

Town Of Chesapeake Beach, Maryland

Financial Report
June 30, 2007

McGladrey & Pullen
Certified Public Accountants

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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Town Council
Town of Chesapeake Beach, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Chesapeake Beach, Maryland as of and for the year ended June 30, 2007, which collectively comprise the Town of Chesapeake Beach's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Chesapeake Beach, Maryland's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Chesapeake Beach, Maryland as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 17, 2007, on our consideration of the Town of Chesapeake Beach, Maryland's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 2 through 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Chesapeake Beach's basic financial statements. The other 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 of the Town of Chesapeake Beach, Maryland. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

McGladrey & Pullen, LLP

Frederick, Maryland
October 17, 2007

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an affiliation of separate and independent legal entities.

**TOWN OF CHESAPEAKE BEACH, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

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, 2007. Readers are encouraged to consider the information presented here in conjunction with the financial statements and notes to the financial statements (which immediately follow this discussion).

Financial Highlights

- The net assets of the Town of Chesapeake Beach exceeded its liabilities at June 30, 2007 by \$14,862,540. Approximately 64.7% of this amount is attributable to the proprietary funds. Of total net assets, \$3,102,539 (unrestricted net assets) may be used to meet the Town's ongoing obligations to its citizens and creditors.
- The property tax rate for the Town decreased 12%, to a tax rate below the constant yield.
- Water and sewer user rates increased 5% on July 1, 2006.
- On August 1, 2006, the Town negotiated a prepayment of the \$1,269,060 Taxable Public Facilities Refunding Bond of 2004 with Woodsboro Bank.
- On May 1, 2007, the Town issued a \$2,574,725 bond through the Department of Housing and Community Development. The proceeds will be used to finance the railway trail, streetscape, and storm water management improvements.
- The Town funded the Rainy Day Fund with an additional \$250,000.
- In the General Fund, the major projects in process are the SHA streetscape project which will include upgraded sidewalks, landscaping and lighting along MD 260 and MD 261 and the 1.4 mile hiker-biker Railway Trail.
- In the Utility Fund, the major projects under construction are the rehabilitation of the Mears Avenue and B Street Pump Stations, various sewer improvements and the reduction of inflow and infiltration into the sewer system.
- The Chesapeake Beach Wastewater Treatment Plant, whose capacity ownership is shared with the Town of North Beach, Calvert County and Anne Arundel County, has three major capital projects underway. The first is an overhaul to the headworks at the plant and the outfall in the Bay. The second is the Enhanced Nutrient Removal (ENR) initiative. The third project is the construction of a shellfish holding tank. The Town intends to expand the capacity of the Treatment Plant to 1.5 mgd.

Overview of the Financial Statements

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

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

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

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

**TOWN OF CHESAPEAKE BEACH, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

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

The government-wide financial statements are designed to provide readers with a broad overview of the finances of the Town of Chesapeake Beach. The Statement of Net Assets and the Statement of Activities include all assets and liabilities using the accrual basis of accounting. The accrual basis of accounting requires that revenues be reported when they are earned and that expenses be reported when the goods and services are received, regardless of the timing of the cash flow. Items such as uncollected taxes, unpaid vendor invoices for items received as of June 30, 2007, 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, 2007.

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

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

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

Fund Financial Statements

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

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

**TOWN OF CHESAPEAKE BEACH, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Town's combined assets exceeded liabilities by \$14,862,540 at the close of the most recent fiscal year.

Of the Town's net assets, 79.0 percent 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.

| | Condensed Statement of Net Assets | | | | | |
|--|--|---------------------|--------------------------|---------------------|----------------------|----------------------|
| | Governmental Activities | | Business-Type Activities | | Total Town | |
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Assets: | | | | | | |
| Current and other assets | \$ 4,841,945 | \$ 3,041,715 | \$ 1,834,761 | \$ 8,897,572 | \$ 6,676,706 | \$ 4,692,287 |
| Capital assets, net | 7,171,566 | 7,359,258 | 9,799,676 | 805,253 | 16,971,242 | 15,411,511 |
| Total assets | 12,013,511 | 10,400,973 | 11,634,437 | 9,702,825 | 23,647,948 | 20,103,798 |
| Liabilities: | | | | | | |
| Long-term liabilities | 6,625,950 | 6,042,643 | 1,192,346 | 896,309 | 7,818,296 | 6,938,952 |
| Other liabilities | 136,738 | 236,315 | 830,374 | 242,581 | 967,112 | 478,896 |
| Total liabilities | 6,762,688 | 6,278,958 | 2,022,720 | 1,138,890 | 8,785,408 | 7,417,848 |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 2,760,553 | 1,335,252 | 8,999,448 | 7,155,944 | 11,760,001 | 8,491,196 |
| Unrestricted | 2,490,270 | 2,786,763 | 612,269 | 1,407,991 | 3,102,539 | 4,194,754 |
| Total net assets | \$ 5,250,823 | \$ 4,122,015 | \$ 9,611,717 | \$ 8,563,935 | \$ 14,862,540 | \$ 12,685,950 |

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.

**TOWN OF CHESAPEAKE BEACH, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

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 | |
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 239,619 | \$ 90,851 | \$ 1,337,273 | \$ 1,903,473 | \$ 1,576,892 | \$ 1,994,324 |
| Operating grants and contributions | 141,896 | 72,671 | - | - | 141,896 | 72,671 |
| Capital grants and contributions | 428,224 | 628,389 | 1,320,714 | - | 1,748,938 | 628,389 |
| General revenues: | | | | | | |
| Property tax | 2,199,959 | 2,182,066 | - | - | 2,199,959 | 2,182,066 |
| Income tax | 581,510 | 536,667 | - | - | 581,510 | 536,667 |
| Admissions and amusements tax | 417,580 | 300,742 | - | - | 417,580 | 300,742 |
| Hotel tax | 72,816 | 96,236 | - | - | 72,816 | 96,236 |
| Investment earnings | 83,285 | 106,884 | 68,747 | 55,092 | 152,032 | 161,976 |
| Miscellaneous | 91,922 | 75,205 | 23,896 | 13,146 | 115,818 | 88,351 |
| Transfers | (100,000) | (73,050) | 100,000 | 73,050 | - | - |
| Total revenues | 4,156,811 | 4,016,661 | 2,850,630 | 2,044,761 | 7,007,441 | 6,061,422 |
| Expenses: | | | | | | |
| General government | 1,060,983 | 1,028,214 | - | - | 1,060,983 | 1,028,214 |
| Public safety | 649,737 | 495,091 | - | - | 649,737 | 495,091 |
| Public works | 1,140,320 | 1,008,860 | - | - | 1,140,320 | 1,008,860 |
| Water park | - | - | 822,846 | 1,008,684 | 822,846 | 1,008,684 |
| Water and sewer services | - | - | 944,244 | 1,053,152 | 944,244 | 1,053,152 |
| Interest on long-term debt | 176,963 | 234,065 | 35,758 | 35,154 | 212,721 | 269,219 |
| Total expenses | 3,028,003 | 2,766,230 | 1,802,848 | 2,096,990 | 4,830,851 | 4,863,220 |
| Increase in net assets | \$ 1,128,808 | \$ 1,250,431 | \$ 1,047,782 | \$ (52,229) | \$ 2,176,590 | \$ 1,198,202 |

**TOWN OF CHESAPEAKE BEACH, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

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

Major capital additions during 2007 include the construction of additional pavilions in Kellam's Complex (\$164,281) , storm water management projects (\$29,450) and numerous construction projects in progress (\$2,097,832). 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 | |
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Land | \$ 1,041,275 | \$ 1,041,275 | \$ 21,875 | \$ 21,875 | \$ 1,063,150 | \$ 1,063,150 |
| Construction in progress | 604,994 | 681,914 | 2,523,181 | 413,499 | 3,128,175 | 1,095,413 |
| Land Improvements | 4,174,137 | 4,353,330 | 138,572 | 159,108 | 4,312,709 | 4,512,438 |
| Buildings | 1,224,024 | 1,087,631 | 1,784,266 | 1,958,215 | 3,008,290 | 3,045,846 |
| Water system | - | - | 2,551,885 | 2,653,543 | 2,551,885 | 2,653,543 |
| Sewer system | - | - | 2,711,025 | 2,778,132 | 2,711,025 | 2,778,132 |
| Vehicles and equipment | 127,136 | 195,108 | 68,872 | 67,881 | 196,008 | 262,989 |
| Total | \$ 7,171,566 | \$ 7,359,258 | \$ 9,799,676 | \$ 8,052,253 | \$ 16,971,242 | \$ 15,411,511 |

**TOWN OF CHESAPEAKE BEACH, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

Long-Term Debt

At June 30, 2007, the Town had total outstanding debt of \$7,818,296. Total debt for the Governmental activities is \$6,625,950. Total outstanding debt for business-type activities is \$1,192,346. More detailed information about long-term debt can be found in Note 8 to the basic financial statements.

Figure 4

| | Long-Term Liabilities | | | | | |
|---|--------------------------------|----------------------------|---------------------------------|--------------------------|----------------------------|----------------------------|
| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total Town</u> | |
| | <u>2007</u> | <u>2006</u> | <u>2007</u> | <u>2006</u> | <u>2007</u> | <u>2006</u> |
| General obligation bonds | \$ 5,979,469 | \$ 5,331,826 | \$ 1,192,346 | \$ 888,704 | \$ 7,171,815 | \$ 6,220,530 |
| Notes payable | 625,210 | 692,180 | - | 7,605 | 625,210 | 699,785 |
| Accumulated unused compensated absences | 21,271 | 18,637 | - | - | 21,271 | 18,637 |
| Total | <u>\$ 6,625,950</u> | <u>\$ 6,042,643</u> | <u>\$ 1,192,346</u> | <u>\$ 896,309</u> | <u>\$ 7,818,296</u> | <u>\$ 6,938,952</u> |

Economic Factors and Next Year's Budgets and Rates

The rate of residential construction is expected to continue slowing because there is little vacant land in the Town. Build-out should be complete in a few years, with only infill and redevelopment remaining. Overall, the operating budgets increased nominally. The real property tax rate was unchanged. The Town intends to issue a \$5,174,770 bond through the Maryland Water Quality Financing Administration to finance the Town's portion of the Shellfish Holding Tank and Outfall Replacement Projects. A ten percent (10%) increase in utility user rates became effective July 1, 2007 and capital connection fees increased September 5, 2007.

Contacting the Town's Financial Management

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

Town Of Chesapeake Beach, Maryland

Statement Of Net Assets
June 30, 2007

| | Governmental Activities | Business-Type Activities | Total Primary Government |
|---|----------------------------|-----------------------------|--------------------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 2,304,689 | \$ 1,173,856 | \$ 3,478,545 |
| Investments | 2,130,000 | 370,000 | 2,500,000 |
| Accounts receivable: | | | |
| Property taxes | 42,825 | - | 42,825 |
| Water and sewer services | - | 187,098 | 187,098 |
| Due from other governments | 265,040 | 62,703 | 327,743 |
| Other receivables | 8,237 | - | 8,237 |
| Internal balances | (7,370) | 7,370 | - |
| Prepays | 34,858 | 22,675 | 57,533 |
| Bond issuance costs | 63,666 | 11,059 | 74,725 |
| Capital assets: | | | |
| Nondepreciable assets | 1,646,269 | 2,545,056 | 4,191,325 |
| Depreciable assets, net | 5,525,297 | 7,254,620 | 12,779,917 |
| Total assets | 12,013,511 | 11,634,437 | 23,647,948 |
| Liabilities | | | |
| Accounts payable | 74,520 | 745,089 | 819,609 |
| Accrued liabilities | 39,878 | 85,285 | 125,163 |
| Deposits | 22,340 | - | 22,340 |
| Noncurrent liabilities: | | | |
| Due within one year | 493,638 | 94,645 | 588,283 |
| Due in more than one year | 6,132,312 | 1,097,701 | 7,230,013 |
| Total liabilities | 6,762,688 | 2,022,720 | 8,785,408 |
| Net Assets | | | |
| Invested in capital assets, net of related debt | 2,760,553 | 8,999,448 | 11,760,001 |
| Unrestricted | 2,490,270 | 612,269 | 3,102,539 |
| Total net assets | \$ 5,250,823 | \$ 9,611,717 | \$ 14,862,540 |

See Notes To Basic Financial Statements.

Town Of Chesapeake Beach, Maryland

Statement Of Activities
Year Ended June 30, 2007

| Function/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | |
|---------------------------------------|---------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|--------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total Primary Government |
| Governmental Activities: | | | | | | | |
| General government | \$ 1,060,983 | \$ 230,798 | \$ 99,569 | \$ - | \$ (730,616) | \$ - | \$ (730,616) |
| Public safety | 649,737 | 8,371 | 40,327 | - | (601,039) | - | (601,039) |
| Public works | 1,140,320 | 450 | 2,000 | 428,224 | (709,646) | - | (709,646) |
| Interest on long-term debt | 176,963 | - | - | - | (176,963) | - | (176,963) |
| Total governmental activities | 3,028,003 | 239,619 | 141,896 | 428,224 | (2,218,264) | - | (2,218,264) |
| Business-Type Activities: | | | | | | | |
| Water park | 822,846 | 853,171 | - | - | - | 30,325 | 30,325 |
| Water and sewer services | 980,002 | 484,102 | - | 1,320,714 | - | 824,814 | 824,814 |
| Total business-type activities | 1,802,848 | 1,337,273 | - | 1,320,714 | - | 855,139 | 855,139 |
| Total primary government | \$ 4,830,851 | \$ 1,576,892 | \$ 141,896 | \$ 1,748,938 | (2,218,264) | 855,139 | (1,363,125) |
| General Revenues | | | | | | | |
| Property tax | | | | | 2,199,959 | - | 2,199,959 |
| Income tax | | | | | 581,510 | - | 581,510 |
| Admissions and amusement tax | | | | | 417,580 | - | 417,580 |
| Hotel tax | | | | | 72,816 | - | 72,816 |
| Investment earnings | | | | | 83,285 | 68,747 | 152,032 |
| Miscellaneous | | | | | 91,922 | 23,896 | 115,818 |
| Transfers | | | | | (100,000) | 100,000 | - |
| Total general revenues | | | | | 3,347,072 | 192,643 | 3,539,715 |
| Change in net assets | | | | | 1,128,808 | 1,047,782 | 2,176,590 |
| Net Assets | | | | | | | |
| Beginning | | | | | 4,122,015 | 8,563,935 | 12,685,950 |
| Ending | | | | | \$ 5,250,823 | \$ 9,611,717 | \$ 14,862,540 |

See Notes To Basic Financial Statements.

Town Of Chesapeake Beach, Maryland

Balance Sheet – Governmental Fund
June 30, 2007

| | General Fund |
|---|----------------------------|
| Assets | |
| Cash and cash equivalents | \$ 2,304,689 |
| Investments | 2,130,000 |
| Property taxes receivable, net | 42,825 |
| Other receivables | 8,237 |
| Due from other governments | 265,040 |
| Due from other funds | 5,488 |
| Prepays | 34,858 |
| Total assets | <u><u>\$ 4,791,137</u></u> |
| Liabilities And Fund Balances | |
| Liabilities: | |
| Accounts payable | \$ 74,520 |
| Accrued liabilities | 12,925 |
| Deposits | 22,340 |
| Deferred revenue | 41,434 |
| Due to other funds | 12,858 |
| Total liabilities | <u><u>164,077</u></u> |
| Fund Balances: | |
| Reserved for: | |
| Prepays | 34,858 |
| Capital projects | 2,130,000 |
| Unreserved and undesignated | 2,462,202 |
| Total fund balance | <u><u>4,627,060</u></u> |
| Total liabilities and fund balance | <u><u>\$ 4,791,137</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 Assets
June 30, 2007

| | | | |
|---|----|--------------------|----------------------------|
| Total fund balance – governmental fund | | \$ | 4,627,060 |
| Amounts reported for governmental activities in the statement of net assets are different because: | | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | | |
| Cost of capital assets | \$ | 10,352,669 | |
| Accumulated depreciation | | <u>(3,181,103)</u> | 7,171,566 |
| Long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. | | | |
| Property taxes | | | 41,434 |
| Bond issuance costs expensed by the funds at the time of issuance but deferred and amortized in the governmental statement of activities. | | | |
| | | | 63,666 |
| 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 | | (6,604,679) | |
| Accrued interest payable | | (26,953) | |
| Accumulated unused compensated absences | | <u>(21,271)</u> | <u>(6,652,903)</u> |
| Net assets of governmental activities | | | <u>\$ 5,250,823</u> |

See Notes To Basic Financial Statements.

Town Of Chesapeake Beach, Maryland

Statement Of Revenues, Expenditures, And Changes
 In Fund Balances – Governmental Fund
 Year Ended June 30, 2007

| | General Fund |
|--|---------------------|
| Revenues: | |
| Taxes | \$ 2,690,355 |
| Licenses and permits | 82,798 |
| Intergovernmental | 1,149,630 |
| Service charges for current services | 148,450 |
| Investment earnings | 83,285 |
| Miscellaneous | 102,293 |
| Total revenues | <u>4,256,811</u> |
| Expenditures: | |
| Current: | |
| General government | 875,853 |
| Public safety | 649,737 |
| Public works | 984,487 |
| Capital outlay | 214,303 |
| Debt service: | |
| Principal | 1,612,993 |
| Interest | 180,100 |
| Total expenditures | <u>4,517,473</u> |
| Other Financing Sources (Uses): | |
| Transfers out | (100,000) |
| Bond proceeds | 2,193,666 |
| Total other financing sources | <u>2,093,666</u> |
| Net change in fund balance | 1,833,004 |
| Fund Balance: | |
| Beginning | 2,794,056 |
| Ending | <u>\$ 4,627,060</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, 2006

| | | |
|--|------------------|----------------------------|
| Total net change in fund balance – governmental fund | | \$ 1,833,004 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| <p>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 capital outlays exceed depreciation expense in the current period:</p> | | |
| Capital outlays | \$ 214,303 | |
| Depreciation | <u>(401,995)</u> | (187,692) |
| <p>Repayment of loan payable principal is an expenditure in the general fund, but the repayment reduces noncurrent liabilities in the statement of net assets.</p> | | |
| | | 1,612,993 |
| <p>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 (increased) decreased.</p> | | |
| | | 3,137 |
| <p>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) decreased.</p> | | |
| | | (2,634) |
| <p>Proceeds from long-term debt is another financing source in the general fund, but represents noncurrent liabilities in the statement of net assets.</p> | | |
| | | (2,193,666) |
| <p>Bond issuance costs related to long-term debt is an expenditure in the general fund, but this cost increases noncurrent assets in the statement of net assets.</p> | | |
| | | 63,666 |
| Change in net assets of governmental activities | | <u><u>\$ 1,128,808</u></u> |

See Notes To Basic Financial Statements.

Town of Chesapeake Beach, Maryland

Statement Of Revenues, Expenditures, And Changes In
Fund Balance – Budget And Actual – General Fund
Year Ended June 30, 2007

| | Budgeted Amounts | | Actual | Variance With |
|--|-------------------|-------------------|---------------------|--|
| | Original | Amended | | Amended Budget Positive (Negative) |
| Revenues: | | | | |
| Taxes | \$ 2,460,000 | \$ 2,460,000 | \$ 2,690,355 | \$ 230,355 |
| Licenses and permits | 44,500 | 44,500 | 82,798 | 38,298 |
| Intergovernmental | 1,002,000 | 1,002,000 | 1,149,630 | 147,630 |
| Service charges for current services | 30,500 | 30,500 | 148,450 | 117,950 |
| Investment earnings | 90,000 | 90,000 | 83,285 | (6,715) |
| Miscellaneous | 80,000 | 80,000 | 102,293 | 22,293 |
| Total revenues | 3,707,000 | 3,707,000 | 4,256,811 | 549,811 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 975,800 | 1,075,800 | 875,853 | 199,947 |
| Public safety | 645,000 | 655,000 | 649,737 | 5,263 |
| Public works | 959,000 | 1,074,000 | 984,487 | 89,513 |
| Capital outlay | 1,545,000 | 1,545,000 | 214,303 | 1,330,697 |
| Debt service | 991,300 | 1,866,300 | 1,793,093 | 73,207 |
| Total expenditures | 5,116,100 | 6,216,100 | 4,517,473 | 1,698,627 |
| Other Financing Sources (Uses): | | | | |
| Transfer (out) | (100,000) | (100,000) | (100,000) | - |
| Bond proceeds | 1,500,000 | 2,600,000 | 2,193,666 | (406,334) |
| Total other financing sources | 1,400,000 | 2,500,000 | 2,093,666 | (406,334) |
| Net change in fund balance | \$ (9,100) | \$ (9,100) | 1,833,004 | \$ 1,842,104 |
| Fund Balance : | | | | |
| Beginning | | | <u>2,794,056</u> | |
| Ending | | | <u>\$ 4,627,060</u> | |

See Notes To Basic Financial Statements.

Town Of Chesapeake Beach, Maryland

Statement of Net Assets – Proprietary Funds
June 30, 2007

| | Enterprise Funds | | |
|---|---------------------|---------------------|---------------------|
| | Water Park Fund | Utility Fund | Total |
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 262,747 | \$ 911,109 | \$ 1,173,856 |
| Investments | - | 370,000 | 370,000 |
| Accounts receivable | - | 187,098 | 187,098 |
| Due from other governments | 3,903 | 58,800 | 62,703 |
| Due from other funds | - | 12,858 | 12,858 |
| Prepaid expenses | - | 22,675 | 22,675 |
| | <u>266,650</u> | <u>1,562,540</u> | <u>1,829,190</u> |
| Noncurrent assets: | | | |
| Bond issuance costs | - | 11,059 | 11,059 |
| Capital assets: | | | |
| Nondepreciable assets | - | 2,545,056 | 2,545,056 |
| Depreciable assets, net | 1,279,440 | 5,975,180 | 7,254,620 |
| | <u>1,279,440</u> | <u>8,531,295</u> | <u>9,810,735</u> |
| Total assets | <u>1,546,090</u> | <u>10,093,835</u> | <u>11,639,925</u> |
| Liabilities | | | |
| Current liabilities: | | | |
| Accounts payable | 46,670 | 698,419 | 745,089 |
| Accrued liabilities | 43,380 | 41,905 | 85,285 |
| Due to other funds | 5,488 | - | 5,488 |
| General obligation bond payable | - | 94,645 | 94,645 |
| Noncurrent liabilities: | | | |
| General obligation bond payable | - | 1,097,701 | 1,097,701 |
| Total liabilities | <u>95,538</u> | <u>1,932,670</u> | <u>2,028,208</u> |
| Net Assets | | | |
| Invested in capital assets, net of related debt | 1,279,440 | 7,720,008 | 8,999,448 |
| Unrestricted | 171,112 | 441,157 | 612,269 |
| Total net assets | <u>\$ 1,450,552</u> | <u>\$ 8,161,165</u> | <u>\$ 9,611,717</u> |

See Notes To Basic Financial Statements.

Town Of Chesapeake Beach, Maryland

Statement Of Revenues, Expenses, And Changes In
Fund Net Assets – Proprietary Funds
Year Ended June 30, 2007

| | Enterprise Funds | | |
|---|---------------------|---------------------|---------------------|
| | Water Park Fund | Utility Fund | Total |
| Operating Revenues: | | | |
| Current use charges | \$ 853,171 | \$ 484,102 | \$ 1,337,273 |
| Miscellaneous | 1,551 | 22,345 | 23,896 |
| | <u>854,722</u> | <u>506,447</u> | <u>1,361,169</u> |
| Operating Expenses: | | | |
| Personnel services | 338,167 | 75,708 | 413,875 |
| Operations and maintenance | 300,431 | 599,871 | 900,302 |
| Depreciation and loss on disposal of assets | 184,248 | 268,665 | 452,913 |
| | <u>822,846</u> | <u>944,244</u> | <u>1,767,090</u> |
| Operating income (loss) | <u>31,876</u> | <u>(437,797)</u> | <u>(405,921)</u> |
| Non-Operating Revenues (Expenses): | | | |
| Investment interest | 5,973 | 62,774 | 68,747 |
| Interest expense | - | (35,758) | (35,758) |
| Connection fees | - | 1,065,000 | 1,065,000 |
| Capital contributions | - | 255,714 | 255,714 |
| | <u>5,973</u> | <u>1,347,730</u> | <u>1,353,703</u> |
| Income before transfers | <u>37,849</u> | <u>909,933</u> | <u>947,782</u> |
| Transfer In | - | 100,000 | 100,000 |
| Change in net assets | <u>37,849</u> | <u>1,009,933</u> | <u>1,047,782</u> |
| Net Assets: | | | |
| Beginning | 1,412,703 | 7,151,232 | 8,563,935 |
| Ending | <u>\$ 1,450,552</u> | <u>\$ 8,161,165</u> | <u>\$ 9,611,717</u> |

See Notes To Basic Financial Statements.

Town Of Chesapeake Beach, Maryland

Statement Of Cash Flows – Proprietary Funds
Year Ended June 30, 2007

| | Business-Type Activities - Enterprise Funds | | |
|---|---|-------------------|-------------------|
| | Water Park Fund | Utility Fund | Total |
| Cash Flows From Operating Activities | | | |
| Receipts from customers | \$ 853,633 | \$ 490,395 | \$ 1,344,028 |
| Payments to suppliers and employees | (623,760) | (106,035) | (729,795) |
| Net cash provided by operating activities | 229,873 | 384,360 | 614,233 |
| Cash Flows From Non-Capital Financing Activities | | | |
| Net operating transfers in | - | 100,000 | 100,000 |
| Internal activity – payments from (to) other funds | (109,288) | 13,748 | (95,540) |
| Net cash provided by (used in) non-capital financing activities | (109,288) | 113,748 | 4,460 |
| Cash Flows From Capital And Related Financing Activities | | | |
| Payments for capital assets | (14,207) | (2,186,129) | (2,200,336) |
| Nonoperating grants received | - | 196,914 | 196,914 |
| Connection fees received | - | 1,065,000 | 1,065,000 |
| Principal payments on notes and bonds payable | - | (85,022) | (85,022) |
| Interest paid | - | (32,347) | (32,347) |
| Bond issuance costs incurred | - | (11,059) | (11,059) |
| Proceeds from issuance of general obligation bonds payable | - | 381,059 | 381,059 |
| Net cash (used in) capital and related financing activities | (14,207) | (671,584) | (685,791) |
| Cash Flows From Investing Activities | | | |
| Investment interest earned | 5,973 | 62,774 | 68,747 |
| Increase in restricted investments | - | (370,000) | (370,000) |
| Net cash provided by (used in) investing activities | 5,973 | (307,226) | (301,253) |
| Net increase (decrease) in cash and cash equivalents | 112,351 | (480,702) | (368,351) |
| Cash And Cash Equivalents: | | | |
| Beginning of year | 150,396 | 1,391,811 | 1,542,207 |
| End of year | \$ 262,747 | \$ 911,109 | \$ 1,173,856 |
| Reconciliation Of Operating Income (Loss) To Net Cash Provided By Operating Activities | | | |
| Operating income (loss) | \$ 31,876 | \$ (437,797) | \$ (405,921) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation | 184,248 | 268,665 | 452,913 |
| Changes in assets and liabilities: | | | |
| (Increase) decrease in accounts receivable | 2,814 | (16,052) | (13,238) |
| (Increase) in due from other governments | (3,903) | - | (3,903) |
| Increase in accounts payable | 9,959 | 568,646 | 578,605 |
| Increase in accrued liabilities | 4,879 | 898 | 5,777 |
| Net cash provided by operating activities | \$ 229,873 | \$ 384,360 | \$ 614,233 |

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, (Town) was incorporated in 1894 under the provisions of Maryland State Law. The Town operates under a form of government which 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 which should be included in these basic financial statements.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements: The government-wide financial statements report information on all of the non-fiduciary activities of the Town. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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.

Town Of Chesapeake Beach, Maryland

Notes To Basic Financial Statements

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

C. Fund Accounting

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

Governmental Fund Types: Governmental fund types are those funds through which most governmental functions typically are 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. In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Town has elected to apply all applicable FASB pronouncements, including those issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

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 liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures 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 date of receipt. The Town's tax rates for the collection years ended June 30, 2007 and 2006, was \$0.44 and \$0.50, respectively, 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 as 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 3 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, 2007, 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. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2007, 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. Bond Issuance Costs

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

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. 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. 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.

Town Of Chesapeake Beach, Maryland

Notes To Basic Financial Statements

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

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 |

N. Deferred Revenue

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

O. Inter-fund Transactions

Activity between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are 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 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. Vacation 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 which is payable from available resources is recorded as a liability of the respective fund only if they have matured, for example, as a result of employee retirements and resignations. As of June 30, 2007, no accumulated unpaid vacation leave had matured, resulting in it being maintained separately and being a reconciling item between the fund and government-wide financial statement presentations.

Q. Fund Balance

Reservations of fund balance represent amounts that are not appropriated or are legally segregated for a specific purpose. Restrictions of net assets, if any, are limited to outside third-party restrictions or those restrictions imposed by law through constitutional provisions or enabling legislation. Any designations of fund balance represent tentative management plans that are subject to change.

Town Of Chesapeake Beach, Maryland

Notes To Basic Financial Statements

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

R. Net Assets

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

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

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, 2007, 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 United States government, federal government obligations and repurchase agreements secured by direct government or agency obligations, or the State's sponsored investment pool. At June 30, 2007, 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 \$1,940,196 and \$1,015,877 for governmental activities and business-type activities, respectively.

Note 3. Investments

On May 1, 2007 the Town issued the \$2,574,725 Community Development Administration Local Government Infrastructure 2007 Series A general obligation bond in order to finance the completion of specific capital projects. As of June 30, 2007, unspent bond proceeds of \$2,130,000 and \$370,000 for governmental and business-type activities, respectively, were invested by the Community Development Administration in U.S. Government money market funds. These investments are restricted for the use on completion of certain capital projects.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Town does not have an investment policy for custodial credit risk. At June 30, 2007, all of the Town's investments are exposed to custodial credit risk since the securities are held by the counterparty and are not in the Town's name.

Town Of Chesapeake Beach, Maryland

Notes To Basic Financial Statements

Note 4. Receivables And Payables

Receivables and payables at June 30, 2007, consist of the following:

| | General Fund | Business-Type Activities | | Total |
|---|-------------------|--------------------------|-------------------|-------------------|
| | | Water Park Fund | Utility Fund | |
| Due from other governments: | | | | |
| Federal Emergency Management Agency | \$ - | \$ - | \$ 58,800 | \$ 58,800 |
| State of Maryland | 205,548 | - | - | 205,548 |
| Calvert County | 53,492 | 3,247 | - | 56,739 |
| Howard County | - | 656 | - | 656 |
| Critical Area Commission | 6,000 | - | - | 6,000 |
| | <u>\$ 265,040</u> | <u>\$ 3,903</u> | <u>\$ 58,800</u> | <u>\$ 327,743</u> |
| Other receivables: | | | | |
| Miscellaneous | \$ 8,237 | \$ - | \$ - | \$ 8,237 |
| Accounts payable: | | | | |
| Vendors | \$ 74,520 | \$ 46,670 | \$ 547,981 | \$ 669,171 |
| Contractor retainages | - | - | 150,438 | 150,438 |
| | <u>\$ 74,520</u> | <u>\$ 46,670</u> | <u>\$ 698,419</u> | <u>\$ 819,609</u> |
| Accrued liabilities: | | | | |
| Payroll and withholdings | \$ 12,925 | \$ 43,380 | \$ 2,330 | \$ 58,635 |
| MDE flush fee | - | - | 31,829 | 31,829 |
| Interest | - | - | 7,746 | 7,746 |
| Interest on governmental activities in statement of net assets | - | - | - | 26,953 |
| | <u>\$ 12,925</u> | <u>\$ 43,380</u> | <u>\$ 41,905</u> | <u>\$ 125,163</u> |

Note 5. Interfund Receivables, Payables And Transfers

Interfund balances result from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made. Interfund receivables and payables are non interest-bearing and are normally settled in the subsequent period. At June 30, 2007, interfund receivable and payable balances are as follows:

| Receivable Fund | Payable Fund | |
|-----------------|------------------|-----------------|
| | General Fund | Water Park Fund |
| General | \$ - | \$ 5,488 |
| Utility Fund | 12,858 | - |
| | <u>\$ 12,858</u> | <u>\$ 5,488</u> |

Interfund transfers for the year ended June 30, 2007, consisted of transfers in the Town's normal course of business from the General Fund to the Utility Fund totaling \$100,000.

Town Of Chesapeake Beach, Maryland

Notes To Basic Financial Statements

Note 6. Bond Issuance Costs

Bond issuance costs consist of the following at June 30, 2007:

| | Balance July 1, 2006 | Additions | Amortization | Balance June 30, 2007 |
|---|-------------------------|-----------|--------------|--------------------------|
| Governmental activities: | | | | |
| CDA 2007 Series A general obligation bond | \$ - | \$ 63,666 | \$ - | \$ 63,666 |
| Business-type activities: | | | | |
| CDA 2007 Series A general obligation bond | \$ - | \$ 11,059 | \$ - | \$ 11,059 |

Note 7. Capital Assets

Capital asset activity for the year ended June 30, 2007, is as follows:

| | Balance July 1, 2006 | Additions/ Transfers | Deletions/ Transfers | Balance June 30, 2007 |
|--|-------------------------|-------------------------|-------------------------|--------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,041,275 | \$ - | \$ - | \$ 1,041,275 |
| Construction in process | 681,914 | 138,589 | (215,509) | 604,994 |
| | 1,723,189 | 138,589 | (215,509) | 1,646,269 |
| Capital assets being depreciated: | | | | |
| Land improvements | 6,749,856 | 153,771 | - | 6,903,627 |
| Buildings and facilities | 1,171,842 | 168,729 | - | 1,340,571 |
| Equipment | 512,775 | 25,721 | (76,294) | 462,202 |
| | 8,434,473 | 348,221 | (76,294) | 8,706,400 |
| Accumulated depreciation for: | | | | |
| Land improvements | (2,396,526) | (332,964) | - | (2,729,490) |
| Buildings and facilities | (84,211) | (32,336) | - | (116,547) |
| Equipment | (317,667) | (36,695) | 19,296 | (335,066) |
| | (2,798,404) | (401,995) | 19,296 | (3,181,103) |
| Total depreciable assets, net | 5,636,069 | (53,774) | (56,998) | 5,525,297 |
| Governmental activities capital assets, net | \$ 7,359,258 | \$ 84,815 | \$ (272,507) | \$ 7,171,566 |

Town Of Chesapeake Beach, Maryland

Notes To Basic Financial Statements

Note 7. Capital Assets (Continued)

| | Balance July 1, 2006 | Additions/ Transfers | Deletions/ Transfers | Balance June 30, 2007 |
|---|-------------------------|-------------------------|-------------------------|--------------------------|
| Business-type activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 21,875 | \$ - | \$ - | \$ 21,875 |
| Construction in process | 413,499 | 2,109,682 | - | 2,523,181 |
| | <u>435,374</u> | <u>2,109,682</u> | <u>-</u> | <u>2,545,056</u> |
| Capital assets being depreciated: | | | | |
| Land improvements | 276,086 | - | - | 276,086 |
| Buildings and facilities | 4,539,994 | - | - | 4,539,994 |
| Water system | 3,776,284 | 42,311 | - | 3,818,595 |
| Sewer system | 4,109,141 | 28,600 | - | 4,137,741 |
| Vehicles and equipment | 261,832 | 19,743 | - | 281,575 |
| | <u>12,963,337</u> | <u>90,654</u> | <u>-</u> | <u>13,053,991</u> |
| Accumulated depreciation for: | | | | |
| Land improvements | (116,978) | (20,536) | - | (137,514) |
| Buildings and facilities | (2,581,779) | (173,949) | - | (2,755,728) |
| Water system | (1,122,741) | (143,969) | - | (1,266,710) |
| Sewer system | (1,331,009) | (95,707) | - | (1,426,716) |
| Vehicles and equipment | (193,951) | (18,752) | - | (212,703) |
| | <u>(5,346,458)</u> | <u>(452,913)</u> | <u>-</u> | <u>(5,799,371)</u> |
| Total depreciable assets, net | <u>7,616,879</u> | <u>(362,259)</u> | <u>-</u> | <u>7,254,620</u> |
| Business-type activities capital assets, net | <u>\$ 8,052,253</u> | <u>\$ 1,747,423</u> | <u>\$ -</u> | <u>\$ 9,799,676</u> |

Depreciation expense was charged in the Statement of Activities for the year ended June 30, 2007, as follows:

| | |
|----------------------------------|-------------------|
| Governmental activities: | |
| General government | \$ 247,535 |
| Public works | 154,460 |
| | <u>\$ 401,995</u> |
| Business-type activities: | |
| Water park | \$ 184,248 |
| Water and sewer services | 268,665 |
| | <u>\$ 452,913</u> |

Town Of Chesapeake Beach, Maryland

Notes To Basic Financial Statements

Note 8. Long-Term Liabilities

Long-term liability activity as of and for the year ended June 30, 2007, is as follows:

| | Balance July 1, 2006 | Additions | Deductions | Balance June 30, 2007 | Amounts Due Within One Year |
|--|-------------------------|---------------------|-----------------------|--------------------------|--------------------------------|
| Governmental activities: | | | | | |
| General obligation bonds payable | \$ 5,331,826 | \$ 2,193,666 | \$ (1,546,023) | \$ 5,979,469 | \$ 418,355 |
| Note payable | 692,180 | - | (66,970) | 625,210 | 63,443 |
| Accumulated unused compensated absences | 18,637 | 11,046 | (8,412) | 21,271 | 11,840 |
| | <u>\$ 6,042,643</u> | <u>\$ 2,204,712</u> | <u>\$ (1,621,405)</u> | <u>\$ 6,625,950</u> | <u>\$ 493,638</u> |
| Business-type activities: | | | | | |
| General obligation bonds payable | \$ 888,704 | \$ 381,059 | \$ (77,417) | \$ 1,192,346 | \$ 94,645 |
| Note payable | 7,605 | - | (7,605) | - | - |
| | <u>\$ 896,309</u> | <u>\$ 381,059</u> | <u>\$ (85,022)</u> | <u>\$ 1,192,346</u> | <u>\$ 94,645</u> |

General obligation bonds payable relating to governmental activities at June 30, 2007, 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 | \$ 784,600 |
| \$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 | 2,193,666 |
| \$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 | 3,001,203 |
| | <u>\$ 5,979,469</u> |

Notes payable relating to governmental activities at June 30, 2007, consist of the following:

| | |
|--|-------------------|
| Various non-interest bearing Shore Erosion Control notes payable through the Maryland Department of Natural Resources; currently being liquated in annual installments totaling \$66,971 with varying due dates through September 2021 | <u>\$ 625,210</u> |
|--|-------------------|

Town Of Chesapeake Beach, Maryland

Notes To Basic Financial Statements

Note 8. Long-Term Liabilities (Continued)

Maturities of the general obligation bonds payable and notes payable relating to governmental activities as of June 30, 2007, is as follows:

| Years Ending June 30, | General Obligation Bonds | Notes Payable | Total |
|-----------------------|--------------------------------|-------------------|---------------------|
| 2008 | \$ 418,355 | \$ 63,443 | \$ 481,798 |
| 2009 | 433,198 | 63,443 | 496,641 |
| 2010 | 450,590 | 63,443 | 514,033 |
| 2011 | 468,408 | 63,443 | 531,851 |
| 2012 | 486,042 | 54,157 | 540,199 |
| 2013-2017 | 2,025,097 | 196,616 | 2,221,713 |
| 2018-2022 | 986,955 | 120,665 | 1,107,620 |
| 2023-2027 | 710,824 | - | 710,824 |
| | <u>\$ 5,979,469</u> | <u>\$ 625,210</u> | <u>\$ 6,604,679</u> |

Interest requirements on general obligation bonds and notes payable relating to governmental activities as of June 30, 2007, is as follows:

| Years Ending June 30, | General Obligation Bonds | Notes Payable | Total |
|-----------------------|--------------------------------|------------------|---------------------|
| 2008 | \$ 233,295 | \$ - | \$ 233,295 |
| 2009 | 216,940 | - | 216,940 |
| 2010 | 200,193 | - | 200,193 |
| 2011 | 182,741 | - | 182,741 |
| 2012 | 164,556 | - | 164,556 |
| 2013-2017 | 560,385 | - | 560,385 |
| 2018-2022 | 264,581 | - | 264,581 |
| 2023-2027 | 91,963 | - | 91,963 |
| | <u>\$ 1,914,654</u> | <u>\$ -</u> | <u>\$ 1,914,654</u> |

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

Town Of Chesapeake Beach, Maryland

Notes To Basic Financial Statements

Note 8. Long-Term Liabilities (Continued)

General obligation bonds payable relating to business-type activities at June 30, 2007, 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% to 4.125%; annual principal payments due May 1 at varying amounts up to \$26,832; due May 1, 2027 | \$ 381,059 |
| \$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 | 811,287 |
| | \$ 1,192,346 |

Maturities and interest requirements of the general obligation bonds payable relating to business-type activities as of June 30, 2007, is as follows:

| Years Ending June 30, | Principal | Interest | Total |
|-----------------------|--------------|------------|--------------|
| 2008 | \$ 94,645 | \$ 44,536 | \$ 139,181 |
| 2009 | 97,822 | 40,864 | 138,686 |
| 2010 | 101,950 | 37,097 | 139,047 |
| 2011 | 105,942 | 33,176 | 139,118 |
| 2012 | 109,878 | 29,108 | 138,986 |
| 2013-2017 | 425,178 | 89,110 | 514,288 |
| 2018-2022 | 133,455 | 39,805 | 173,260 |
| 2023-2027 | 123,476 | 15,975 | 139,451 |
| | \$ 1,192,346 | \$ 329,671 | \$ 1,522,017 |

Note 9. Interjurisdictional Agreement

On January 16, 1981, and further amended 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% 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 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 489,975 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 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.

Town Of Chesapeake Beach, Maryland

Notes To Basic Financial Statements

Note 10. Risk Management

The Town is exposed to various risks of loss related to torts; thefts 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 3 fiscal years.

Note 11. Retirement Plan

The Town sponsors a simplified employee pension IRA plan on behalf of its eligible employees. Employees are eligible upon obtaining the age of 21 and have completed 3 years of service of the immediately preceding 5 years. Elective deferrals by employees are not permitted under the plan and the Town makes discretionary contributions. 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 made discretionary contributions of \$18,669 and \$29,500 for the years ended June 30, 2007 and 2006, respectively.

Note 12. Commitments And Contingencies

Litigation:

The Town is contingently liable with respect to lawsuits and other claims which 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 which may be disallowed by the granting agencies and will have to be refunded by the Town cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

Construction:

The Town is committed under certain construction contracts in its business-type activities with remaining contract amounts totaling \$525,678.

Town Of Chesapeake Beach, Maryland

Notes To Basic Financial Statements

Note 12. Commitments And Contingencies (Continued)

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%. The renewed leases were for a period of 5 years ending May 30, 2009 and October 31, 2009. The Town's current combined monthly lease payments are \$2,379. The Town's portion of rent expense incurred under these agreements for the year ended June 30, 2007 was \$28,180. The Town's portions of future minimum lease payments, are as follows:

| <u>Years Ending June 30,</u> | |
|------------------------------|------------------|
| 2008 | \$ 28,391 |
| 2009 | 28,665 |
| 2010 | 8,541 |
| | <u>\$ 65,597</u> |

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

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended June 30, 2007, 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 statement of the Town:

- GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, will be implemented in phases using the same criteria applied in the implementation of the new governmental reporting model. As a result, this Statement will be effective for the Town beginning with its year ending June 30, 2009. This statement establishes uniform financial reporting standards for other postemployment benefit plans (OPEB plans) and supersedes existing guidance.
- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, will be implemented in phases using the same criteria applied in the implementation of the new governmental reporting model. As a result, this Statement will be effective for the Town beginning with its year ending June 30, 2010. This Statement will require governments to recognize an expense under the accrual basis for annual required OPEB contributions, regardless of amounts paid. The cumulative difference between amounts expensed and paid will create a liability (asset) similar to net pension obligations.
- GASB Statement Number 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, will be effective for the Town beginning with its year ending June 30, 2008. This statement requires governments to establish the accounting and financial reporting standards for transactions in which a government receives, or is entitled to, proceeds in exchange for future cash flows generated by collecting specific receivables or specific future revenues. This standard provides guidance on whether the transaction constitutes a sale and the proceeds should be reported as revenue or whether the transaction constitutes a collateralized borrowing resulting in a liability.

Town Of Chesapeake Beach, Maryland

Notes To Basic Financial Statements

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

- GASB Statement Number 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, will be effective for the Town beginning with its year ending June 30, 2009. This Statement requires governments to describe and disclose pollution remediation obligations, estimated liabilities, the methods and assumptions used for the estimate, the potential for changes in estimates, and estimated recoveries that reduce the measurement of the liability.
- GASB Statement Number 50, *Pension Disclosures*, will be effective for the Town beginning with its year ending June 30, 2008. This Statement amends disclosures under GASB Statements Number 25 and 27 and more closely aligns the financial reporting requirements for pensions with those for other post employment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits.
- GASB Statement Number 51, *Accounting and Financial Reporting for Intangible Assets*, will be effective for the Town beginning with its year ending June 30, 2010. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable.

Town Of Chesapeake Beach, Maryland

Schedule Of Revenues – Budget And Actual – General Fund
 Year Ended June 30, 2007
 (With Comparative Totals For 2006)

| | Original Budget | Amended Budget | Actual | Variance With Amended Budget Positive (Negative) | 2006 Actual |
|---|---------------------|---------------------|---------------------|---|---------------------|
| Taxes: | | | | | |
| Local property taxes: | | | | | |
| Real property | \$ 2,050,000 | \$ 2,050,000 | \$ 2,151,272 | \$ 101,272 | \$ 2,133,258 |
| Personal property | 35,000 | 35,000 | 34,427 | (573) | 35,861 |
| Penalties and interest | 10,000 | 10,000 | 14,260 | 4,260 | 13,206 |
| | <u>2,095,000</u> | <u>2,095,000</u> | <u>2,199,959</u> | <u>104,959</u> | <u>2,182,325</u> |
| Admission and amusement tax | 275,000 | 275,000 | 417,580 | 142,580 | 300,742 |
| Hotel tax | 90,000 | 90,000 | 72,816 | (17,184) | 96,236 |
| Total taxes | <u>2,460,000</u> | <u>2,460,000</u> | <u>2,690,355</u> | <u>230,355</u> | <u>2,579,303</u> |
| Licenses and permits: | | | | | |
| Liquor | 5,700 | 5,700 | 5,500 | (200) | 5,678 |
| Traders | 3,800 | 3,800 | 3,818 | 18 | 4,298 |
| Zoning | 35,000 | 35,000 | 73,480 | 38,480 | 49,475 |
| Total licenses and permits | <u>44,500</u> | <u>44,500</u> | <u>82,798</u> | <u>38,298</u> | <u>59,451</u> |
| Intergovernmental: | | | | | |
| State-shared taxes: | | | | | |
| Income | 545,000 | 545,000 | 581,510 | 36,510 | 536,667 |
| Highway user | 390,000 | 390,000 | 428,224 | 38,224 | 425,039 |
| | <u>935,000</u> | <u>935,000</u> | <u>1,009,734</u> | <u>74,734</u> | <u>961,706</u> |
| Grants from state government: | | | | | |
| State Police protection | 41,000 | 41,000 | 40,327 | (673) | 39,620 |
| State DNR critical areas | 6,000 | 6,000 | 6,000 | - | 6,000 |
| State DNR Kellam's recreation project | - | - | - | - | 125,000 |
| | <u>47,000</u> | <u>47,000</u> | <u>46,327</u> | <u>(673)</u> | <u>170,620</u> |
| Grants from federal government – FEMA | - | - | 979 | 979 | (27,190) |
| County recreation fees | 20,000 | 20,000 | 92,590 | 72,590 | 46,891 |
| Total intergovernmental | <u>1,002,000</u> | <u>1,002,000</u> | <u>1,149,630</u> | <u>147,630</u> | <u>1,152,027</u> |
| Service charges for current services: | | | | | |
| Town recreation fees | 30,000 | 30,000 | 148,000 | 118,000 | 30,000 |
| Bulk trash fees | 500 | 500 | 450 | (50) | 600 |
| Total service charges for current services | <u>30,500</u> | <u>30,500</u> | <u>148,450</u> | <u>117,950</u> | <u>30,600</u> |
| Investment earnings | 90,000 | 90,000 | 83,285 | (6,715) | 106,884 |
| Miscellaneous revenues: | | | | | |
| Fines and forfeitures | - | - | 8,371 | 8,371 | 800 |
| Developer contributions | - | - | - | - | 78,350 |
| Tower site rental | 78,000 | 78,000 | 78,235 | 235 | 64,463 |
| Veteran park brick sales | 1,000 | 1,000 | 2,000 | 1,000 | 1,100 |
| Miscellaneous | 1,000 | 1,000 | 13,687 | 12,687 | 21,588 |
| Total miscellaneous revenues | <u>80,000</u> | <u>80,000</u> | <u>102,293</u> | <u>22,293</u> | <u>166,301</u> |
| Total revenues | <u>\$ 3,707,000</u> | <u>\$ 3,707,000</u> | <u>\$ 4,256,811</u> | <u>\$ 549,811</u> | <u>\$ 4,094,566</u> |

Town of Chesapeake Beach, Maryland

Schedule Of Expenditures – Budget And Actual – General Fund
 Year Ended June 30, 2007
 (With Comparative Totals For 2006)

| | Original Budget | Amended Budget | Actual | Variance With Amended Budget Positive (Negative) | 2006 Actual |
|--------------------------------------|---------------------|---------------------|---------------------|---|---------------------|
| General government: | | | | | |
| Salaries, payroll taxes and benefits | \$ 247,800 | \$ 247,800 | \$ 243,352 | \$ 4,448 | \$ 248,449 |
| Planning and zoning | 75,000 | 75,000 | 53,342 | 21,658 | 55,787 |
| Legal | 65,000 | 65,000 | 56,224 | 8,776 | 60,268 |
| Code enforcement | 7,000 | 7,000 | 7,101 | (101) | 6,219 |
| Engineering and consulting | 50,000 | 50,000 | 35,723 | 14,277 | 41,463 |
| Special events | 100,000 | 100,000 | 71,168 | 28,832 | 62,004 |
| Recreation | 48,000 | 48,000 | 58,947 | (10,947) | 42,494 |
| Economic development | 50,000 | 50,000 | 19,228 | 30,772 | 31,284 |
| Grants to local organizations | 22,500 | 22,500 | 20,000 | 2,500 | 25,100 |
| Audit and financial expense | 26,000 | 26,000 | 27,702 | (1,702) | 19,309 |
| Newsletter | 25,000 | 25,000 | 18,439 | 6,561 | 21,958 |
| Chesapeake Bay critical area | 20,000 | 20,000 | 27,892 | (7,892) | 15,224 |
| Office expense | 40,000 | 40,000 | 42,860 | (2,860) | 33,078 |
| Repairs and maintenance | 35,000 | 35,000 | 21,399 | 13,601 | 16,316 |
| Library rent | 28,500 | 28,500 | 28,180 | 320 | 27,478 |
| Council expense | 20,000 | 20,000 | 23,265 | (3,265) | 37,565 |
| Insurance | 30,000 | 30,000 | 26,067 | 3,933 | 17,273 |
| Telephone and utilities | 38,000 | 38,000 | 27,548 | 10,452 | 25,014 |
| Miscellaneous | 48,000 | 148,000 | 67,416 | 80,584 | 8,914 |
| Total general government | 975,800 | 1,075,800 | 875,853 | 199,947 | 795,197 |
| Public safety: | | | | | |
| Police | 645,000 | 655,000 | 649,737 | 5,263 | 495,091 |
| Total public safety | 645,000 | 655,000 | 649,737 | 5,263 | 495,091 |
| Public works: | | | | | |
| Salaries, payroll taxes and benefits | 178,000 | 178,000 | 140,066 | 37,934 | 133,290 |
| Trash removal | 200,000 | 265,000 | 260,945 | 4,055 | 263,331 |
| Landfill tipping fees | 170,000 | 170,000 | 149,788 | 20,212 | 123,372 |
| Property maintenance | 190,000 | 190,000 | 172,785 | 17,215 | 176,148 |
| Street lighting | 65,000 | 65,000 | 56,837 | 8,163 | 50,773 |
| Holiday lights | 42,000 | 42,000 | 61,663 | (19,663) | 30,701 |
| Streets and equipment maintenance | 37,000 | 87,000 | 84,002 | 2,998 | 33,930 |
| Gasoline and oil | 17,500 | 17,500 | 9,993 | 7,507 | 11,629 |
| Snow removal | 25,000 | 25,000 | 17,733 | 7,267 | 14,430 |
| Telephone and utilities | 22,000 | 22,000 | 20,561 | 1,439 | 15,528 |
| Supplies | 12,000 | 12,000 | 8,141 | 3,859 | 8,645 |
| Miscellaneous | 500 | 500 | 1,973 | (1,473) | 3,524 |
| Total public works | 959,000 | 1,074,000 | 984,487 | 89,513 | 865,301 |
| Capital outlay | 1,545,000 | 1,545,000 | 214,303 | 1,330,697 | 725,818 |
| Debt service | 991,300 | 1,866,300 | 1,793,093 | 73,207 | 663,132 |
| Total expenditures | \$ 5,116,100 | \$ 6,216,100 | \$ 4,517,473 | \$ 1,698,627 | \$ 3,544,539 |