

# **Town Of Chesapeake Beach, Maryland**

Financial Report  
June 30, 2012

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## Independent Auditor's Report

To the Mayor and Town Council  
Town of Chesapeake Beach, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Chesapeake Beach, Maryland as of and for the year ended June 30, 2012, which collectively comprise the Town of Chesapeake Beach's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Town of Chesapeake Beach, Maryland's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Town of Chesapeake Beach, Maryland as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2012, on our consideration of the Town of Chesapeake Beach, Maryland's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Chesapeake Beach's basic financial statements. The accompanying schedules of revenues and expenses – budget and actual – general fund are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules of revenues and expenses – budget and actual – general fund are fairly stated in all material respects in relation to the basic financial statements as a whole.

*McGladrey LLP*

Frederick, Maryland  
October 26, 2012

**TOWN OF CHESAPEAKE BEACH, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012**

This Management's Discussion and Analysis (MD&A) offers readers of the financial statements of the Town a narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2012. Readers are encouraged to consider the information presented here in conjunction with the financial statements and notes to the financial statements (which immediately follow this discussion).

**Financial Highlights**

- The net assets of the Town of Chesapeake Beach exceeded its liabilities on June 30, 2012 by \$25,761,051. Approximately 47.6% of this amount is attributable to business-type activities that include the Utility and Water Park funds. The remaining 52.4% is attributable to governmental activities. Of total net assets, \$6,420,994 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors. This includes \$1,852,795 set aside into the Rainy Day Fund, created as a contingency for emergency situations. The remaining net assets of \$19,340,057 are invested in capital assets, net of related debt.
- The property tax rate for the Town remained the same at \$0.37/\$100.
- Water and sewer user rates increased by 10% on July 1, 2011.
- In the General Fund, the major projects in process are the Kellams Field Recreational Complex, including the Skate Park Project, and the Dredging Project. During FY12, the Town completed the Railway Trail, Phase III of the Boardwalk Replacement Project, the Mears Avenue Stormwater Management Project and the Emergency Transient Boat Tie-ups project.
- In the Utility Fund, only minor projects are still in process as of June 30, 2012. These include repairs to the Richfield Station Water Tower and the 13<sup>th</sup> Street and Woodshire Road water line improvements. During FY12, the Town completed work on the Chesapeake Village Well and Water Tower.
- At the Water Park, the blue tower slide was replaced.
- At the Chesapeake Beach Wastewater Treatment Plant, the enhanced nutrient removal (ENR) design is continuing.

**Overview of the Financial Statements**

This annual report comprises three components: (1) Government-wide financial statements, (2) Fund financial statements and (3) Notes to the financial statements.

The Statement of Net Assets and the Statement of Activities are government-wide statements that provide information about the activities of the Town as a whole and present a longer-term view of the finances of the Town.

The fund financial statements report the operations of the Town in greater detail than the government-wide statements by providing information about the Town's most significant funds and individual components.

The notes to the financial statements 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 immediately following the basic financial statements in this report.

## **Government-wide Financial Statements (reporting on the Town as a Whole)**

The government-wide financial statements are designed to provide readers with a broad overview of the finances of the Town of Chesapeake Beach. The Statement of Net Assets and the Statement of Activities include all assets and liabilities using the accrual basis of accounting. The accrual basis of accounting requires that revenues be reported when they are earned and that expenses be reported when the goods and services are received, regardless of the timing of the cash flow. Items such as uncollected taxes, unpaid vendor invoices for items received as of June 30, 2012, and earned but unused vacation leave will be included in the Statement of Activities as revenues and expense, even though the cash associated with these items will not be received or distributed until after June 30, 2012.

These two statements report changes in the net assets of the Town. You can think of the net assets (the difference between assets and liabilities) of the Town as one way to measure the financial health or position of the Town. Over time, increases or decreases in the net assets of the Town are one indicator of whether its financial health is improving or deteriorating. You will also need to consider other non-financial factors, such as changes in the property tax base of the Town and the condition of the Town's roads to assess the overall health of the Town.

In these statements, we divide the Town into two kinds of activities:

- Governmental activities - Most of the basic services provided by the Town are reported here, including police protection, general administration, public works and recreation. Taxes, fees and state and county grants finance most of these activities.
- Proprietary (Business-type) activities - The Town charges a fee to customers to help it cover all or most of the costs of certain services it provides. The Town's utility fund, treatment plant fund and water park are reported here.

## **Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds - not the Town as a whole. The Town's two types of funds, governmental and proprietary, use different accounting approaches.

- Government Funds - Most of the basic services provided by the Town are reported in the governmental funds, which focus on how money flows into and out of the funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the general government operations of the Town and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs offered by the Town. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.
- Proprietary Funds - When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities but provide more detail.
- 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.
- Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information. Detailed schedules of revenue and expenditures comparing budget to actual for the general fund are presented immediately after the basic financial statements.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Town's combined assets exceeded liabilities by \$25,761,051 at the close of the most recent fiscal year.

Of the Town's net assets, 75.1% reflects its investment in capital assets (e.g. land, buildings, machinery and equipment); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Figure 1**

**Condensed Statement of Net Assets**

	Governmental Activities		Business-Type Activities		Total Town	
	2012	2011	2012	2011	2012	2011
<b>Assets:</b>						
Current and other assets	<b>\$ 5,903,485</b>	\$ 5,298,826	<b>\$ 1,582,715</b>	\$ 1,469,696	<b>\$ 7,486,200</b>	\$ 6,768,522
Capital assets, net	<b>11,929,075</b>	12,146,160	<b>18,258,372</b>	18,897,046	<b>30,187,447</b>	31,043,206
<b>Total assets</b>	<b>17,832,560</b>	17,444,986	<b>19,841,087</b>	20,366,742	<b>37,673,647</b>	37,811,728
<b>Liabilities:</b>						
Long-term liabilities	<b>4,089,068</b>	4,620,964	<b>7,211,265</b>	7,673,761	<b>11,300,333</b>	12,294,725
Other liabilities	<b>242,989</b>	578,195	<b>369,274</b>	563,562	<b>612,263</b>	1,141,757
<b>Total liabilities</b>	<b>4,332,057</b>	5,199,159	<b>7,580,539</b>	8,237,323	<b>11,912,596</b>	13,436,482
<b>Net assets:</b>						
Invested in capital assets, net of related debt	<b>7,936,670</b>	7,743,227	<b>11,403,387</b>	11,719,217	<b>19,340,057</b>	19,462,444
Unrestricted	<b>5,563,833</b>	4,502,600	<b>857,161</b>	410,202	<b>6,420,994</b>	4,912,802
<b>Total net assets</b>	<b>\$ 13,500,503</b>	\$ 12,245,827	<b>\$ 12,260,548</b>	\$ 12,129,419	<b>\$ 25,761,051</b>	\$ 24,375,246

### Governmental Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the Town's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants.

### Proprietary (Business-type) Activities

In reviewing the departmental net (expense)/revenue, there are three departments, Utility Fund (water and sewer), Wastewater Treatment Plant and Water Park. The Water Park has historically shown a net revenue. The Utility Fund shows a net revenue partially as a result of impact fees being charged for future capital expenses. The wastewater treatment plant always operates at breakeven because revenues are collected from the partners to offset all expenditures. The Town's share of these expenditures is reflected in the Utility Fund.

Figure 2

## Condensed Statement of Activities

	Governmental Activities		Business-Type Activities		Total Town	
	2012	2011	2012	2011	2012	2011
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 155,603	\$ 114,139	\$ 1,918,797	\$ 1,667,471	\$ 2,074,400	\$ 1,781,610
Operating grants and contributions	207,245	200,540	-	-	207,245	200,540
Capital grants and contributions	589,571	2,018,770	990,000	880,000	1,579,571	2,898,770
General revenues:						
Property tax	2,712,354	3,158,432	-	-	2,712,354	3,158,432
Income tax	727,945	679,824	-	-	727,945	679,824
Admissions and amusements tax	717,148	798,095	-	-	717,148	798,095
Hotel tax	90,511	82,481	-	-	90,511	82,481
Franchise tax	35,696	31,209	-	-	35,696	31,209
Investment earnings	4,396	5,676	675	1,034	5,071	6,710
Miscellaneous	96,092	79,880	23,095	18,406	119,187	98,286
Transfers	(126,712)	(293,000)	126,712	293,000	-	-
<b>Total revenues</b>	<b>5,209,849</b>	<b>6,876,046</b>	<b>3,059,279</b>	<b>2,859,911</b>	<b>8,269,128</b>	<b>9,735,957</b>
<b>Expenses:</b>						
General government	1,490,967	1,313,726	-	-	1,490,967	1,313,726
Public safety	760,078	736,713	-	-	760,078	736,713
Public works	1,541,265	1,581,908	-	-	1,541,265	1,581,908
Water park	-	-	1,278,223	1,295,088	1,278,223	1,295,088
Water and sewer services	-	-	1,495,370	1,428,153	1,495,370	1,428,153
Interest on long-term debt	162,863	181,227	154,557	121,730	317,420	302,957
<b>Total expenses</b>	<b>3,955,173</b>	<b>3,813,574</b>	<b>2,928,150</b>	<b>2,844,971</b>	<b>6,883,323</b>	<b>6,658,545</b>
<b>Increase in net assets</b>	<b>\$ 1,254,676</b>	<b>\$ 3,062,472</b>	<b>\$ 131,129</b>	<b>\$ 14,940</b>	<b>\$ 1,385,805</b>	<b>\$ 3,077,412</b>



## General Fund Budgetary Highlights

Most of the significant variations between the original budget, the final budget, and the actual results are directly related to capital projects. Projects frequently take significantly longer to complete than anticipated because of meeting regulatory agencies' requirements, which impacts the expenditures. And, since grant and loan revenues are tied to projects' progress, they are impacted as well.

### Capital Asset and Debt Administration

#### Capital Assets

Several construction projects were completed during FY 2012. Major additions include the Chesapeake Village Water Tower (\$2,246,028), the Railway Trail (2,927,342), Phase Three of the Boardwalk Replacement (98,580), and the Blue Slide Replacement at the Water Park (\$126,712). More detailed information about capital assets can be found in Note 7 to the basic financial statements.

**Figure 3**

<b>Capital Assets, Net of Depreciation</b>						
	Governmental Activities		Business-Type Activities		Total Town	
	2012	2011	2012	2011	2012	2011
Land	\$ 1,192,375	\$ 1,041,275	\$ 21,875	\$ 21,875	\$ 1,214,250	\$ 1,063,150
Construction in progress	587,009	3,527,731	515,635	2,673,869	1,102,644	6,201,600
Land Improvements	8,493,500	5,889,562	295,342	202,895	8,788,842	6,092,457
Buildings	1,367,216	1,403,765	1,269,591	1,460,050	2,636,807	2,863,815
Water system	-	-	4,356,883	2,326,959	4,356,883	2,326,959
Sewer system	-	-	11,534,879	11,920,575	11,534,879	11,920,575
Vehicles and equipment	288,975	283,827	264,167	290,823	553,142	574,650
<b>Total</b>	<b>\$ 11,929,075</b>	<b>\$ 12,146,160</b>	<b>\$ 18,258,372</b>	<b>\$ 18,897,046</b>	<b>\$ 30,187,447</b>	<b>\$ 31,043,206</b>

#### Long-Term Debt

At June 30, 2012, the Town had total outstanding debt of \$11,300,333. Total debt for the Governmental activities is \$4,089,068. Total outstanding debt for business-type activities is \$7,211,265. More detailed information about long-term debt can be found in Note 8 to the basic financial statements.

**Figure 4**

<b>Long-Term Liabilities</b>						
	Governmental Activities		Business-Type Activities		Total Town	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ 3,722,876	\$ 4,208,918	\$ 7,183,613	\$ 7,665,798	\$ 10,906,489	\$ 11,874,716
Notes payable	317,279	371,436	-	-	317,279	371,436
Compensated absences	48,913	40,610	27,652	7,963	76,565	48,573
<b>Total</b>	<b>\$ 4,089,068</b>	<b>\$ 4,620,964</b>	<b>\$ 7,211,265</b>	<b>\$ 7,673,761</b>	<b>\$ 11,300,333</b>	<b>\$ 12,294,725</b>

### **Economic Factors and Next Year's Budgets and Rates**

The fiscal 2013 budget reflects that the Town is not immune to the economic downturn and the impact of a weakened real estate market. The rate of residential construction continues to grow at a slow but steady rate. Build-out should be completed in a few years, with only infill and redevelopment remaining. The real property tax rate will decrease to \$0.36/\$100.

Exclusive of capital projects, the Town's major governmental fund, the General Fund, is projected to experience an overall decrease in revenues of 10.3% and an overall increase in expenditures of 3.6% compared to fiscal 2012 actuals. The Town anticipates a surplus of \$85,000 in fiscal year 2013.

Water and sewer user rates will remain unchanged, along with capital connection fees.

### **Contacting the Town's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it received. If you have questions about this report or need additional financial information, contact the Town Treasurer at P.O. Box 400, Chesapeake Beach, Maryland 20732.

Town Of Chesapeake Beach, Maryland

Statement Of Net Assets

June 30, 2012

	Governmental Activities	Business-Type Activities	Total Primary Government
<b>Assets</b>			
Cash and cash equivalents	\$ 5,213,286	\$ 1,074,188	\$ 6,287,474
Accounts receivable:			
Property taxes	71,217	-	71,217
Water and sewer services	-	252,106	252,106
Due from other governments	418,979	-	418,979
Other receivables	3,847	17,353	21,200
Inventory	-	6,552	6,552
Internal balances	118,787	(118,787)	-
Prepays	29,619	22,675	52,294
Bond issuance costs	47,750	36,051	83,801
Temporarily restricted assets – investments	-	292,577	292,577
Capital assets:			
Non-depreciable assets	1,779,384	537,510	2,316,894
Depreciable assets, net	10,149,691	17,720,862	27,870,553
<b>Total assets</b>	<b>17,832,560</b>	<b>19,841,087</b>	<b>37,673,647</b>
<b>Liabilities</b>			
Accounts payable	156,055	232,818	388,873
Accrued liabilities	50,890	135,336	186,226
Deposits	36,044	1,120	37,164
Non-current liabilities:			
Due within one year	575,814	503,885	1,079,699
Due in more than one year	3,513,254	6,707,380	10,220,634
<b>Total liabilities</b>	<b>4,332,057</b>	<b>7,580,539</b>	<b>11,912,596</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	7,936,670	11,403,387	19,340,057
Unrestricted	5,563,833	857,161	6,420,994
<b>Total net assets</b>	<b>\$ 13,500,503</b>	<b>\$ 12,260,548</b>	<b>\$ 25,761,051</b>

See Notes To Basic Financial Statements.

Town Of Chesapeake Beach, Maryland

Statement Of Activities  
Year Ended June 30, 2012

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue And Changes In Net Assets		
		Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities	Business- Type Activities	Total Primary Government
Governmental activities:							
General government	\$ 1,490,967	\$ 142,782	\$ 177,345	\$ 500,831	\$ (670,009)	\$ -	\$ (670,009)
Public safety	760,078	12,761	29,300	-	(718,017)	-	(718,017)
Public works	1,541,265	60	600	88,740	(1,451,865)	-	(1,451,865)
Interest on long-term debt	162,863	-	-	-	(162,863)	-	(162,863)
<b>Total governmental activities</b>	<b>3,955,173</b>	<b>155,603</b>	<b>207,245</b>	<b>589,571</b>	<b>(3,002,754)</b>	<b>-</b>	<b>(3,002,754)</b>
Business-type activities:							
Water park	1,278,223	1,176,216	-	-	-	(102,007)	(102,007)
Water and sewer services	1,649,927	742,581	-	990,000	-	82,654	82,654
<b>Total business -type activities</b>	<b>2,928,150</b>	<b>1,918,797</b>	<b>-</b>	<b>990,000</b>	<b>-</b>	<b>(19,353)</b>	<b>(19,353)</b>
<b>Total primary government</b>	<b>\$ 6,883,323</b>	<b>\$ 2,074,400</b>	<b>\$ 207,245</b>	<b>\$ 1,579,571</b>	<b>(3,002,754)</b>	<b>(19,353)</b>	<b>(3,022,107)</b>
General revenues:							
Property tax					2,712,354	-	2,712,354
Income tax					727,945	-	727,945
Admissions and amusement tax					717,148	-	717,148
Hotel tax					90,511	-	90,511
Franchise tax					35,696	-	35,696
Investment earnings					4,396	675	5,071
Miscellaneous					96,092	23,095	119,187
Transfers					(126,712)	126,712	-
<b>Total general revenues and transfers</b>					<b>4,257,430</b>	<b>150,482</b>	<b>4,407,912</b>
<b>Change in net assets</b>					<b>1,254,676</b>	<b>131,129</b>	<b>1,385,805</b>
Net assets:							
Beginning					12,245,827	12,129,419	24,375,246
Ending					<b>\$ 13,500,503</b>	<b>\$ 12,260,548</b>	<b>\$ 25,761,051</b>

See Notes To Basic Financial Statements.

Town Of Chesapeake Beach, Maryland

Balance Sheet – Governmental Fund

June 30, 2012

	General Fund
<b>Assets</b>	
Cash and cash equivalents	\$ 5,213,286
Property taxes receivable, net	71,217
Other receivable	3,847
Due from other governments	418,979
Due from other funds	118,787
Prepays	29,619
	<hr/>
<b>Total assets</b>	<b>\$ 5,855,735</b>
	<hr/>
<b>Liabilities And Fund Balance</b>	
Liabilities:	
Accounts payable	\$ 156,055
Accrued liabilities	27,477
Deposits	36,044
Deferred revenue	158,899
	<hr/>
<b>Total liabilities</b>	<b>378,475</b>
	<hr/>
Fund Balance:	
Non-spendable:	
Prepays	29,619
Unassigned	5,447,641
	<hr/>
<b>Total fund balance</b>	<b>5,477,260</b>
	<hr/>
<b>Total liabilities and fund balance</b>	<b>\$ 5,855,735</b>
	<hr/>

See Notes To Basic Financial Statements.

**Town Of Chesapeake Beach, Maryland**

**Reconciliation Of The Governmental Fund Balance Sheet  
To The Statement Of Net Assets  
June 30, 2012**

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Total fund balance – governmental fund \$ 5,477,260

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

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.

Cost of capital assets	\$ 17,848,531	
Accumulated depreciation	<u>(5,919,456)</u>	11,929,075

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

Deferred revenue		158,899
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Bond issuance costs are expensed by the funds at the time of issuance, but are deferred and amortized in the governmental statement of activities.

		47,750
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Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.

General obligation bonds and notes payable	(4,040,155)	
Accrued interest payable	(23,413)	
Accumulated unused compensated absences	<u>(48,913)</u>	<u>(4,112,481)</u>

<b>Net assets of governmental activities</b>		<b><u><u>\$ 13,500,503</u></u></b>
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See Notes To Basic Financial Statements.

Town Of Chesapeake Beach, Maryland

Statement Of Revenues, Expenditures, And Changes  
In Fund Balance – Governmental Fund  
Year Ended June 30, 2012

	General Fund
<hr/>	
Revenues:	
Taxes	\$ 3,560,307
Licenses and permits	76,880
Intergovernmental	1,389,554
Charges for services	54,502
Investment earnings	4,396
Miscellaneous	189,522
<b>Total revenues</b>	<u>5,275,161</u>
Expenditures:	
Current:	
General government	952,775
Public safety	760,078
Public works	1,707,448
Capital outlay	143,438
Debt service:	
Principal	540,199
Interest	165,429
<b>Total expenditures</b>	<u>4,269,367</u>
Other Financing Uses:	
Transfers out	(126,712)
<b>Total other financing uses</b>	<u>(126,712)</u>
<b>Net change in fund balance</b>	879,082
Fund Balance:	
Beginning	<u>4,598,178</u>
Ending	<u><u>\$ 5,477,260</u></u>

See Notes To Basic Financial Statements.

**Town Of Chesapeake Beach, Maryland**

**Reconciliation Of The Governmental Fund Statement Of Revenues,  
Expenditures, And Changes In Fund Balance To The Statement Of Activities  
Year Ended June 30, 2012**

<hr/>	
Total net change in fund balance – governmental fund	\$ 879,082
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period:	
Capital outlays	\$ 524,493
Depreciation	<u>(741,578)</u>
	(217,085)
A certain amount of property tax and grant revenues in the statement of activities does not provide current financial resources and is not reported as revenue in the governmental funds. This is the amount by which deferred revenue increased.	61,400
Repayment of loan payable principal is an expenditure in the general fund, but the repayment reduces non-current liabilities in the statement of net assets.	540,199
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds, because interest is recognized as an expenditure in the funds when it is due, thus requiring the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is the result of accrued interest on the long-term debt. This is the amount by which accrued interest decreased.	2,566
Some expenses in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental fund. This is the amount by which accumulated unused compensated absences increased.	(8,303)
Bond issuance costs related to long-term debt is an expenditure in the general fund, but this cost increases non-current assets in the statement of net assets. This is the amount of bond issuance costs amortization.	<u>(3,183)</u>
<b>Change in net assets of governmental activities</b>	<u><u>\$ 1,254,676</u></u>

See Notes To Basic Financial Statements.



Town Of Chesapeake Beach, Maryland

Statement Of Revenues, Expenditures, And Changes In  
Fund Balance – Budget And Actual – General Fund  
Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance With
	Original	Amended		Amended Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 3,308,000	\$ 3,308,000	\$ 3,560,307	\$ 252,307
Licenses and permits	80,000	80,000	76,880	(3,120)
Intergovernmental	763,000	763,000	1,389,554	626,554
Charges for services	48,000	48,000	54,502	6,502
Investment earnings	5,050	5,050	4,396	(654)
Miscellaneous	109,000	109,000	189,522	80,522
<b>Total revenues</b>	<b>4,313,050</b>	<b>4,313,050</b>	<b>5,275,161</b>	<b>962,111</b>
<b>Expenditures:</b>				
Current:				
General government	991,150	996,150	952,775	43,375
Public safety	782,000	782,000	760,078	21,922
Public works	1,864,300	1,864,300	1,707,448	156,852
Capital outlay	225,000	225,000	143,438	81,562
Debt service	706,500	706,500	705,628	872
<b>Total expenditures</b>	<b>4,568,950</b>	<b>4,573,950</b>	<b>4,269,367</b>	<b>304,583</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in (out)	50,000	50,000	(126,712)	(176,712)
<b>Total other financing sources (uses)</b>	<b>50,000</b>	<b>50,000</b>	<b>(126,712)</b>	<b>(176,712)</b>
<b>Net change in fund balance</b>	<b>\$ (205,900)</b>	<b>\$ (210,900)</b>	<b>879,082</b>	<b>\$ 1,089,982</b>
<b>Fund Balance:</b>				
Beginning			<u>4,598,178</u>	
Ending			<u>\$ 5,477,260</u>	

See Notes To Basic Financial Statements.

Town Of Chesapeake Beach, Maryland

Statement Of Net Assets – Proprietary Funds  
June 30, 2012

	Enterprise Funds		
	Water Park Fund	Utility Fund	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 259,799	\$ 814,389	\$ 1,074,188
Accounts receivable	-	252,106	252,106
Other receivables	2,295	15,058	17,353
Inventory	6,552	-	6,552
Prepaid expenses	-	22,675	22,675
	<u>268,646</u>	<u>1,104,228</u>	<u>1,372,874</u>
Non-current assets:			
Bond issuance costs	-	36,051	36,051
Temporarily restricted assets – investments	-	292,577	292,577
Capital assets:			
Non-depreciable assets	-	537,510	537,510
Depreciable assets, net	1,065,715	16,655,147	17,720,862
	<u>1,065,715</u>	<u>17,521,285</u>	<u>18,587,000</u>
<b>Total assets</b>	<u>1,334,361</u>	<u>18,625,513</u>	<u>19,959,874</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	56,628	176,190	232,818
Accrued liabilities	59,873	75,463	135,336
Due to other funds	116,506	2,281	118,787
General obligation bonds payable	-	490,274	490,274
Compensated absences	5,923	7,688	13,611
Deposits	1,120	-	1,120
Non-current liabilities:			
General obligation bonds payable	-	6,693,339	6,693,339
Compensated absences	6,196	7,845	14,041
<b>Total liabilities</b>	<u>246,246</u>	<u>7,453,080</u>	<u>7,699,326</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	1,065,715	10,337,672	11,403,387
Unrestricted	22,400	834,761	857,161
<b>Total net assets</b>	<u>\$ 1,088,115</u>	<u>\$ 11,172,433</u>	<u>\$ 12,260,548</u>

See Notes To Basic Financial Statements.

Town Of Chesapeake Beach, Maryland

Statement Of Revenues, Expenses, And Changes  
 In Fund Net Assets – Proprietary Funds  
 Year Ended June 30, 2012

	Enterprise Funds		
	Water Park Fund	Utility Fund	Total
Operating revenues:			
Current use charges	\$ 1,176,216	\$ 742,581	\$ 1,918,797
Miscellaneous	4,361	18,734	23,095
	<u>1,180,577</u>	<u>761,315</u>	<u>1,941,892</u>
Operating expenses:			
Personnel services	571,579	190,416	761,995
Operations and maintenance	470,959	652,019	1,122,978
Depreciation and loss on disposal of assets	235,685	652,935	888,620
	<u>1,278,223</u>	<u>1,495,370</u>	<u>2,773,593</u>
<b>Operating loss</b>	<u>(97,646)</u>	<u>(734,055)</u>	<u>(831,701)</u>
Non-operating revenues (expenses):			
Investment interest	7	668	675
Interest expense	-	(154,557)	(154,557)
	<u>7</u>	<u>(153,889)</u>	<u>(153,882)</u>
<b>Gain (loss) before transfers</b>	<u>(97,639)</u>	<u>(887,944)</u>	<u>(985,583)</u>
Transfer In	126,712	-	126,712
Connection fees	-	740,000	740,000
Capital contributions	-	250,000	250,000
	<u>126,712</u>	<u>990,000</u>	<u>1,116,712</u>
<b>Change in net assets</b>	<u>29,073</u>	<u>102,056</u>	<u>131,129</u>
Net assets:			
Beginning	<u>1,059,042</u>	<u>11,070,377</u>	<u>12,129,419</u>
Ending	<u>\$ 1,088,115</u>	<u>\$ 11,172,433</u>	<u>\$ 12,260,548</u>

See Notes To Basic Financial Statements.

**Town Of Chesapeake Beach, Maryland**

**Statement Of Cash Flows – Proprietary Funds  
Year Ended June 30, 2012**

	Business-Type Activities – Enterprise Funds		
	Water Park Fund	Utility Fund	Total
<b>Cash Flows From Operating Activities</b>			
Receipts from customers	\$ 1,177,656	\$ 738,276	\$ 1,915,932
Payments to suppliers and employees	(1,041,117)	(952,451)	(1,993,568)
<b>Net cash provided by (used in) operating activities</b>	<b>136,539</b>	<b>(214,175)</b>	<b>(77,636)</b>
<b>Cash Flows From Non-Capital Financing Activities</b>			
Net operating transfers in	126,712	-	126,712
Internal activity – payments from (to) other funds	(39,374)	14,074	(25,300)
<b>Net cash provided by non-capital financing activities</b>	<b>87,338</b>	<b>14,074</b>	<b>101,412</b>
<b>Cash Flows From Capital And Related Financing Activities</b>			
Payments for capital assets	(155,606)	(94,340)	(249,946)
Capital grants received	-	250,000	250,000
Connection fees received	-	740,000	740,000
Principal payments on notes and bonds payable	-	(482,185)	(482,185)
Interest paid	-	(177,819)	(177,819)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>(155,606)</b>	<b>235,656</b>	<b>80,050</b>
<b>Cash Flows From Investing Activities</b>			
Investment interest earned	7	668	675
Net decrease in restricted investments	-	158,633	158,633
<b>Net cash provided by investing activities</b>	<b>7</b>	<b>159,301</b>	<b>159,308</b>
<b>Net increase in cash and cash equivalents</b>	<b>68,278</b>	<b>194,856</b>	<b>263,134</b>
<b>Cash And Cash Equivalents:</b>			
Beginning	191,521	619,533	811,054
Ending	\$ 259,799	\$ 814,389	\$ 1,074,188
<b>Reconciliation Of Operating Loss To Net Cash Used In Operating Activities</b>			
Operating loss	\$ (97,646)	\$ (734,055)	\$ (831,701)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation, amortization, and loss on disposal of assets	235,685	653,643	889,328
Changes in assets and liabilities:			
(Increase) in accounts receivable	(1,692)	(23,039)	(24,731)
Decrease in other receivables	-	47,357	47,357
Increase in inventory	(6,552)	-	(6,552)
Decrease in accounts payable	(7,824)	(170,089)	(177,913)
Increase in accrued liabilities	6,852	1,264	8,116
Increase in compensated absences	8,945	10,744	19,689
Decrease in deposits	(1,229)	-	(1,229)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 136,539</b>	<b>\$ (214,175)</b>	<b>\$ (77,636)</b>

See Notes To Basic Financial Statements.

## Town Of Chesapeake Beach, Maryland

### Notes To Basic Financial Statements

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#### Note 1. Overview And Summary Of Significant Accounting Policies

The Town of Chesapeake Beach, in Calvert County, Maryland (the Town), was incorporated in 1894 under the provisions of Maryland State Law. The Town operates under a form of government that comprises an elected Town Council (six members) and an elected Mayor and provides such services as authorized by its Charter.

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the significant accounting policies followed in the preparation of the basic financial statements:

##### A. Reporting Entity

In accordance with the Codification of Governmental Accounting and Financial Reporting Standards, the basic financial statements include all funds, organizations, agencies, boards, commissions and authorities for which the Town is financially accountable. The Town has also considered all other potential organizations for which the nature and significance of their relationships with the Town are such that exclusion would cause the Town's financial statements to be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a majority of the organization's governing body, and 1) the ability of the Town to impose its will on that organization, or 2) the potential for that organization to provide specific benefits to or impose specific financial burdens on the Town. Based on these criteria, there are no other organizations or agencies that should be included in these basic financial statements.

##### B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements: The government-wide financial statements report information on all of the non-fiduciary activities of the Town. For the most part, the effect of inter-fund 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.

Statement of Net Assets: This statement is designed to display the financial position of the Town as of year-end. Governmental activities are reported on a consolidated basis and are reported on a full accrual, economic resources basis, which recognizes all long-term assets, including infrastructure, as well as long-term debt and obligations. The Town's net assets are reported in three categories: 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Activities: This statement demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues. The Town does not allocate indirect expenses.

Fund Financial Statements: 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.

## Town Of Chesapeake Beach, Maryland

### Notes To Basic Financial Statements

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#### Note 1. Overview And Summary Of Significant Accounting Policies (Continued)

General Fund Budget-to-Actual Comparison Statement: Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual budgets of state and local governments and have a keen interest in following the financial progress of their governments over the course of the year. For this reason, the Town has chosen to make its General Fund budget-to-actual comparison statement part of the basic financial statements. The Town and many other governments revise their original budgets over the course of the year for a variety of reasons; as a result, both the original adopted budget and the final amended budget have been reflected in this statement.

#### C. Fund Accounting

The accounts of the Town are organized on the basis of funds, each of which is considered to be a separate entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/net assets, revenues, and expenditures or expenses, as appropriate. The Town has the following funds:

Governmental Fund Types: Governmental fund types are those funds through which most governmental functions are typically financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used; current liabilities are assigned to the fund from which they are paid; and the difference between governmental fund assets and liabilities, the fund equity, is referred to as "fund balance." The measurement focus is upon determination of changes in financial position, rather than upon net income determination.

The Town has one major governmental fund. The General Fund is the general operating fund of the Town. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some separate fund are accounted for in this fund.

Proprietary Fund Types: Proprietary fund types are used to account for a government's ongoing organizations and activities, which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position, and cash flows. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements, to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

An enterprise fund is used to finance and account for the acquisition, operation, and maintenance of the Town's facilities and services, which are supported primarily by user charges. The Water Park Fund accounts for the operation and maintenance of the water park activities. The Utility Fund accounts for the operation of the water and wastewater systems.

#### D. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial 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.

## Town Of Chesapeake Beach, Maryland

### Notes To Basic Financial Statements

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#### Note 1. Overview And Summary Of Significant Accounting Policies (Continued)

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 the 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, except for grants from state and federal governments, which the Town considers available if they are collected within 90 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized based upon the expenditures recorded and the availability criteria. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues at the time of receipt, or earlier if the susceptible to accrual criteria are met.

Licenses and permits, fines and forfeitures, charges for sales and services, and miscellaneous revenues are generally recorded as revenue when received in cash, because they are generally not measurable until actually received. In the category of use of money and property, property rentals are recorded as revenue when received in cash, but investment earnings are recorded as earned, since they are measurable and available.

Property taxes are recognized as a receivable at the time they are levied. The Town's property tax is levied on property values as assessed on January 1, billed on July 1, and payable either by September 30, or in two equal installments on September 30 and December 31. Property taxes are attached as an enforceable lien on the underlying properties as of the succeeding June 1, and are thereafter sold at public auction. Calvert County, Maryland bills and collects property taxes for the Town and remits cash collections to the Town once a month. Property taxes are considered available if received within 60 days of year-end. Delinquent tax receivables not received within 60 days of year-end are reflected as deferred revenue and are recognized at the date of receipt. The Town's tax rate for the collection year ended June 30, 2012, was \$0.37 per \$100 of assessed valuation.

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, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 Town's enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

#### E. Use of Estimates

The preparation of financial statements requires the Town 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.

## Town Of Chesapeake Beach, Maryland

### Notes To Basic Financial Statements

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#### Note 1. Overview And Summary Of Significant Accounting Policies (Continued)

##### F. Encumbrances

The Town does not use encumbrances accounting.

##### G. Budgetary Data

The budget of the General Fund is prepared on the same basis as that used to account for the historical financial data in accordance with accounting principles generally accepted in the United States of America.

##### H. Cash and Cash Equivalents

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less. Short-term investments are stated at fair value and consist of investments in the Maryland Local Government Investment Pool (MLGIP). Fair value generally approximates cost.

##### I. Investments

Investments are stated at amortized cost, which approximates market value.

##### J. Receivables

Accounts receivable are carried at original invoice amount, less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic conditions. As of June 30, 2012, management has provided for an allowance for delinquent property taxes in the amount of \$200. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

An accounts receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days. Interest is charged on accounts receivable that are outstanding for more than 30 days and is recognized as charged.

##### K. Inventory

Inventory is maintained on a consumption basis of accounting and is valued at cost on a first-in, first-out basis. Inventory consists of water park gift shop merchandise and sundries.

##### L. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2012, are reported as prepaid items using the consumption method, by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which services are consumed.

##### M. Bond Issuance Costs

Bond issuance costs are deferred and amortized over the term of the bonds using the effective interest method.



## Town Of Chesapeake Beach, Maryland

### Notes To Basic Financial Statements

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#### Note 1. Overview And Summary Of Significant Accounting Policies (Continued)

##### N. Capital Assets

Capital assets, including land, buildings, improvements, equipment, and infrastructure (roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Town defines capital assets as assets with an initial, individual cost of more than \$5,000 and an initial useful life of one year or greater. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. GASB Statement No. 34 requires the Town to prospectively report all governmental activities' infrastructure assets acquired after June 30, 2003, and encourages, but does not require, the Town to retroactively report infrastructure assets acquired after June 30, 1980. The Town has elected not to retroactively report infrastructure assets, and the accompanying basic financial statements only include infrastructure assets acquired after June 30, 2003.

Major outlays for capital assets and improvements are capitalized as projects are constructed, including interest during the construction period. Total interest capitalized on projects for the year ended June 30, 2012, was \$0. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	10 – 75
Improvements other than buildings	2 – 50
Machinery and equipment	5 – 20
Infrastructure (including water lines and pumping stations)	5 – 45

##### O. Deferred Revenue

Deferred revenue in the governmental fund represents amounts due that are measurable but not available.

##### P. Interfund Transactions

Activity between funds that are representative of lending/borrowing arrangements at the end of the fiscal year is referred to as "due to/from other funds" or "advances to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Interfund balances result from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made. Interfund receivables and payables are non interest-bearing and are normally settled in the subsequent period.

Transactions, which constitute the transfer of resources from a fund receiving revenues to a fund through which the revenues are to be expended, are separately reported in the respective funds' operating statements as either transfers in or transfers out.

## Town Of Chesapeake Beach, Maryland

### Notes To Basic Financial Statements

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#### Note 1. Overview And Summary Of Significant Accounting Policies (Continued)

##### Q. Compensated Absences

It is the Town's policy to permit employees to be paid for accumulated earned but unused vacation upon separation of service, up to a maximum of 30 days. Additionally, it is the Town's policy to permit employees to be paid for accumulated compensatory leave upon separation of service, up to a maximum of 240 hours. Vacation and compensatory leave is accrued when earned in the government-wide statements, as well as the proprietary fund statements.

For governmental fund types, the amount of accumulated unpaid vacation and compensatory leave that is payable from available resources is recorded as a liability of the respective fund only if it has matured, for example, as a result of employee retirements and resignations. As of June 30, 2012, no accumulated unpaid vacation or compensatory leave had matured, resulting in it being maintained separately and being a reconciling item between the fund and government-wide financial statement presentations.

##### R. Fund Balance

Governmental fund types report fund balances in classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained. Restricted fund balance are amounts that are restricted to specific purposes when the constraints are externally imposed by creditors, grantors, contributors or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. Committed fund balances are amounts that can only be used for specific purposes. The Town Council must approve a motion in order to establish a fund balance commitment or assignment and only needs to approve the elimination of a fund balance commitment. Unassigned fund balance is the residual classification for the General Fund.

The Town first considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available. When unrestricted amounts are considered to have been spent, the Town considers committed amounts first, then assigned, and finally unassigned when an expenditure is incurred for which amounts in any of those unrestricted fund balance classifications could be used.

##### S. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets invested in capital assets, net of related debt, exclude unspent debt proceeds and issuance costs. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted resources are used first to fund appropriation. The Town first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

##### T. Subsequent Evnets

The Town evaluated subsequent events through October 26, 2012, which represents the date the financial statements were available to be issued.

## Town Of Chesapeake Beach, Maryland

### Notes To Basic Financial Statements

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#### Note 2. Cash And Cash Equivalents

**Deposits:** Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. Maryland State Law prescribes that local government units, such as the Town, must deposit its cash in banks transacting business in the State of Maryland, and that such banks must secure any deposits in excess of Federal Deposit Insurance Corporation insurance levels with collateral whose market value is at least equal to the deposits. As of June 30, 2012, all of the Town's deposits were either covered by federal depository insurance or were covered by collateral held by the Town's agent in the Town's name.

**Short-term investments:** Maryland State Law authorizes the Town to invest in obligations of the U.S. Government, federal government obligations, and repurchase agreements secured by direct government or agency obligations, or the state's sponsored investment pool. At June 30, 2012, short-term investments consist of deposits in the MLGIP. The MLGIP is rated "AAAm" by Standard and Poor's (their highest rating). The carrying amount and market value of such investments were \$4,808,368 and \$608,793 at June 30, 2012, for governmental activities and business-type activities, respectively.

#### Note 3. Investments

On August 25, 2010, the Town issued the \$2,164,385 Community Development Administration Local Government Infrastructure 2010 Series A general obligation bond, in order to finance the completion of specific capital projects. As of June 30, 2012, unspent bond proceeds of \$0 and \$292,577 for governmental and business-type activities, respectively, were invested by the Community Development Administration in U.S. Government money market funds. These investments are restricted for completion of certain capital projects.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Town does not have an investment policy for custodial credit risk. At June 30, 2012, all of the Town's investments are exposed to custodial credit risk, since the securities are held by the counterparty and are not in the Town's name.

#### Note 4. Receivables And Payables

Receivables and payables at June 30, 2012, consist of the following:

	Governmental Activities	Business -Type Activities		Total
		Water Park Fund	Utility Fund	
Due from other governments:				
State of Maryland	\$ 405,180	\$ -	\$ -	\$ 405,180
Calvert County	11,683	-	-	11,683
Other	2,116	-	-	2,116
	<u>\$ 418,979</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 418,979</u>
Other receivables:				
Miscellaneous	<u>\$ 3,847</u>	<u>\$ 2,295</u>	<u>\$ 15,058</u>	<u>\$ 21,200</u>
Accounts payable:				
Vendors	<u>\$ 156,055</u>	<u>\$ 56,628</u>	<u>\$ 176,190</u>	<u>\$ 388,873</u>
Accrued liabilities:				
Payroll and withholdings	\$ 23,461	\$ 52,468	\$ 2,636	\$ 78,565
MDE flush fee	-	-	36,809	36,809
Interest	23,413	-	36,018	59,431
Other liabilities	4,016	7,405	-	11,421
	<u>\$ 50,890</u>	<u>\$ 59,873</u>	<u>\$ 75,463</u>	<u>\$ 186,226</u>

**Town Of Chesapeake Beach, Maryland**

**Notes To Basic Financial Statements**

**Note 5. Interfund Receivables, Payables And Transfers**

Interfund balances result from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made. Interfund receivables and payables are non interest-bearing and are normally settled in the subsequent period. At June 30, 2012, interfund receivable and payable balances are as follows:

Payable Fund	Receivable Fund General Fund
Water Park	\$ 116,506
Utility Fund	2,281
	\$ 118,787

Interfund transfers for the year ended June 30, 2012, consisted of transfers in the Town's normal course of business from the General Fund of \$126,712 to the Water Park Fund.

**Note 6. Bond Issuance Costs**

Bond issuance costs consist of the following at June 30, 2012:

	Balance, July 1, 2011	Additions	Amortization	Balance, June 30, 2012
Governmental activities:				
CDA 2007 Series A bond	\$ 50,933	\$ -	\$ (3,183)	\$ 47,750
Business-type activities:				
CDA 2007 Series A bond	\$ 7,359	\$ -	\$ 889	\$ 8,248
MDE 2007 Water Quality bond	6,047	-	(378)	5,669
CDA 2010 Series A-1 bond	23,353	-	(1,219)	22,134
	\$ 36,759	\$ -	\$ (708)	\$ 36,051

**Town Of Chesapeake Beach, Maryland**

**Notes To Basic Financial Statements**

**Note 7. Capital Assets**

Capital asset activity for the year ended June 30, 2012, is as follows:

	Balance, July 1, 2011	Additions/ Transfers	Deletions/ Transfers	Balance, June 30, 2012
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,041,275	\$ 151,100	\$ -	\$ 1,192,375
Construction-in-process	3,527,731	37,681	(2,978,403)	587,009
	<u>4,569,006</u>	<u>188,781</u>	<u>(2,978,403)</u>	<u>1,779,384</u>
Capital assets being depreciated:				
Land improvements	10,297,955	3,211,687	-	13,509,642
Buildings and facilities	1,652,001	13,800	-	1,665,801
Equipment	805,076	88,628	-	893,704
	<u>12,755,032</u>	<u>3,314,115</u>	<u>-</u>	<u>16,069,147</u>
Accumulated depreciation for:				
Land improvements	(4,408,393)	(607,749)	-	(5,016,142)
Buildings and facilities	(248,236)	(50,349)	-	(298,585)
Equipment	(521,249)	(83,480)	-	(604,729)
	<u>(5,177,878)</u>	<u>(741,578)</u>	<u>-</u>	<u>(5,919,456)</u>
<b>Total depreciable assets, net</b>	<u>7,577,154</u>	<u>2,572,537</u>	<u>-</u>	<u>10,149,691</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 12,146,160</u>	<u>\$ 2,761,318</u>	<u>\$ (2,978,403)</u>	<u>\$ 11,929,075</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 21,875	\$ -	\$ -	\$ 21,875
Construction-in-process	2,673,869	87,794	(2,246,028)	515,635
	<u>2,695,744</u>	<u>87,794</u>	<u>(2,246,028)</u>	<u>537,510</u>
Capital assets being depreciated:				
Land improvements	477,492	134,529	-	612,021
Buildings and facilities	4,948,182	-	-	4,948,182
Water system	4,213,221	2,246,028	-	6,459,249
Sewer system	14,565,024	292	(7,350)	14,557,966
Vehicles and equipment	568,708	34,681	-	603,389
	<u>24,772,627</u>	<u>2,415,530</u>	<u>(7,350)</u>	<u>27,180,807</u>
Accumulated depreciation for:				
Land improvements	(274,597)	(42,082)	-	(316,679)
Buildings and facilities	(3,488,132)	(190,459)	-	(3,678,591)
Water system	(1,886,262)	(216,104)	-	(2,102,366)
Sewer system	(2,644,449)	(378,638)	-	(3,023,087)
Vehicles and equipment	(277,885)	(61,337)	-	(339,222)
	<u>(8,571,325)</u>	<u>(888,620)</u>	<u>-</u>	<u>(9,459,945)</u>
<b>Total depreciable assets, net</b>	<u>16,201,302</u>	<u>1,526,910</u>	<u>(7,350)</u>	<u>17,720,862</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 18,897,046</u>	<u>\$ 1,614,704</u>	<u>\$ (2,253,378)</u>	<u>\$ 18,258,372</u>

**Town Of Chesapeake Beach, Maryland**

**Notes To Basic Financial Statements**

**Note 7. Capital Assets (Continued)**

Depreciation expense was charged in the statement of activities for the year ended June 30, 2012, as follows:

Governmental activities:	
General government	\$ 527,238
Public works	214,340
	<u>\$ 741,578</u>
Business-type activities:	
Water park	\$ 235,685
Water and sewer services	652,935
	<u>\$ 888,620</u>

**Note 8. Long-Term Liabilities**

Long-term liability activity as of and for the year ended June 30, 2012, is as follows:

	Balance, July 1, 2011	Additions	Deductions	Balance, June 30, 2012	Amounts Due Within One Year
Governmental activities:					
General obligation bonds payable	\$ 4,208,918	\$ -	\$ (486,042)	\$ 3,722,876	\$ 506,672
Note payable	371,436	-	(54,157)	317,279	45,538
Compensated absences	40,610	27,902	(19,599)	48,913	23,604
	<u>\$ 4,620,964</u>	<u>\$ 27,902</u>	<u>\$ (559,798)</u>	<u>\$ 4,089,068</u>	<u>\$ 575,814</u>
Business-type activities:					
General obligation bonds payable	\$ 7,665,798	\$ -	\$ (482,185)	\$ 7,183,613	\$ 490,274
Compensated absences	7,963	26,743	(7,054)	27,652	13,611
	<u>\$ 7,673,761</u>	<u>\$ 26,743</u>	<u>\$ (489,239)</u>	<u>\$ 7,211,265</u>	<u>\$ 503,885</u>

General obligation bonds payable relating to governmental activities at June 30, 2012, consist of the following:

\$1,000,000 Community Development Administration Infrastructure Financing Bond 2001 Series A; interest payable semi-annually on May 1 and November 1 at variable rates ranging from 4.0% – 5.0%; annual principal payments due May 1 at varying amounts up to \$76,100; due May 1, 2021	\$ 561,500
\$2,193,666 Maryland Department of Housing and Community Development Local Government Infrastructure Financing Bond 2007 Series A; interest payable semi-annually on May 1 and November 1 at variable rates ranging from 3.85% – 4.225%; annual principal payments due May 1 at varying amounts up to \$154,468; due May 1, 2027	1,779,764
\$3,684,241 Public Facilities Refunding Bond of 2004; interest payable semi-annually on May 15 and November 15 at 3.77%; annual principal payments due November 15 at varying amounts up to \$364,538; due November 15, 2018	1,381,612
	<u>\$ 3,722,876</u>

**Town Of Chesapeake Beach, Maryland**

**Notes To Basic Financial Statements**

**Note 8. Long-Term Liabilities (Continued)**

Notes payable relating to governmental activities at June 30, 2012, consists of the following:

Various non-interest bearing Shore Erosion Control notes payable through the Maryland Department of Natural Resources; currently being liquidated in annual installments totaling \$63,443, with varying due dates through September 2020	<u>\$ 317,279</u>
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Maturities of the general obligation bonds payable and notes payable relating to governmental activities as of June 30, 2012, is as follows:

Years Ending June 30,	General Obligation Bonds	Notes Payable	Total
2013	\$ 506,672	\$ 45,538	\$ 552,210
2014	415,342	45,533	460,875
2015	436,002	35,182	471,184
2016	443,053	35,182	478,235
2017	224,028	35,182	259,210
2018 – 2022	986,955	120,662	1,107,617
2023 – 2027	710,824	-	710,824
	<u>\$ 3,722,876</u>	<u>\$ 317,279</u>	<u>\$ 4,040,155</u>

Interest requirements on general obligation bonds and notes payable relating to governmental activities as of June 30, 2012, is as follows:

Years Ending June 30,	General Obligation Bonds	Notes Payable	Total
2013	\$ 145,575	\$ -	\$ 145,575
2014	127,827	-	127,827
2015	111,449	-	111,449
2016	94,427	-	94,427
2017	81,106	-	81,106
2018 – 2022	264,581	-	264,581
2023 – 2027	91,963	-	91,963
	<u>\$ 916,928</u>	<u>\$ -</u>	<u>\$ 916,928</u>

The entire accumulated unused compensated absences liability for governmental activities will be liquidated by the General Fund.

**Town Of Chesapeake Beach, Maryland**

**Notes To Basic Financial Statements**

**Note 8. Long-Term Liabilities (Continued)**

General obligation bonds payable relating to business-type activities at June 30, 2012, consist of the following:

\$381,059 Maryland Department of Housing and Community Development Local Government Infrastructure Financing Bond 2007 Series A; interest payable semi-annually on May 1 and November 1 at variable rates ranging from 3.45% – 4.125%; annual principal payments due May 1 at varying amounts up to \$26,832; due May 1, 2027	\$ 309,161
\$996,149 Public Facilities Refunding Bond of 2004; interest payable semi-annually on May 15 and November 15 at 3.77%; annual principal payments due November 15 at varying amounts up to \$98,662; due November 15, 2018	372,948
\$683,000 ARRA Sewer Improvement Loan of 2009; interest payable semi-annually on February 1 and August 1 at 1.00%; annual principal payments due February 1 at varying amounts up to \$38,046; due February 1, 2028	547,619
\$2,164,385 Maryland Department of Housing and Community Development Local Government Infrastructure Financing Bond 2010 Series A-1; interest payable semi-annually on May 1 and November 1 at variable rates up to 4.25%; annual principal payments due May 1 at varying amounts up to \$149,000; due May 1, 2030	1,996,100
\$4,720,289 Water Quality Bond, Series 2007; interest payable semi-annually on February 1 and August 1 at 1.10%; annual principal payments due February 1 at varying amounts up to \$293,449; due February 1, 2027	3,957,785
	\$ 7,183,613

Maturities and interest requirements of the general obligation bonds payable relating to business-type activities as of June 30, 2012, is as follows:

Years Ending June 30,	Principal	Interest	Total
2013	\$ 490,274	\$ 168,694	\$ 658,968
2014	468,695	161,181	629,876
2015	478,762	153,388	632,150
2016	485,022	145,188	630,210
2017	429,418	138,059	567,477
2018 – 2022	2,211,213	585,372	2,796,585
2023 – 2027	2,175,901	399,351	2,575,252
2028 – 2030	444,328	51,824	496,152
	\$ 7,183,613	\$ 1,803,057	\$ 8,986,670



## Town Of Chesapeake Beach, Maryland

### Notes To Basic Financial Statements

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#### **Note 9. Interjurisdictional Agreement**

On January 16, 1981, and further amended on May 29, 1990, the Town, along with the Town of North Beach and Calvert County, Maryland, entered into an interjurisdictional agreement to build and operate a wastewater treatment plant located in the Town. The terms of the agreement remain in effect in perpetuity and provide that fee simple title to the plant is held by the Town in trust for all parties with ownership being allocated 47 percent to the Town, 24 percent to the Town of North Beach, and 29 percent to Calvert County, Maryland. On August 15, 1996, the owners above entered into another interjurisdictional agreement with Anne Arundel County, Maryland, whereby, Anne Arundel County agreed to construct improvements to increase the capacity of the plant by a minimum of 177,500 gallons per day (g.p.d.). Under this agreement, Anne Arundel County does not have any ownership of the plant but is entitled to an allocation of 137,500 g.p.d.

Upon the completion of the increased capacity of the plant, all fixed charges of the plant are allocated proportionally to all jurisdictions involved, based upon g.p.d. allocations of 629,975 g.p.d. to the Town; 250,200 g.p.d. to the Town of North Beach; 302,325 g.p.d. to Calvert County, Maryland; and 137,500 g.p.d. to Anne Arundel County, Maryland. Variable charges of the plant are allocated based upon actual EDU flows for the year. All capital expenditures are allocated based upon the plant ownership percentages discussed above. The Town accounts for all of its allocations of the operations of the treatment plant in the Utility Fund and recovers its costs through user charges.

#### **Note 10. 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 purchased commercial insurance and joined the Local Government Insurance Trust (LGIT) to handle potential losses. LGIT was organized for the purpose of minimizing the cost of insurance and related administrative expenses. The Town pays an annual premium to LGIT for its general insurance coverage. The agreement with LGIT provides that LGIT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1,000,000. The Town continues to carry commercial insurance for employee health and accident insurance and workers compensation. Settled claims resulting from these risks have not exceeded coverage amounts, and no significant reductions in insurance coverage have occurred, in any of the past three fiscal years.

#### **Note 11. Retirement Plan**

The Town sponsors a 401(a) retirement plan on behalf of its eligible employees. Employees are eligible upon obtaining the age of 18. Elective deferrals by employees are not permitted under the plan. The Town makes quarterly contributions to the plan based on ten percent of the compensation of all eligible participants during the plan year. All assets and income of the plan are held in trust for the exclusive benefit of each of the participants and their beneficiaries; as such, plan assets are not reflected in the Town's financial statements.

The Town also provides employees the opportunity to participate in a deferred compensation 457(b) plan covering all eligible employees. Employees are eligible upon completion of a six-month probationary period at the start of their employment. Under the plan, participants may make voluntary contributions to the plan up to the maximum amount allowable by law, but not to exceed the lesser of \$15,500 or 100 percent of an employee's total compensation. The Town makes additional 100 percent matching contributions of up to ten percent of eligible compensation deferred under the plan. Matching contributions made by the Town are made into the 401(a) plan discussed above.

Total matching contributions made by the Town under these plans for the year ended June 30, 2012 was \$99,227.

## Town Of Chesapeake Beach, Maryland

### Notes To Basic Financial Statements

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#### Note 12. Commitments And Contingencies

Litigation: The Town is contingently liable with respect to lawsuits and other claims that arise in the ordinary course of its operations. The total amount of pending lawsuits and claims not covered by insurance nor expressly provided for in these statements is considered to be immaterial.

Grants: The Town participates in state and federally assisted grant programs which are subject to financial and compliance audits by the grantors or their representatives. The amount of expenditures that could be disallowed by the granting agencies and would have to be refunded by the Town cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

Capital Projects: The Town is committed under a contract pertaining to a waterline project totaling \$63,500 at June 30, 2012.

Leasing arrangements: The Town participates in two separate leases for library services, which are accounted for as operating leases. The Town is responsible for 25 percent of the combined rents and Calvert County, Maryland is responsible for the remaining 75 percent of the combined rents. Under the terms of these agreements, annual rent increases are provided based upon the Consumer Price Index, with a minimum of two percent and up to a maximum of four percent. The renewed leases were for a period of five years ending May 30, 2014, and October 31, 2014. The Town's current combined monthly lease payments are \$2,712. The Town's portion of rent expense incurred under these agreements for the year ended June 30, 2012, was \$32,361. The Town's portions of future minimum lease payments are as follows:

Years Ending June 30,

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2013	\$	32,984
2014		32,952
2015		8,660
	\$	<u>74,596</u>

#### Note 13. New Governmental Accounting Standards Board (GASB) Standards

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended June 30, 2012, that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the Town:

- GASB Statement Number 60, *Accounting and Financial Reporting for Service Concession Arrangements*, will be effective for the Town beginning with its year ending June 30, 2013. This Statement requires governments to account for and report Service Concession Arrangements in the same manner by establishing recognition, measurement and disclosure requirements for both transferors and governmental operators.
- GASB Statement Number 61, *The Financial Reporting Entity – Omnibus – An Amendment of GASB Statements No. 14 and No. 34*, will be effective for the Town beginning with its year ending June 30, 2013. This Statement addresses reporting entity issues that have arisen since the issuance of GASB Statements No. 14 and No. 34 to improve financial reporting for a governmental financial reporting entity. This Statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, and financial reporting entity display and disclosure requirements. It applies to financial reporting by primary governments and other stand-alone governments, and to the separately issued financial statements of governmental component units. In addition, this Statement should be applied to nongovernmental component units when they are included in a governmental financial reporting entity.

## Town Of Chesapeake Beach, Maryland

### Notes To Basic Financial Statements

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#### Note 13. New Governmental Accounting Standards Board Standards (Continued)

- GASB Statement Number 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, will be effective for the Town beginning with its year ending June 30, 2013. This statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. This Statement also supersedes Statement No. 20 thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement.
- GASB Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, will be effective for the Town beginning with its year ending June 30, 2013. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, which introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Additionally, this Statement amends the net asset reporting requirements in Statement No. 34 and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.
- GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities*, will be effective for the Town beginning with its year ending June 30, 2014. Concepts Statement No. 4, *Elements of Financial Statements* specified that the use of deferred outflows and inflows should be limited to instances identified in authoritative pronouncements. Consequently, this Statement provides guidance to define which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources or deferred inflows of resources, according to definitions in Concepts Statement No. 4. In addition, this Statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of
- GASB Statement Number 66, *Technical Corrections—2012*, will be effective for the Town beginning with its year ending June 30, 2014. This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of a state and local government's risk financing activities to the general fund and the internal service fund type. As a result, governments would base their decisions about governmental fund type usage for risk financing activities on the definitions in Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement also amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for (1) operating lease payments that vary from straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes would eliminate any uncertainty regarding the application of Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively.

## Town Of Chesapeake Beach, Maryland

### Notes To Basic Financial Statements

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#### Note 13. New Governmental Accounting Standards Board Standards (Continued)

- GASB Statement No. 67, *Financial Reporting for Pension Plans*, will be effective for the Town beginning with its year ending June 30, 2014. This Statement replaces the requirements of GASB Statement No. 25 and No. 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. This Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. It requires enhanced note disclosures and required supplementary information for both defined benefit and defined contribution pension plans. In addition, it requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year required supplementary information schedules.
- GASB Statement No. 68, *Accounting for Pensions by State and Local Governmental Employers*, will be effective for the Town beginning with its year ending June 30, 2015. This Statement replaces the requirements of GASB Statement No. 27 and No. 50, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. This Statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement calls for immediate recognition of more pension expense than is currently required. Cost – sharing employers will now be required to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The Statement will improve the comparability and consistency of how governments calculate the pension liabilities and expense. It also requires employers to present more extensive note disclosures and RSI, including disclosing descriptive information about the types of benefits provided, how contributions to the pension plan are determined, and assumptions and methods used to calculate the pension liability.

**Town Of Chesapeake Beach, Maryland**

**Schedule Of Revenues – Budget And Actual – General Fund  
Year Ended June 30, 2012  
(With Comparative Totals For 2011)**

	2012			Variance With Amended Budget Positive (Negative)	2011 Actual
	Original Budget	Amended Budget	Actual		
<b>Taxes:</b>					
Local property taxes:					
Real property	\$ 2,583,000	\$ 2,583,000	\$ 2,686,409	\$ 103,409	\$ 3,087,773
Personal property	40,000	40,000	50,754	10,754	46,896
Penalties and interest	10,000	10,000	15,485	5,485	14,184
	<u>2,633,000</u>	<u>2,633,000</u>	<u>2,752,648</u>	<u>119,648</u>	<u>3,148,853</u>
Admission and amusement tax	600,000	600,000	717,148	117,148	798,095
Hotel tax	75,000	75,000	90,511	15,511	82,481
<b>Total taxes</b>	<u>3,308,000</u>	<u>3,308,000</u>	<u>3,560,307</u>	<u>252,307</u>	<u>4,029,429</u>
<b>Licenses and permits:</b>					
Liquor	4,000	4,000	8,300	4,300	-
Cable franchise	28,000	28,000	35,696	7,696	31,209
Traders	3,000	3,000	3,447	447	4,015
Zoning	45,000	45,000	29,437	(15,563)	42,924
<b>Total licenses and permits</b>	<u>80,000</u>	<u>80,000</u>	<u>76,880</u>	<u>(3,120)</u>	<u>78,148</u>
<b>Intergovernmental:</b>					
State-shared taxes:					
Income	550,000	550,000	727,945	177,945	679,824
Highway user	15,000	15,000	88,740	73,740	31,465
	<u>565,000</u>	<u>565,000</u>	<u>816,685</u>	<u>251,685</u>	<u>711,289</u>
Federal projects grant	100,000	100,000	67,657	(32,343)	1,400,497
Grants from state government:					
State Police protection	29,000	29,000	29,300	300	29,300
State DGS Kellam's Field Rec. Project	-	-	3,926	3,926	121,074
State DNR Fishing Creek dredging	-	-	-	-	75,000
State DNR critical areas	4,000	4,000	4,000	-	4,000
State DBED capital expenditures	-	-	369,382	369,382	-
Miscellaneous Grants	-	-	16,920	16,920	-
	<u>33,000</u>	<u>33,000</u>	<u>423,528</u>	<u>390,528</u>	<u>229,374</u>
Funds from county government:					
County recreation fees	65,000	65,000	81,684	16,684	67,772
Kellam's Field Recreation Complex	-	-	-	-	85,000
Chesapeake Beach Railway Trail	-	-	-	-	250,000
	<u>65,000</u>	<u>65,000</u>	<u>81,684</u>	<u>16,684</u>	<u>402,772</u>
<b>Total intergovernmental</b>	<u>763,000</u>	<u>763,000</u>	<u>1,389,554</u>	<u>626,554</u>	<u>2,743,932</u>
<b>Charges for services:</b>					
Town recreation fees	48,000	48,000	26,000	(22,000)	26,000
Bulk trash fees	-	-	60	60	-
Transient boat tie-up	-	-	28,442	28,442	-
<b>Total charges for services</b>	<u>48,000</u>	<u>48,000</u>	<u>54,502</u>	<u>6,502</u>	<u>26,000</u>
Investment earnings	5,050	5,050	4,396	(654)	5,676
<b>Miscellaneous revenues:</b>					
Fines and forfeitures	-	-	12,761	12,761	500
Mitigation contributions	-	-	975	975	3,702
Tower site rental	73,500	73,500	90,712	17,212	75,639
Veteran park brick sales	500	500	600	100	400
Bayfront park admissions	30,000	30,000	47,156	17,156	40,700
Insurance proceeds	-	-	7,934	7,934	-
Citizen donations	-	-	24,004	24,004	-
Miscellaneous	5,000	5,000	5,380	380	4,241
<b>Total miscellaneous revenues</b>	<u>109,000</u>	<u>109,000</u>	<u>189,522</u>	<u>80,522</u>	<u>125,182</u>
<b>Total revenues</b>	<u>\$ 4,313,050</u>	<u>\$ 4,313,050</u>	<u>\$ 5,275,161</u>	<u>\$ 933,609</u>	<u>\$ 7,008,367</u>

**Town Of Chesapeake Beach, Maryland**

**Schedule Of Expenditures – Budget And Actual – General Fund  
Year Ended June 30, 2012  
(With Comparative Totals For 2011)**

	2012				2011 Actual
	Original Budget	Amended Budget	Actual	Variance With Amended Budget Positive (Negative)	
<b>General government:</b>					
Salaries, payroll taxes, and benefits	\$ 327,000	\$ 327,000	\$ 356,213	\$ (29,213)	\$ 325,804
Planning and zoning	60,000	60,000	44,999	15,001	60,229
Legal	60,000	60,000	49,019	10,981	39,898
Code enforcement	25,000	25,000	15,456	9,544	21,157
Engineering and consulting	41,000	41,000	65,551	(24,551)	39,275
Special events	100,000	105,000	113,562	(8,562)	93,636
Economic development	25,000	25,000	30,110	(5,110)	27,859
Grants to local organizations	12,000	12,000	10,600	1,400	19,500
Audit and financial expense	40,000	40,000	40,550	(550)	31,090
Newsletter	30,000	30,000	22,630	7,370	26,285
Chesapeake Bay critical area	10,000	10,000	2,433	7,567	2,461
Office expense	96,150	96,150	75,753	20,397	77,957
Repairs and maintenance	28,000	28,000	15,591	12,409	18,806
Library rent	35,000	35,000	32,361	2,639	31,262
Council expense	30,000	30,000	24,512	5,488	28,866
Insurance	30,000	30,000	22,994	7,006	13,905
Telephone and utilities	35,000	35,000	29,267	5,733	32,239
Miscellaneous	7,000	7,000	1,174	5,826	5,849
<b>Total general government</b>	<b>991,150</b>	<b>996,150</b>	<b>952,775</b>	<b>43,375</b>	<b>896,078</b>
<b>Public safety:</b>					
Police	715,000	715,000	702,606	12,394	697,905
Boardwalk Patrol	55,000	55,000	45,472	9,528	38,808
North Beach VFD	12,000	12,000	12,000	-	-
<b>Total public safety</b>	<b>782,000</b>	<b>782,000</b>	<b>760,078</b>	<b>21,922</b>	<b>736,713</b>
<b>Public works:</b>					
Salaries, payroll taxes, and benefits	273,800	273,800	293,811	(20,011)	277,187
Trash removal	300,000	225,000	225,705	(705)	249,341
Landfill tipping fees	165,000	165,000	150,149	14,851	138,103
Property maintenance	370,000	370,000	430,785	(60,785)	351,276
Street lighting	60,000	60,000	65,053	(5,053)	56,524
Holiday lights	63,500	63,500	68,116	(4,616)	52,948
Streets and equipment maintenance	40,000	30,000	38,799	(8,799)	42,482
Gasoline and oil	13,000	13,000	17,230	(4,230)	15,935
Snow removal	25,000	25,000	6,465	18,535	24,778
Telephone and utilities	25,000	25,000	12,118	12,882	16,431
Supplies	25,000	25,000	12,000	13,000	10,080
Road and sidewalk repairs	30,000	30,000	35,977	(5,977)	62,266
Investment in equipment	51,000	126,000	84,110	41,890	155,755
Operating capital outlay	422,000	432,000	266,354	165,646	346,557
Miscellaneous	1,000	1,000	776	224	1,049
<b>Total public works</b>	<b>1,864,300</b>	<b>1,864,300</b>	<b>1,707,448</b>	<b>156,852</b>	<b>1,800,712</b>
Capital outlay	225,000	225,000	143,438	81,562	2,574,634
Debt service	706,500	706,500	705,628	872	715,541
<b>Total expenditures</b>	<b>\$ 4,568,950</b>	<b>\$ 4,573,950</b>	<b>\$ 4,269,367</b>	<b>\$ 304,583</b>	<b>\$ 6,723,678</b>