

Town of Chesapeake Beach, Maryland

Financial Report
June 30, 2013

Contents

Independent Auditor's Report	1 – 2
Management's Discussion And Analysis	3 – 8
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement Of Net Position	9
Statement Of Activities	10
Fund Financial Statements:	
Balance Sheet – Governmental Fund	11
Reconciliation Of The Governmental Fund Balance Sheet To The Statement Of Net Position	12
Statement Of Revenues, Expenditures, And Changes In Fund Balance – Governmental Fund	13
Reconciliation Of The Governmental Fund Statement Of Revenues, Expenditures, And Changes In Fund Balance To The Statement Of Activities	14
Statement Of Revenues, Expenditures, And Changes In Fund Balance – Budget And Actual – General Fund	15
Statement Of Net Position – Proprietary Funds	16
Statement Of Revenues, Expenses, And Changes In Fund Net Position – Proprietary Funds	17
Statement Of Cash Flows – Proprietary Funds	18
Notes To Basic Financial Statements	19 – 34
Supplementary Information	
Schedule Of Revenues – Budget And Actual – General Fund	35
Schedule Of Expenditures – Budget And Actual – General Fund	36



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Chesapeake Beach, Maryland, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Chesapeake Beach, Maryland, as of June 30, 2013 and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 – 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.

Other Information

The budget and actual schedules, listed in the table of contents as supplementary information, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budget and actual schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2013 on our consideration of the Town of Chesapeake Beach's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Chesapeake Beach, Maryland's internal control over financial reporting and compliance.



Frederick, Maryland
October 29, 2013

**TOWN OF CHESAPEAKE BEACH, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

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, 2013. 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 position of the Town of Chesapeake Beach exceeded its liabilities on June 30, 2013 by \$26,483,929 (net position). Approximately 46.3% of this amount is attributable to business-type activities that include the Utility and Water Park funds. The remaining 53.7% is attributable to governmental activities. Of total net position, \$7,422,562 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors. This includes \$2,055,113 set aside into the Rainy Day Fund, created as a contingency for emergency situations. The remaining net position of \$19,061,367 is invested in capital assets, net of related debt.
- The property tax rate for the Town decreased to \$0.36/\$100.
- Water and sewer user rates remained the same during the year ended June 30, 2013.
- The Town funded the Rainy Day Fund with an additional \$200,000.
- In the General Fund, the Town completed the Boardwalk Decking Replacement Project; work continues on the Skate Park Project at Kellams Field.
- In the Utility Fund, preliminary work began on the water and sewer line relocation project at the 261 bridge. During FY13, the Town completed work on the Richfield Station Water Tower and the 13th Street water line.
- At the Water Park, security was updated through the installation of a new camera system.
- At the Chesapeake Beach Wastewater Treatment Plant, construction began on the enhanced nutrient removal (ENR) project and is scheduled for completion in FY16.

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 Position 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 Position 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, 2013, 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, 2013.

These two statements report changes in the net position of the Town. You can think of the net position (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 position 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 position 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 Position 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 position may serve over time as a useful indicator of a government's financial position. The Town's combined assets exceeded liabilities by \$26,483,929 at the close of the most recent fiscal year.

Of the Town's net position, 72% 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 Position

	Governmental Activities		Business-Type Activities		Total Town	
	2013	2012	2013	2012	2013	2012
Assets:						
Current and other assets	\$ 6,584,034	\$ 5,903,485	\$ 1,598,186	\$ 1,582,715	\$ 8,182,220	\$ 7,486,200
Capital assets, net	11,440,654	11,929,075	17,723,531	18,258,372	29,164,185	30,187,447
Total assets	18,024,688	17,832,560	19,321,717	19,841,087	37,346,405	37,673,647
Liabilities:						
Long-term liabilities	3,537,798	4,089,068	6,726,035	7,211,265	10,263,833	11,300,333
Other liabilities	260,597	242,989	338,046	369,274	598,643	612,263
Total liabilities	3,798,395	4,332,057	7,064,081	7,580,539	10,862,476	11,912,596
Net position:						
Invested in capital assets, net of related debt	7,997,275	7,936,670	11,064,092	11,403,387	19,061,367	19,340,057
Unrestricted	6,229,018	5,563,833	1,193,544	857,161	7,422,562	6,420,994
Total net position	\$ 14,226,293	\$ 13,500,503	\$ 12,257,636	\$ 12,260,548	\$ 26,483,929	\$ 25,761,051

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	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 181,439	\$ 155,603	\$ 1,789,470	\$ 1,918,797	\$ 1,970,909	\$ 2,074,400
Operating grants and contributions	109,116	207,245	-	-	109,116	207,245
Capital grants and contributions	133,332	589,571	1,080,000	990,000	1,213,332	1,579,571
General revenues:						
Property tax	2,696,867	2,712,354	-	-	2,696,867	2,712,354
Income tax	740,897	727,945	-	-	740,897	727,945
Admissions and amusements tax	594,882	717,148	-	-	594,882	717,148
Hotel tax	90,631	90,511	-	-	90,631	90,511
Franchise tax	40,780	35,696	-	-	40,780	35,696
Investment earnings	6,589	4,396	731	675	7,320	5,071
Miscellaneous	100,965	96,092	23,576	23,095	124,541	119,187
Transfers	17,960	(126,712)	(17,960)	126,712	-	-
Total revenues	4,713,458	5,209,849	2,875,817	3,059,279	7,589,275	8,269,128
Expenses:						
General government	1,584,412	1,490,967	-	-	1,584,412	1,490,967
Public safety	769,061	760,078	-	-	769,061	760,078
Public works	1,490,326	1,541,265	-	-	1,490,326	1,541,265
Water park	-	-	1,157,911	1,278,223	1,157,911	1,278,223
Water and sewer services	-	-	1,559,985	1,495,370	1,559,985	1,495,370
Interest on long-term debt	143,869	162,863	160,833	154,557	304,702	317,420
Total expenses	3,987,668	3,955,173	2,878,729	2,928,150	6,866,397	6,883,323
Increase in net position	\$ 725,790	\$ 1,254,676	\$ (2,912)	\$ 131,129	\$ 722,878	\$ 1,385,805

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 2013. Major additions included the Boardwalk Decking Replacement Project (\$103,362), Richfield Station Water Tower repair work (\$125,219), the 13th Street water line replacement (\$71,713), and security along the Railway Trail (\$41,950). More detailed information about capital assets can be found in Note 7 to the basic financial statements.

Figure 3

Capital Assets, Net of Depreciation						
	Governmental Activities		Business-Type Activities		Total Town	
	2013	2012	2013	2012	2013	2012
Land	\$ 1,192,375	\$ 1,192,375	\$ 21,875	\$ 21,875	\$ 1,214,250	\$ 1,214,250
Construction in progress	69,503	587,009	591,817	515,635	661,320	1,102,644
Land Improvements	8,577,713	8,493,500	282,885	295,342	8,860,598	8,788,842
Buildings	1,317,041	1,367,216	1,079,133	1,269,591	2,396,174	2,636,807
Water system	-	-	4,327,923	4,356,883	4,327,923	4,356,883
Sewer system	-	-	11,156,163	11,534,879	11,156,163	11,534,879
Vehicles and equipment	284,022	288,975	263,735	264,167	547,757	553,142
Total	\$ 11,440,654	\$ 11,929,075	\$ 17,723,531	\$ 18,258,372	\$ 29,164,185	\$ 30,187,447

Long-Term Debt

At June 30, 2013, the Town had total outstanding debt of \$10,263,833. Total debt for the Governmental activities is \$3,537,798. Total outstanding debt for business-type activities is \$6,726,035. More detailed information about long-term debt can be found in Note 8 to the basic financial statements.

Figure 4

Long-Term Liabilities						
	Governmental Activities		Business-Type Activities		Total Town	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 3,216,204	\$ 3,722,876	\$ 6,693,339	\$ 7,183,613	\$ 9,909,543	\$ 10,906,489
Notes payable	271,742	317,279	-	-	271,742	317,279
Compensated absences	49,852	48,913	32,696	27,652	82,548	76,565
Total	\$ 3,537,798	\$ 4,089,068	\$ 6,726,035	\$ 7,211,265	\$ 10,263,833	\$ 11,300,333

Economic Factors and Next Year's Budgets and Rates

The fiscal 2014 budget reflects that the Town is not immune to the economic downturn and the impact of a weakened real estate market. Real property tax revenues have remained flat since the 13% decline in FY11. 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 remain at \$0.36/\$100.

The Town's major governmental fund, the General Fund, projects an overall increase in revenues of 6.2%. This is due to partial restoration of the State Aid for Police Protection Grant (SAPP) and a one-time state grant to be used as Highway User Revenues. The Town will prepay the 2001 Community Development Administration Infrastructure Financing Bond, saving the taxpayers approximately \$120,000 in interest and fees. Exclusive of the bond prepayment and capital projects, an overall increase in expenditures of 3.7% is anticipated. The Town anticipates executing a loan to the Utility Fund from the General Fund to help finance the enhanced nutrient removal (ENR) project.

Water and sewer user rates are frozen and remain unchanged, pending the results of the referendum. Capital connection fees are unchanged.

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 Position

June 30, 2013

	Governmental Activities	Business-Type Activities	Total Primary Government
Assets			
Cash and cash equivalents	\$ 6,117,963	\$ 1,247,626	\$ 7,365,589
Accounts receivable:			
Property taxes	58,909	-	58,909
Water and sewer services	-	262,647	262,647
Due from other governments	329,175	-	329,175
Other receivables	5,921	-	5,921
Inventory	-	7,362	7,362
Internal balances	(23,976)	23,976	-
Prepays	51,475	22,675	74,150
Bond issuance costs	44,567	33,900	78,467
Capital assets:			
Non-depreciable assets	1,261,878	613,692	1,875,570
Depreciable assets, net	10,178,776	17,109,839	27,288,615
Total assets	18,024,688	19,321,717	37,346,405
Liabilities			
Accounts payable	198,848	83,200	282,048
Accrued liabilities	48,384	253,596	301,980
Deposits	13,365	1,250	14,615
Non-current liabilities:			
Due within one year	481,887	481,690	963,577
Due in more than one year	3,055,911	6,244,345	9,300,256
Total liabilities	3,798,395	7,064,081	10,862,476
Net Position			
Invested in capital assets, net of related debt	7,997,275	11,064,092	19,061,367
Unrestricted	6,229,018	1,193,544	7,422,562
Total net position	\$ 14,226,293	\$ 12,257,636	\$ 26,483,929

See Notes To Basic Financial Statements.

Town Of Chesapeake Beach, Maryland

Statement Of Activities
Year Ended June 30, 2013

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue And Changes In Net Position		
		Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities	Business- Type Activities	Total Primary Government
Governmental activities:							
General government	\$ 1,584,412	\$ 95,405	\$ 79,716	\$ 75,199	\$ (1,334,092)	\$ -	\$ (1,334,092)
Public safety	769,061	86,034	29,300	-	(653,727)	-	(653,727)
Public works	1,490,326	-	100	58,133	(1,432,093)	-	(1,432,093)
Interest on long-term debt	143,869	-	-	-	(143,869)	-	(143,869)
Total governmental activities	3,987,668	181,439	109,116	133,332	(3,563,781)	-	(3,563,781)
Business-type activities:							
Water park	1,157,911	1,050,335	-	-	-	(107,576)	(107,576)
Water and sewer services	1,720,818	739,135	-	1,080,000	-	98,317	98,317
Total business -type activities	2,878,729	1,789,470	-	1,080,000	-	(9,259)	(9,259)
Total primary government	\$ 6,866,397	\$ 1,970,909	\$ 109,116	\$ 1,213,332	(3,563,781)	(9,259)	(3,573,040)
General revenues:							
Property tax					2,696,867	-	2,696,867
Income tax					740,897	-	740,897
Admissions and amusement tax					594,882	-	594,882
Hotel tax					90,631	-	90,631
Franchise tax					40,780	-	40,780
Investment earnings					6,589	731	7,320
Miscellaneous					100,965	23,576	124,541
Transfers					17,960	(17,960)	-
Total general revenues and transfers					4,289,571	6,347	4,295,918
Change in net position					725,790	(2,912)	722,878
Net Position:							
Beginning					13,500,503	12,260,548	25,761,051
Ending					\$ 14,226,293	\$ 12,257,636	\$ 26,483,929

See Notes To Basic Financial Statements.

Town Of Chesapeake Beach, Maryland

Balance Sheet – Governmental Fund

June 30, 2013

	General Fund
Assets	
Cash and cash equivalents	\$ 6,117,963
Property taxes receivable, net	58,909
Other receivable	5,921
Due from other governments	329,175
Due from other funds	6,612
Prepays	<u>51,475</u>
Total assets	<u><u>\$ 6,570,055</u></u>
Liabilities And Fund Balance	
Liabilities:	
Accounts payable	\$ 198,848
Accrued liabilities	27,656
Deposits	13,365
Deferred revenue	86,022
Due to other funds	<u>30,588</u>
Total liabilities	<u>356,479</u>
Fund Balance:	
Non-spendable:	
Prepays	51,475
Assigned to:	
Subsequent year expenditures	2,164,250
Unassigned	<u>3,997,851</u>
Total fund balance	<u>6,213,576</u>
Total liabilities and fund balance	<u><u>\$ 6,570,055</u></u>

See Notes To Basic Financial Statements.

Town Of Chesapeake Beach, Maryland

**Reconciliation Of The Governmental Fund Balance Sheet
To The Statement Of Net Position
June 30, 2013**

Total fund balance – governmental fund \$ 6,213,576

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

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

Cost of capital assets	\$ 18,135,764	
Accumulated depreciation	<u>(6,695,110)</u>	11,440,654

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

Deferred revenue		86,022
------------------	--	--------

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

		44,567
--	--	--------

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	(3,487,946)	
Accrued interest payable	(20,728)	
Accumulated unused compensated absences	<u>(49,852)</u>	<u>(3,558,526)</u>

Net position of governmental activities

\$ 14,226,293

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, 2013

	General Fund
<hr/>	
Revenues:	
Taxes	\$ 3,400,120
Licenses and permits	88,493
Intergovernmental	1,020,708
Charges for services	12,000
Investment earnings	6,589
Miscellaneous	240,465
Total revenues	<u>4,768,375</u>
 Expenditures:	
Current:	
General government	1,009,928
Public safety	769,061
Public works	1,559,564
Capital outlay	12,702
Debt service:	
Principal	552,210
Interest	146,554
Total expenditures	<u>4,050,019</u>
 Other Financing Sources:	
Transfers in	17,960
Total other financing sources	<u>17,960</u>
 Net change in fund balance	736,316
 Fund Balance:	
Beginning	<u>5,477,260</u>
 Ending	<u><u>\$ 6,213,576</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, 2013**

Total net change in fund balance – governmental fund	\$	736,316
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	\$ 323,116	
Depreciation	<u>(798,817)</u>	(475,701)
In the statement of activities, only the gain/loss on the disposition of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net position differs from the changes in fund balances by costs of the capital assets sold less any accumulated depreciation:		
Asset disposals	(35,884)	
Accumulated depreciation	<u>23,163</u>	(12,721)
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 decreased.		
		(72,877)
Repayment of loan payable principal is an expenditure in the general fund, but the repayment reduces non-current liabilities in the statement of net position.		
		552,210
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.		
		2,685
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.		
		(939)
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 position. This is the amount of bond issuance costs amortization.		
		<u>(3,183)</u>
Change in net position of governmental activities	\$	<u>725,790</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, 2013

	Budgeted Amounts		Actual	Variance With
	Original	Amended		Amended Budget
				Positive (Negative)
Revenues:				
Taxes	\$ 3,347,000	\$ 3,347,000	\$ 3,400,120	\$ 53,120
Licenses and permits	98,000	98,000	88,493	(9,507)
Intergovernmental	956,000	956,000	1,020,708	64,708
Charges for services	48,000	48,000	12,000	(36,000)
Investment earnings	2,050	2,050	6,589	4,539
Miscellaneous	196,000	196,000	240,465	44,465
Total revenues	4,647,050	4,647,050	4,768,375	121,325
Expenditures:				
Current:				
General government	977,150	1,033,150	1,009,928	23,222
Public safety	790,000	790,000	769,061	20,939
Public works	2,068,000	2,012,000	1,559,564	452,436
Capital outlay	125,000	125,000	12,702	112,298
Debt service	700,000	700,000	698,764	1,236
Total expenditures	4,660,150	4,660,150	4,050,019	610,131
Other Financing Sources:				
Transfers in	50,000	50,000	17,960	(32,040)
Total other financing sources	50,000	50,000	17,960	(32,040)
Net change in fund balance	\$ 36,900	\$ 36,900	736,316	\$ 699,416
Fund Balance:				
Beginning			<u>5,477,260</u>	
Ending			<u>\$ 6,213,576</u>	

See Notes To Basic Financial Statements.

Town Of Chesapeake Beach, Maryland

Statement Of Net Position – Proprietary Funds
June 30, 2013

	Enterprise Funds		
	Water Park Fund	Utility Fund	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 200,446	\$ 1,047,180	\$ 1,247,626
Accounts receivable	-	262,647	262,647
Inventory	7,362	-	7,362
Due from other funds	30,588	-	30,588
Prepaid	-	22,675	22,675
	<u>238,396</u>	<u>1,332,502</u>	<u>1,570,898</u>
Non-current assets:			
Bond issuance costs	-	33,900	33,900
Capital assets:			
Non-depreciable assets	-	613,692	613,692
Depreciable assets, net	861,158	16,248,681	17,109,839
	<u>861,158</u>	<u>16,896,273</u>	<u>17,757,431</u>
Total assets	<u>1,099,554</u>	<u>18,228,775</u>	<u>19,328,329</u>
Liabilities			
Current liabilities:			
Accounts payable	53,815	29,385	83,200
Accrued liabilities	59,294	194,302	253,596
Due to other funds	-	6,612	6,612
General obligation bonds payable	-	468,695	468,695
Compensated absences	5,655	7,340	12,995
Deposits	1,250	-	1,250
Non-current liabilities:			
General obligation bonds payable	-	6,224,644	6,224,644
Compensated absences	9,406	10,295	19,701
Total liabilities	<u>129,420</u>	<u>6,941,273</u>	<u>7,070,693</u>
Net Position			
Invested in capital assets, net of related debt	861,158	10,202,934	11,064,092
Unrestricted	108,976	1,084,568	1,193,544
Total net position	<u>\$ 970,134</u>	<u>\$ 11,287,502</u>	<u>\$ 12,257,636</u>

See Notes To Basic Financial Statements.

Town Of Chesapeake Beach, Maryland

**Statement Of Revenues, Expenses, And Changes
In Fund Net Position – Proprietary Funds
Year Ended June 30, 2013**

	Enterprise Funds		
	Water Park Fund	Utility Fund	Total
Operating revenues:			
Current use charges	\$ 1,050,335	\$ 739,135	\$ 1,789,470
Miscellaneous	7,546	16,030	23,576
	<u>1,057,881</u>	<u>755,165</u>	<u>1,813,046</u>
Operating expenses:			
Personnel services	493,995	188,417	682,412
Operations and maintenance	432,388	714,452	1,146,840
Depreciation and loss on disposal of assets	231,528	657,116	888,644
	<u>1,157,911</u>	<u>1,559,985</u>	<u>2,717,896</u>
Operating loss	<u>(100,030)</u>	<u>(804,820)</u>	<u>(904,850)</u>
Non-operating revenues (expenses):			
Investment interest	9	722	731
Interest expense	-	(160,833)	(160,833)
	<u>9</u>	<u>(160,111)</u>	<u>(160,102)</u>
Loss before transfers and connection fees	<u>(100,021)</u>	<u>(964,931)</u>	<u>(1,064,952)</u>
Transfer Out	(17,960)	-	(17,960)
Connection fees	-	1,080,000	1,080,000
Change in net position	<u>(117,981)</u>	<u>115,069</u>	<u>(2,912)</u>
Net position:			
Beginning	<u>1,088,115</u>	<u>11,172,433</u>	<u>12,260,548</u>
Ending	<u>\$ 970,134</u>	<u>\$ 11,287,502</u>	<u>\$ 12,257,636</u>

See Notes To Basic Financial Statements.

Town Of Chesapeake Beach, Maryland

**Statement Of Cash Flows – Proprietary Funds
Year Ended June 30, 2013**

	Business-Type Activities – Enterprise Funds		
	Water Park Fund	Utility Fund	Total
Cash Flows From Operating Activities			
Receipts from customers	\$ 1,060,306	\$ 744,624	\$ 1,804,930
Payments to suppliers and employees	(927,935)	(909,562)	(1,837,497)
Net cash provided by (used in) operating activities	132,371	(164,938)	(32,567)
Cash Flows From Non-Capital Financing Activities			
Net operating transfers in	(17,960)	-	(17,960)
Internal activity – payments from (to) other funds	(147,094)	4,331	(142,763)
Net cash provided by (used in) non-capital financing activities	(165,054)	4,331	(160,723)
Cash Flows From Capital And Related Financing Activities			
Payments for capital assets	(26,971)	(326,832)	(353,803)
Connection fees received	-	1,080,000	1,080,000
Principal payments on notes and bonds payable	-	(490,274)	(490,274)
Interest paid	-	(162,795)	(162,795)
Net cash provided by (used in) capital and related financing activities	(26,971)	100,099	73,128
Cash Flows From Investing Activities			
Investment interest earned	9	722	731
Net decrease in restricted investments	-	292,577	292,577
Net cash provided by investing activities	9	293,299	293,308
Net increase (decrease) in cash and cash equivalents	(59,645)	232,791	173,146
Cash And Cash Equivalents:			
Beginning	260,091	814,389	1,074,480
Ending	\$ 200,446	\$ 1,047,180	\$ 1,247,626
Reconciliation Of Operating Loss To Net Cash Used In Operating Activities			
Operating loss	\$ (100,030)	\$ (804,820)	\$ (904,850)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation, amortization, and loss on disposal of assets	231,528	659,267	890,795
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	2,295	(10,541)	(8,246)
Decrease in other receivables	-	15,058	15,058
Increase in inventory	(810)	-	(810)
Decrease in accounts payable	(3,105)	(146,805)	(149,910)
Increase (decrease) in accrued liabilities	(579)	120,801	120,222
Increase in compensated absences	2,942	2,102	5,044
Increase in deposits	130	-	130
Net cash provided by (used in) operating activities	\$ 132,371	\$ (164,938)	\$ (32,567)

See Notes To Basic Financial Statements.

Town Of Chesapeake Beach, Maryland

Notes To Basic Financial Statements

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 Position: 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

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 position, 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.

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.

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.

Town Of Chesapeake Beach, Maryland

Notes To Basic Financial Statements

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

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, 2013, was \$0.36 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.

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.

Town Of Chesapeake Beach, Maryland

Notes To Basic Financial Statements

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

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, 2013, 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, 2013, 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. Deferred Outflows

Deferred outflows are the consumption of net position by the government that is applicable to a future reporting period. The Town had no deferred outflows at June 30, 2013.

N. 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

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

O. 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. There was no interest capitalized on projects for the year ended June 30, 2013. 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

P. Deferred Revenue

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

Q. Deferred Inflows

Deferred inflows are the acquisition of net position by the government that is applicable to a future reporting period. The Town had no deferred inflows at June 30, 2013.

R. 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

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

S. 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, 2013, 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.

T. 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.

U. Net Position

Net position equals assets plus deferred outflows of resources less liabilities and deferred inflows of resources. Net position 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 position invested in capital assets, net of related debt excludes unspent debt proceeds. Net position is 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.

The Town first applies restricted resources when an expense is incurred, for purposes for which both restricted and unrestricted net position is available.

V. Subsequent Events

The Town evaluated subsequent events through October 29, 2013, which represents the date the financial statements were available to be issued.

Town Of Chesapeake Beach, Maryland

Notes To Basic Financial Statements

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, 2013, 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, 2013, 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 \$5,664,955 and \$309,428 at June 30, 2013, for governmental activities and business-type activities, respectively.

The MLGIP was established in 1982 under Article 95 Section 22G of the Annotated Code of Maryland and is under the administration of the State Treasurer. The MLGIP seeks to maintain a constant unit value of \$1.00 per unit. Unit value is computed using the amortized cost method. In addition, the net asset value of the pool, marked to market, is calculated and maintained on a weekly basis to ensure a \$1.00 per unit constant value. The pool is managed in a "Rule 2(a)-7 like" manner and is reported at amortized cost pursuant to Rule 2(a)-7 under the Investment Company Act of 1940.

Note 3. Receivables And Payables

Receivables and payables at June 30, 2013, consist of the following:

	Governmental Activities	Business -Type Activities		Total
		Water Park Fund	Utility Fund	
Due from other governments:				
State of Maryland	\$ 307,790	\$ -	\$ -	\$ 307,790
Calvert County	20,360	-	-	20,360
Other	1,025	-	-	1,025
	<u>\$ 329,175</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 329,175</u>
Other receivables:				
Miscellaneous	\$ 5,921	\$ -	\$ -	\$ 5,921
Accounts payable:				
Vendors	\$ 198,848	\$ 53,815	\$ 29,385	\$ 282,048
Accrued liabilities:				
Payroll and withholdings	\$ 24,100	\$ 55,353	\$ 2,621	\$ 82,074
MDE flush fee	-	-	77,828	77,828
Interest	20,728	-	34,056	54,784
Other liabilities	3,556	3,941	79,797	87,294
	<u>\$ 48,384</u>	<u>\$ 59,294</u>	<u>\$ 194,302</u>	<u>\$ 301,980</u>

Town Of Chesapeake Beach, Maryland

Notes To Basic Financial Statements

Note 4. 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, 2013, interfund receivable and payable balances are as follows:

Payable Fund	Receivable Fund	
	General Fund	Water Park
General Fund	\$ -	\$ 30,588
Utility Fund	6,612	-
	<u>\$ 6,612</u>	<u>\$ 30,588</u>

Interfund transfers for the year ended June 30, 2013, consisted of transfers in the Town's normal course of business from the Water Park of \$17,960 to the General Fund.

Note 5. Bond Issuance Costs

Bond issuance costs consist of the following at June 30, 2013:

	Balance, July 1, 2012	Additions	Amortization	Balance, June 30, 2013
Governmental activities:				
CDA 2007 Series A bond	\$ 47,750	\$ -	\$ (3,183)	\$ 44,567
Business-type activities:				
CDA 2007 Series A bond	\$ 8,248	\$ -	\$ (553)	\$ 7,695
MDE 2007 Water Quality bond	5,669	-	(378)	5,291
CDA 2010 Series A-1 bond	22,134	-	(1,220)	20,914
	<u>\$ 36,051</u>	<u>\$ -</u>	<u>\$ (2,151)</u>	<u>\$ 33,900</u>

Town Of Chesapeake Beach, Maryland

Notes To Basic Financial Statements

Note 6. Capital Assets

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

	Balance, July 1, 2012	Additions/ Transfers	Deletions/ Transfers	Balance, June 30, 2013
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,192,375	\$ -	\$ -	\$ 1,192,375
Construction-in-process	587,009	53,932	(571,438)	69,503
	<u>1,779,384</u>	<u>53,932</u>	<u>(571,438)</u>	<u>1,261,878</u>
Capital assets being depreciated:				
Land improvements	13,509,642	736,569	-	14,246,211
Buildings and facilities	1,665,801	-	-	1,665,801
Equipment	893,704	78,612	(10,442)	961,874
	<u>16,069,147</u>	<u>815,181</u>	<u>(10,442)</u>	<u>16,873,886</u>
Accumulated depreciation for:				
Land improvements	(5,016,142)	(665,077)	12,721	(5,668,498)
Buildings and facilities	(298,585)	(50,175)	-	(348,760)
Equipment	(604,729)	(83,565)	10,442	(677,852)
	<u>(5,919,456)</u>	<u>(798,817)</u>	<u>23,163</u>	<u>(6,695,110)</u>
Total depreciable assets, net	<u>10,149,691</u>	<u>16,364</u>	<u>12,721</u>	<u>10,178,776</u>
Governmental activities capital assets, net	<u>\$ 11,929,075</u>	<u>\$ 70,296</u>	<u>\$ (558,717)</u>	<u>\$ 11,440,654</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 21,875	\$ -	\$ -	\$ 21,875
Construction-in-process	515,635	284,012	(207,830)	591,817
	<u>537,510</u>	<u>284,012</u>	<u>(207,830)</u>	<u>613,692</u>
Capital assets being depreciated:				
Land improvements	612,021	19,977	-	631,998
Buildings and facilities	4,948,182	-	-	4,948,182
Water system	6,459,249	196,931	-	6,656,180
Sewer system	14,557,966	-	-	14,557,966
Vehicles and equipment	603,389	60,713	(19,516)	644,586
	<u>27,180,807</u>	<u>277,621</u>	<u>(19,516)</u>	<u>27,438,912</u>
Accumulated depreciation for:				
Land improvements	(316,679)	(32,434)	-	(349,113)
Buildings and facilities	(3,678,591)	(209,974)	19,516	(3,869,049)
Water system	(2,102,366)	(225,891)	-	(2,328,257)
Sewer system	(3,023,087)	(378,716)	-	(3,401,803)
Vehicles and equipment	(339,222)	(41,629)	-	(380,851)
	<u>(9,459,945)</u>	<u>(888,644)</u>	<u>19,516</u>	<u>(10,329,073)</u>
Total depreciable assets, net	<u>17,720,862</u>	<u>(611,023)</u>	<u>-</u>	<u>17,109,839</u>
Business-type activities capital assets, net	<u>\$ 18,258,372</u>	<u>\$ (327,011)</u>	<u>\$ (207,830)</u>	<u>\$ 17,723,531</u>

Town Of Chesapeake Beach, Maryland

Notes To Basic Financial Statements

Note 6. Capital Assets (Continued)

Depreciation expense was charged in the statement of activities for the year ended June 30, 2013, as follows:

Governmental activities:	
General government	\$ 564,920
Public works	233,897
	<u>\$ 798,817</u>
Business-type activities:	
Water park	\$ 231,528
Water and sewer services	657,116
	<u>\$ 888,644</u>

Note 7. Long-Term Liabilities

Long-term liability activity as of and for the year ended June 30, 2013, is as follows:

	Balance, July 1, 2012	Additions	Deductions	Balance, June 30, 2013	Amounts Due Within One Year
Governmental activities:					
General obligation bonds payable	\$ 3,722,876	\$ -	\$ (506,672)	\$ 3,216,204	\$ 415,342
Note payable	317,279	-	(45,537)	271,742	45,533
Compensated absences	48,913	24,543	(23,604)	49,852	21,012
	<u>\$ 4,089,068</u>	<u>\$ 24,543</u>	<u>\$ (575,813)</u>	<u>\$ 3,537,798</u>	<u>\$ 481,887</u>
Business-type activities:					
General obligation bonds payable	\$ 7,183,613	\$ -	\$ (490,274)	\$ 6,693,339	\$ 468,695
Compensated absences	27,652	18,655	(13,611)	32,696	12,995
	<u>\$ 7,211,265</u>	<u>\$ 18,655</u>	<u>\$ (503,885)</u>	<u>\$ 6,726,035</u>	<u>\$ 481,690</u>

General obligation bonds payable relating to governmental activities at June 30, 2013, 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	\$ 510,700
\$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	1,688,430
\$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	1,017,074
	<u>\$ 3,216,204</u>

Town Of Chesapeake Beach, Maryland

Notes To Basic Financial Statements

Note 7. Long-Term Liabilities (Continued)

Notes payable relating to governmental activities at June 30, 2013, 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>\$ 271,742</u>
---	-------------------

Maturities of the general obligation bonds payable and notes payable relating to governmental activities as of June 30, 2013, is as follows:

Years Ending June 30,	General Obligation Bonds	Notes Payable	Total
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	232,195	35,182	267,377
2019 - 2023	885,542	85,481	971,023
2024 - 2027	580,042	-	580,042
	<u>\$ 3,216,204</u>	<u>\$ 271,742</u>	<u>\$ 3,487,946</u>

Interest requirements on general obligation bonds and notes payable relating to governmental activities as of June 30, 2013, is as follows:

Years Ending June 30,	General Obligation Bonds	Notes Payable	Total
2014	\$ 127,827	\$ -	\$ 127,827
2015	111,449	-	111,449
2016	94,427	-	94,427
2017	81,106	-	81,106
2018	71,585	-	71,585
2019 - 2023	222,660	-	222,660
2024 - 2027	62,300	-	62,300
	<u>\$ 771,354</u>	<u>\$ -</u>	<u>\$ 771,354</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 7. Long-Term Liabilities (Continued)

General obligation bonds payable relating to business-type activities at June 30, 2013, 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	\$ 293,295
\$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	274,286
\$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	514,520
\$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	1,910,800
\$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	3,700,438
	\$ 6,693,339

Maturities and interest requirements of the general obligation bonds payable relating to business-type activities as of June 30, 2013, is as follows:

Years Ending June 30,	Principal	Interest	Total
2014	\$ 468,695	\$ 132,896	\$ 601,591
2015	478,762	124,434	603,196
2016	485,022	115,559	600,581
2017	429,418	107,748	537,166
2018	436,448	100,176	536,624
2019 - 2023	2,234,943	383,678	2,618,621
2024 - 2028	1,868,051	177,117	2,045,168
2029 - 2030	292,000	18,743	310,743
	\$ 6,693,339	\$ 1,160,351	\$ 7,853,690

Town Of Chesapeake Beach, Maryland

Notes To Basic Financial Statements

Note 8. 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 9. 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 10. 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. Similar to the 401(a) plan, the 457(b) plan assets are not reflected in the Town's financial statements.

Total matching contributions made by the Town under these plans for the year ended June 30, 2013 was \$102,219.

Town Of Chesapeake Beach, Maryland

Notes To Basic Financial Statements

Note 11. 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 has entered into a contract pertaining to an Enhanced Nutrient Removal (ENR) upgrade project for the wastewater treatment plant totaling \$13,669,275, all of which was outstanding at June 30, 2013. The Town has received notification from the Maryland Department of the Environment (MDE) that 45.34% of eligible construction costs will be offset by a grant from MDE through the Bay Restoration Fund, up to a maximum grant amount of \$5,904,118 (ENR Grant). Under terms of the interjurisdictional agreement discussed in Note 8, the Town is responsible for 49.66% of the net project costs, thus is obligated for \$3,856,177 of costs not covered by the ENR Grant. The Town has also received notification that it will be receiving a federal EPA grant in the amount of \$679,000 to help cover the Town's specific portion of the project costs.

General obligation bonds: The Town Council authorized the Town to issue and sell from time to time one or more series of general obligation bonds in an aggregate amount not to exceed \$3,950,000. The proceeds of each series of bonds are to be used and applied for the public purpose of financing, reimbursing or refinancing costs incurred in connection with the ENR upgrades project and the expansion of the wastewater treatment plant. As of June 30, 2013, there is no set date to issue these bonds.

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 \$2,772. The Town's portion of rent expense incurred under these agreements for the year ended June 30, 2013, was \$33,253. The Town also entered into an operating lease on January 1, 2013 for a copier for five years ending December 31, 2017. The Town's lease expense for this copier is \$325 monthly. The Town's portions of future minimum lease payments are as follows:

Years Ending June 30,

2014	\$	36,905
2015		12,402
2016		3,894
2017		3,894
2018		1,947
	\$	<u>59,042</u>

Town Of Chesapeake Beach, Maryland

Notes To Basic Financial Statements

Note 12. New Governmental Accounting Standards Board (GASB) Standards

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended June 30, 2013, 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 65, *Items Previously Reported as Assets and Liabilities*, will be effective for the Town beginning with its year ending June 30, 2014. Concept 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 Concept Statement No. 4. In addition, this Statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources.
- 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.
- 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. Additionally, this Statement enhances accountability and transparency through revised and new note disclosures and required supplementary information.

Town Of Chesapeake Beach, Maryland

Notes To Basic Financial Statements

Note 12. New Governmental Accounting Standards Board (GASB) Standards (Continued)

- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, will be effective for the Town beginning with its year ending June 30, 2015. This Statement establishes accounting and financial reporting standards related to government combinations (such as mergers, acquisitions, and transfers) and disposals of government operations. This Statement requires the use of carrying values to measure the assets and liabilities in a government merger. For government acquisitions, this Statement requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values. This Statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. Additionally, this Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions.
- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, will be effective for the Town beginning with its year ending June 30, 2014. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range. This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to report the obligation until legally released as an obligor. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units. This Statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive nonexchange financial guarantees.

Town Of Chesapeake Beach, Maryland

Schedule Of Revenues – Budget And Actual – General Fund
 Year Ended June 30, 2013
 (With Comparative Totals For 2012)

	2013			Variance With Amended Budget Positive (Negative)	2012 Actual
	Original Budget	Amended Budget	Actual		
Taxes:					
Local property taxes:					
Real property	\$ 2,564,000	\$ 2,564,000	\$ 2,655,520	\$ 91,520	\$ 2,686,409
Personal property	50,000	50,000	48,391	(1,609)	50,754
Penalties and interest	13,000	13,000	10,696	(2,304)	15,485
	<u>2,627,000</u>	<u>2,627,000</u>	<u>2,714,607</u>	<u>87,607</u>	<u>2,752,648</u>
Admission and amusement tax	635,000	635,000	594,882	(40,118)	717,148
Hotel tax	85,000	85,000	90,631	5,631	90,511
Total taxes	<u>3,347,000</u>	<u>3,347,000</u>	<u>3,400,120</u>	<u>53,120</u>	<u>3,560,307</u>
Licenses and permits:					
Liquor	4,000	4,000	6,925	2,925	8,300
Cable franchise	50,000	50,000	40,780	(9,220)	35,696
Traders	4,000	4,000	2,549	(1,451)	3,447
Zoning	40,000	40,000	38,239	(1,761)	29,437
Total licenses and permits	<u>98,000</u>	<u>98,000</u>	<u>88,493</u>	<u>(9,507)</u>	<u>76,880</u>
Intergovernmental:					
State-shared taxes:					
Income	675,000	675,000	740,897	65,897	727,945
Highway user	58,000	58,000	58,133	133	88,740
	<u>733,000</u>	<u>733,000</u>	<u>799,030</u>	<u>66,030</u>	<u>816,685</u>
Federal projects grant	-	-	78,258	78,258	67,657
Grants from state government:					
State Police protection	29,000	29,000	29,300	300	29,300
State DGS Kellam's Field Rec. Project	125,000	125,000	61,399	(63,601)	3,926
State DNR critical areas	4,000	4,000	4,000	-	4,000
State DBED capital expenditures	-	-	-	-	369,382
Miscellaneous grants	-	-	1,800	1,800	16,920
	<u>158,000</u>	<u>158,000</u>	<u>96,499</u>	<u>(61,501)</u>	<u>423,528</u>
Funds from county government:					
County recreation fees	65,000	65,000	46,921	(18,079)	81,684
	<u>65,000</u>	<u>65,000</u>	<u>46,921</u>	<u>(18,079)</u>	<u>81,684</u>
Total intergovernmental	<u>956,000</u>	<u>956,000</u>	<u>1,020,708</u>	<u>64,708</u>	<u>1,389,554</u>
Charges for services:					
Town recreation fees	48,000	48,000	12,000	(36,000)	26,000
Bulk trash fees	-	-	-	-	60
Transient boat tie-up	-	-	-	-	28,442
Total charges for services	<u>48,000</u>	<u>48,000</u>	<u>12,000</u>	<u>(36,000)</u>	<u>54,502</u>
Investment earnings	2,050	2,050	6,589	4,539	4,396
Miscellaneous revenues:					
Fines and forfeitures	-	-	86,034	86,034	12,761
Mitigation contributions	72,000	72,000	-	(72,000)	975
Tower site rental	82,000	82,000	86,541	4,541	90,712
Veteran park brick sales	500	500	100	(400)	600
Bayfront park admissions	40,000	40,000	35,692	(4,308)	47,156
Insurance proceeds	-	-	-	-	7,934
Citizen donations	-	-	17,674	17,674	24,004
Miscellaneous	1,500	1,500	14,424	12,924	5,380
Total miscellaneous revenues	<u>196,000</u>	<u>196,000</u>	<u>240,465</u>	<u>44,465</u>	<u>189,522</u>
Total revenues	<u>\$ 4,647,050</u>	<u>\$ 4,647,050</u>	<u>\$ 4,768,375</u>	<u>\$ 121,325</u>	<u>\$ 5,275,161</u>

Town Of Chesapeake Beach, Maryland

**Schedule Of Expenditures – Budget And Actual – General Fund
Year Ended June 30, 2013
(With Comparative Totals For 2012)**

	2013				2012 Actual
	Original Budget	Amended Budget	Actual	Variance With Amended Budget Positive (Negative)	
General government:					
Salaries, payroll taxes, and benefits	\$ 355,000	\$ 355,000	\$ 373,961	\$ (18,961)	\$ 356,213
Planning and zoning	60,000	80,000	82,018	(2,018)	44,999
Legal	45,000	45,000	32,696	12,304	49,019
Code enforcement	15,000	15,000	13,623	1,377	15,456
Engineering and consulting	42,000	42,000	56,304	(14,304)	65,551
Special events	105,000	120,000	120,476	(476)	113,562
Economic development	25,000	25,000	33,498	(8,498)	30,110
Grants to local organizations	8,000	8,000	6,450	1,550	10,600
Audit and financial expense	41,000	41,000	30,500	10,500	40,550
Newsletter	30,000	30,000	25,007	4,993	22,630
Chesapeake Bay critical area	5,000	5,000	3,450	1,550	2,433
Office expense	92,000	92,000	74,670	17,330	75,753
Repairs and maintenance	28,000	28,000	22,145	5,855	15,591
Library rent	35,000	35,000	33,253	1,747	32,361
Council expense	33,000	33,000	32,437	563	24,512
SDAT fees	-	21,000	21,000	-	-
Insurance	10,000	10,000	17,398	(7,398)	22,994
Telephone and utilities	35,000	35,000	28,813	6,187	29,267
Miscellaneous	13,150	13,150	2,229	10,921	1,174
Total general government	977,150	1,033,150	1,009,928	23,222	952,775
Public safety:					
Police	780,000	780,000	721,768	58,232	702,606
Boardwalk Patrol	-	-	37,293	(37,293)	45,472
North Beach VFD	10,000	10,000	10,000	-	12,000
Total public safety	790,000	790,000	769,061	20,939	760,078
Public works:					
Salaries, payroll taxes, and benefits	298,000	298,000	298,714	(714)	293,811
Trash removal	225,000	225,000	242,741	(17,741)	225,705
Landfill tipping fees	165,000	165,000	154,258	10,742	150,149
Property maintenance	470,000	470,000	324,135	145,865	430,785
Street lighting	60,000	60,000	59,015	985	65,053
Holiday lights	85,000	85,000	76,904	8,096	68,116
Streets and equipment maintenance	50,000	50,000	50,487	(487)	38,799
Gasoline and oil	16,000	16,000	16,719	(719)	17,230
Snow removal	25,000	25,000	5,135	19,865	6,465
Telephone and utilities	21,000	21,000	14,676	6,324	12,118
Supplies	20,000	20,000	22,776	(2,776)	12,000
Road and sidewalk repairs	68,000	68,000	14,440	53,560	35,977
Investment in equipment	76,000	76,000	58,558	17,442	84,110
Operating capital outlay	488,000	432,000	219,319	212,681	266,354
Miscellaneous	1,000	1,000	1,687	(687)	776
Total public works	2,068,000	2,012,000	1,559,564	452,436	1,707,448
Capital outlay	125,000	125,000	12,702	112,298	143,438
Debt service	700,000	700,000	698,764	1,236	705,628
Total expenditures	\$ 4,660,150	\$ 4,660,150	\$ 4,050,019	\$ 610,131	\$ 4,269,367