

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

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

Contributions

Both RCPB and ACPS participants are required to contribute 7% of their annual compensation; however, their retirement benefits are subject to limits on their annual cost of living adjustment. 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, 2018, 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	\$ 655,187
State's proportionate share of net pension liability associated with the Town	<u>-</u>
Net Pension Liability	<u>\$ 655,187</u>

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

NOTE 9 RETIREMENT PLAN (CONTINUED)

The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan, actuarially determined. At June 30, 2017, the Town's proportion was 0.0030299% for the System.

For the year ended June 30, 2018, the Town recognized pension expense of \$51,737 related to governmental activities and \$15,107 related to business-type activities. As of June 30, 2018, 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	\$ 3,262	\$ -
Net difference between projected and actual investment earnings	120,551	70,572
Difference between actual and expected experience	-	31,746
Town contributions subsequent to the measurement date	<u>67,011</u>	<u>-</u>
	<u>\$ 190,824</u>	<u>\$ 102,318</u>

Town contributions subsequent to the measurement date totaling \$67,011 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2019	\$ 8,107
2020	\$ 8,107
2021	\$ 8,107
2022	\$ 8,107
2023	\$ (10,933)

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

NOTE 9 RETIREMENT PLAN (CONTINUED)

Actuarial Methods and Assumptions

The total pension liability for each of the defined benefit cost-sharing plans was determined by an actuarial valuation as of June 30, 2017, using the entry age normal actuarial cost method. Inflation is assumed to be 2.65% for general and 3.15% 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 7.5%. Mortality rates were based on the RP-2014 Mortality Tables with projected generational mortality improvements based on the MP-2014 2-dimensional mortality improvement scale.

Investments

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Public equity	36%	5.30%
Rate sensitive	21%	1.20%
Credit opportunity	9%	3.60%
Absolute return	8%	3.10%
Private equity	11%	7.00%
Real assets	15%	5.70%
Total	100%	

Discount Rate

A single discount rate of 7.5% 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 7.5%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

NOTE 9 RETIREMENT PLAN (CONTINUED)

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

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.5%, 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 6.5%	Current Rate (7.5%)	1% Increase to 8.5%
Town's proportionate share of the net pension liability	\$ 928,530	\$ 655,187	\$ 428,390

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

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.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

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. As of June 30, 2018 the Economic Development Revenue Bonds outstanding had an aggregate principal amount payable of \$1,325,087.

NOTE 15 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, 2018 amounted to \$15,080.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

NOTE 15 MAINTENANCE AGREEMENTS (CONTINUED)

On July 12, 2006 the Town entered into an additional contract with the same vendor for the maintenance of the Heritage water tower. This contract requires annual payments of \$46,310 for the first three years, a base annual payment of \$15,242 for the next three years, and beginning in 2012 and each third year thereafter, the fee will be adjusted to reflect the current cost of service, never exceeding a 5% increase or decrease. The contract is cancelable at any time. Total expense under this contract for the year ended June 30, 2018 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, 2018 amounted to \$11,130.

NOTE 16 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	\$ 963

NOTE 17 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. The lease was renewed through December 31, 2017 and again through December 31, 2018 with a possible year to year extension of up to three more years at the sole discretion of the Town. The annual rental income from this lease amounts to \$35,200.

NOTE 18 RESTATEMENT

During the year ended June 30, 2018, the Town made a restatement of the June 30, 2017 net position as a result of incorrect allocations between funds to account for the Town’s net pension liability in accordance with *GASB Statement No. 68*. The restated net position for both governmental activities and business-type activities is shown in the accompanying financial statements.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Notes to Financial Statements

NOTE 18 RESTATEMENT (CONTINUED)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net Position - June 30, 2017 - As Reported	\$ 15,583,771	\$ 5,228,551
Re-allocate net pension liability between governmental and business-type activities	<u>(26,926)</u>	<u>26,926</u>
Net Position - June 30, 2017 - Restated	<u>\$ 15,556,845</u>	<u>\$ 5,255,477</u>

NOTE 19 SUBSEQUENT EVENTS

In fiscal year 2019, the Town received approval from the State of Maryland to fund a substantial portion of the new water treatment plant. The agreement provides for state agencies to finance \$8.775 million in total, with \$1.5 million in grant funds and \$7.275 million in loans. The Town commenced construction in July 2018.

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)

	2018	2017	2016	2015
Town's proportion of the net pension liability	0.0030%	0.0031%	0.0032%	0.0029%
Town's proportionate share of the net pension liability	\$ 655,187	\$ 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>	<u>-</u>
Total	<u>\$ 655,187</u>	<u>\$ 723,711</u>	<u>\$ 670,226</u>	<u>\$ 522,243</u>
Town's covered-employee payroll	\$ 782,834	\$ 754,832	\$ 700,523	\$ 699,913
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	83.69%	95.88%	95.68%	74.62%
Plan fiduciary net position as a percentage of the total pension liability	65.79%	65.79%	68.78%	71.87%

Notes

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

* 2015-2018 are the only years available. This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

2018 amounts reflect changes in assumptions as follows:

Discount rate and investment rate of return decreased from 7.55% to 7.5%.

Inflation decreased from 2.70 general, 3.20 wage to 2.65 general, 3.15 wage.

Salary increase range decreased from 3.30-9.20% to 3.15-9.15%.

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)

	2018	2017	2016	2015
Contractually required contribution	\$ 67,011	\$ 61,670	\$ 59,755	\$ 67,977
Contributions in relation to the contractually required contribution	<u>67,011</u>	<u>61,670</u>	<u>59,755</u>	<u>67,977</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 782,834	\$ 754,832	\$ 700,523	\$ 699,913
Contributions as a percentage of covered-employee payroll	8.56%	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.

* 2015-2018 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, 2018
(Unaudited)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Local property taxes and interest				
Real property	\$ 932,500	\$ 932,500	\$ 940,985	\$ 8,485
Personal property	300,000	300,000	137,549	(162,451)
Penalties and interest	9,000	9,000	9,552	552
	<u>1,241,500</u>	<u>1,241,500</u>	<u>1,088,086</u>	<u>(153,414)</u>
Licenses and permits				
Traders	5,000	5,000	5,064	64
Planning and zoning	10,000	10,000	25,120	15,120
	<u>15,000</u>	<u>15,000</u>	<u>30,184</u>	<u>15,184</u>
Grants and shared taxes				
State of Maryland				
Admissions	46,000	46,000	67,737	21,737
Highway tax	195,616	195,616	195,276	(340)
Grant for police protection	34,062	34,062	33,158	(904)
Program Open Space grant	100,925	100,925	-	(100,925)
Frederick County				
Income tax	757,500	757,500	910,446	152,946
Grant in lieu of property taxes	1,030	1,030	1,030	-
Tax equity program	847,015	847,015	847,015	-
	<u>1,982,148</u>	<u>1,982,148</u>	<u>2,054,662</u>	<u>72,514</u>
Other Revenue				
Interest	30,125	30,125	103,671	73,546
Franchise fees	81,025	81,025	82,163	1,138
Rent	56,000	56,000	48,560	(7,440)
Contributions and donations	6,500	6,500	9,381	2,881
Recycling center	6,900	6,900	6,499	(401)
Designated from surplus/parks accrual	192,037	192,037	-	(192,037)
Other	1,000	1,000	38,543	37,543
	<u>373,587</u>	<u>373,587</u>	<u>288,817</u>	<u>(84,770)</u>
Total Revenues	\$ 3,612,235	\$ 3,612,235	\$ 3,461,749	\$ (150,486)
EXPENDITURES				
General Government				
Legislative				
Town Council				
Commissioners' salaries	\$ 18,000	\$ 18,000	\$ 18,000	\$ -
Other				
Salaries	232,820	232,820	236,598	(3,778)
Operating expenses	12,600	12,600	22,937	(10,337)
Training, meetings, and travel	9,490	9,490	4,532	4,958
	<u>272,910</u>	<u>272,910</u>	<u>282,067</u>	<u>(9,157)</u>
Executive				
Burgess' salary	12,500	12,500	12,500	-
Financial administration				
Independent auditing	9,500	9,500	9,250	250
Operating expenses	6,000	6,000	7,616	(1,616)
	<u>15,500</u>	<u>15,500</u>	<u>16,866</u>	<u>(1,366)</u>
Legal expenses	20,000	20,000	20,334	(334)
Planning and zoning	95,500	95,500	103,468	(7,968)
Municipal buildings				
Utilities	50,000	50,000	49,189	811
Repairs and maintenance	35,000	35,000	22,544	12,456
	<u>85,000</u>	<u>85,000</u>	<u>71,733</u>	<u>13,267</u>
Other				
Dues	8,150	8,150	8,233	(83)
County property taxes	4,500	4,500	4,645	(145)
	<u>12,650</u>	<u>12,650</u>	<u>12,878</u>	<u>(228)</u>
Total General Government	514,060	514,060	519,846	(5,786)

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Statement of Revenues and Expenditures – Budget and Actual – General Fund
Year Ended June 30, 2018
(Unaudited)

(Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Safety				
Police and traffic control	1,038,023	1,038,023	844,931	193,092
Code enforcement	20,200	20,200	11,624	8,576
Volunteer company contributions:				
Fire department	12,500	12,500	12,500	-
Ambulance service	12,500	12,500	12,500	-
Total Public Safety	1,083,223	1,083,223	881,555	201,668
Public Works				
Streets, roadways, and alleys				
Salaries	355,240	355,240	345,719	9,521
Maintenance	101,075	101,075	60,934	40,141
Parts, tools, and supplies	9,000	9,000	10,715	(1,715)
Truck and equipment	60,000	60,000	39,341	20,659
Street lighting	70,000	70,000	63,124	6,876
Safety	3,500	3,500	1,539	1,961
Uniforms/Boots	7,600	7,600	8,025	(425)
Total Public Works	606,415	606,415	529,397	77,018
Waste Collection and Disposal	261,200	261,200	231,768	29,432
Recreation and Culture				
Parks and recreation	40,500	40,500	66,091	(25,591)
Parks - mowing	87,800	87,800	91,981	(4,181)
POS - HFP Building	292,962	292,962	-	292,962
Sustainability Green Team	5,000	5,000	(20)	5,020
Heritage Building	2,000	2,000	-	2,000
Heritage Manor House	10,000	10,000	5,746	4,254
Senior citizens	13,920	13,920	11,130	2,790
Total Recreation and Culture	452,182	452,182	174,928	277,254
Non-Departmental				
Retirement and pension costs	57,950	57,950	54,829	3,121
Workmen's compensation	12,700	12,700	10,367	2,333
Payroll taxes	57,100	57,100	54,704	2,396
Medical insurance	121,200	121,200	125,776	(4,576)
Insurance	16,000	16,000	13,635	2,365
Community contributions	2,650	2,650	2,243	407
Security measures	12,000	12,000	8,620	3,380
Other	16,500	16,500	21,608	(5,108)
Total Non-Departmental	296,100	296,100	291,782	4,318
Capital Outlay				
Machinery and equipment	55,000	55,000	63,602	(8,602)
GIS zoning layers maintenance	10,000	10,000	-	10,000
Available for capital projects	80,055	80,055	-	80,055
Park projects	35,000	35,000	50,418	(15,418)
Richard Winn Lane	160,000	160,000	69,509	90,491
HFP building maintenance	3,000	3,000	-	3,000
Moveable electronic signs	50,000	50,000	-	50,000
Watershed development	6,000	6,000	-	6,000
Total Capital Outlay	399,055	399,055	183,529	215,526
Total Expenditures	3,612,235	3,612,235	2,812,805	799,430
CHANGE IN FUND BALANCE	\$ -	\$ -	\$ 648,944	\$ 648,944

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
Statement of Revenues and Expenditures – Budget and Actual – Water Fund
Year Ended June 30, 2018
(Unaudited)

	Budgeted Amounts		Budgetary Basis	Variance with
	Original	Final	Actual Amounts	Final Budget - Positive (Negative)
REVENUES				
Operating Revenues				
Charges for service	\$ 1,029,615	\$ 1,029,615	\$ 1,124,485	\$ 94,870
Meter service charge	1,500	1,500	2,270	770
Connection fees	-	-	5,950	5,950
Penalties and interest	16,500	16,500	15,755	(745)
Wireless tower income	185,000	185,000	192,282	7,282
Other income	500	500	-	(500)
Total Operating Revenues	1,233,115	1,233,115	1,340,742	107,627
Non-operating Revenues				
Carryover of fund balance to finance current year's operations	200,309	200,309	-	(200,309)
Interest income	2,500	2,500	9,978	7,478
Gain on disposal of assets	-	-	6,335	6,335
TOTAL REVENUES	1,435,924	1,435,924	1,357,055	(78,869)
EXPENSES				
Operating Expenses				
Salaries	218,200	218,200	213,136	5,064
Electricity	72,000	72,000	70,260	1,740
Distribution maintenance	140,000	140,000	131,145	8,855
Parts, supplies, and tools	1,500	1,500	13,898	(12,398)
Chemicals	185,000	185,000	177,032	7,968
Sewer treatment fees	117,100	117,100	120,046	(2,946)
Other operating expenses	49,600	49,600	17,941	31,659
Audit	9,500	9,500	9,250	250
Legal fees	5,000	5,000	798	4,202
Administrative expenses	21,800	21,800	20,559	1,241
Pension plan	16,250	16,250	15,771	479
Workmen's compensation insurance	4,960	4,960	10,080	(5,120)
Payroll taxes	16,700	16,700	15,776	924
MD unemployment	1,000	1,000	-	1,000
Property insurance	15,000	15,000	13,254	1,746
Medical insurance	62,800	62,800	58,251	4,549
Safety	1,500	1,500	280	1,220
Miscellaneous	8,000	8,000	1,087	6,913
Total Operating Expenses	945,910	945,910	888,564	57,346
Capital Outlay				
Equipment	87,000	87,000	69,887	17,113
Distribution system	-	-	20,283	(20,283)
Water treatment plant	403,014	403,014	38,589	364,425
Total Capital Outlay	490,014	490,014	128,759	361,255
Total Expenses	1,435,924	1,435,924	1,017,323	418,601
NET INCOME BUDGETARY BASIS	\$ -	\$ -	339,732	\$ 339,732
ADJUSTMENT TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) BASIS				
To adjust for depreciation			(191,638)	
To adjust for capital outlay			128,759	
NET INCOME GAAP BASIS			\$ 276,853	