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Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

Burgess and Commissioners of Walkersville, MD
Walkersville, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Burgess and Commissioners of Walkersville, MD (Town), as of and for the year ended June 30, 2013, 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

As described in Note 1, the Town has implemented a reporting model to account for deferred inflows, deferred outflows, net position and items previously recorded as assets and liabilities required by the provisions of the Government Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* and GASB Statement 65, *Items Previously Recognized as Assets and Liabilities*, as of July 1, 2012. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 16 and 43 through 46 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 pages 47 and 48 is presented for purposes of additional analysis and is not a required part of the financial statements.

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

Smith Elliott Kearns & Company, LLC

Hagerstown, Maryland
October 29, 2013

MD&A *Management's Discussion and Analysis*

The management of the Burgess and Commissioners of Walkersville, MD (Town of Walkersville) offers the following narrative overview and analysis of the financial statements for the fiscal year ended June 30, 2013. We provide this information in the hopes that a citizen will invest the time to read and understand their Town's financial operations, particularly if they are inclined to discuss or make assertions regarding the financial statements. 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, 2013 by $17,984,355 *(net position)*. Of this amount, $6,801,983 *(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 $772,372 and the Town increased its cash and equivalents by $1,235,472. The increase in cash is a reflection of revenues over expenditures in the General Fund of $ 1,317,267 and an increase in cash in the Water Fund of $84,972.

- As of June 30, 2013, the Town of Walkersville's governmental fund reported ending fund balances of $5,026,417, an increase of $1,317,267 in comparison with the prior year, a reflection of the Town's continuing strength in these "dire economic times."

- The Town's business-type activities generated income from operations in the amount of $ 53,833. Operating revenues continue to decrease in the Water Fund, this year by $25,540, or 2.5% to $997,599. At the same time, operating expenses decreased by $67,730 or 6.7%. Charges for Services (Water Usage fees) were down $32,409, a 3.7% decrease. Revenue recognized from developers' water connection charges was $ 0, down by $ 8,500 from revenue recognized last year. All outstanding tap fees have now been recognized as revenue in the Water Fund.

- The Town continues to be debt free.

- The sale of a 24 acre parcel subdivided from the Walker Farm was completed and settled in August 2012. The effects are reflected throughout the government-wide financial statements and the General fund financial statements. To complete the sale, the Town now holds a $400,000 second mortgage note. The house and outbuildings, renamed by the resident owner "Walkers Overlook", are being utilized as a lovely wedding and reception venue.

- Plant, property, and equipment of the General Fund totaled $14,496,558. A net increase of $348,742 of infrastructure and property was recognized. The Town sold the separate investment in real estate valued at $980,000, but continues to own approximately 200 acres of farm land. There was a corresponding net increase in accumulated depreciation of $360,764 on these assets. Net capital assets used in governmental activities of the Town decreased by $12,022 to a total of $7,602,159.
- The General Fund did not have to budget funds to be spent from prior year's reserves. The Town went forward with plans for some major paving projects and other capital projects, budgeted to the tune of $664,682, with actual capital expenditures in the amount of $443,139. The General Fund revenues were $ 849,330 more than expected for the year. Expenditures were kept within conservative spending limits, coming in under-budget by $467,937. The Town continues to operate conservatively, managing its resources responsibly.
- The Burgess and Commissioners adopted a 17.0¢ tax rate for FY 2013, even though the rate needed to maintain constant revenue was 17.05¢. This rate generated revenue in the amount of $925,027, giving the taxpayers of Walkersville tax relief in the amount of $4,061. The Burgess and Commissioners strive to efficiently maintain and manage the operations of the Town with one of the lowest tax rates in the State of Maryland. For FY 2014, the Burgess & Commissioners cut taxes by 2¢ to adopt a tax rate of 15.0¢, a rate below the allowed constant yield rate of 17.02¢.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

1) Government-wide Financial Statements

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

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

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

Both of the government-wide financial statements distinguish functions of the Burgess & Commissioners of Walkersville, MD that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Burgess & Commissioners of Walkersville, MD include General government, Public safety, Public works, Waste collection and disposal, Recreation and culture, and Non-departmental. 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 17-18 of this report.

2) Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities of 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, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

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

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

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

  The basic proprietary fund financial statements can be found on pages 23-26 of this report.

3) Notes to the financial statements.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-42 of this report.

4) Required supplementary information can be found on pages 43-46.
5) Other supplementary information can be found on pages 47-48.

Government-wide Financial Analysis
Statement of Net Position

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

Town of Walkersville
Net Position Summary

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	$ 5,648,258	$ 5,046,587	$ 1,519,015	$ 1,482,960	$ 7,167,273	$ 6,529,547
Capital assets	7,602,159	7,614,181	3,580,213	3,512,305	11,182,372	11,126,486
Total Assets	$ 13,250,417	$ 12,660,768	$ 5,099,228	$ 4,995,265	$ 18,349,645	$ 17,656,033
Long-term liabilities	$ -	$ -	$ -	$ -	$ -	$ -
Other liabilities	229,696	356,606	135,594	87,444	365,290	444,050
Total Liabilities	$ 229,696	$ 356,606	$ 135,594	$ 87,444	$ 365,290	$ 444,050
Net Position						
Invested in capital assets, net of related debt	$ 7,602,159	$ 7,614,181	$ 3,580,213	$ 3,512,305	$ 11,182,372	$ 11,126,486
Unrestricted	5,418,562	4,689,981	1,383,421	1,395,516	6,801,983	6,085,497
Total Net Position	$ 13,020,721	$ 12,304,162	$ 4,963,634	$ 4,907,821	$ 17,984,355	$ 17,211,983

The Town of Walkersville's assets exceeded its liabilities by $17,211,983 at the close of the June 30, 2012 fiscal year, and by $17,984,355 at the close of June 30, 2013, an increase of $ 772,372 (4.5%). Total assets of $17,656,033 at June 30, 2012 increased to $18,349,645 by June 30, 2013, an increase of $ 693,612 (3.9%). The increase in net position consists of an increase of $ 55,886 in capital assets and a $ 716,486 increase in unrestricted net position.

The largest portion of the Town of Walkersville's net position $ 11,182,372 (62.2%), reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town of Walkersville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Historically, infrastructure has not been included in capital asset reporting for governmental activities. GASB Statement No. 34 requires that all capital assets, including infrastructure, be reported. The Town has chosen to report all of its infrastructure assets with the implementation of GASB Statement No. 34 for the year ending June 30, 2004 and all future years, including certain developer constructed assets whose value was determined by using market prices for the year of construction.

Additionally, the Town must elect to either 1) depreciate these assets over their estimated useful life, or 2) develop a system of asset management designed to maintain their condition perpetually and to report on their condition within the financial statements. The Town has elected the first method and will use the depreciation method on infrastructure systems reporting.

Of the remaining Town assets, $6,544,080 is accounted for in cash, cash equivalents, and pooled investments, $583,218 in receivables including a mortgage receivable in the amount of $391,094, and $39,975 in inventory.

At June 30, 2013, the Town continues to be debt free. Included in the Total Liabilities of $365,290, there was $237,801 in accounts payable, deposits of $57,686 for amounts held in escrow for various projects, $67,182 for staff accumulated leave and tax withholdings, and $2,621 in deferred revenue.

At June 30, 2012 and 2013, the Town had positive balances in all categories of net position, for the government as a whole, and for governmental activities.

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
Government Wide

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Program Revenues:						
Charges for services, fees, fines	$ 18,096	$ 13,077	$ 997,599	$1,023,139	$ 1,015,695	$ 1,036,216
Operating grants and contributions	28,804	34,734	-	-	28,804	34,734
Capital grants and contributions	-	649,550	-	-	-	649,550
General Revenues:						
Property taxes	1,239,113	1,342,669	-	-	1,239,113	1,342,669
Other state and local taxes	1,501,594	1,258,138	-	-	1,501,594	1,258,138
Other	172,575	168,096	1,980	2,365	174,555	170,461
Total Revenues	$ 2,960,182	$ 3,466,264	$ 999,579	$ 1,025,504	$ 3,959,761	$ 4,491,768
Expenses:						
General government	$ 435,272	$ 458,995	$ -	$ -	$ 435,272	$ 458,995
Public safety	458,167	449,006	-	-	458,167	449,006
Public works	665,649	581,409	-	-	665,649	581,409
Waste collection and disposal	244,063	237,934	-	-	244,063	237,934
Recreation and culture	166,507	170,500	-	-	166,507	170,500
Non-departmental	273,965	230,932	-	-	273,965	230,932
Water utility services	-	-	943,766	1,1011,496	943,766	1,011,496
Total Expenses	$ 2,243,623	$ 2,128,776	$ 943,766	$ 1,011,496	$ 3,187,389	$ 3,140,272
Change in Net Position	$ 716,559	$ 1,337,488	$ 55,813	$ 14,008	$ 772,372	$ 1,351,496
Extraordinary item-impairment of investment in real estate	-	-	-	-	-	-
Net position-beginning	12,304,162	10,966,674	4,907,821	4,893,8813	17,211,983	15,860,487
Net position-ending	$ 13,020,721	$12,304,162	$ 4,963,634	$ 4,907,821	$ 17,984,355	$ 17,211,983

Total revenues for the Town of Walkersville were $3,959,761 for the year ended June 30, 2013, down by $532,007 (11.8%). This decrease reflects that there were no revenues attributed to capital assets this year contributed in the form of roads and infrastructure by developers. Governmental activities provided $2,960,182 and business-type activities provided $999,579, primarily from charges for water services.

Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town. On June 30, 2013, the unassigned fund balance of the General Fund was $4,138,934.

Town of Walkersville
Revenues Classified by Source
Governmental Funds

	Amount		Percent of Total	
	2013	2012	2013	2012
Revenues				
Local property taxes and interest	$ 1,238,955	$ 1,346,597	34.55%	38.80%
Licenses and permits	11,433	10,077	.32%	.29%
Grants and shared taxes	1,522,531	1,279,075	42.46%	36.86%
Other revenue	812,639	834,507	22.67%	24.05%
Total Revenues	$ 3,585,558	$ 3,470,256	100.00%	100.00%

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

- **Local property taxes and interest** – This consists of real and personal property tax revenues and the penalties and interest thereon. Gross real property tax revenues were $925,027, down $4,061 (0.4%) from last year, reflecting the Burgess & Commissioners' adoption of a lower than constant yield tax rate (17.0¢ per $100 of assessed value) for FY 2013, along with the drop in the real estate reassessments in Frederick County. Gross business personal property tax revenue decreased by $ 102,931 (25.3%) to $303,403. 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. Penalties and interest category was down by $650 to $10,525, consistent with decrease in real property taxes.

- **Licenses and permits** – This consists of Frederick County liquor license revenue, Traders licenses, and Planning and Zoning licensing fees. This revenue fluctuates annually and happens to be up a bit this year, overall by $1,356 to $11,433. This slight increase of 13.5% breaks down between the categories as follows: Trader license revenue was up slightly, by $42, a 0.9% increase from last year, Planning & Zoning fees make up the bulk of the category increase of $2,024, up to $4,985, a 68.4% increase from last year's $2,961. Liquor license revenue in the amount of $1,635 is down by $ 710 or (30.3%), which is not surprising as one of our major wine stores in Town went belly up.

- **Grants and shared taxes** – This category includes Admissions and Amusement tax, Highway taxes, Police Protection grant, Income taxes, Grant in lieu of property taxes, and Tax Equity program from Frederick County. Admissions and Amusement tax is up to $47,571, a $3,537 increase over last year's $44,034 or 8.0%. Highway user tax continues to be a source of frustration as the State of Maryland holds on to the Transportation fund gasoline taxes, rather than distributing them to the municipalities for road projects. Highway user revenue has dipped back down to $47,381, a $24,925 decrease from last year, or (34.5%). The Grant for Police Protection remained the same as last year at $19,907 for the fourth year in a row. Income tax revenue increased to $721,632, an $18,354 increase of 2.6%, and a minor sign that the economy is improving? The Grant in lieu of property taxes remains the same every year at $1,030. Tax equity payments from Frederick County increased to $685,010, a $246,490 increase from last year's $438,520. This 56.2% increase is the County's way of supplementing the Walkersville taxpayers for services provided by the Town in lieu of the County providing them.
- **Other revenue** – Other revenue includes interest income, franchise fees, senior citizens revenue, rental income, mortgage interest and principal payments, snow/mow removal income, contributions and donations, contributions from developers, and various other minor revenues. This year it includes the sale of the house and buildings and 24 acres of the Woodsboro Pike property. Last year it included a substantial contribution from developers in the form of road and storm water infrastructure. This category decreased by $21,868, or 2.6% overall this year. While every category

reflected a decrease, the main decrease consists of the difference between the two major amounts in each year, $649,550 and $615,452, or $34,098. Interest income decreased by $1,354, a 5.5% decrease, attributable to the loss of invested cash used for the purchase of the Walker Farm and continuing low interest rates. Interest rates fluctuated as low as .07% to a high of .15% with an actual annual yield of .12% at June 30, 2013 in the Town's Local Government Investment Pool accounts for the fiscal year. The highest local CD rate of 1.92% is locked until February 2016. All others currently range from .195% - .27% and continue to free fall into the rate abyss. Rental fees decreased by $6,559, a 9.9% decrease due to the sale of the Walker Farm so no rent received from the temporary decorators' agreement with the contract purchaser. Franchise fees received from Comcast decreased by $8,350, a 10.8% decrease. Could this be a reflection of cable user dissatisfaction with Comcast's service and exploration of fairer options? Senior citizens collected $7,867 to contribute to the Town's food and supply expenses in the amount of $12,275 for their activities. There were two new categories in Other Revenue: a stipend was received from Frederick County in the amount of $5,620 for use in establishing a recycling dumpster for use by County residents not participating in curbside. We also received mortgage interest and principal payments of $23,759 this year as we financed part of the sale of the Walker Farm subdivided parcel. Other revenue in the amount of $8,170 was up by $ 5,044, or 161.4%. The other revenue resulted from recognizing revenue from Sprint's abandonment of their cell tower facility on Discovery Tower in the amount of $6,760, mowing and snow removal fees in the amount of $980, and sales of Walkersville History DVDs and miscellaneous patches and booklets.

Town of Walkersville
Expenditures by Function
Governmental Funds

	Amount		Percent of Total	
	2013	2012	2013	2012
Expenditures				
General government	$ 385,104	$ 389,581	16.98%	13.37%
Public safety	458,167	448,504	20.20%	15.39%
Public works	406,088	340,032	17.90%	11.67%
Waste collection and disposal	244,063	237,934	10.76%	8.16%
Recreation and culture	112,313	115,453	4.95%	3.96%
Non-departmental	219,417	230,932	9.67%	7.92%
Capital outlay	443,139	664,812	19.54%	22.81%
Debt retirement	-	487,212	-	16.72%
Total Expenditures	$ 2,268,291	$ 2,914,460	100.00%	100.00%

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

General government – The overall decrease in the General government expenditures in the amount of $4,477 since last fiscal year is attributable to variances both positive and negative in the following categories: Legislative staff salaries, trainings, meetings, and travel, independent auditing, operating expenses, legal expenses, planning and zoning expenses, utilities, and repairs and maintenance. These are the categories that increased or decreased by over $1,000 to combine for the 1.1% decrease. Office staff salaries increased by $6,161, or 3.0%, due to 2.0% raises, adjustment for vacation liability, and $1,500 holiday bonuses approved for FY 2013. Training, meetings, and travel decreased by $2,900 due to decreased attendance of staff to conferences that involve travel and overnight stays. The independent auditing fees decreased by $2,625, and the only reason I can figure is our records are so pristine and in good order that it takes less time than usual to test and confirm our numbers. Financial administration operating expenses were down by $1,178, or 42.8%, due to timing of supplies needed and computer technical calls. Legal expenses were up by $2,087 or 46.6% due to the need for legal consultation on a Town Code restriction on carrying loaded guns within the Town. Planning and Zoning expenses were down by $9,760 or 15.0%, attributable to the fact there were no engineering review fee expenses incurred in this fiscal year. The category reflects the basic expenses of the Planning & Zoning Administrator's salary, vacation, and bonus, and the stipend payments to the Planning

Commission and Board of Appeals members. Utilities were only up $1,938 or 4.6%, due once again to a relatively mild winter and staff concentration on energy conservation. Repairs and maintenance of municipal buildings were up by a modest $1,918, or 9.2%, as no major repairs were completed this year. The expenditures in the lines of legislative operating expense, dues, election expense, and county property taxes were in a reasonable range of fluctuations with changes from $0 to upwards fluctuations of $338 to decreases of $ 712 over last year.

- **Public safety** – This category increased overall by $9,663 (a 2.2% increase) due to the increase in the Maryland State Police Resident trooper program of $10,311 (2.5%), offset by the decrease in the Code Enforcement expense of $648 (8.1%). The Maryland State Police contract can be expected to increase every year, as the State has the ability to dictate the charges applicable to the Town resident troopers, with no proof required. In addition, they are allowed to charge an exorbitant overhead percentage of 26.24%, with no proof or justification. The Code Enforcement Officer continues to excel at his job of bringing Town citizens into compliance with the Town Code; he is probably effectively working himself out of a job. The Town continues the tradition of contributing $12,500 to each of the volunteer organizations for the fire company and the ambulance company.

- **Public works** - This category increased overall by $66,056. Maintenance salaries were up by $43,859, as one of the water operators was transferred to the General Fund. Maintenance on streets category was up by $16,259 (115.5%), as we replenished our supplies of road deicing salt to the tune of approximately $9,805. We also installed 10 doggie poop depositories about Town at a cost of about $3,333 in stations, trash bags and plastic pick-up bags. The increase also includes $3,800 spent on street reflective white line material as many areas were relined. Parts, tools, and supplies increased minimally by $ 416, or 7.3% over last year. Truck and Equipment expenditures were higher by $5,855 or 16.4%, as gas prices soar and make up the bulk of the difference. Street lighting decreased by $3,221, an unexplainable 5.4% decrease, given the historical trend of rising utility costs. Safety continues to be a priority for Town staff, and the category increased by $925, or 153.9%. Uniforms and boots increased by $1,963, or 45.5%, as a result of an additional maintenance staff position and a new recycling coordinator who needed to be clothed. Town staff continue to utilize their $ 500 annual clothing allowances and rates with the uniform company have increased.

- **Waste collection and disposal** - This category increased by $6,129. While costs for the trash contract increased by 3%, or $1,900, the tipping fees increased by $3,027, and salary paid to the park ranger/trash disposer increased by $2,038. The Town continues to sponsor two bulk trash collection days each year that are very successful in redistributing "treasures" throughout the community and reducing the impact on the landfill. We have also established a recycling dumpster for use by residents and business who do not have curbside. This is open 2 Wednesdays per month, and a monitor has been hired to insure that only recyclable items are deposited in the dumpster. A stipend in the amount of $5,620 was received to offset the partial year expenses of the site in the amount of $3,992.

- **Recreation and culture** – This category decreased by $3,140, or 2.7% overall with the bulk of the change being a $3,972 decrease in Parks and Recreation. Other variances in the category include Park Mowing expenses increased by $ 769, Heritage Building expense decreased by $113 to $0, Heritage Manor House expenses increased by $70, and Senior Citizens expenses are up by $106.

- **Non-departmental** – Expenses include retirement plan expense, workers' compensation insurance, employment taxes, health, life and dental insurance, liability insurance, community donations, mortgage interest expense, Walkers Farm house expenses, and miscellaneous random expenses. The category decreased overall by $11,515, or 5.0%, with large fluctuations in several of the categories. The retirement plan expense decreased by $ 6,266, or 12.2%, as the State reduced the Town contribution from 10.94% to 8.99%. The effects of losing an employee are reflected as well. Workers' compensation overall premium increased by $ 781 even though our excellent experience resulted in a lowered rate. The transfer of a water fund employee to the general fund and the addition of a recycling monitor contributed to the increase. Payroll taxes increased by $3,449 or 8.8%, as would be expected with an additional maintenance salary. Health, life and dental insurance

increased by $7,969, or 8.9%, which is consistent with the historical annual rate increases for the Town's aging personnel. Mutual of America charges a $144 monthly service fee for the Town's deferred compensation plan administration; this fee is accounted for in this category. Liability and property insurance for the Town decreased by $ 2,838 (18.5%) as a result of the Town's low claim experience, per the Local Government Insurance Trust. Community donations are down by $637 mainly because the annual request from Safe and Sane graduation was not received. Walker Farm interest and house expenses decreased by $9,336 altogether because of the payoff of the loan and the sale of the house parcel and 24 acres. In Other expense, an overall decrease of $4,637 (36.0%) due to the absence of Annexation expenses since the annexation of the Nicodemus property was completed. Advertising and public notices were down by $518 (15.9%), while dues and subscriptions were up by $559, a 76.7% increase. Bank fees in the amount of $1,461 were up from last year by $120, as interest earned on our accounts continues to be low. Miscellaneous expenses decreased by $ 107, a 3.9% decrease.

- **Depreciation expense –** Implementation of GASB 34 required the Town to recognize depreciation expense in the government-wide financial statements on what was formerly the General Fixed Assets Account Group. This change primarily affects the Governmental Funds since what is now known as the Business-type Activities have always recorded depreciation expense. Depreciation expense is not a current use of funds; however, it is a measure of the diminishing utility of assets purchased or constructed with funds in previous years.

Enterprise Funds Revenue and Expense Analysis

Water Utility

Operating Revenues: Total operating revenues are down (again) by $25,540 (2.5%), with a $32,409 decrease in water usage charges for service revenues, a decrease of 3.7%. With new higher water rates in effect for the entire year, and revenue continuing to decrease, citizens must be extremely responsible in their water conservation efforts. The Town needs to be as diligent as ever in order to stretch the current revenue to maintain operations at the water plant. An annual automatic increase on the water rate tiers has been implemented to address ongoing increasing costs of operation. Connection charges are $0 as there are currently no developments in progress, so no further funds will be available for expansion of the water plant infrastructure. Wireless telecommunication income is up by $8,868 (7.1%) for a total of $133,071 due to fees paid by Sprint/Nextel on their decommission of their facility at the Discovery water tower. An increase in Meter service charges of $101 and in Other income of $3,720, and $2,680 in Penalties and interest combine to offset the decrease in the total operating revenues.

Operating Expenses: The Water Fund's operating expenses decreased overall by $53,641 or 6.4%, and mainly includes a decrease in salaries of $54,719 (21.3%), as a water operator was transferred to the general fund maintenance staff. Staff received a cost of living increase of 2%, and a year-end net bonus of 1.5%. Several categories reflected the move of the staff person and the resultant decreases as follows: Pension expense was down $8,246 (32.2%), payroll tax expense was down $3,518 (18.4%), workers' compensation insurance was down $ 822 (8.4%), and health, life, and dental insurance was down by $9,808 (15.2%). There were substantial increases in the categories of Chemicals, Sewer treatment fees, and Other operating expenses. Chemicals increased by $5,410 or 3.6%, although salt prices decreased, other chemicals cost more. Sewer treatment fees showed an extreme increase of $14,760, 13.3%, as we continue to be at the County's mercy for disposal of our waste water from the plant and they are implementing increases to meet their expenses. Other operating expenses were up by $9,046, or 36.4%. This increase is a net result of ups and downs in several expenses that combine to make up Other operating expenses. The major contributor to this increase is the expense of repairing a sinkhole in the amount of $16,964, an expense we did not have last year. Computer expenses were down slightly by $ 735, (20.7%), and Building repairs and maintenance was down by $3,799, (72.0%), Uniforms and boots was down by $1,789, (42.4%), and and Truck & equipment expenses were down by $1,595, (13.5%). Administrative expenses remained steady with a slight increase of $ 219, or 1.5%, a reflection of tight spending policies and efficient management of resources. Distribution maintenance decreased a mere $ 1,095, a 1.4% decrease as the Town continued with normal operations and is proceeding cautiously and efficiently with maintenance to the system. Electricity came in with a $2,658 decrease, 4.7%, Parts, tools, and supplies decreased by $1,127 (47.3%). These changes are directly

related to plant operations. Audit expenses decreased by $2,625, as noted previously, yet unexplained. Legal fees remained $0. Property and liability insurance decreased by $124, or 1.0%, because of the Town's membership in the Local Government Insurance Trust and the rates and credits received from it. Safety increased by $646, a 99.5% increase, as the Town strives to maintain a safe working environment and comply with LGIT recommendations for improvement. Miscellaneous expenses increased by $1,020, an increase of 44.9%, with a significant amount attributed to increasing bank fees to operate our accounts. It's important to remember that some of the lower budget categories show a high or low % change due to the small amounts in the calculations, i.e. a small variance can look like a large percentage change when the amount is insignificant. Capital outlay for Equipment and Building improvements increased by $199,092, due to the commencement of a water line replacement project on Frederick Street. Depreciation expense, a non-cash outlay, decreased by $14,089, an 8.2% decrease to $156,821, due to some items in the aging infrastructure being fully depreciated.

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, 2013, there were no adjustments made to the originally adopted budgets.

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

General Fund

- Local property taxes and interest did not meet expectations by $5,905, or (.5%). Personal property tax revenue exceeded budget expectations by only $4,643, while real property taxes reflected a negative variance of $9,573. When netted with the Penalties and interest on tax payments that did not meet budget expectations by $975, the Town experienced a disappointment this year. As the effects of the dragging economy are finally affecting our revenues, conservative budgeting softens the impact of the shortfalls. Traders' license income exceeded the increased annual budget amount of $3,000, by $ 1,813 or 60.4%. Highway user tax revenue came in at $165 less than promised and budgeted, as the State provided us their estimate. No one really knows when the State will restore the Transportation fund revenues that rightly belong to the municipalities. There is a one-time grant process in place for FY 2014, so we will see if funds will be made up in that way. The State Aid for Police Protection grant continues at its reduced amount of $19,907, budgeted and received. Planning and Zoning revenue was only off by $ 985, receiving more in permitting and review fees than expected. This category continues to be difficult to estimate as it relates directly to the economy and the building permits issued and improvement plan reviews. Admissions revenue continues to exceed expectations by $17,571, so entertainment is apparently thriving in Town. On the other hand, people may be cutting back on their partying, as Alcoholic beverage permit income was down by $365. This may also be in part due to the closing of one of our beloved wine stores, the Walkersville Market. Program Open Space was budgeted, and therefore off by $34,575, due to the Town not receiving an approval or allocation, as we expected to, for projects for FY 2013. Income taxes received exceeded the budgeted amount by $176,332 a 32.3% increase over anticipated. Conservative budgeting in response to the current economic predictions and conditions is probably the reason the Town remains in good financial condition. Tax Equity was exactly the amount the County told us it would be, $685,010, and a hefty increase over last year's amount by $246,490, 56.2%. Walkersville continues to choose Tax equity rather than Tax differential as the calculation for our reimbursement from the County for duplicate services provided. Rental income exceeded budget by $9,416, which includes a farm lease of 200 acres, park pavilion, and room rentals in the Town Hall. Interest rates remain consistently low; conservative budgeting for income at $18,000 resulted in actual exceeding the budget by $5,473, for a total of $23,473 (which was less than last year). Franchise fees exceeded budget by $23,882, due to not knowing what to expect with the relatively new franchise agreement with Comcast. The Town negotiated the agreement for the next 15 years, with revenue

calculated at 5% of the gross revenues of Comcast. In prior agreements, the revenue was calculated on basic cable services only. We looked forward to and have received substantial increases in this category. Contributions and donations in the amount of $7,867 exceeded expectations by $2,867. Contributions and donations consist of revenue collected from the Senior Citizens group to offset the costs of food catering. The Town recognized $615,452 from the sale of the Walker Farm buildings and 24 acre parcel. The Town also entered into a second mortgage agreement with the purchaser of the property and financed $400,000 of the sale price. The Town is currently receiving interest and principal payments on the note and recognized $23,759. Neither the sale nor the interest and principal payments were budgeted, so those categories show the entire amounts as variances. The Town entered into an agreement with Frederick County to provide a dumpster recycling facility, located in the Town Hall parking lot two Wednesdays per month. The County provided a recycling stipend to offset costs of setting up the facility in the amount of $5,620. This total amount was a positive variance, as it was not budgeted. Miscellaneous revenue from snow removal and mowing, sale of DVDs and patches, Heritage Farm Park prints exceeded the $1,000 budget by $7,170. The bulk of this variance, in the amount of $6,760, was the recognition of a cell carrier terminating their tower lease without the required 6 month notification. Revenue from grass mowing on foreclosed properties in the amount of $980 also contributed to the high variance. It was not necessary to budget any amounts to be used from prior year reserves to balance the budget and complete proposed projects. Total Revenues exceeded budget by $ 849,330. When the effects of the sale of the Walker Farm parcel are removed, $ 639,211, the Town still received revenue over budget in the amount of $210,119. Although this is not quite the hefty reserves accumulated in previous years, Walkersville still reports an excellent year.

- Actual expenditures were under budgeted expenditures by $467,937 or 17.1%, the accumulation of all budget categories being under-spent. General government was under by $37,766, Public safety was under by $959, Public works was under by $90,052, Waste collection and disposal was under by $12,897, Recreation and culture was under by $21,687, and Non-departmental was under by $83,033, and Capital Outlay was under by $221,543. Several of the capital projects were not commenced or were in process, accounting for the difference between budget and actual. The Burgess and Commissioners and town staff continue to give priority to spending the funds entrusted to us in the most responsible, conservative manner, ensuring that our citizens receive the best services for their tax dollars.

Water Fund

- Water total operating revenues were lower than expected by $15,701, with variances in every category. Charges for service continues to be a concern with $30,615 less than expected received, a 3.5% variance from budget expectations. Dang people keep on conserving water! Combined Meter service charges and Reading fees were down by $3,739, or 74.8%. As we are steadily replacing meters with models that utilize scanning readers, maintenance calls on old meters are declining. Developers' connection charges, used for expanding the system, was not budgeted for or received as there are no pending agreements for water tap fees. Penalties and interest, Wireless tower income, and Other income exceeded budget expectations. Penalties and interest on water bills exceeded the budgeted amount by $3,862 or 29.7%, a result of late payment fees and reconnection fees. Wireless tower income came in at $8,271 higher than projected for income generated from the Crum Road and Discovery water tower, a 6.6% variance, probably due to conservative budgeting because of the recent lease terminations/addendums. Other income budgeted at $500, typically a miscellaneous category, showed a variance of $6,520 as a result of the Town receiving a one-time atrazine settlement class action claim in the amount of $6,347. Interest earned on invested cash, a non-operating revenue, was $1,980, or $20 less than projected. Just keep lowering interest projections and eventually you will hit the right number. The Total Revenues variance was $536,211 less than expected. Prior year reserves were budgeted, but not utilized to pay current year expenses, in the amount of $520,490, accounting for most of the total variance.

- Total operating expenses were less than expected by $44,345. Salaries and corresponding Payroll taxes came in under budget by $10,925 and $789, for the reasons mentioned repeatedly before. Pension plan expense was close to target with a slight variance of $670 over budget, and Medical

insurance was under budget by $583. Workers compensation insurance was under-spent by $386. Electricity, Distribution maintenance, Parts, tools, and supplies, Chemicals, and Other operating expenses were under-budget by $5,502, $17,348, $1,243, $6,636, and $3,091 in part because of the efficiently managed spending and the conservative budgeting philosophy of the Town. Sewer treatment fees were over budget by $13,706, due to being unaware of a rate hike in the sewer fees. Audit fees were under-budget by $3,250 at $6,750, possibly due to a snafu in budgeting or billing. There were no Legal fees so the entire budgeted amount was a positive variance to the fund. Administrative expenses were under-budget by $5,031. Property insurance was under-budget by $3,523, due to lowered premiums for good experience rating. Safety and Miscellaneous expense were over-spent by $295 and $291, respectively.

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, 2013, amounts to $11,182,372 (net of accumulated depreciation) compared to $11,126,486 at June 30, 2012, an increase of $55,886. 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 2013, there were no contributions of infrastructure from developers, versus the $649,550 contributed for FY2012.

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:

- Construction in process – partial Engineering fee for Glade Road & storm drain improvements	$ 9,333
- Town hall - Sump pump	1,013
- Town hall - Water heater	1,370
- Town hall parking lot paving	33,346
- West Pennsylvania Avenue paving	37,456
- East Pennsylvania Avenue paving	24,981
- Fulton Avenue paving	51,670
- Main Street paving	46,660
- Sandstone Drive paving	99,882
- Challedon Drive paving	122,516
- Town portion of Fire Company parking lot paving	9,765
- Heritage Farm Park black granite sign	1,602
- HFP T-ball field backstop, fencing, benches	3,545
- Frederick Street water line replacement – CIP	207,314
- Water plant – Dell Optiplex Computer	1,638
- Water plant – Dell Optiplex Computer	1,639
- Touch Meter Reader II and parts	1,585
- Touch Meter Reader II and parts	1,585
- Analytical Controller, ph Sensor	2,741
- Well # 2 Level Transducer	1,009
- Well # 3 Level Transducer	1,009
- Water plant valve	726
- Water plant pump, motor, diaphragm	3,278
- Water plant pump, motor, flange adaptor	2,205
Total purchased by the Town	$ 667,868

The Town of Walkersville's fiscal year 2014 capital budget plans for spending $431,724 compared to FY 2013's budget of $1,369,182 for capital projects. Some of FY 2013's projects were not implemented or completed, and thus reappeared in the FY 2014 budget. Many of the Town's roads were resurfaced, rehabbed, and restriped and ongoing plans are in effect for evaluating next year's street paving needs. The Frederick Street water line replacement was completed this summer, almost prior to the beginning of school as hoped. The construction in process is reflected in the statements. The FY 2014 capital budget includes the regular annual budgeting of equipment, major paving and overlay projects in the amount of $164,924 and the General Fund budget has an amount of $378,833 that is available for use but has not been designated for operating expenses or capital outlay. The Water Fund capital budget for FY 2014 includes $56,000 for equipment and $34,054 still available. The Town has no plans to issue debt or borrow funds to finance these projects. The Town is planning to study the need for replacement of the aging water plant. Funds are being amassed to help with the project, and discussion has ensued regarding the loan of funds from the General Fund to the Water Fund to build the new plant. This plan has up to a ten year completion goal. More detailed information about the Town's capital assets is presented in Notes 1, 7, and 8 to the financial statements.

Long-Term Debt Activity

The Town of Walkersville has no long term debt activity at this time and has no plans to enter into debt. However, the water plant needs are being studied and this goal may need to be altered.

Subsequent Items for Future Financial Statements

- The Town of Walkersville operated its General Fund on the 17.0¢ tax rate per $100 of assessed value for FY 2013. During budget deliberations, the Commissioners voted to cut the tax rate by 2¢ to 15.0¢ per $100 of assessed value for FY 2014. The fall in the assessable tax base took effect on the Town's constant yield tax rate for the coming year. According to the Maryland State Department of Assessments and Taxation, the Town would need to adopt a tax rate of 17.02¢ in order to generate the same revenue as this year. The potential revenue if the constant yield had been adopted would have been $937,727, but the 15¢ rate adopted is expected to generate $826,359, or a $111,368 savings in taxes (11.9%) for the taxpayers of Walkersville. The Commissioners always have citizens' best interests on the forefront of their decision making, reflected in the reality that our tax rate continues to be one of the lowest tax rates in the State of Maryland for a town of our size.

- The Town rejoices in the finalization of the sale of the Walker Farm House parcel along with an additional 10 acres. Settlement occurred in August 2012 and the wedding reception venue, called Walkers' Overlook, has been booked solid since. The remaining 200 acres continues to be a Town-owned property, leased to a local farmer for $160 per acre.

- The Town-operated Water Utility had a reasonable year but the service revenue continues to come in lower than anticipated. An automatic 1% increase to the tier rates has been implemented, but it is expected that this will only maintain basic operating funding needs. With upcoming plans to evaluate and possibly build a new plant, financing needs to be a priority consideration. Our water utility is our most important priority with providing our citizens the best tasting, cleanest, safest drinking water on the planet.

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

- The State of Maryland, although releasing an additional portion of the highway user revenues, continues to hold back on funding that is due to the counties and municipalities. The Town received $ 47,546 in FY 2013, and will receive $164,924 for FY 2014 which includes a one-time grant in the amount of $113,438. The regular amount for FY 2014, according to a notification letter is $50,201, so regular funds are gradually inching up. Police protection grant is promised to be $30,961 and we are grateful for this $11,054 increase to our normal $19,907. The amounts allocated to the Town from these shared revenue streams continue to be a source of concern and aggravation among the municipalities.

- The Town continues to thrive and manage during these trying times and there is much hope for another successful and blessed year.

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, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	$ 986,662	$ 713,661	$ 1,700,323
Investments - Maryland Local Government Investment Pool	2,547,343	695,521	3,242,864
Certificates of deposit, including accrued interest	1,600,893	-	1,600,893
Receivables:			
Taxes	2,612	-	2,612
Other	18,194	-	18,194
Water service charges, net of allowance for uncollectibles of $775	-	84,676	84,676
Mortgage receivable	13,467	-	13,467
Due from other governmental agencies	86,642	-	86,642
Inventory, at cost, net of allowance	13,138	26,837	39,975
Internal balances	1,680	(1,680)	-
Mortgage receivable, less current maturities	377,627	-	377,627
Capital assets:			
Land	2,047,319	7,507	2,054,826
Buildings & furnishings	1,852,042	40,743	1,892,785
Equipment	719,866	421,796	1,141,662
Improvements	1,557,198	15,358	1,572,556
Water treatment plant	-	1,629,262	1,629,262
Distribution system	-	2,668,370	2,668,370
Water systems	-	236,026	236,026
Water towers	-	1,618,317	1,618,317
Filter rehabilitation project	-	144,394	144,394
Urban dentrification system	-	8,938	8,938
Infrastructure	8,274,512	-	8,274,512
Construction in progress	45,621	214,606	260,227
Accumulated depreciation	(6,894,399)	(3,425,104)	(10,319,503)
TOTAL ASSETS	$ 13,250,417	$ 5,099,228	$ 18,349,645
LIABILITIES			
Current			
Accounts payable	$ 145,833	$ 91,968	$ 237,801
Accrued salaries and witholdings	46,301	20,881	67,182
Deposits	37,562	20,124	57,686
Unearned revenue	-	2,621	2,621
TOTAL LIABILITIES	$ 229,696	$ 135,594	$ 365,290
NET POSITION			
Net investment in capital assets	$ 7,602,159	$ 3,580,213	$ 11,182,372
Unrestricted	5,418,562	1,383,421	6,801,983
TOTAL NET POSITION	$ 13,020,721	$ 4,963,634	$ 17,984,355

The Notes to Financial Statements are an integral part of this statement.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

Program Activities:	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Total
Primary government							
Governmental Activities							
General government	$ 435,272	$ 11,496	$ 1,030	$ -	$ (422,746)	$ -	$ (422,746)
Public safety	458,167	-	19,907	-	(438,260)	-	(438,260)
Public works	665,649	980	-	-	(664,669)	-	(664,669)
Waste collection and disposal	244,063	5,620	-	-	(238,443)	-	(238,443)
Recreation and culture	166,507	-	7,867	-	(158,640)	-	(158,640)
Non-departmental	273,965	-	-	-	(273,965)	-	(273,965)
Total governmental activities	$ 2,243,623	$ 18,096	$ 28,804	$ -	$ (2,196,723)	$ -	$ (2,196,723)
Business-type activities:							
Water	$ 943,766	$ 997,599	$ -	$ -	$ -	$ 53,833	$ 53,833
Total government	$ 3,187,389	$ 1,015,695	$ 28,804	$ -	$ (2,196,723)	$ 53,833	$ (2,142,890)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					$ 1,239,113	$ -	$ 1,239,113
Income taxes					721,632	-	721,632
Highway taxes					47,381	-	47,381
Other local taxes					732,581	-	732,581
Franchise fees					68,882	-	68,882
Investment earnings					38,326	1,980	40,306
(Loss) on the sale of capital assets					(1,238)	-	(1,238)
Miscellaneous					66,605	-	66,605
Total general revenues, special items, and transfers					$ 2,913,282	$ 1,980	$ 2,915,262
Change in net position					$ 716,559	$ 55,813	$ 772,372
Net position - beginning					12,304,162	4,907,821	17,211,983
Net position - ending					$ 13,020,721	$ 4,963,634	$ 17,984,355

The Notes to Financial Statements are an integral part of this statement

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2013

	General Fund
ASSETS	
Cash	$ 986,662
Investments - Maryland Local Government Investment Pool	2,547,343
Certificates of deposit, including accrued interest	1,600,893
Receivables:	
Taxes	2,612
Other	18,194
Due from other governmental agencies	86,642
Due from other funds	1,680
Inventory, at cost	13,138
TOTAL ASSETS	$ 5,257,164
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable	$ 145,833
Accrued salaries and witholdings	46,301
Deposits	37,562
Unearned revenue - taxes	1,051
TOTAL LIABILITIES	$ 230,747
FUND BALANCES	
Nonspendable	$ 13,138
Assigned	874,345
Unassigned	4,138,934
TOTAL FUND BALANCES	$ 5,026,417
TOTAL LIABILITIES AND FUND BALANCES	$ 5,257,164

The Notes to Financial Statements are an integral part of this statement.

RECONCILIATION OF FUND BALANCE
TO THE STATEMENT OF NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2013

TOTAL FUND BALANCE - GOVERNMENTAL FUND		$ 5,026,417
Amounts reported for governmental activities in the statement of net position are different because:		
Long-term assets not available to pay for current-period expenditures and, therefore, are deferred in the funds:		
Unearned revenue - taxes		1,051
Long-term mortgage receivable		391,094
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets consist of:		
Property, plant and equipment	$ 14,496,558	
Accumulated depreciation	(6,894,399)	7,602,159
NET POSITION OF GOVERNMENTAL ACTIVITIES		$13,020,721

The Notes to Financial Statements are an integral part of this statement.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2013

	General Fund
REVENUES	
Local property taxes and interest	$ 1,238,955
Licenses and permits	11,433
Grants and shared taxes	1,522,531
Other revenue	812,639
TOTAL REVENUES	$ 3,585,558
EXPENDITURES	
General government	$ 385,104
Public safety	458,167
Public works	406,088
Waste collection and disposal	244,063
Recreation and culture	112,313
Non-departmental	219,417
Capital outlay	443,139
TOTAL EXPENDITURES	$ 2,268,291
EXCESS OF REVENUES OVER EXPENDITURES	$ 1,317,267
TOTAL FUND BALANCES - BEGINNING OF YEAR	3,709,150
TOTAL FUND BALANCES - END OF YEAR	$ 5,026,417

The Notes to Financial Statements are an integral part of this statement.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

EXCESS OF REVENUES OVER EXPENDITURES - GOVERNMENTAL FUND		$ 1,317,267
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 and changes in net assets, 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.		443,139
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.		(363,923)
The sale of the investment in real estate is reported in the government wide statements on the accrual basis and in the governmental funds based on the current financial resources provided or used. This is the net difference between the governmental funds and the statement of activities.		
Cash received	$ 615,452	
Principle received on mortgage	8,906	
Settlement charges	42,800	
Credit for transfer tax	9,095	
Credit for legal fees	2,635	
Credit for county taxes	18	
	$ 678,906	
Loss on the sale of property	1,238	(680,144)
Revenues and expenditures are reported in the statement of activities on the accrual basis and in the governmental funds when they provide or use current financial resources. This is the net difference between the prior year and current year unearned revenues.		220
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 716,559

The Notes to Financial Statements are an integral part of this statement.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

STATEMENT OF NET POSITION
PROPRIETARY FUND
BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND
JUNE 30, 2013

	Water Fund
ASSETS	
CURRENT ASSETS	
Cash	$ 713,661
Investments - Maryland Local Government Investment Pool	695,521
Receivables:	
Water service charges (net of allowance for uncollectibles of $775)	84,676
Inventory, at cost, net of allowance	26,837
TOTAL CURRENT ASSETS	$ 1,520,695
NONCURRENT ASSETS	
Property, plant and equipment, net of accumulated depreciation	3,580,213
TOTAL ASSETS	$ 5,100,908
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	$ 91,968
Due to other funds	1,680
Accrued salaries and witholdings	20,881
Deposits	20,124
Unearned revenue	2,621
TOTAL CURRENT LIABILITIES	$ 137,274
NET POSITION	
Invested in capital assets	$ 3,580,213
Unrestricted	1,383,421
TOTAL NET POSITION	$ 4,963,634

The Notes to Financial Statements are an integral part of this statement.

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, 2013

	Water Fund
OPERATING REVENUES	
Charges for services	$ 839,385
Meter service charge	1,261
Penalties and interest	16,862
Wireless Tower Income	133,071
Other income	7,020
TOTAL OPERATING REVENUES	$ 997,599
OPERATING EXPENSES	
Depreciation	$ 156,821
Salaries	202,775
Electricity	54,498
Distribution maintenance	77,652
Parts, supplies, and tools	1,257
Chemicals	156,364
Sewer treatment fees	125,706
Other operating expenses	33,909
Audit	6,750
Administrative expenses	14,469
Pension plan	17,370
Workmen's compensation insurance	9,014
Payroll taxes	15,611
Property insurance	12,477
Medical insurance	54,507
Safety	1,295
Miscellaneous	3,291
TOTAL OPERATING EXPENSES	$ 943,766
INCOME FROM OPERATIONS	$ 53,833
NON-OPERATING REVENUES	
Interest income	1,980
CHANGE IN NET POSITION	$ 55,813
NET POSITION - BEGINNING OF YEAR	4,907,821
NET POSITION - END OF YEAR	$ 4,963,634

The Notes to Financial Statements are an integral part of this statement.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND
YEAR ENDED JUNE 30, 2013

	Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 1,001,126
Cash payments to suppliers for goods and services	(533,162)
Cash payments to employees for services	(206,110)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 261,854
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Increase in due to other funds	$ 1,680
Decrease in due from other funds	44,187
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	$ 45,867
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	$ (224,729)
CASH FLOW FROM INVESTING ACTIVITIES	
Interest on cash and investments	$ 1,980
NET CASH PROVIDED BY INVESTING ACTIVITIES	$ 1,980
NET INCREASE IN CASH AND CASH EQUIVALENTS	$ 84,972
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,324,210
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,409,182

The Notes to Financial Statements are an integral part of this statement.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND
YEAR ENDED JUNE 30, 2013

(Continued)

	Water Fund
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Income from operations	$ 53,833
Adjustments to reconcile income from operations to net cash provided by operating activities:	
Depreciation	156,821
Increase in deposits	6,356
(Increase) in receivables	(5,450)
Decrease in inventory	8,500
Increase in accounts payable	42,508
Increase in deferred revenue	2,621
(Decrease) in accrued salaries	(3,335)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 261,854
RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION	
Cash	$ 713,661
Investments - Maryland Local Government Investment Pool	695,521
	$ 1,409,182

The Notes to Financial Statements are an integral part of this statement.

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, 2013 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.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

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.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

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

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

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

The government reports the following major governmental funds:

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

The government reports the following major proprietary funds:

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

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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.

Payments for certain employee benefits reflect costs applicable to a future accounting period and are recorded as prepaid expenses in both government wide and fund financial statements.

Capital Assets:

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

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, 2013.

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

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

Statement of Cash Flows:

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

Accounts Receivable:

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

Concentrations of Credit Risk:

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

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.

Note 1. Summary of Significant Accounting Policies (Continued)

Long-term Obligations:

In the government-wide financial statements, long term debt is reported as a liability in the applicable governmental activity's statement of net assets.

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	$.17 per $100 of assessable base
Property taxes	$.44 per $100 of assessable base

Deferred Outflows and Inflows of Resources:

In March 2012, the GASB issued Statement 65, *Items Previously Recognized as Assets and Liabilities*. The objective of this statement is to enhance the guidance to determine which balances being reported as assets and liabilities should be reported as deferred outflows of resources or deferred inflows of resources. The financial statements incorporate the changes required by GASB Statement 65.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period, and so will not be recognized as an outflow resources (expense) until then. The Town does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial 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 does not have any items that qualify for reporting in this category.

Net Position:

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. The objective of this statement is to enhance the usefulness of reporting deferred outflows of resources, deferred inflows of resources and net position in a statement of net position. This standard establishes a framework detailing how these elements should be reported, which will result in standardizing the presentation of deferred balances and their effects on a government's net position. The reporting of deferred inflows and outflows also applies to the fund financial statements. The financial statements incorporate the changes required by GASB Statement 63.

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, 2013 consists of the following:

Note 1. Summary of Significant Accounting Policies (Continued)

	Government Wide Activities	
	Governmental Activities	Business Type Activities Water Fund
Capital assets	$ 14,496,558	$ 7,005,317
Accumulated depreciation	(6,894,399)	(3,425,104)
Net investment in capital assets	$ 7,602,159	$ 3,580,213

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, 2013 the Town had no restrictions of net assets.

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

Note 2. Stewardship, Compliance, and Accountability

Budgetary Information:

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

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

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

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

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

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

Note 3. Cash and Certificates of Deposit

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

At June 30, 2013, the carrying amount of the Town's deposits was $3,301,116 including interest receivable. The related bank balance totaled $3,382,105.

Following is a schedule of the Town's deposits by financial institution at June 30, 2013:

Woodsboro Bank	$	850,000
The Columbia Bank		500,000
Capital One Bank		241,960
First United Bank & Trust		250,000
PNC Bank		1,540,145
	$	3,382,105

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, 2013 $2,140,145 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	$	2,140,145

Note 4. Investments

As of June 30, 2013 the Town had the following investments and maturities.

Investment Type	Maturities	Fair Value
Maryland Local Government Investment Pool	See description of MLGIP	$ 3,242,864

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 AAAm.

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.

Note 4. Investments (Continued)

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

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

Note 5. Mortgage Receivable

On August 15, 2012, the Town sold a farm house (see Note 18) for a sales price of $1,070,000. Of the total sales price the Town received cash in the amount of $615,452, $670,000 less related closing expenses of $54,548, and financed the remaining $400,000. Interest on the mortgage receivable is 5%. The note is being amortized over 240 months, with a 3-year balloon payment due August 15, 2015. The note is guaranteed by business entities of the borrower and an individual related to the borrower. Monthly payments of $2,640 commenced in September 2012. Total payments received during the year ended June 30, 2013 were $23,759, including interest of $14,853. The total cost of the property sold was $1,071,238 resulting in a loss of $1,238 being recognized on the statement of activities for the year ended June 30, 2013. The outstanding balance on the mortgage receivable at June 30, 2013 was $391,094.

Note 6. Inventory

Inventory consists of the following:

	General Fund
Inventory at cost (fund balance - reserved for inventory)	$ 13,138

	Enterprise Fund
Inventory, at cost	$ 28,668
Allowance for obsolete inventory	(1,831)
	$ 26,837

Note 7. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

Governmental Activities:	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Capital assets, not being depreciated:				
Land	$ 2,138,557	$ -	$ (91,238)	$ 2,047,319
Construction in progress	36,288	9,333	-	45,621
Total capital assets not being depreciated	$ 2,174,845	$ 9,333	$ (91,238)	$ 2,092,940
Capital assets being depreciated:				
Improvements	$ 1,552,051	$ 5,147	$ -	$ 1,557,198
Infrastructure	7,848,236	426,276	-	8,274,512
Building and furnishings	1,849,659	2,383	-	1,852,042
Equipment	723,025	-	(3,159)	719,866
Total capital assets being depreciated	$ 11,972,971	$ 433,806	$ (3,159)	$ 12,403,618
Total capital assets	$ 14,147,816	$ 443,139	$ (94,397)	$ 14,496,558
Accumulated depreciation for:				
Improvements	$ (710,391)	$ (53,478)	$ -	$ (763,869)
Infrastructure	(4,224,539)	(242,053)	-	(4,466,592)
Building and furnishings	(940,796)	(48,368)	-	(989,164)
Equipment	(657,909)	(20,024)	3,159	(674,774)
Total accumulated depreciation	$ (6,533,635)	$ (363,923)	$ 3,159	$ (6,894,399)
Governmental activities capital assets, net	$ 7,614,181	$ 79,216	$ (91,238)	$ 7,602,159

Note 7. Capital Assets (Continued)

Business-type activities:	**Balance July 1, 2012**	**Additions**	**Deletions**	**Balance June 30, 2013**
Capital assets, not being depreciated:				
Land	$ 7,507	$ -	$ -	$ 7,507
Construction in progress	7,292	207,314	-	214,606
Total capital assets not being depreciated	$ 14,799	$ 207,314	$ -	$ 222,113
Capital assets being depreciated:				
Equipment	$ 421,251	$ 6,447	$ (5,902)	$ 421,796
Improvements	15,358	-	-	15,358
Building and furnishings	40,743	-	-	40,743
Water treatment plant	1,618,294	10,968	-	1,629,262
Distribution system	2,668,370	-	-	2,668,370
Water systems	236,026	-	-	236,026
Water towers	1,618,317	-	-	1,618,317
Filter rehabilitation project	144,394	-	-	144,394
Urban detrification project	8,938	-	-	8,938
Total capital assets being depreciated	$ 6,771,691	$ 17,415	$ (5,902)	$ 6,783,204
Total capital assets	$ 6,786,490	$ 224,729	$ (5,902)	$ 7,005,317
Accumulated depreciation for:				
Equipment	$ (352,119)	$ (15,817)	$ 5,902	$ (362,035)
Improvements	(13,923)	(232)	-	(14,155)
Building and furnishings	(16,743)	(1,259)	-	(18,002)
Water treatment plant	(759,303)	(34,253)	-	(793,556)
Distribution system	(817,328)	(62,859)	-	(880,187)
Water systems	(138,625)	(2,347)	-	(140,972)
Water towers	(1,127,799)	(36,985)	-	(1,164,784)
Filter rehabilitation project	(45,484)	(2,889)	-	(48,373)
Urban detrification project	(2,861)	(179)	-	(3,040)
Total accumulated depreciation	$ (3,274,185)	$ (156,820)	$ 5,902	$ (3,425,104)
Business-type activities capital assets, net	$ 3,512,305	$ 67,909	$ -	$ 3,580,213

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

Governmental activities:	
General government	$ 50,168
Public works	259,561
Recreation and culture	54,194
	$ 363,923
Business-type activities:	
Water	$ 156,821

Note 8. Governmental Fund Balances

The detail of the fund balance classifications aggregated on the balance sheet as of June 30, 2013 is as follows:

	General Fund
Fund Balances	
Nonspendable:	
Reserved for inventory	$ 13,138
Assigned for capital projects:	
Glade Road Design/Construction	$ 400,000
William Street/Hahn Circle	281,706
HFP building	9,608
Park projects	183,031
	$ 874,345
Unassigned	$ 4,138,934
	$ 5,026,417

Note 9. Retirement Plan

The Town participates in the Maryland State Employees' Retirement System and the Employees' Alternate Contributory Pension System (System), which are statewide agent cost-sharing multiple-employer public employee retirement systems administered by the Maryland State Retirement and Pension Systems in accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland. The payroll for employees covered by the System for the year ended June 30, 2013 was $694,874; the Town's total payroll was $774,086. Employees working at least 500 hours annually are eligible to participate in the System.

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

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

The State Retirement Agency (Agency) issues a comprehensive annual financial report for the State Retirement and Pension System of Maryland. That report may be obtained by writing to State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, Maryland 21202, or by calling 1-800-492-5909. Alternatively, the comprehensive annual financial report can be viewed on the Agency's website at www.sra.state.md.us.

Note 9. Retirement Plan (Continued)

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

The Town has elected to offer the enhanced pension benefits to all participating employees under the Alternate Contributory Pension System. The total additional expense amounted to $7,367 for the year ended June 30, 2013.

The actuarially determined contribution requirement for the year ended June 30, 2013 was $107,799, which consisted of $59,666, from the Town and $48,133 from the employees; these contributions represented approximately 9% and 7% of covered payroll, respectively, made in accordance with actuarially determined contribution requirements based on an actuarial valuation performed as of June 30, 2012.

Significant actuarial assumptions used include (a) a rate of return on the investments of 7.75 percent compounded annually *(adopted June 30, 2003)*, (b) projected salary increases of 3.5 percent to 12.0 percent compounded annually, attributable to inflation *(adopted June 30, 2007)*, (c) additional projected salary increases ranging from 0.00 percent to 8.5 percent per year, attributable to seniority and merit *(adopted June 30, 2007)*, (d) post-retirement benefit increases ranging from 2.75 percent to 3.5 percent per year depending on the system *(adopted June 30, 2003)*, (e) rates of mortality, termination of service, disablement and retirement based on actual experience during the period from June 30, 2003 to June 30, 2006 *(adopted June 30, 2007)*, and (f) an increase in the aggregate active member payroll of 3.5 percent annually *(adopted June 30, 2007)*.

The actuarial value of assets was determined using a 5 year smoothing method of recognizing investment gains and losses over a five-year period. Under this method, each year's investment gain or loss is amortized on a straight-line basis over five years. The final actuarial value is limited to not more than 120% nor less than 80% of the market value of assets. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over a closed 40 year period (as provided by law). The liquidation period for the unfunded actuarial accrued liability is 8 years from June 30, 2012. Each new layer of UAAL arising subsequent to the year ended June 30, 2000 is being amortized in separate annual layers over a 25-year period. Each separate amortized layer has a closed amortization period. The equivalent single amortization period is 22.722 years.

A three year trend of the Town's annual pension cost is as follows:

Fiscal Year Ending June 30	Total Annual Pension Cost (APC)	APC Contributed By Town	Percentage of APC Contributed	Net Pension Obligation
2011	$ 75,667	$ 75,667	100%	$ -
2012	$ 76,806	$ 76,806	100%	$ -
2013	$ 59,666	$ 59,666	100%	$ -

Note 9. Retirement Plan (Continued)

The following is a Schedule of the Funding Progress of the Combined State Retirement and Pension System of Maryland:

Schedule of Funding in Progress
(Expressed in Thousands)

Actuarial Valuation Date June 30	Actuarial Value of Assets a	Actuarial Accrued Liability (AAL) Entry Age b	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll c	UAAL as a Percentages of Covered Payroll [(b-a)/c]
2010	$ 34,688,346	$ 54,085,081	$ 19,396,735	64.14	$ 10,657,944	182%
2011	$ 36,177,656	$ 55,917,543	$ 19,739,887	64.70	$ 10,478,800	188%
2012	$ 37,248,401	$ 57,869,145	$ 20,620,744	64.37	$ 10,336,537	199%

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.

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 the Injured Workers Insurance Fund.

Note 13. Risk Management (Continued)

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years, except as discussed in Note 18.

Note 14. Conduit Debt Obligations

The Town has issued Economic Development Revenue Bonds to provide assistance to the Walkersville Volunteer Rescue Company No. 24 (Company) for the acquisition and construction of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying financing agreement. Upon repayment of the bonds, ownership of the acquired facilities transfers to the Company served by the bond issuance. Neither the Burgess and Commissioners of Walkersville, MD, nor any public body thereof is obligated in any manner for repayment of the bonds. In accordance with the Governmental Accounting Standards Board, the bonds are not reported as liabilities in the accompanying financial statements. During FY 2008 the Company refinanced the bonds with PNC Bank. As of June 30, 2013 the Economic Development Revenue Bonds outstanding had an aggregate principal amount payable of $1,585,051.

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, 2013 amounted to $12,239.

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, 2013 amounted to $15,242.

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, 2013 amounted to $12,045.

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.

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
Water	General	$ 1,680

Note 17. Operating Leases

During the year ended June 30, 2011, the Town entered into a lease for 209.7 acres of farm land with a farmer for $160 per acre. The lease began January 1, 2011 and ended December 31, 2011 with a possible year to year extension of up to five years at the sole discretion of the Town. The lease was extended through December 31, 2012.

Due to the sale of an additional 9.7 acres (see Note 18), a new lease was entered into on October 17, 2012. The lease was for a term beginning on January 1, 2013 and ending on December 31, 2013 with a possible year to year extension of up to 3 years at the sole discretion of the Town. The annual rental income from this lease amounts to $32,000.

Note 18. Contingency/Settlements

In October 2009, the Town settled with a Walkersville property owner who filed suit alleging injuries to him based on discrimination. The alleged injuries related to the Board of Appeals denying a special exception zoning for the property owner in order for him to sell the property. Under the terms of the settlement agreement the Town of Walkersville purchased the property for $4,710,000, and additionally paid the plaintiff $490,000 of additional recoverable costs. The additional $490,000 of costs paid to the plaintiff was paid by the Town's insurance carrier. The property purchased was split into two parcels, one consisting of the house plus 14.4 acres (farm house) and the other consisting of 209.7 acres of farm land. Based on the allocation of the purchased property present in the deeds, the farm house cost was $2,760,767 and the cost of the farm land was $1,990,319. The farm land is included as land in the governmental activities on the statement of net assets. The Town put the farm house up for sale. An appraisal of the property was performed upon the purchase of the property which indicated that it's fair market value was $1,300,000, and therefore the farm house property was deemed impaired by $1,460,767. This amount was written off in the year ended June 30, 2010. During the year ended June 30, 2011, the Town entered into a contract for the sale of the house. Terms and exact amounts for the final settlement were not known upon the release of the June 30, 2011 financial report, however, the sales price agreed upon was below the market value of $1,300,000 recorded at June 30, 2010. This indicated an additional impairment of the real estate of $320,000, which was recorded in the government-wide statement of activities for the year ended June 30, 2011. The remaining cost of the farm house of $980,000 was presented as investment – real estate in the statement of net assets in the financial statements for the year ended June 30, 2012, however, because the property was not sold in a time frame that provided current financial resources the investment – real estate was not presented on the balance sheet – governmental fund. The sale of the property as agreed upon during the year ended June 30, 2011 did not occur in November 2011 as expected. A new agreement was reached to sell the property to the same buyer including an additional 9.7 acres at the request of the buyer. The land had a value of $91,238 and was carried in land in the governmental activities. As discussed in Note 5, the property was sold in August 2012.

Note 19. Subsequent Events

The Town has evaluated events and transactions subsequent to June 30, 2013 through October 29, 2013, the date these financial statements were available to be issued. Based on definitions and requirements of generally accepted accounting principles, management has not identified any events that have occurred subsequent to June 30, 2013 through October 29, 2013 that require recognition or disclosure in the financial statements.

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2013
(UNAUDITED)

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Local property taxes and interest:				
Real property	$ 934,600	$ 934,600	$ 925,027	$ (9,573)
Personal property	298,760	298,760	303,403	4,643
Penalties and interest	11,500	11,500	10,525	(975)
	$ 1,244,860	$ 1,244,860	$ 1,238,955	$ (5,905)
Licenses and permits:				
Traders	$ 3,000	$ 3,000	$ 4,813	$ 1,813
Alcoholic beverages	2,000	2,000	1,635	(365)
Planning and zoning	4,000	4,000	4,985	985
	$ 9,000	$ 9,000	$ 11,433	$ 2,433
Grants and shared taxes:				
State of Maryland:				
Admissions	$ 30,000	$ 30,000	$ 47,571	$ 17,571
Highway tax	47,546	47,546	47,381	(165)
Grant for police protection	19,907	19,907	19,907	-
Program Open Space grant	34,575	34,575	-	(34,575)
Frederick County:				
Income tax	545,300	545,300	721,632	176,332
Grant in lieu of property taxes	1,030	1,030	1,030	-
Tax equity program	685,010	685,010	685,010	-
	$ 1,363,368	$ 1,363,368	$ 1,522,531	$ 159,163
Other Revenue:				
Interest	$ 18,000	$ 18,000	$ 23,473	$ 5,473
Franchise fees	45,000	45,000	68,882	23,882
Rent	50,000	50,000	59,416	9,416
Contributions and donations	5,000	5,000	7,867	2,867
Mortgage interest and principal payments	-	-	23,759	23,759
Recycling center	-	-	5,620	5,620
Sale of Woodsboro Pike	-	-	615,452	615,452
Other	1,000	1,000	8,170	7,170
	$ 119,000	$ 119,000	$ 812,639	$ 693,639
TOTAL REVENUES	$ 2,736,228	$ 2,736,228	$ 3,585,558	$ 849,330

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2013
(UNAUDITED)

(Continued)

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
EXPENDITURES				
General Government:				
Legislative:				
Town Council:				
Commissioners' salaries	$ 18,000	$ 18,000	$ 18,000	$ -
Other:				
Salaries	198,100	198,100	198,239	(139)
Operating expenses	11,600	11,600	5,537	6,063
Training, meetings, and travel	6,000	6,000	1,319	4,681
	$ 233,700	$ 233,700	$ 223,095	$ 10,605
Executive:				
Burgess' salary	$ 12,500	$ 12,500	$ 12,500	$ -
Financial administration:				
Independent auditing	$ 10,000	$ 10,000	$ 6,750	$ 3,250
Operating expenses	6,500	6,500	1,573	4,927
	$ 16,500	$ 16,500	$ 8,323	$ 8,177
Legal expenses	$ 6,000	$ 6,000	$ 6,567	$ (567)
Planning and zoning	$ 70,000	$ 70,000	$ 55,400	$ 14,600
Municipal buildings:				
Utilities	$ 45,000	$ 45,000	$ 43,890	$ 1,110
Repairs and maintenance	25,000	25,000	22,664	2,336
	$ 70,000	$ 70,000	$ 66,554	$ 3,446
Other:				
Dues	$ 7,670	$ 7,670	$ 7,701	$ (31)
Election expense	500	500	338	162
County property taxes	6,000	6,000	4,626	1,374
	$ 14,170	$ 14,170	$ 12,665	$ 1,505
TOTAL GENERAL GOVERNMENT	$ 422,870	$ 422,870	$ 385,104	$ 37,766
Public Safety:				
Police and traffic control	$ 424,776	$ 424,776	$ 425,833	$ (1,057)
Code enforcement	9,350	9,350	7,334	2,016
Volunteer company contributions:				
Fire department	12,500	12,500	12,500	-
Ambulance service	12,500	12,500	12,500	-
TOTAL PUBLIC SAFETY	$ 459,126	$ 459,126	$ 458,167	$ 959

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2013
(UNAUDITED)

(Continued)

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
EXPENDITURES				
Public Works:				
Streets, roadways, and alleys:				
Salaries	$ 324,640	$ 324,640	$ 263,528	$ 61,112
Maintenance	40,000	40,000	30,333	9,667
Parts, tools, and supplies	7,500	7,500	6,139	1,361
Truck and equipment	45,000	45,000	41,487	3,513
Street lighting	72,000	72,000	56,795	15,205
Safety	1,000	1,000	1,526	(526)
Uniforms/Boots	6,000	6,000	6,280	(280)
TOTAL PUBLIC WORKS	$ 496,140	$ 496,140	$ 406,088	$ 90,052
WASTE COLLECTION AND DISPOSAL	$ 256,960	$ 256,960	$ 244,063	$ 12,897
Recreation and Culture:				
Parks and recreation	$ 45,000	$ 45,000	$ 35,950	$ 9,050
Parks - mowing	65,000	65,000	60,569	4,431
Heritage Building	2,000	2,000	-	2,000
Heritage Manor House	10,000	10,000	3,519	6,481
Senior citizens	12,000	12,000	12,275	(275)
Program Open Space grant expense	46,100	46,100	-	46,100
TOTAL RECREATION AND CULTURE	$ 180,100	$ 180,100	$ 112,313	$ 67,787
Non-Departmental:				
Retirement and pension costs	$ 43,700	$ 43,700	$ 44,924	$ (1,224)
Workmen's compensation	20,650	20,650	13,101	7,549
Payroll taxes	48,900	48,900	42,444	6,456
Medical insurance	120,600	120,600	97,142	23,458
Insurance	16,000	16,000	12,477	3,523
Community contributions	1,000	1,000	550	450
Walker farm house expenses	-	-	536	(536)
Other	5,500	5,500	8,243	(2,743)
TOTAL NON-DEPARTMENTAL	$ 256,350	$ 256,350	$ 219,417	$ 36,933

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2013
(UNAUDITED)

(Continued)

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
Capital Outlay:				
Machinery and equipment	$ 52,800	$ 52,800	$ -	$ 52,800
GIS - engineering	10,000	10,000	-	10,000
Paving projects	552,882	552,882	426,276	126,606
Park projects	35,000	35,000	5,147	29,853
Design of Fountain Rock connection	1,000	1,000	-	1,000
Building improvements	10,000	10,000	2,383	7,617
HFP building maintenance	3,000	3,000	-	3,000
Glade Road engineering	-	-	9,333	(9,333)
TOTAL CAPITAL OUTLAY	$ 664,682	$ 664,682	$ 443,139	$ 221,543
TOTAL EXPENDITURES	$ 2,736,228	$ 2,736,228	$ 2,268,291	$ 467,937
EXCESS OF REVENUES OVER EXPENDITURES	$ -	$ -	$ 1,317,267	$ 1,317,267
FUND BALANCES - BEGINNING OF YEAR			3,709,150	
FUND BALANCES - END OF YEAR			$ 5,026,417	

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

WATER DEPARTMENT FUND
STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2013
(UNAUDITED)

	Budgeted Amounts		Budgetary Basis Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Operating Revenues:				
Charges for service	$ 870,000	$ 870,000	$ 839,385	$ (30,615)
Meter service charge	5,000	5,000	1,261	(3,739)
Penalties and interest	13,000	13,000	16,862	3,862
Wireless tower income	124,800	124,800	133,071	8,271
Other income	500	500	7,020	6,520
TOTAL OPERATING REVENUES	$ 1,013,300	$ 1,013,300	$ 997,599	$ (15,701)
Non-operating Revenues:				
Interest income	2,000	2,000	1,980	(20)
Prior year reserves available for current year operations	520,490	520,490	-	(520,490)
TOTAL REVENUES	$ 1,535,790	$ 1,535,790	$ 999,579	$ (536,211)
EXPENSES				
Operating expenses:				
Salaries	$ 213,700	$ 213,700	$ 202,775	$ 10,925
Electricity	60,000	60,000	54,498	5,502
Distribution maintenance	95,000	95,000	77,652	17,348
Parts, supplies, and tools	2,500	2,500	1,257	1,243
Chemicals	163,000	163,000	156,364	6,636
Sewer treatment fees	112,000	112,000	125,706	(13,706)
Other operating expenses	37,000	37,000	33,909	3,091
Audit	10,000	10,000	6,750	3,250
Legal fees	1,000	1,000	-	1,000
Administrative expenses	19,500	19,500	14,469	5,031
Pension plan	16,700	16,700	17,370	(670)
Workmen's compensation insurance	9,400	9,400	9,014	386
Payroll taxes	16,400	16,400	15,611	789
Property insurance	16,000	16,000	12,477	3,523
Medical insurance	55,090	55,090	54,507	583
Safety	1,000	1,000	1,295	(295)
Miscellaneous	3,000	3,000	3,291	(291)
TOTAL OPERATING EXPENSES	$ 831,290	$ 831,290	$ 786,945	$ 44,345

BURGESS AND COMMISSIONERS OF WALKERSVILLE, MD

WATER DEPARTMENT FUND
STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2013
(UNAUDITED)

(Continued)

	Budgeted Amounts		Budgetary Basis Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Capital Outlay:				
Equipment	$ 28,000	$ 28,000	$ 17,415	$ 10,585
Water line improvements	676,500	676,500	207,314	469,186
TOTAL CAPITAL OUTLAY	$ 704,500	$ 704,500	$ 224,729	$ 479,771
TOTAL EXPENSES	$ 1,535,790	$ 1,535,790	$ 1,011,674	$ 524,116
NET (LOSS) BUDGETARY BASIS	$ -	$ -	$ (12,095)	$ (12,095)
ADJUSTMENT TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) BASIS				
To adjust for depreciation			(156,821)	
To adjust for capital outlay			224,729	
NET INCOME GAAP BASIS			$ 55,813	