

**TOWN OF CHESAPEAKE BEACH,  
MARYLAND**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION  
WITH INDEPENDENT AUDITORS' REPORT**

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**Year Ended June 30, 2016**

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## INDEPENDENT AUDITORS' 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, business-type activities, and each major fund of the Town of Chesapeake Beach, Maryland (the Town), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the 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 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 Town'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 Town'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.

## **Opinion**

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, 2016, 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 Management's Discussion and Analysis on pages 4 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

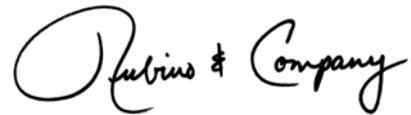
### *Other Information*

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Chesapeake Beach, Maryland. The budget and actual schedules, listed in the table of contents, as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budget and actual schedules are the responsibility of management and were derived from and relate directly to the underlying accounting data and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting data and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budget and actual schedules are fairly stated in all material respects in relation to the 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 November 17, 2016 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

A handwritten signature in cursive script that reads "Rubins & Company". The signature is written in black ink and is centered on the page.

November 17, 2016  
Bethesda, Maryland

**TOWN OF CHESAPEAKE BEACH, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

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, 2016. 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 on June 30, 2016, was \$33,172,641 (net position). Approximately 51% of this amount is attributable to business-type activities that include the Utility and Water Park funds. The remaining 49% is attributable to government activities. Of total net position, \$8,955,342 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors. This includes \$2,562,369 set aside into the Rainy Day Fund, created as a contingency for emergency situations. The remaining net position of \$24,217,299 represents a net investment in capital assets and restricted net position.
- The property tax rate for the Town was maintained at \$0.36/\$100.
- Water and sewer user rates maintained a fixed charge per quarter of \$50 and the rates for Sewer per thousand gallons remained at \$5.05 and for Water per thousand gallons also remained at \$1.85 in fiscal year 2016.
- In the Utility Fund, work continued on the water and sewer line relocation project at the 261 bridge.
- At the Water Park, the Point of Service system was updated.
- At the Chesapeake Beach Wastewater Treatment Plant, construction is continuing on the enhanced nutrient removal (ENR) project and is scheduled for completion in FY17.

**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.

**TOWN OF CHESAPEAKE BEACH, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

**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, 2016, and earned but unused vacation leave will be included in the Statement of Activities as revenues and expenses, even though the cash associated with these items will not be received or distributed until after June 30, 2016.

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 be 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

**TOWN OF CHESAPEAKE BEACH, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

Statement of Net Position and the Statement of Activities) and governmental funds in 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 \$33,172,641 at the close of the most recent fiscal year.

Of the Town's net position, 72.2% reflects its net investment in capital assets (e.g., land, buildings, machinery and equipment). 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.

**Condensed Statement of Net Position**

	Governmental Activities		Business Type-Activities		Total Town	
	2016	2015	2016	2015	2016	2015
<b>Assets</b>						
Current and other assets	8,636,247	7,906,778	1,385,813	1,432,380	10,022,060	9,339,158
Capital assets, net	9,957,845	10,171,636	24,324,761	22,451,816	34,282,606	32,623,452
<b>Total Assets</b>	<b>18,594,092</b>	<b>18,078,414</b>	<b>25,710,574</b>	<b>23,884,196</b>	<b>44,304,666</b>	<b>41,962,610</b>
<b>Liabilities</b>						
Long-term liabilities	1,790,759	2,212,069	8,595,672	7,934,269	10,386,431	10,146,338
Other liabilities	430,826	273,373	314,768	829,258	745,594	1,102,631
<b>Total liabilities</b>	<b>2,221,585</b>	<b>2,485,442</b>	<b>8,910,440</b>	<b>8,763,527</b>	<b>11,132,025</b>	<b>11,248,969</b>
<b>Net Position</b>						
Net investment in capital assets	8,224,392	8,017,848	15,742,403	14,532,633	23,966,795	22,550,481
Restricted	250,504	-	-	-	250,504	-
Unrestricted	7,897,611	7,575,124	1,057,731	588,036	8,955,342	8,163,160
<b>Total Net Position</b>	<b>16,372,507</b>	<b>15,592,972</b>	<b>16,800,134</b>	<b>15,120,669</b>	<b>33,172,641</b>	<b>30,713,641</b>

**TOWN OF CHESAPEAKE BEACH, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

**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 net revenue. The Utility Fund shows 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.

**Condensed Statement of Activities**

	Governmental Activities		Business-Type Activities		Total Town	
	2016	2015	2016	2015	2016	2015
<b>Revenues</b>						
Program Revenues:						
Charges for services	112,364	103,744	2,750,127	2,576,251	2,862,491	2,679,995
Operating Grants and Contributions	45,879	64,408	-	-	45,879	64,408
Capital Grants and Contributions	248,157	216,886	1,477,491	1,024,678	1,725,648	1,241,564
General Revenues:						
Property Tax	2,760,090	2,733,946	-	-	2,760,090	2,733,946
Income Tax	838,855	704,572	-	-	838,855	704,572
Admissions and Amusements Tax	1,051,690	1,242,637	-	-	1,051,690	1,242,637
Hotel Tax	109,540	75,352	-	-	109,540	75,352
Franchise Tax	103,743	96,093	-	-	103,743	96,093
Investment Earnings	15,762	1,573	16,168	7,619	31,930	9,192
Miscellaneous	328,535	92,411	11,457	10,070	339,992	102,481
Transfers	40,000	40,000	(40,000)	(40,000)	-	-
<b>Total Revenues</b>	<b>5,654,615</b>	<b>5,371,622</b>	<b>4,215,243</b>	<b>3,578,618</b>	<b>9,869,858</b>	<b>8,950,240</b>
<b>Expenses</b>						
General government	2,119,087	1,808,894	-	-	2,119,087	1,808,894
Public Safety	925,969	775,000	-	-	925,969	775,000
Public Works	1,494,516	1,834,824	-	-	1,494,516	1,834,824
Water Park	-	-	1,105,872	1,021,373	1,105,872	1,021,373
Water and Sewer Services	-	-	1,382,339	1,530,451	1,382,339	1,530,451
Interest on long-term debt	75,061	87,562	-	36,509	75,061	124,071
<b>Total Expenses</b>	<b>4,614,633</b>	<b>4,506,280</b>	<b>2,488,211</b>	<b>2,588,333</b>	<b>7,102,844</b>	<b>7,094,613</b>
<b>Change in Net Position</b>	<b>1,039,982</b>	<b>865,342</b>	<b>1,727,032</b>	<b>990,285</b>	<b>2,767,014</b>	<b>1,855,627</b>

**TOWN OF CHESAPEAKE BEACH, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

**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 project's progress, they are impacted as well.

**Capital Asset and Debt Administration**

*Capital Assets*

The only major project during fiscal year 2016, which was still in process at June 30, 2016, was the ENR project at the treatment plant in the amount started in the prior year with current year additions of \$2,349,134 in the Utility Fund. More detailed information about capital assets can be found in Note 5 to the basic financial statements.

**Capital Assets, Net of Depreciation**

	Governmental Activities		Business-Type Activities		Town Total	
	2016	2015	2016	2015	2016	2015
Land	1,192,375	1,192,375	21,875	21,875	1,214,250	1,214,250
Construction in Progress	80,073	80,073	9,237,853	6,740,598	9,317,926	6,820,671
Land Improvements	7,251,327	7,388,927	219,614	248,463	7,470,941	7,637,390
Buildings	1,180,276	1,231,896	4,523,271	852,780	5,703,547	2,084,676
Water System	-	-	7,504,427	3,986,991	7,504,427	3,986,991
Sewer System	-	-	2,529,443	10,398,734	2,529,443	10,398,734
Vehicles and Equipment	253,794	278,365	288,278	202,375	542,072	480,740
<b>Total</b>	9,957,845	10,171,636	24,324,761	22,451,816	34,282,606	32,623,452

*Long-Term Liabilities*

At June 30, 2016, the Town had total outstanding long-term liabilities of \$10,386,431. Total debt for the Governmental activities is \$1,790,759. Total outstanding debt for business-type activities is \$8,595,672, which includes the \$3,321,497 in the Utility Fund used for costs associated with the ENR project previously discussed. More detailed information about long-term debt can be found in Note 6 to the basic financial statements.

**TOWN OF CHESAPEAKE BEACH, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

**Long-Term Liabilities**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Town Total</u>	
	<b>2016</b>	2015	<b>2016</b>	2015	<b>2016</b>	2015
General obligation Bonds	1,577,607	1,962,760	8,582,358	7,919,183	10,159,965	9,881,943
Notes Payable	155,846	191,028	-	-	155,846	191,028
Compensated Absences	57,306	58,281	13,314	15,086	70,620	73,367
<b>Total</b>	<b>1,790,759</b>	<b>2,212,069</b>	<b>8,595,672</b>	<b>7,934,269</b>	<b>10,386,431</b>	<b>10,146,338</b>

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

The fiscal 2016 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. The real property tax rate will remain at \$0.36/\$100.

The Town has executed a loan from the Maryland Department of the Environment, up to a maximum of \$3,950,000, to help finance the enhanced nutrient removal (ENR) project.

Water and sewer user rates remained the same in FY 2016. There is a fixed charge per quarter of \$50.00 for sewer usage plus a rate of \$5.05/tg (thousand gallons) and \$1.85/tg (thousand gallons) for water use. 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**  
**STATEMENT OF NET POSITION**  
**June 30, 2016**

	Governmental Activities	Business-Type Activities	Total Primary Government
<b>ASSETS</b>			
Cash and cash equivalents	\$ 8,564,324	\$ 969,177	\$ 9,533,501
Accounts receivable			
Property taxes	71,923	-	71,923
Water and sewer services	-	395,592	395,592
Inventory	-	21,044	21,044
Capital assets			
Non-depreciable assets	1,272,448	9,259,728	10,532,176
Depreciable assets, net	8,685,397	15,065,033	23,750,430
<b>Total assets</b>	<b>\$ 18,594,092</b>	<b>\$ 25,710,574</b>	<b>\$ 44,304,666</b>
<b>LIABILITIES AND NET POSITION</b>			
<b>Liabilities</b>			
Accounts payable	\$ 396,485	\$ 17,780	\$ 414,265
Accrued liabilities	26,976	112,139	139,115
Deposits	7,365	-	7,365
Due to TP fund		184,849	184,849
Non-current liabilities			
Due within one year	212,918	433,231	646,149
Due in more than one year	1,577,841	8,162,441	9,740,282
<b>Total liabilities</b>	<b>2,221,585</b>	<b>8,910,440</b>	<b>11,132,025</b>
<b>Net position</b>			
Net investment in capital assets	8,224,392	15,742,403	23,966,795
Restricted net position	250,504	-	250,504
Unrestricted net position	7,897,611	1,057,731	8,955,342
<b>Total net position</b>	<b>16,372,507</b>	<b>16,800,134</b>	<b>33,172,641</b>
<b>Total liabilities and net position</b>	<b>\$ 18,594,092</b>	<b>\$ 25,710,574</b>	<b>\$ 44,304,666</b>

The accompanying notes are an integral part of these financial statements.

**TOWN OF CHESAPEAKE BEACH**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN NET POSITION**  
**Year Ended June 30, 2016**

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
<b>Governmental Activities</b>							
General government	\$ 2,379,534	\$ 96,861	\$ -	\$ -	\$ (2,282,673)	\$ -	\$ (2,282,673)
Public safety	925,969	15,226	45,439	-	(865,304)	-	(865,304)
Public works	1,494,516	277	440	248,157	(1,245,642)	-	(1,245,642)
Interest on long-term debt	75,061	-	-	-	(75,061)	-	(75,061)
<b>Total governmental activities</b>	<b>4,875,080</b>	<b>112,364</b>	<b>45,879</b>	<b>248,157</b>	<b>(4,468,680)</b>	<b>-</b>	<b>(4,468,680)</b>
<b>Business-Type Activities</b>							
Water park	1,100,612	1,326,003	-	-	-	225,391	225,391
Water and sewer services	1,435,166	1,424,124	-	1,477,491	-	1,466,449	1,466,449
<b>Total business-type activities</b>	<b>2,535,778</b>	<b>2,750,127</b>	<b>-</b>	<b>1,477,491</b>	<b>-</b>	<b>1,691,840</b>	<b>1,691,840</b>
<b>Total primary government</b>	<b>\$ 7,410,858</b>	<b>\$ 2,862,491</b>	<b>\$ 45,879</b>	<b>\$ 1,725,648</b>	<b>(4,468,680)</b>	<b>1,691,840</b>	<b>(2,776,840)</b>
		General Revenues:					
					2,760,090	-	2,760,090
					838,855	-	838,855
					1,051,690	-	1,051,690
					109,540	-	109,540
					103,743	-	103,743
					15,762	16,168	31,930
					328,535	11,457	339,992
					40,000	(40,000)	-
					<b>5,248,215</b>	<b>(12,375)</b>	<b>5,235,840</b>
					<b>779,535</b>	<b>1,679,465</b>	<b>2,459,000</b>
		Net Position:					
					15,592,972	15,120,669	30,713,641
					<b>\$ 16,372,507</b>	<b>\$ 16,800,134</b>	<b>\$ 33,172,641</b>

The accompanying notes are an integral part of these financial statements.

**TOWN OF CHESAPEAKE BEACH**  
**BALANCE SHEET - GOVERNMENTAL FUND**  
**June 30, 2016**

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General  
Fund

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**ASSETS**

Cash and cash equivalents	\$	8,564,324
Property taxes receivable		<u>71,923</u>
<b>Total assets</b>	<b>\$</b>	<b><u>8,636,247</u></b>

**LIABILITIES AND FUND BALANCE**

**Liabilities**

Accounts payable	\$	396,485
Accrued liabilities		26,976
Deposits		<u>7,365</u>
<b>Total liabilities</b>		<u>430,826</u>

**Fund balance**

Committed for:		
Dredging projects		250,504
Assigned to:		
Subsequent year expenditures		233,461
Unassigned		<u>7,721,456</u>
<b>Total fund balance</b>		<u>8,205,421</u>
<b>Total liabilities and fund balance</b>	<b>\$</b>	<b><u>8,636,247</u></b>

The accompanying notes are an integral part of these financial statements.

**TOWN OF CHESAPEAKE BEACH**  
**Reconciliation of the Governmental Fund**  
**Balance Sheet to the Statement of Net Position**  
**June 30, 2016**

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Total Fund Balance - Governmental Fund	\$	8,205,421
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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	\$ 19,321,764	
Accumulated depreciation	<u>(9,363,919)</u>	9,957,845

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	(1,733,453)	
Accumulated unused compensated absences	<u>(57,306)</u>	<u>(1,790,759)</u>

<b>Net position of governmental activities</b>	<b>\$</b>	<b><u><u>16,372,507</u></u></b>
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The accompanying notes are an integral part of these financial statements.

**TOWN OF CHESAPEAKE BEACH**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - GOVERNMENTAL FUND**  
**Year Ended June 30, 2016**

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	<u>General Fund</u>
<b>Revenue</b>	
Taxes	\$ 4,863,918
Charges for services	112,364
Grants and contributions	294,036
Investment earnings	15,762
Miscellaneous	<u>328,535</u>
<b>Total revenue</b>	<u>5,614,615</u>
<b>Expenditures</b>	
Current:	
General government	1,390,911
Public safety	925,969
Public works	1,494,516
Capital outlay	748,812
Debt service:	
Principal	420,335
Interest	<u>75,061</u>
<b>Total expenditures</b>	<u>5,055,604</u>
Other financing sources	
Transfer in	<u>40,000</u>
<b>Net change in fund balance</b>	<u>599,011</u>
<b>Fund Balance</b>	
Beginning	<u>7,606,410</u>
Ending	<u><u>\$ 8,205,421</u></u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF CHESAPEAKE BEACH**  
**Reconciliation of the Governmental Fund Statement of Revenues,**  
**Expenditures, and Changes in Fund Balance to the Statement of Activities**  
**Year Ended June 30, 2016**

Total Net Change in Fund Balance - Governmental Fund \$ 599,011

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 these 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	\$ 748,812	
Accumulated depreciation	<u>(962,603)</u>	(213,791)

A certain amount of property tax and grant revenues in the  
 statement of activities does not provide current financial  
 resources and is not reported in the governmental funds.

This is the amount by which unavailable resources decreased. (39,504)

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.

420,335

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.

12,509

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  
 decreased.

975

**Change in net position of governmental activities**

\$ 779,535

The accompanying notes are an integral part of these financial statements.

**TOWN OF CHESAPEAKE BEACH**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with Amended Budget Positive (Negative)
	Original	Amended		
<b>Revenue</b>				
Taxes	\$ 4,444,188	\$ 4,444,188	\$ 4,863,918	\$ 419,730
Charges for services	38,500	38,500	112,364	73,864
Grants and contributions	286,229	286,229	294,036	7,807
Investment earnings	1,000	1,000	15,762	14,762
Miscellaneous	715,000	715,000	328,535	(386,465)
<b>Total revenue</b>	<u>5,484,917</u>	<u>5,484,917</u>	<u>5,614,615</u>	<u>129,698</u>
<b>Expenditures</b>				
Current:				
General government	1,137,390	1,137,390	1,390,911	(253,521)
Public safety	920,758	920,758	925,969	(5,211)
Public works	1,597,357	1,597,357	1,494,516	102,841
Capital outlay	1,375,011	1,375,011	748,812	626,199
Debt service:				-
Principal	420,335	420,335	420,335	-
Interest	74,066	74,066	75,061	(995)
<b>Total expenditures</b>	<u>5,524,917</u>	<u>5,524,917</u>	<u>5,055,604</u>	<u>469,313</u>
Other financing sources				
Transfer in	40,000	40,000	40,000	-
<b>Net change in fund balance</b>	<u>-</u>	<u>-</u>	<u>599,011</u>	<u>599,011</u>
<b>Fund Balance</b>				
Beginning			<u>7,606,410</u>	
Ending			<u>\$ 8,205,421</u>	

The accompanying notes are an integral part of these financial statements.

**TOWN OF CHESAPEAKE BEACH**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**June 30, 2016**

	Enterprise Funds		
	Water Park Fund	Utility Fund	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 416,143	\$ 553,034	\$ 969,177
Accounts receivable	-	391,982	391,982
Other receivables	3,610	-	3,610
Inventory	21,044	-	21,044
<b>Total current assets</b>	<u>440,797</u>	<u>945,016</u>	<u>1,385,813</u>
<b>Non-current assets</b>			
Capital assets			
Non-depreciable assets	-	9,259,728	9,259,728
Depreciable assets, net	614,121	14,450,912	15,065,033
<b>Total assets</b>	<u>\$ 1,054,918</u>	<u>\$ 24,655,656</u>	<u>\$ 25,710,574</u>
<b>LIABILITIES AND NET POSITION</b>			
<b>Current liabilities</b>			
Accounts payable	11,413	6,367	17,780
Accrued liabilities	41,032	71,107	112,139
Due to TP fund	-	184,849	184,849
General obligation bonds payable	-	429,419	429,419
Compensated absences	3,812	-	3,812
<b>Total current liabilities</b>	<u>56,257</u>	<u>691,742</u>	<u>747,999</u>
<b>Non-current liabilities</b>			
General obligation bonds payable	-	8,152,939	8,152,939
Compensated absences	9,502	-	9,502
<b>Total liabilities</b>	<u>65,759</u>	<u>8,844,681</u>	<u>8,910,440</u>
<b>Net position</b>			
Net investment in capital assets	614,121	15,128,282	15,742,403
Unrestricted net position	375,038	682,693	1,057,731
<b>Total net position</b>	<u>989,159</u>	<u>15,810,975</u>	<u>16,800,134</u>
<b>Total liabilities and net position</b>	<u>\$ 1,054,918</u>	<u>\$ 24,655,656</u>	<u>\$ 25,710,574</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF CHESAPEAKE BEACH**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN NET POSITION - PROPRIETARY FUNDS**  
**Year Ended June 30, 2016**

	Enterprise Funds		
	Water Park Fund	Utility Fund	Total
<b>Operating Revenues</b>			
Current use charges	\$ 1,326,003	\$ 1,424,124	\$ 2,750,127
Miscellaneous	<u>11,229</u>	<u>228</u>	<u>11,457</u>
<b>Total operating revenues</b>	<u>1,337,232</u>	<u>1,424,352</u>	<u>2,761,584</u>
<b>Operating Expenses</b>			
Personnel services	538,202	-	538,202
Operating and maintenance	486,649	833,298	1,319,947
Depreciation	<u>75,761</u>	<u>601,868</u>	<u>677,629</u>
<b>Total operating expenses</b>	<u>1,100,612</u>	<u>1,435,166</u>	<u>2,535,778</u>
<b>Operating income (loss)</b>	<u>236,620</u>	<u>(10,814)</u>	<u>225,806</u>
<b>Non-Operating Revenues (Expenses)</b>			
Investment interest	425	352	777
Interest income (expense)	<u>-</u>	<u>15,391</u>	<u>15,391</u>
<b>Income (loss) before transfers and connection fees and capital grants and contributions</b>	237,045	4,929	241,974
Transfer out	(40,000)	-	(40,000)
Connection fees	-	127,300	127,300
Capital grants and contributions	<u>-</u>	<u>1,350,191</u>	<u>1,350,191</u>
<b>Change in net position</b>	197,045	1,482,420	1,679,465
<b>Fund Balance</b>			
Beginning	<u>792,114</u>	<u>14,328,555</u>	<u>15,120,669</u>
Ending	<u>\$ 989,159</u>	<u>\$ 15,810,975</u>	<u>\$ 16,800,134</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF CHESAPEAKE BEACH**  
**STATEMENTS OF CASH FLOWS - PROPRIETARY FUNDS**  
**Year Ended June 30, 2016**

	Enterprise Funds		
	Water Park Fund	Utility Fund	Total
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 1,327,897	\$ 1,478,472	\$ 2,806,369
Payments to suppliers and employees	(1,010,491)	(773,791)	(1,784,282)
<b>Net cash provided by operating activities</b>	<u>317,406</u>	<u>704,681</u>	<u>1,022,087</u>
<b>Cash flows from non-capital financing activities</b>			
Transfers out	(40,000)	-	(40,000)
Internal activity - payments from (to) other funds	(208,515)	(1,348,860)	(1,557,375)
<b>Net cash used in non-capital financing activities</b>	<u>(248,515)</u>	<u>(1,348,860)</u>	<u>(1,597,375)</u>
<b>Cash flows from capital and related financing activities</b>			
Purchases of capital assets	(53,319)	(2,497,254)	(2,550,573)
Capital grants received	-	2,158,524	2,158,524
Connection fees received	-	127,300	127,300
Principal payments on notes and bonds payable	-	(485,022)	(485,022)
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>(53,319)</u>	<u>(696,452)</u>	<u>(749,771)</u>
<b>Cash flows from investing activities</b>			
Investment interest earned	425	15,743	16,168
<b>Net cash provided (used) by investing activities</b>	<u>425</u>	<u>15,743</u>	<u>16,168</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	15,997	(1,324,888)	(1,308,891)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>400,146</u>	<u>1,877,922</u>	<u>2,278,068</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 416,143</u>	<u>\$ 553,034</u>	<u>\$ 969,177</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 236,620	\$ (10,814)	\$ 225,806
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation	75,761	601,868	677,629
Changes in operating assets and liabilities			
Accounts receivable, net	4,709	54,120	58,829
Inventory	(14,044)	-	(14,044)
Accounts payable	6,732	59,194	65,926
Accrued liabilities	9,400	313	9,713
Compensated absences	(1,772)	-	(1,772)
<b>Net cash used in operating activities</b>	<u>\$ 317,406</u>	<u>\$ 704,681</u>	<u>\$ 1,022,087</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF CHESAPEAKE BEACH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

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**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 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. Basis of Accounting**

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 and business-type activities are reported on a consolidated basis and are reported on a full accrual, economic resources measurement focus, 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) net investment in capital assets; (2) restricted; and (3) unrestricted.

**TOWN OF CHESAPEAKE BEACH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

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**B. Basis of Accounting (continued)**

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.

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, deferred inflows of resources, 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; deferred inflows of resources are assigned to the fund in which they will be recognized in the future; and the

**TOWN OF CHESAPEAKE BEACH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

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**C. Fund Accounting (continued)**

difference between governmental fund assets, liabilities and deferred inflows of resources, the fund equity, is referred to as “fund balance.” The measurement focus is upon determination of changes in current financial resources, 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. The accrual basis of accounting is used under this measurement focus.

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 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 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, compensated absences, and claims and judgements are recorded only when payment is due.

**TOWN OF CHESAPEAKE BEACH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

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**D. Measurement Focus and Basis of Accounting (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 measureable 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 inflows of resources and recognized at the date of receipt. The Town's tax rate for the collection year ended June 30, 2016, 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.

**TOWN OF CHESAPEAKE BEACH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

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**D. Measurement Focus and Basis of Accounting (continued)**

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 to use encumbrances accounting.

**G. Budgetary Data**

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

**H. Cash and Cash Equivalents**

The Town's cash and cash equivalents include 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. 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, 2016, management believes all receivables are collectible and has not recorded an allowance for doubtful accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

**TOWN OF CHESAPEAKE BEACH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

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**I. Receivables (continued)**

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.

**J. Inventory**

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

**K. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2016, 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.

**L. Deferred Outflows of Resources**

Deferred outflows are the consumption of net position by the government that is applicable to a future reporting period.

**M. 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 and in the proprietary fund 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.

**TOWN OF CHESAPEAKE BEACH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

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**M. Capital Assets (continued)**

Major outlays for capital assets and improvements are capitalized as projects are constructed, including interest during the construction period. Interest in the amount of \$196,812 was capitalized on projects for the year ended June 30, 2016. 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

Capital assets are not reported in the governmental funds balance sheet; capital outlay expenditures are reported instead.

**N. Deferred Inflows of Resources**

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balances that applies to a future period and so will not be recognized in an inflow of resources (revenue) until that time. One item which qualifies for reporting in this category, which arises only under the modified accrual basis of accounting, is unavailable revenue. Accordingly, it is only reported in the governmental funds balance sheet. The Town reports unavailable receivables from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**O. 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, except for advances which are long term in nature.

**TOWN OF CHESAPEAKE BEACH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

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**O. Interfund Transactions (continued)**

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.

**P. 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, 2016, no accumulated unpaid vacation or compensatory leave had matured, resulting in it being maintained separately and being a reconciling item between the governmental fund and government-wide financial statement presentations.

**Q. Long-Term Obligations**

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the term of the bonds using the bond-outstanding method which approximates the effective interest method. Bonds payable are reported net of the applicable unamortized bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid bond insurance costs are reported as prepaid items and amortized over the term of the related debt using the straight-line method. In the governmental fund financial statements, bond premiums and discounts, as well as bond issuance costs are recognized during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures along with principal and interest payments due.

**TOWN OF CHESAPEAKE BEACH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

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**R. Fund Balance**

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

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

**S. Net Position**

Net position equals assets plus deferred outflows of resources less liabilities and deferred inflows of resources. The net position category of net investment in capital assets consist 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 investment in capital assets, 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 regulation of other governments. Remaining net position amounts are unrestricted.

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

**TOWN OF CHESAPEAKE BEACH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

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**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, 2016, 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. As of June 30, 2016, 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 \$7,777,423 and \$330,986 for governmental activities and business-type activities, respectively, at June 30, 2016.

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, 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.

**TOWN OF CHESAPEAKE BEACH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

**3. Receivables and Payables**

Receivables and payables at June 30, 2016 consist of the following:

	Governmental Activities	Business-Type Activities		Total
		Water Park Fund	Utility Fund	
<b>Taxes Receivable</b>				
Property taxes	\$ 71,923	\$ -	\$ -	\$ 71,923
<b>Other Receivables</b>				
Utility payments	\$ -	\$ -	\$ 391,982	\$ 391,982
Miscellaneous	-	3,610	-	3,610
	<u>\$ -</u>	<u>\$ 3,610</u>	<u>\$ 391,982</u>	<u>\$ 395,592</u>
<b>Accounts Payable</b>				
Vendors	\$ 396,485	\$ 11,413	\$ 6,367	\$ 414,265
<b>Accrued Liabilities</b>				
Payroll and withholdings	\$ 34,341	\$ 41,032	\$ -	\$ 75,373
MDE flush fee	-	-	34,457	34,457
Interest	-	-	36,650	36,650
Treatment plant	-	-	184,849	184,849
	<u>\$ 34,341</u>	<u>\$ 41,032</u>	<u>\$ 255,956</u>	<u>\$ 331,329</u>

**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, 2016, there were no interfund balances.

Interfund transfers for the year ended June 30, 2016 consisted of a transfer in the Town's normal course of business from the Water Park of \$40,000 to the General Fund.

**TOWN OF CHESAPEAKE BEACH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

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**5. Capital Assets**

Capital asset activity for the year ended June 30, 2016 is as follows:

<b>Governmental Activities</b>	July 1, <u>2015 Balance</u>	Additions and <u>Other Increases</u>	Deletions and <u>Other Decreases</u>	June 30, <u>2016 Balance</u>
Land	\$ 1,192,375	\$ -	\$ -	\$ 1,192,375
Construction in Progress	<u>80,073</u>	<u>-</u>	<u>-</u>	<u>80,073</u>
Total Assets not being depreciated	1,272,448	-	-	1,272,448
Land Improvements	14,397,670	637,164	-	15,034,834
Buildings and Facilities	1,717,055	-	-	1,717,055
Equipment	<u>1,185,779</u>	<u>111,648</u>	<u>-</u>	<u>1,297,427</u>
Total Capital Assets	18,572,952	748,812	-	19,321,764
Less Accumulated Depreciation:	<u>(8,401,316)</u>	<u>(962,603)</u>	<u>-</u>	<u>(9,363,919)</u>
Net Book Value	<u>\$ 10,171,636</u>	<u>\$ (213,791)</u>	<u>\$ -</u>	<u>\$ 9,957,845</u>
 <b>Business-Type Activities</b>	 July 1, <u>2015 Balance</u>	 Additions and <u>Other Increases</u>	 Deletions and <u>Other Decreases</u>	 June 30, <u>2016 Balance</u>
Land	\$ 21,875	\$ -	\$ -	\$ 21,875
Construction in Progress	<u>6,740,598</u>	<u>2,497,255</u>	<u>-</u>	<u>9,237,853</u>
Total Assets not being depreciated	6,762,473	2,497,255	-	9,259,728
Land Improvements	676,783	-	-	676,783
Buildings and Facilities	4,948,182	-	-	4,948,182
Water System	6,656,209	-	-	6,656,209
Sewer System	14,557,994	-	-	14,557,994
Equipment	<u>684,629</u>	<u>53,319</u>	<u>-</u>	<u>737,948</u>
Total Capital Assets	34,286,270	2,550,574	-	36,836,844
Less Accumulated Depreciation:	<u>(11,834,454)</u>	<u>(677,629)</u>	<u>-</u>	<u>(12,512,083)</u>
Net Book Value	<u>\$ 22,451,816</u>	<u>\$ 1,872,945</u>	<u>\$ -</u>	<u>\$ 24,324,761</u>

**TOWN OF CHESAPEAKE BEACH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

**5. Capital Assets (continued)**

Depreciation expense was charged in the statement of activities for the year ended June 30, 2016 as follows:

**Governmental Activities**

General government	\$ 241,114
Public works	507,698
	\$ 748,812

**Business-Type Activities**

Water park	\$ 75,761
Water and sewer services	601,868
	\$ 677,629

**6. Long-Term Liabilities**

Long-term liability for the year ended June 30, 2016 is as follows:

<b>Governmental Activities</b>	Balance			Balance	Due Within
	<u>July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2016</u>	<u>One Year</u>
General obligation bonds payable	\$ 1,962,760	-	\$(385,153)	\$ 1,577,607	\$ 161,328
Note payable	191,028	-	(35,182)	155,846	35,182
Compensated absences	58,281	30,739	(31,714)	57,306	16,408
	\$ 2,212,069	\$ 30,739	\$ (452,049)	\$ 1,790,759	\$ 212,918
Long Term Liabilities					
<b>Business-Type Activities</b>	Balance			Balance	Due Within
	<u>July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2016</u>	<u>One Year</u>
General obligation bonds payable	\$ 8,259,047	\$ 808,333	\$(485,022)	\$ 8,582,358	\$ 429,419
Compensated absences	15,086	5,474	(7,246)	13,314	3,812
	\$ 8,274,133	\$ 813,807	\$ (492,268)	\$ 8,595,672	\$ 433,231
Long Term Liabilities					

**TOWN OF CHESAPEAKE BEACH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

**6. Long-Term Liabilities (continued)**

General obligation bonds payable relating to governmental activities at June 30, 2016 consist of the following:

\$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 varying rates ranging from 3.85% to 4.225%; annual principal payments due May 1 at varying amounts up to \$154,468; due May 1, 2027	\$1,397,217
\$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 \$361,540; due November 15, 2018	<u>\$57,703</u>
	<u>\$1,454,920</u>

Notes payable relating to governmental activities at June 30, 2016 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 \$35,182, with varying due dates through September 2020	<u>\$155,846</u>
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Maturities of the general obligation bonds payable and notes payable relating to governmental activities as of June 30, 2016 are as follows:

Years ending June 30,	General Obligation Bonds	Notes Payable	Total
2017	\$ 161,328	\$ 35,182	\$ 196,510
2018	167,195	35,182	202,377
2019	174,456	35,182	209,638
2020	116,724	25,150	141,874
2021	120,984	25,150	146,134
2022-2027	836,920	-	836,920
	<u>\$ 1,577,607</u>	<u>\$ 155,846</u>	<u>\$ 1,733,453</u>

**TOWN OF CHESAPEAKE BEACH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

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**6. Long-Term Liabilities (continued)**

Interest requirements on general obligation bonds and notes payable relating to governmental activities as of June 30, 2016 are as follows:

Years ending June 30,	General Obligation Bonds	Notes Payable	Total
2017	\$ 63,489	\$ -	\$ 63,489
2018	57,024	-	57,024
2019	50,325	-	50,325
2020	44,579	-	44,579
2021	39,793	-	39,793
2022-2027	126,796	-	126,796
	\$ 382,006	\$ -	\$ 382,006

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

General obligation bonds payable relating to business-type activities at June 30, 2015 consist of the following:

<p>\$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 varying rates ranging from 3.45% to 4.125%; annual principal payments due May 1 at varying amounts up to \$26,832; due May 1, 2027</p>	\$242,708
<p>\$966,149 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</p>	\$47,840
<p>\$683,000 ARRA Sewer Improvement Loan of 2009; interest payable at 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</p>	\$413,224

**TOWN OF CHESAPEAKE BEACH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

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**6. Long-Term Liabilities (continued)**

\$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 varying rates up to 4.25%; annual principal payments due May 1 at varying amounts up to \$149,000; due May 1, 2030	\$1,645,800
\$4,720,489 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 \$293,499; due February 1, 2027	\$2,911,289
\$3,950,000 Maryland Department of the Environment Water Quality 2014 construction loan; \$628,503 construction draws available at June 30, 2016; interest payable semi-annually on February 1 and August 1 at 1.0%; annual principal payments beginning February 1, 2017 at varying amounts up to \$216,723; due February 1, 2036	<u>\$3,321,497</u>
	<u><u>\$8,582,358</u></u>

Maturities and interest requirements of the general obligation bonds payable relating to business-type activities as of June 30, 2016 are as follows:

Years ending June 30,	Principal	Interest	Total
2017	\$ 608,808	\$ 147,461	\$ 756,269
2018	617,632	137,882	755,514
2019	626,850	128,275	755,125
2020	620,417	118,974	739,391
2021	630,416	111,739	742,155
2022-2033	<u>5,478,235</u>	<u>583,899</u>	<u>6,062,134</u>
	<u>\$ 8,582,358</u>	<u>\$ 1,228,230</u>	<u>\$ 9,810,588</u>

**TOWN OF CHESAPEAKE BEACH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

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**7. Inter-jurisdictional 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 inter-jurisdictional 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% to the Town, 24% to the Town of North Beach, and 29% to Calvert County, Maryland. On August 15, 1996, the owners above entered into another inter-jurisdictional 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 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 provides all of their accounting functions for the treatment plant and invoices the other government participants for their proportional share of all operating expenses and capital expenditures. The Town accounts for its respective allocations of the operations of the treatment plant in the Utility Fund and recovers its costs through user charges to its citizens.

**8. 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.

**TOWN OF CHESAPEAKE BEACH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

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**9. 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 10% 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 a maximum amount allowable by law, but not to exceed the lesser of \$15,500 or 100% of an employee's total compensation. The Town makes additional 100% matching contributions of up to 10% 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 contributions made by the Town under these plans for the year ended June 30, 2016 was \$125,458.

**10. 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.

**TOWN OF CHESAPEAKE BEACH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

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**10. Commitments and Contingencies (continued)**

Capital projects: The Town has entered into engineering and construction contracts pertaining to an Enhanced Nutrient Removal (ENR) upgrade project for the wastewater treatment plant totaling \$17,200,608, of which a total project commitment of \$878,480 was outstanding at June 30, 2016. The Town has received notification from the Maryland Department of the Environment (MDE) that 45.34% of eligible construction costs will be offset directly by a grant from MDE through the Bay Restoration Fund, up to a maximum grant amount of \$7,080,000 (ENR Grant). Under these terms of the inter-jurisdictional agreement discussed in Note 7, the Town is responsible for 49.66% of the net project costs, thus is obligated for \$4,276,842 of remaining project costs not covered by the ENR Grant, of which \$391,098 is still outstanding at June 30, 2016.

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% of the combined rents and Calvert County, Maryland is responsible for the remaining 75% 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 2% and up to a maximum of 4%. One of the leases renewed July 1, 2015, for a period of five years ending June 30, 2020, with a current monthly payment of \$2,212. The other lease was renewed November 1, 2015, only for a one year period ending October 31, 2016, with a current monthly payment of \$729. The Town's portion of rent expense incurred under these agreements for the year ended June 30, 2016 was \$41,241. 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:

<u>Years ending June 30,</u>	
2017	\$ 33,707
2018	29,379
2019	27,980
2020	28,540
	<u>\$ 119,606</u>

**TOWN OF CHESAPEAKE BEACH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

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**11. New Governmental Accounting Standards Board (GASB) Standards**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to year ended June 30, 2016 that have effective dates that may impact future financial presentations.

Management has currently not determined what, if any, impact implementation of the following statements may have on the financial statement of the Town:

- GASB 80 – Blending Requirements for Certain Component Units

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. This Statement is effective for reporting periods beginning after June 15, 2016.

- GASB 81 – Irrevocable Split-Interest Agreements

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement is effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

**TOWN OF CHESAPEAKE BEACH**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL - GENERAL FUND**  
**Year Ended June 30, 2016**  
**(With Comparative Totals for 2015)**

	Budgeted Amounts		Actual	Variance with	2015 Actual
	Original	Amended		Amended Budget Positive (Negative)	
<b>Taxes</b>					
Local Property Taxes:					
Real property	\$ 2,690,000	\$ 2,690,000	\$ 2,709,778	\$ 19,778	\$ 2,691,190
Personal property	44,700	44,700	46,549	1,849	44,732
Penalties and interest	5,000	5,000	3,763	(1,237)	9,682
	<u>2,739,700</u>	<u>2,739,700</u>	<u>2,760,090</u>	<u>20,390</u>	<u>2,745,604</u>
Admission and amusement tax	825,000	825,000	1,051,690	226,690	1,242,637
Hotel tax	88,000	88,000	109,540	21,540	75,352
<b>Total taxes</b>	<u>3,652,700</u>	<u>3,652,700</u>	<u>3,921,320</u>	<u>268,620</u>	<u>4,063,593</u>
<b>Licenses and Permits</b>					
Liquor	4,000	4,000	-	(4,000)	1,828
Cable franchise	71,488	71,488	103,743	32,255	96,093
Traders	3,500	3,500	2,561	939	1,221
Zoning	6,000	6,000	26,570	(20,570)	12,657
<b>Total licenses and permits</b>	<u>84,988</u>	<u>84,988</u>	<u>132,874</u>	<u>8,624</u>	<u>111,799</u>
<b>Intergovernmental</b>					
State-shared taxes:					
Income	720,000	720,000	838,855	118,855	704,572
Highway user	238,811	238,811	248,157	9,346	216,886
	<u>958,811</u>	<u>958,811</u>	<u>1,087,012</u>	<u>128,201</u>	<u>921,458</u>
Grants from state government:					
State police protection	47,418	47,418	45,439	(1,979)	47,179
State DNR critical areas	4,000	4,000	-	(4,000)	4,000
Miscellaneous grants	-	-	-	-	(4,870)
	<u>51,418</u>	<u>51,418</u>	<u>45,439</u>	<u>(5,979)</u>	<u>46,309</u>
Funds from county government:					
County recreation fees	-	-	-	-	17,879
<b>Total intergovernmental</b>	<u>1,010,229</u>	<u>1,010,229</u>	<u>1,132,451</u>	<u>122,222</u>	<u>985,646</u>
<b>Charges for services</b>					
Town recreation fees	-	-	-	-	70,025
Bulk trash fees	-	-	277	277	-
<b>Total charges for services</b>	<u>-</u>	<u>-</u>	<u>277</u>	<u>277</u>	<u>70,025</u>
Investment earnings	1,000	1,000	15,595	14,595	1,573
<b>Miscellaneous Revenues</b>					
Fines and forfeitures	16,000	16,000	15,376	(624)	18,013
Tower site rental	85,000	85,000	94,653	9,653	91,000
Veterans park brick sales	-	-	440	440	200
Bayfront park admissions	25,000	25,000	67,730	42,730	-
Citizen donations	-	-	-	-	20
Miscellaneous	610,000	610,000	233,732	(376,268)	1,411
<b>Total miscellaneous revenues</b>	<u>736,000</u>	<u>736,000</u>	<u>411,931</u>	<u>(324,069)</u>	<u>110,644</u>
<b>Total revenues</b>	<u>\$ 5,484,917</u>	<u>\$ 5,484,917</u>	<u>\$ 5,614,448</u>	<u>\$ 90,269</u>	<u>\$ 5,343,280</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF CHESAPEAKE BEACH**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND**  
**Year Ended June 30, 2016**  
**(With Comparative Totals for 2015)**

	Budgeted Amounts		Actual	Variance with	2015 Actual
	Original	Amended		Amended Budget Positive (Negative)	
<b>General Government</b>					
Salaries, payroll taxes, and benefits	\$ 551,797	\$ 551,797	529,970	21,827	459,318
Planning and zoning	-	-	53,482	(53,482)	57,446
Legal	45,000	45,000	64,483	(19,483)	42,677
Code enforcement	-	-	-	-	36,933
Engineering and consulting	97,000	97,000	72,399	24,601	120,435
Special events	89,550	89,550	77,395	12,155	116,880
Economic development	27,750	27,750	26,438	1,312	34,194
Grants to local organizations	7,500	7,500	5,400	2,100	5,500
Audit and financial expense	42,000	42,000	46,693	(4,693)	41,138
Newsletter	15,000	15,000	13,234	1,766	21,022
Office expense	60,000	60,000	65,605	(5,605)	111,863
IT Support	18,000	18,000	30,034	(12,034)	-
Repairs and maintenance	25,000	25,000	18,290	6,710	41,666
Notification system	5,000	5,000	-	5,000	-
Document imaging	6,235	6,235	3,043	3,192	-
Library rent	35,000	35,000	41,241	(6,241)	34,521
Board of elections	500	500	-	500	-
Council expense	24,500	24,500	33,843	(9,343)	32,635
SDAT fees	11,558	11,558	11,558	-	11,558
Insurance	50,000	50,000	42,514	7,486	18,810
Telephone and utilities	25,000	25,000	19,960	5,040	28,008
Miscellaneous	1,000	1,000	235,329	(234,329)	(17,960)
<b>Total general government</b>	<b>1,137,390</b>	<b>1,137,390</b>	<b>1,390,911</b>	<b>(253,521)</b>	<b>1,196,644</b>
<b>Public Safety</b>					
Police	845,758	845,758	847,145	(1,387)	712,562
Boardwalk Patrol	50,000	50,000	53,824	(3,824)	37,438
North Beach VFD	25,000	25,000	25,000	-	25,000
<b>Total public safety</b>	<b>920,758</b>	<b>920,758</b>	<b>925,969</b>	<b>(5,211)</b>	<b>775,000</b>
<b>Public Works</b>					
Salaries, payroll taxes, and benefits	574,448	574,448	497,589	76,859	404,483
Trash removal	290,196	290,196	322,888	(32,692)	260,700
Landfill tipping fees	165,000	165,000	116,006	48,994	162,756
Property maintenance	200,000	200,000	251,044	(51,044)	386,699
Street lighting	86,525	86,525	78,653	7,872	87,046
Holiday lights	40,000	40,000	40,996	(996)	86,573
Streets and equipment maintenance	27,000	27,000	22,622	4,378	82,288
Gasoline and oil	20,000	20,000	11,583	8,417	10,192
Snow removal	40,000	40,000	45,000	(5,000)	30,047
Telephone and utilities	9,900	9,900	12,602	(2,702)	9,615
Supplies	24,438	24,438	11,478	12,960	20,067
Oyster program	11,850	11,850	12,216	(366)	8,066
Road and sidewalk repairs	25,000	25,000	13,482	11,518	-
Fishing creek dredging	6,000	6,000	-	6,000	-
Recreational operation charges	75,000	75,000	56,473	18,527	-
Miscellaneous	2,000	2,000	1,884	116	685
<b>Total public works</b>	<b>1,597,357</b>	<b>1,597,357</b>	<b>1,494,516</b>	<b>102,841</b>	<b>1,549,217</b>
Capital Outlay	1,375,011	1,375,011	748,812	626,199	154,944
Debt Service	494,401	494,401	495,396	(995)	504,802
<b>Total expenditures</b>	<b>\$ 5,524,917</b>	<b>\$ 5,524,917</b>	<b>\$ 5,055,604</b>	<b>\$ 469,313</b>	<b>\$ 4,180,607</b>

The accompanying notes are an integral part of these financial statements.