

# **Town Of Chesapeake Beach, Maryland**

Financial Report  
June 30, 2011

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## Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Chesapeake Beach, Maryland as of and for the year ended June 30, 2011, which collectively comprise the Town of Chesapeake Beach's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Town of Chesapeake Beach, Maryland's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, 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 28, 2011, 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 accounting principles generally accepted in the United States of America. 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.

*McGladrey & Pullen, LLP*

Frederick, Maryland  
October 28, 2011

**TOWN OF CHESAPEAKE BEACH, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011**

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, 2011. Readers are encouraged to consider the information presented here in conjunction with the financial statements and notes to the financial statements (which immediately follow this discussion).

**Financial Highlights**

- The net assets of the Town of Chesapeake Beach exceeded its liabilities on June 30, 2011 by \$24,375,246. Approximately 49.8% of this amount is attributable to business-type activities that include the Utility and Water Park funds. The remaining 50.2% is attributable to governmental activities. Of total net assets, \$4,912,802 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors. This includes \$1,850,879 set aside into the Rainy Day Fund, created as a contingency for emergency situations. The remaining net assets of \$19,462,444 are invested in capital assets, net of related debt.
- The property tax rate for the Town remained the same at \$0.37/\$100.
- Water and sewer user rates remained the same.
- The Town funded the Rainy Day Fund with an additional \$200,000.
- In the General Fund, the major projects in process are the 1.4 mile hiker-biker Railway Trail and refurbishment of the Kellams Field Recreational Complex. The Railway Trail is nearing completion. During FY11, the Town completed phase two of the boardwalk replacement project.
- In the Utility Fund, the major project underway is the Chesapeake Village Well and Water Tower.
- At the Chesapeake Beach Wastewater Treatment Plant, the enhanced nutrient removal (ENR) design is underway.

**Overview of the Financial Statements**

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

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

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

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

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

The government-wide financial statements are designed to provide readers with a broad overview of the finances of the Town of Chesapeake Beach. The Statement of Net Assets and the Statement of Activities include all assets and liabilities using the accrual basis of accounting. The accrual basis of accounting requires that revenues be reported when they are earned and that expenses be reported when the goods and services are received, regardless of the timing of the cash flow. Items such as uncollected taxes, unpaid vendor invoices for items received as of June 30, 2011, 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, 2011.

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

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

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

## **Fund Financial Statements**

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

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

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Town's combined assets exceeded liabilities by \$24,375,246 at the close of the most recent fiscal year.

Of the Town's net assets, 79.8% reflects its investment in capital assets (e.g. land, buildings, machinery and equipment); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Figure 1**

**Condensed Statement of Net Assets**

	Governmental Activities		Business-Type Activities		Total Town	
	2011	2010	2011	2010	2011	2010
<b>Assets:</b>						
Current and other assets	\$ 5,298,826	\$ 5,279,871	\$ 1,469,696	\$ 1,474,358	\$ 6,768,522	\$ 6,754,229
Capital assets, net	12,146,160	9,607,037	18,897,046	17,742,147	31,043,206	27,349,184
<b>Total assets</b>	<b>17,444,986</b>	14,886,908	<b>20,366,742</b>	19,216,505	<b>37,811,728</b>	34,103,413
<b>Liabilities:</b>						
Long-term liabilities	4,620,964	5,143,765	7,673,761	5,658,340	12,294,725	10,802,105
Other liabilities	578,195	559,788	563,562	1,443,686	1,141,757	2,003,474
<b>Total liabilities</b>	<b>5,199,159</b>	5,703,553	<b>8,237,323</b>	7,102,026	<b>13,436,482</b>	12,805,579
<b>Net assets:</b>						
Invested in capital assets, net of related debt	7,743,227	5,427,029	11,719,217	12,098,516	19,462,444	17,525,545
Unrestricted	4,502,600	3,756,326	410,202	15,963	4,912,802	3,772,289
<b>Total net assets</b>	<b>\$ 12,245,827</b>	\$ 9,183,355	<b>\$ 12,129,419</b>	\$ 12,114,479	<b>\$ 24,375,246</b>	\$ 21,297,834

### Governmental Activities

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

### Proprietary (Business-type) Activities

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

Figure 2

## Condensed Statement of Activities

	Governmental Activities		Business-Type Activities		Total Town	
	2011	2010	2011	2010	2011	2010
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 114,139	\$ 127,681	\$ 1,667,471	\$ 1,554,617	\$ 1,781,610	\$ 1,682,298
Operating grants and contributions	200,540	155,126	-	-	200,540	155,126
Capital grants and contributions	2,018,770	203,008	880,000	540,000	2,898,770	743,008
General revenues:						
Property tax	3,158,432	2,825,490	-	-	3,158,432	2,825,490
Income tax	679,824	632,704	-	-	679,824	632,704
Admissions and amusements tax	798,095	751,197	-	-	798,095	751,197
Hotel tax	82,481	82,966	-	-	82,481	82,966
Franchise tax	31,209	26,965	-	-	31,209	26,965
Investment earnings	5,676	7,332	1,034	1,825	6,710	9,157
Miscellaneous	79,880	97,778	18,406	15,810	98,286	113,588
Transfers	(293,000)	(100,000)	293,000	100,000	-	-
<b>Total revenues</b>	<b>6,876,046</b>	<b>4,810,247</b>	<b>2,859,911</b>	<b>2,212,252</b>	<b>9,735,957</b>	<b>7,022,499</b>
<b>Expenses:</b>						
General government	1,313,726	1,433,267	-	-	1,313,726	1,433,267
Public safety	736,713	735,298	-	-	736,713	735,298
Public works	1,581,908	1,704,090	-	-	1,581,908	1,704,090
Water park	-	-	1,295,088	1,071,105	1,295,088	1,071,105
Water and sewer services	-	-	1,428,153	1,352,561	1,428,153	1,352,561
Interest on long-term debt	181,227	198,787	121,730	121,730	302,957	320,517
<b>Total expenses</b>	<b>3,813,574</b>	<b>4,071,442</b>	<b>2,844,971</b>	<b>2,545,396</b>	<b>6,658,545</b>	<b>6,616,838</b>
<b>Increase in net assets</b>	<b>\$ 3,062,472</b>	<b>\$ 738,805</b>	<b>\$ 14,940</b>	<b>\$ (333,144)</b>	<b>\$ 3,077,412</b>	<b>\$ 405,661</b>

## General Fund Budgetary Highlights

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

### Capital Asset and Debt Administration

#### *Capital Assets*

Several construction projects were completed during FY 2011. Major additions include Phase Two of the Boardwalk Replacement Project (\$69,943), Asphalt Overlay (\$59,766) and the Water Park Concession Stand (\$291,872). Another major project still in progress at June 30, 2011 was the Railway Trail (\$2,959,964). More detailed information about capital assets can be found in Note 7 to the basic financial statements.

**Figure 3**

<b>Capital Assets, Net of Depreciation</b>						
	Governmental Activities		Business-Type Activities		Total Town	
	2011	2010	2011	2010	2011	2010
Land	\$ 1,041,275	\$ 1,041,275	\$ 21,875	\$ 21,875	\$ 1,063,150	\$ 1,063,150
Construction in progress	3,527,731	783,557	2,673,869	1,052,114	6,201,600	1,835,671
Land Improvements	5,889,562	6,131,595	202,895	237,163	6,092,457	6,368,758
Buildings	1,403,765	1,450,722	1,460,050	1,367,934	2,863,815	2,818,656
Water system	-	-	2,326,959	2,488,018	2,326,959	2,488,018
Sewer system	-	-	11,920,575	12,265,009	11,920,575	12,265,009
Vehicles and equipment	283,827	199,888	290,823	310,034	574,650	509,922
<b>Total</b>	<b>\$ 12,146,160</b>	<b>\$ 9,607,037</b>	<b>\$ 18,897,046</b>	<b>\$ 17,742,147</b>	<b>\$ 31,043,206</b>	<b>\$ 27,349,184</b>

#### *Long-Term Debt*

At June 30, 2011, the Town had total outstanding debt of \$12,294,725. Total debt for the Governmental activities is \$4,620,964. Total outstanding debt for business-type activities is \$7,673,761. More detailed information about long-term debt can be found in Note 8 to the basic financial statements.

**Figure 4**

<b>Long-Term Liabilities</b>						
	Governmental Activities		Business-Type Activities		Total Town	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ 4,208,918	\$ 4,677,326	\$ 7,665,798	\$ 5,658,340	\$ 11,874,716	\$ 10,335,666
Notes payable	371,436	434,880	-	-	371,436	434,880
Compensated absences	40,610	31,559	7,963	-	48,573	31,559
<b>Total</b>	<b>\$ 4,620,964</b>	<b>\$ 5,143,765</b>	<b>\$ 7,673,761</b>	<b>\$ 5,658,340</b>	<b>\$ 12,294,725</b>	<b>\$ 10,802,105</b>



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

The fiscal 2012 budget reflects that the Town is not immune to the economic downturn and the impact of a weakened real estate market. The rate of residential construction continues to grow at a slow but steady rate. Build-out should be completed in a few years, with only infill and redevelopment remaining. The State Department of Assessments re-assesses the value of real property on a triennial basis. The Town's most recent assessment will impact 2011/2012. For fiscal 2012, real property tax revenues are expected to decline approximately 15% due to the reduction in the assessable tax base. The real property tax rate remains constant at \$0.37/\$100.

Exclusive of capital projects, the Town's major governmental fund, the General Fund is projected to experience an overall decrease in revenues of 17% and an overall increase in expenditures of 8% compared to fiscal 2011 actuals. The Town anticipates using \$170,800 of prior year fund balance to balance the FY12 budget.

Water and sewer user rates will increase 10%. Capital connection fees remain unchanged.

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

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

Town Of Chesapeake Beach, Maryland

Statement Of Net Assets

June 30, 2011

	Governmental Activities	Business-Type Activities	Total Primary Government
<b>Assets</b>			
Cash and cash equivalents	\$ 4,058,504	\$ 811,054	\$ 4,869,558
Accounts receivable:			
Property taxes	124,290	-	124,290
Water and sewer services	-	229,067	229,067
Due from other governments	769,112	-	769,112
Other receivables	-	63,018	63,018
Internal balances	144,087	(144,087)	-
Prepays	25,412	22,675	48,087
Bond issuance costs	50,933	36,759	87,692
Temporarily restricted assets – investments	126,488	451,210	577,698
Capital assets:			
Non-depreciable assets	4,569,006	2,695,744	7,264,750
Depreciable assets, net	7,577,154	16,201,302	23,778,456
<b>Total assets</b>	<b>17,444,986</b>	<b>20,366,742</b>	<b>37,811,728</b>
<b>Liabilities</b>			
Accounts payable	496,028	410,731	906,759
Accrued liabilities	47,423	150,482	197,905
Deposits	34,744	2,349	37,093
Non-current liabilities:			
Due within one year	559,798	489,240	1,049,038
Due in more than one year	4,061,166	7,184,521	11,245,687
<b>Total liabilities</b>	<b>5,199,159</b>	<b>8,237,323</b>	<b>13,436,482</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	7,743,227	11,719,217	19,462,444
Unrestricted	4,502,600	410,202	4,912,802
<b>Total net assets</b>	<b>\$ 12,245,827</b>	<b>\$ 12,129,419</b>	<b>\$ 24,375,246</b>

See Notes To Basic Financial Statements.

Town Of Chesapeake Beach, Maryland

Statement Of Activities  
Year Ended June 30, 2011

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	\$ 1,313,726	\$ 113,639	\$ 95,840	\$ 1,987,305	\$ 883,058	\$ -	\$ 883,058
Public safety	736,713	500	29,300	-	(706,913)	-	(706,913)
Public works	1,581,908	-	75,400	31,465	(1,475,043)	-	(1,475,043)
Interest on long-term debt	181,227	-	-	-	(181,227)	-	(181,227)
<b>Total governmental activities</b>	<b>3,813,574</b>	<b>114,139</b>	<b>200,540</b>	<b>2,018,770</b>	<b>(1,480,125)</b>	<b>-</b>	<b>(1,480,125)</b>
Business-type activities:							
Water park	1,295,088	1,002,436	-	-	-	(292,652)	(292,652)
Water and sewer services	1,549,883	665,035	-	880,000	-	(4,848)	(4,848)
<b>Total business -type activities</b>	<b>2,844,971</b>	<b>1,667,471</b>	<b>-</b>	<b>880,000</b>	<b>-</b>	<b>(297,500)</b>	<b>(297,500)</b>
<b>Total primary government</b>	<b>\$ 6,658,545</b>	<b>\$ 1,781,610</b>	<b>\$ 200,540</b>	<b>\$ 2,898,770</b>	<b>(1,480,125)</b>	<b>(297,500)</b>	<b>(1,777,625)</b>
General revenues:							
Property tax					3,158,432	-	3,158,432
Income tax					679,824	-	679,824
Admissions and amusement tax					798,095	-	798,095
Hotel tax					82,481	-	82,481
Franchise tax					31,209	-	31,209
Investment earnings					5,676	1,034	6,710
Miscellaneous					79,880	18,406	98,286
Transfers					(293,000)	293,000	-
<b>Total general revenues and transfers</b>					<b>4,542,597</b>	<b>312,440</b>	<b>4,855,037</b>
<b>Change in net assets</b>					<b>3,062,472</b>	<b>14,940</b>	<b>3,077,412</b>
Net assets:							
Beginning					9,183,355	12,114,479	21,297,834
Ending					<b>\$ 12,245,827</b>	<b>\$ 12,129,419</b>	<b>\$ 24,375,246</b>

See Notes To Basic Financial Statements.

Town Of Chesapeake Beach, Maryland

Balance Sheet – Governmental Fund

June 30, 2011

	General Fund
<b>Assets</b>	
Cash and cash equivalents	\$ 4,058,504
Investments	126,488
Property taxes receivable, net	124,290
Due from other governments	769,112
Due from other funds	151,415
Prepays	<u>25,412</u>
<b>Total assets</b>	<b><u><u>\$ 5,255,221</u></u></b>
<b>Liabilities And Fund Balance</b>	
Liabilities:	
Accounts payable	\$ 496,028
Accrued liabilities	21,444
Deposits	34,744
Deferred revenue	97,499
Due to other funds	<u>7,328</u>
<b>Total liabilities</b>	<b><u>657,043</u></b>
Fund Balance:	
Non-spendable:	
Prepays	25,412
Restricted:	
Capital projects	126,488
Assigned to:	
Subsequent year expenditures	205,900
Unassigned	<u>4,240,378</u>
<b>Total fund balance</b>	<b><u>4,598,178</u></b>
<b>Total liabilities and fund balance</b>	<b><u><u>\$ 5,255,221</u></u></b>

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, 2011**

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Total fund balance – governmental fund \$ 4,598,178

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

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

Cost of capital assets	\$ 17,324,038	
Accumulated depreciation	<u>(5,177,878)</u>	12,146,160

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

Property taxes		97,499
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Bond issuance costs are expensed by the funds at the time of issuance, but are deferred and amortized in the governmental statement of activities.

		50,933
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Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.

General obligation bonds and notes payable	(4,580,354)	
Accrued interest payable	(25,979)	
Accumulated unused compensated absences	<u>(40,610)</u>	<u>(4,646,943)</u>

**Net assets of governmental activities**

\$ 12,245,827

See Notes To Basic Financial Statements.

Town Of Chesapeake Beach, Maryland

Statement Of Revenues, Expenditures, And Changes  
In Fund Balance – Governmental Fund  
Year Ended June 30, 2011

	General Fund
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Revenues:	
Taxes	\$ 4,029,429
Licenses and permits	78,148
Intergovernmental	2,743,932
Service charges for current services	26,000
Investment earnings	5,676
Miscellaneous	125,182
<b>Total revenues</b>	<u>7,008,367</u>
Expenditures:	
Current:	
General government	951,660
Public safety	736,713
Public works	1,179,447
Capital outlay	3,140,317
Debt service:	
Principal	531,851
Interest	183,690
<b>Total expenditures</b>	<u>6,723,678</u>
Other Financing Sources (Uses):	
Transfers out	<u>(293,000)</u>
<b>Total other financing uses</b>	<u>(293,000)</u>
<b>Net change in fund balance</b>	(8,311)
Fund Balance:	
Beginning	<u>4,606,489</u>
Ending	<u><u>\$ 4,598,178</u></u>

See Notes To Basic Financial Statements.

**Town Of Chesapeake Beach, Maryland**

**Reconciliation Of The Governmental Fund Statement Of Revenues,  
Expenditures, And Changes In Fund Balance To The Statement Of Activities  
Year Ended June 30, 2011**

Total net change in fund balance – governmental fund	\$	(8,311)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period:		
Capital outlays	\$ 2,972,767	
Depreciation	<u>(584,744)</u>	2,388,023
A certain amount of property tax revenues in the statement of activities does not provide current financial resources and is not reported as revenue in the governmental funds. This is the amount by which deferred revenue increased.		9,579
Repayment of loan payable principal is an expenditure in the general fund, but the repayment reduces non-current liabilities in the statement of net assets.		531,851
Capital asset contributions are recognized as revenues in the statement of activities that do not provide current financial resources and are not reported as revenues in the government fund.		151,100
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds, because interest is recognized as an expenditure in the funds when it is due, thus requiring the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is the result of accrued interest on the long-term debt. This is the amount by which accrued interest decreased.		2,463
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.		(9,050)
Bond issuance costs related to long-term debt is an expenditure in the general fund, but this cost increases non-current assets in the statement of net assets. This is the amount of bond issuance costs amortization.		<u>(3,183)</u>
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u>3,062,472</u></b>

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, 2011

	Budgeted Amounts		Actual	Variance With
	Original	Amended		Amended Budget
				Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 3,769,000	\$ 3,769,000	\$ 4,029,429	\$ 260,429
Licenses and permits	77,500	77,500	78,148	648
Intergovernmental	2,757,900	2,757,900	2,743,932	(13,968)
Service charges for current services	80,000	80,000	26,000	(54,000)
Investment earnings	5,050	5,050	5,676	626
Miscellaneous	108,500	108,500	125,182	16,682
<b>Total revenues</b>	<b>6,797,950</b>	<b>6,797,950</b>	<b>7,008,367</b>	<b>210,417</b>
<b>Expenditures:</b>				
Current:				
General government	1,084,900	1,084,900	951,660	133,240
Public safety	760,000	760,000	736,713	23,287
Public works	1,228,000	1,228,000	1,179,447	48,553
Capital outlay	3,465,900	3,524,900	3,140,317	384,583
Debt service	716,200	716,200	715,541	659
<b>Total expenditures</b>	<b>7,255,000</b>	<b>7,314,000</b>	<b>6,723,678</b>	<b>590,322</b>
<b>Other Financing Sources (Uses):</b>				
Transfers out	(93,000)	(293,000)	(293,000)	-
Bond proceeds	400,000	400,000	-	(400,000)
<b>Total other financing sources (uses)</b>	<b>307,000</b>	<b>107,000</b>	<b>(293,000)</b>	<b>(400,000)</b>
<b>Net change in fund balance</b>	<b>\$ (150,050)</b>	<b>\$ (409,050)</b>	<b>(8,311)</b>	<b>\$ 400,739</b>
<b>Fund Balance:</b>				
Beginning			<u>4,606,489</u>	
Ending			<u>\$ 4,598,178</u>	

See Notes To Basic Financial Statements.



Town Of Chesapeake Beach, Maryland

Statement Of Net Assets – Proprietary Funds

June 30, 2011

	Enterprise Funds		
	Water Park Fund	Utility Fund	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 191,521	\$ 619,533	\$ 811,054
Accounts receivable	-	229,067	229,067
Other receivables	603	62,415	63,018
Due from other funds	-	11,793	11,793
Prepaid expenses	-	22,675	22,675
	<u>192,124</u>	<u>945,483</u>	<u>1,137,607</u>
Non-current assets:			
Bond issuance costs	-	36,759	36,759
Temporarily restricted assets – investments	-	451,210	451,210
Capital assets:			
Non-depreciable assets	-	2,695,744	2,695,744
Depreciable assets, net	1,145,794	15,055,508	16,201,302
	<u>1,145,794</u>	<u>18,239,221</u>	<u>19,385,015</u>
<b>Total assets</b>	<u>1,337,918</u>	<u>19,184,704</u>	<u>20,522,622</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	64,452	346,279	410,731
Accrued liabilities	53,021	97,461	150,482
Due to other funds	155,880	-	155,880
General obligation bonds payable	-	482,186	482,186
Compensated absences	2,308	4,746	7,054
Deposits	2,349	-	2,349
Non-current liabilities:			
General obligation bonds payable	-	7,183,612	7,183,612
Compensated absences	866	43	909
<b>Total liabilities</b>	<u>278,876</u>	<u>8,114,327</u>	<u>8,393,203</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	1,145,794	10,573,423	11,719,217
Unrestricted (deficit) equity	(86,752)	496,954	410,202
<b>Total net assets</b>	<u>\$ 1,059,042</u>	<u>\$ 11,070,377</u>	<u>\$ 12,129,419</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, 2011**

	Enterprise Funds		
	Water Park Fund	Utility Fund	Total
<b>Operating Revenues:</b>			
Current use charges	\$ 1,002,436	\$ 665,035	\$ 1,667,471
Miscellaneous	180	18,226	18,406
	<u>1,002,616</u>	<u>683,261</u>	<u>1,685,877</u>
<b>Operating Expenses:</b>			
Personnel services	581,502	185,806	767,308
Operations and maintenance	471,226	662,161	1,133,387
Depreciation and loss on disposal of assets	242,360	580,186	822,546
	<u>1,295,088</u>	<u>1,428,153</u>	<u>2,723,241</u>
<b>Operating loss</b>	<u>(292,472)</u>	<u>(744,892)</u>	<u>(1,037,364)</u>
<b>Non-Operating Revenues (Expenses):</b>			
Investment interest	239	795	1,034
Interest expense	-	(121,730)	(121,730)
Connection fees	-	880,000	880,000
	<u>239</u>	<u>759,065</u>	<u>759,304</u>
<b>Gain (loss) before transfers</b>	<u>(292,233)</u>	<u>14,173</u>	<u>(278,060)</u>
Transfer In	<u>200,000</u>	<u>93,000</u>	<u>293,000</u>
<b>Change in net assets</b>	<u>(92,233)</u>	<u>107,173</u>	<u>14,940</u>
<b>Net Assets:</b>			
Beginning	<u>1,151,275</u>	<u>10,963,204</u>	<u>12,114,479</u>
Ending	<u>\$ 1,059,042</u>	<u>\$ 11,070,377</u>	<u>\$ 12,129,419</u>

See Notes To Basic Financial Statements.

**Town Of Chesapeake Beach, Maryland**

**Statement Of Cash Flows – Proprietary Funds  
Year Ended June 30, 2011**

	Business-Type Activities – Enterprise Funds		
	Water Park Fund	Utility Fund	Total
<b>Cash Flows From Operating Activities</b>			
Receipts from customers	\$ 1,004,362	\$ 369,239	\$ 1,373,601
Payments to suppliers and employees	(1,150,449)	(1,563,370)	(2,713,819)
<b>Net cash used in operating activities</b>	<b>(146,087)</b>	<b>(1,194,131)</b>	<b>(1,340,218)</b>
<b>Cash Flows From Non-Capital Financing Activities</b>			
Net operating transfers in	200,000	93,000	293,000
Internal activity – payments from (to) other funds	200,990	(42,271)	158,719
<b>Net cash provided by non-capital financing activities</b>	<b>400,990</b>	<b>50,729</b>	<b>451,719</b>
<b>Cash Flows From Capital And Related Financing Activities</b>			
Payments for capital assets	(311,872)	(1,665,573)	(1,977,445)
Connection fees received	-	880,000	880,000
Principal payments on notes and bonds payable	-	(442,014)	(442,014)
Interest paid, net of amount capitalized	-	(62,450)	(62,450)
Bond issuance costs incurred	-	(24,388)	(24,388)
Proceeds from issuance of general obligation bonds payable	-	2,449,472	2,449,472
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>(311,872)</b>	<b>1,135,047</b>	<b>823,175</b>
<b>Cash Flows From Investing Activities</b>			
Investment interest earned	239	795	1,034
Net increase in restricted investments	-	(451,210)	(451,210)
<b>Net cash provided by (used in) investing activities</b>	<b>239</b>	<b>(450,415)</b>	<b>(450,176)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(56,730)</b>	<b>(458,770)</b>	<b>(515,500)</b>
<b>Cash And Cash Equivalents:</b>			
Beginning	248,251	1,078,303	1,326,554
Ending	\$ 191,521	\$ 619,533	\$ 811,054
<b>Reconciliation Of Operating Loss To Net Cash Used In Operating Activities</b>			
Operating loss	\$ (292,472)	\$ (744,892)	\$ (1,037,364)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation, amortization, and loss on disposal of assets	242,360	582,524	824,884
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(603)	14,202	13,599
Increase in other receivables	-	(62,415)	(62,415)
Decrease in prepaid expenses	8,583	-	8,583
Decrease in accounts payable	(99,999)	(628,764)	(728,763)
Decrease in accrued liabilities	(9,479)	(31,351)	(40,830)
Increase in compensated absences	3,174	4,789	7,963
Increase (decrease) in deposits	2,349	(328,224)	(325,875)
<b>Net cash used in operating activities</b>	<b>\$ (146,087)</b>	<b>\$ (1,194,131)</b>	<b>\$ (1,340,218)</b>

See Notes To Basic Financial Statements.

## Town Of Chesapeake Beach, Maryland

### Notes To Basic Financial Statements

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

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

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

##### A. Reporting Entity

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

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

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

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

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

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

## Town Of Chesapeake Beach, Maryland

### Notes To Basic Financial Statements

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

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

#### C. Fund Accounting

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

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

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

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

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

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

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

## Town Of Chesapeake Beach, Maryland

### Notes To Basic Financial Statements

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period, or soon enough thereafter, to pay the liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for grants from state and federal governments, which the Town considers available if they are collected within 90 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

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

Property taxes are recognized as a receivable at the time they are levied. The Town's property tax is levied on property values as assessed on January 1, billed on July 1, and payable either by September 30, or in two equal installments on September 30 and December 31. Property taxes are attached as an enforceable lien on the underlying properties as of the succeeding June 1, and are thereafter sold at public auction. Calvert County, Maryland bills and collects property taxes for the Town and remits cash collections to the Town once a month. Property taxes are considered available if received within 60 days of year-end. Delinquent tax receivables not received within 60 days of year-end are reflected as deferred revenue and are recognized at the date of receipt. The Town's tax rate for the collection year ended June 30, 2011, was \$0.37 per \$100 of assessed valuation.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

#### E. Use of Estimates

The preparation of financial statements requires the Town to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

## Town Of Chesapeake Beach, Maryland

### Notes To Basic Financial Statements

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

##### F. Encumbrances

The Town does not use encumbrances accounting.

##### G. Budgetary Data

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

##### H. Cash and Cash Equivalents

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

##### I. Investments

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

##### J. Receivables

Accounts receivable are carried at original invoice amount, less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic conditions. As of June 30, 2011, 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, 2011, 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.

**Town Of Chesapeake Beach, Maryland**

**Notes To Basic Financial Statements**

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

GASB Statement No. 34 requires the Town to prospectively report all governmental activities' infrastructure assets acquired after June 30, 2003, and encourages, but does not require, the Town to retroactively report infrastructure assets acquired after June 30, 1980. The Town has elected not to retroactively report infrastructure assets, and the accompanying basic financial statements only include infrastructure assets acquired after June 30, 2003.

Major outlays for capital assets and improvements are capitalized as projects are constructed, including interest during the construction period. Total interest capitalized on projects for the year ended June 30, 2011, was \$54,579. 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

**N. Deferred Revenue**

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

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. 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 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, 2011, 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.



## Town Of Chesapeake Beach, Maryland

### Notes To Basic Financial Statements

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

##### Q. Fund Balance

The Town was required to adopt GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for the year ended June 30, 2011. The categories of fund balance presented in the Town's governmental fund have changed as a result of implementing this Statement as depicted in the accompanying balance sheet. 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. The Town first considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. When unrestricted amounts are considered to have been spent, the Town considers committed amounts first, then assigned, and finally unassigned when a expenditure is incurred for which amounts in any of those unrestricted fund balance classifications could be used.

##### 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, exclude 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, 2011, all of the Town's deposits were either covered by federal depository insurance or were covered by collateral held by the Town's agent in the Town's name.

Short-term investments: Maryland State Law authorizes the Town to invest in obligations of the U.S. Government, federal government obligations, and repurchase agreements secured by direct government or agency obligations, or the state's sponsored investment pool. At June 30, 2011, 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 \$3,678,766 and \$533,156 at June 30, 2011, for governmental activities and business-type activities, respectively.

## Town Of Chesapeake Beach, Maryland

### Notes To Basic Financial Statements

#### 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, 2011, unspent bond proceeds of \$126,488 and \$0 for governmental and business-type activities, respectively, were invested by the Community Development Administration in U.S. Government money market funds. These investments are restricted for completion of certain capital projects.

On August 25, 2010, the Town issued the \$2,164,385 Community Development Administration Local Government Infrastructure 2010 Series A general obligation bond, in order to finance the completion of specific capital projects. As of June 30, 2011, unspent bond proceeds of \$0 and \$451,210 for governmental and business-type activities, respectively, were invested by the Community Development Administration in U.S. Government money market funds. These investments are restricted for completion of certain capital projects.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Town does not have an investment policy for custodial credit risk. At June 30, 2011, all of the Town's investments are exposed to custodial credit risk, since the securities are held by the counterparty and are not in the Town's name.

#### Note 4. Receivables And Payables

Receivables and payables at June 30, 2011, consist of the following:

	Governmental Activities	Business -Type Activities		Total
		Water Park Fund	Utility Fund	
Due from other governments:				
State of Maryland	\$ 740,359	\$ -	\$ -	\$ 740,359
Calvert County	28,753	-	-	28,753
	<u>\$ 769,112</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 769,112</u>
Other receivables:				
Miscellaneous	\$ -	\$ 603	\$ 62,415	\$ 63,018
Accounts payable:				
Vendors	\$ 436,005	\$ 64,452	\$ 166,746	\$ 667,203
Contractor retainages	60,023	-	179,533	239,556
	<u>\$ 496,028</u>	<u>\$ 64,452</u>	<u>\$ 346,279</u>	<u>\$ 906,759</u>
Accrued liabilities:				
Payroll and withholdings	\$ 21,438	\$ 52,885	\$ 3,518	\$ 77,841
MDE flush fee	-	-	34,663	34,663
Interest	25,979	-	59,280	85,259
Other liabilities	6	136	-	142
	<u>\$ 47,423</u>	<u>\$ 53,021</u>	<u>\$ 97,461</u>	<u>\$ 197,905</u>

**Town Of Chesapeake Beach, Maryland**

**Notes To Basic Financial Statements**

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

Interfund balances result from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made. Interfund receivables and payables are non interest-bearing and are normally settled in the subsequent period. At June 30, 2011, interfund receivable and payable balances are as follows:

Receivable Fund	Payable Fund	
	General	Water Park
General	\$ -	\$ 151,415
Utility Fund	7,328	4,465
	<u>\$ 7,328</u>	<u>\$ 155,880</u>

Interfund transfers for the year ended June 30, 2011, consisted of transfers in the Town's normal course of business from the General Fund of \$200,000 and \$93,000 to the Water Park Fund and the Utility Fund, respectively.

**Note 6. Bond Issuance Costs**

Bond issuance costs consist of the following at June 30, 2011:

	Balance July 1, 2010	Additions	Amortization	Balance June 30, 2011
Governmental activities:				
CDA 2007 Series A general obligation bond	\$ 54,116	\$ -	\$ (3,183)	\$ 50,933
Business-type activities:				
CDA 2007 Series A general obligation bond	\$ 8,284	\$ -	\$ (925)	\$ 7,359
MDE 2007 Water Quality general obligation bond	6,425	-	(378)	6,047
CDA 2010 Series A-1 general obligation bond	-	24,388	(1,035)	23,353
	<u>\$ 14,709</u>	<u>\$ 24,388</u>	<u>\$ (2,338)</u>	<u>\$ 36,759</u>

**Town Of Chesapeake Beach, Maryland**

**Notes To Basic Financial Statements**

**Note 7. Capital Assets**

Capital asset activity for the year ended June 30, 2011, is as follows:

	Balance July 1, 2010	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2011
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,041,275	\$ -	\$ -	\$ 1,041,275
Construction-in-process	783,557	2,744,174	-	3,527,731
	<u>1,824,832</u>	<u>2,744,174</u>	<u>-</u>	<u>4,569,006</u>
Capital assets being depreciated:				
Land improvements	10,079,048	218,907	-	10,297,955
Buildings and facilities	1,650,251	1,750	-	1,652,001
Equipment	662,733	159,036	(16,693)	805,076
	<u>12,392,032</u>	<u>379,693</u>	<u>(16,693)</u>	<u>12,755,032</u>
Accumulated depreciation for:				
Land improvements	(3,947,453)	(460,940)	-	(4,408,393)
Buildings and facilities	(199,529)	(48,707)	-	(248,236)
Equipment	(462,845)	(75,097)	16,693	(521,249)
	<u>(4,609,827)</u>	<u>(584,744)</u>	<u>16,693</u>	<u>(5,177,878)</u>
<b>Total depreciable assets, net</b>	<u>7,782,205</u>	<u>(205,051)</u>	<u>-</u>	<u>7,577,154</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 9,607,037</u>	<u>\$ 2,539,123</u>	<u>\$ -</u>	<u>\$ 12,146,160</u>

**Town Of Chesapeake Beach, Maryland**

**Notes To Basic Financial Statements**

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

	Balance July 1, 2010	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2011
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 21,875	\$ -	\$ -	\$ 21,875
Construction-in-process	1,052,114	1,647,141	(25,386)	2,673,869
	<u>1,073,989</u>	<u>1,647,141</u>	<u>(25,386)</u>	<u>2,695,744</u>
Capital assets being depreciated:				
Land improvements	480,128	-	(2,636)	477,492
Buildings and facilities	4,679,046	297,712	(28,576)	4,948,182
Water system	4,222,430	-	(9,209)	4,213,221
Sewer system	14,528,083	11,555	25,386	14,565,024
Vehicles and equipment	632,457	21,035	(84,784)	568,708
	<u>24,542,144</u>	<u>330,302</u>	<u>(99,819)</u>	<u>24,772,627</u>
Accumulated depreciation for:				
Land improvements	(242,965)	(33,879)	2,247	(274,597)
Buildings and facilities	(3,311,112)	(190,460)	13,440	(3,488,132)
Water system	(1,734,412)	(161,059)	9,209	(1,886,262)
Sewer system	(2,263,074)	(381,375)	-	(2,644,449)
Vehicles and equipment	(322,423)	(40,246)	84,784	(277,885)
	<u>(7,873,986)</u>	<u>(807,019)</u>	<u>109,680</u>	<u>(8,571,325)</u>
<b>Total depreciable assets, net</b>	<u>16,668,158</u>	<u>(476,717)</u>	<u>9,861</u>	<u>16,201,302</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 17,742,147</u>	<u>\$ 1,170,424</u>	<u>\$ (15,525)</u>	<u>\$ 18,897,046</u>

Depreciation expense was charged in the statement of activities for the year ended June 30, 2011, as follows:

<b>Governmental activities:</b>	
General government	\$ 357,743
Public works	227,001
	<u>\$ 584,744</u>
<b>Business-type activities:</b>	
Water park	\$ 226,833
Water and sewer services	580,186
	<u>\$ 807,019</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, 2011, is as follows:

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011	Amounts Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds payable	\$ 4,677,326	\$ -	\$ (468,408)	\$ 4,208,918	\$ 486,042
Note payable	434,880	-	(63,444)	371,436	54,157
Compensated absences	31,559	27,894	(18,843)	40,610	19,599
	<u>\$ 5,143,765</u>	<u>\$ 27,894</u>	<u>\$ (50,695)</u>	<u>\$ 4,620,964</u>	<u>\$ 559,798</u>
<b>Business-type activities:</b>					
General obligation bonds payable	\$ 5,658,340	\$ 2,449,472	\$ (442,014)	\$ 7,665,798	\$ 482,186
Compensated absences	-	7,963	-	7,963	7,054
	<u>\$ 5,658,340</u>	<u>\$ 2,457,435</u>	<u>\$ (442,014)</u>	<u>\$ 7,673,761</u>	<u>\$ 489,240</u>

General obligation bonds payable relating to governmental activities at June 30, 2011, 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	\$ 609,700
\$2,193,666 Maryland Department of Housing and Community Development Local Government Infrastructure Financing Bond 2007 Series A; interest payable semi-annually on May 1 and November 1 at variable rates ranging from 3.85% – 4.225%; annual principal payments due May 1 at varying amounts up to \$154,468; due May 1, 2027	1,868,713
\$3,684,241 Public Facilities Refunding Bond of 2004; interest payable semi-annually on May 15 and November 15 at 3.77%; annual principal payments due November 15 at varying amounts up to \$364,538; due November 15, 2018	1,730,505
	<u>\$ 4,208,918</u>

Notes payable relating to governmental activities at June 30, 2011, consist of the following:

Various non-interest bearing Shore Erosion Control notes payable through the Maryland Department of Natural Resources; currently being liquidated in annual installments totaling \$63,443, with varying due dates through September 2020	<u>\$ 371,436</u>
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**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, 2011, is as follows:

Years Ending June 30,	General Obligation Bonds	Notes Payable	Total
2012	\$ 486,042	\$ 54,157	\$ 540,199
2013	506,672	45,538	552,210
2014	415,342	45,533	460,875
2015	436,002	35,182	471,184
2016	443,053	35,182	478,235
2017 – 2021	1,084,887	155,844	1,240,731
2022 – 2026	682,452	-	682,452
2027	154,468	-	154,468
	<u>\$ 4,208,918</u>	<u>\$ 371,436</u>	<u>\$ 4,580,354</u>

Interest requirements on general obligation bonds and notes payable relating to governmental activities as of June 30, 2011, is as follows:

Years Ending June 30,	General Obligation Bonds	Notes Payable	Total
2012	\$ 164,556	\$ -	\$ 164,556
2013	145,575	-	145,575
2014	127,827	-	127,827
2015	111,449	-	111,449
2016	94,427	-	94,427
2017 – 2021	310,855	-	310,855
2022 – 2026	120,270	-	120,270
2027	6,526	-	6,526
	<u>\$ 1,081,485</u>	<u>\$ -</u>	<u>\$ 1,081,485</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, 2011, consist of the following:

\$381,059 Maryland Department of Housing and Community Development Local Government Infrastructure Financing Bond 2007 Series A; interest payable semi-annually on May 1 and November 1 at variable rates ranging from 3.45% – 4.125%; annual principal payments due May 1 at varying amounts up to \$26,832; due May 1, 2027	\$	324,612
\$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		467,375
\$683,000 ARRA Sewer Improvement Loan of 2009; interest payable semi-annually on February 1 and August 1 at 1.00%; annual principal payments due February 1 at varying amounts up to \$38,046; due February 1, 2028		581,390
\$2,164,385 Maryland Department of Housing and Community Development Local Government Infrastructure Financing Bond 2010 Series A-1; interest payable semi-annually on May 1 and November 1 at variable rates up to 4.25%; annual principal payments due May 1 at varying amounts up to \$149,000; due May 1, 2030		2,080,090
\$4,720,289 Water Quality Bond, Series 2007; interest payable semi-annually on February 1 and August 1 at 1.10%; annual principal payments due February 1 at varying amounts up to \$293,449; due February 1, 2027		4,212,331
	<u>\$</u>	<u>7,665,798</u>

Maturities and interest requirements of the general obligation bonds payable relating to business-type activities as of June 30, 2011, is as follows:

Years Ending June 30,	Principal	Interest	Total
2012	\$ 482,186	\$ 177,553	\$ 659,739
2013	490,274	168,694	658,968
2014	468,695	161,181	629,876
2015	478,762	153,388	632,150
2016	485,022	145,188	630,210
2017 – 2021	2,189,053	620,607	2,809,660
2022 – 2026	2,344,957	437,961	2,782,918
2027 – 2030	726,849	116,037	842,886
	<u>\$ 7,665,798</u>	<u>\$ 1,980,609</u>	<u>\$ 9,646,407</u>



## Town Of Chesapeake Beach, Maryland

### Notes To Basic Financial Statements

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

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

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

#### **Note 10. Risk Management**

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

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

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

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

Total matching contributions made by the Town under these plans for the year ended June 30, 2011 was \$100,376.

## Town Of Chesapeake Beach, Maryland

### Notes To Basic Financial Statements

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#### Note 12. Commitments And Contingencies

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

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

Capital Projects: The Town is committed under various contracts pertaining to the Railway Trail, new water tower, and treatment plant ENR design projects totaling \$200,426 at June 30, 2011.

Leasing arrangements: The Town participates in two separate leases for library services, which are accounted for as operating leases. The Town is responsible for 25 percent of the combined rents and Calvert County, Maryland is responsible for the remaining 75 percent of the combined rents. Under the terms of these agreements, annual rent increases are provided based upon the Consumer Price Index, with a minimum of two percent and up to a maximum of four percent. The renewed leases were for a period of five years ending May 30, 2014, and October 31, 2014. The Town's current combined monthly lease payments are \$2,613. The Town's portion of rent expense incurred under these agreements for the year ended June 30, 2011, was \$31,262. The Town's portions of future minimum lease payments are as follows:

Years Ending June 30,

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2012	\$	31,772
2013		32,404
2014		32,368
2015		8,508
	\$	<u>105,052</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, 2011, that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the Town:

- GASB Statement Number 60, *Accounting and Financial Reporting for Service Concession Arrangements*, will be effective for the Town beginning with its year ending June 30, 2013. This statement requires governments to account for and report Service Concession Arrangements in the same manner by establishing recognition, measurement, and disclosure requirements for both transferors and governmental operators.

## Town Of Chesapeake Beach, Maryland

### Notes To Basic Financial Statements

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

- GASB Statement Number 61, *The Financial Reporting Entity – Omnibus – An Amendment of GASB Statements No. 14 and No. 34*, will be effective for the Town beginning with its year ending June 30, 2013. This statement addresses reporting entity issues that have arisen since the issuance of GASB Statements No. 14 and No. 34, to improve financial reporting for a governmental financial reporting entity. This statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, and financial reporting entity display and disclosure requirements. It applies to financial reporting by primary governments and other stand-alone governments, and to the separately issued financial statements of governmental component units. In addition, this statement should be applied to nongovernmental component units when they are included in a governmental financial reporting entity.
- GASB Statement Number 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, will be effective for the Town beginning with its year ending June 30, 2013. This statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. This statement also supersedes Statement No. 20, thereby eliminating the election provided in paragraph 7 of that statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB statements and interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this statement.
- GASB Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, will be effective for the Town beginning with its year ending June 30, 2013. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4 introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Additionally, this statement amends the net asset reporting requirements in Statement No. 34 and other pronouncements, by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.
- GASB Statement Number 64, *Derivative Instruments – Application of Hedge Accounting Termination Provisions – An Amendment of GASB Statement No. 53*, will be effective for the Town beginning with its year ending June 30, 2012. This statement clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider, and whether hedge accounting should continue to be applied.

**Town Of Chesapeake Beach, Maryland**

**Schedule Of Revenues – Budget And Actual – General Fund  
Year Ended June 30, 2011  
(With Comparative Totals For 2010)**

	Original Budget	Amended Budget	Actual	Variance With Amended Budget Positive (Negative)	2010 Actual
<b>Taxes:</b>					
Local property taxes:					
Real property	\$ 3,044,000	\$ 3,044,000	\$ 3,087,773	\$ 43,773	\$ 2,748,688
Personal property	40,000	40,000	46,896	6,896	30,095
Penalties and interest	10,000	10,000	14,184	4,184	17,998
	<u>3,094,000</u>	<u>3,094,000</u>	<u>3,148,853</u>	<u>54,853</u>	<u>2,796,781</u>
Admission and amusement tax	600,000	600,000	798,095	198,095	751,197
Hotel tax	75,000	75,000	82,481	7,481	82,966
<b>Total taxes</b>	<u>3,769,000</u>	<u>3,769,000</u>	<u>4,029,429</u>	<u>260,429</u>	<u>3,630,944</u>
<b>Licenses and permits:</b>					
Liquor	4,000	4,000	-	(4,000)	8,430
Cable franchise	25,000	25,000	31,209	6,209	26,965
Traders	3,500	3,500	4,015	515	2,758
Zoning	45,000	45,000	42,924	(2,076)	55,196
<b>Total licenses and permits</b>	<u>77,500</u>	<u>77,500</u>	<u>78,148</u>	<u>648</u>	<u>93,349</u>
<b>Intergovernmental:</b>					
State-shared taxes:					
Income	500,000	500,000	679,824	179,824	632,704
Highway user	30,000	30,000	31,465	1,465	40,280
	<u>530,000</u>	<u>530,000</u>	<u>711,289</u>	<u>181,289</u>	<u>672,984</u>
Federal projects grant	1,629,900	1,629,900	1,400,497	(229,403)	38,000
Grants from state government:					
State Police protection	29,000	29,000	29,300	300	29,300
State DGS Kellam's Field Rec. Project	250,000	250,000	121,074	(128,926)	-
State DNR Fishing Creek dredging	-	-	75,000	75,000	-
State DNR critical areas	4,000	4,000	4,000	-	4,000
State DNR bulkhead replacement	-	-	-	-	95,000
	<u>283,000</u>	<u>283,000</u>	<u>229,374</u>	<u>(53,626)</u>	<u>128,300</u>
Funds from county government:					
County recreation fees	65,000	65,000	67,772	2,772	121,226
Kellam's Field Recreation Complex	-	-	85,000	85,000	-
Chesapeake Beach Railway Trail	250,000	250,000	250,000	-	-
	<u>315,000</u>	<u>315,000</u>	<u>402,772</u>	<u>87,772</u>	<u>121,226</u>
<b>Total intergovernmental</b>	<u>2,757,900</u>	<u>2,757,900</u>	<u>2,743,932</u>	<u>(13,968)</u>	<u>960,510</u>
Service charges for current services:					
Town recreation fees	80,000	80,000	26,000	(54,000)	38,000
Investment earnings	5,050	5,050	5,676	626	7,332
Miscellaneous revenues:					
Fines and forfeitures	-	-	500	500	850
Mitigation contributions	-	-	3,702	3,702	4,394
Tower site rental	72,000	72,000	75,639	3,639	72,729
Veteran park brick sales	1,000	1,000	400	(600)	600
Bayfront park admissions	30,000	30,000	40,700	10,700	22,447
Miscellaneous	5,500	5,500	4,241	(1,259)	50,383
<b>Total miscellaneous revenues</b>	<u>108,500</u>	<u>108,500</u>	<u>125,182</u>	<u>16,682</u>	<u>151,403</u>
<b>Total revenues</b>	<u>\$ 6,797,950</u>	<u>\$ 6,797,950</u>	<u>\$ 7,008,367</u>	<u>\$ 210,417</u>	<u>\$ 4,881,538</u>

**Town Of Chesapeake Beach, Maryland**

**Schedule Of Expenditures – Budget And Actual – General Fund  
Year Ended June 30, 2011  
(With Comparative Totals For 2010)**

	Original Budget	Amended Budget	Actual	Variance With Amended Budget Positive (Negative)	2010 Actual
<b>General government:</b>					
Salaries, payroll taxes, and benefits	\$ 301,800	\$ 301,800	\$ 325,804	\$ (24,004)	\$ 340,058
Planning and zoning	60,000	60,000	60,229	(229)	66,426
Legal	75,000	75,000	39,898	35,102	58,004
Code enforcement	25,000	25,000	21,157	3,843	29,727
Engineering and consulting	45,000	45,000	39,275	5,725	125,810
Special events	100,000	100,000	93,636	6,364	87,990
Recreation	90,000	90,000	53,407	36,593	106,850
Economic development	25,000	25,000	27,859	(2,859)	17,290
Grants to local organizations	24,000	24,000	19,500	4,500	27,000
Audit and financial expense	35,000	35,000	31,090	3,910	37,254
Newsletter	30,000	30,000	26,285	3,715	22,815
Chesapeake Bay critical area	15,000	15,000	2,461	12,539	12,879
Office expense	90,000	90,000	77,957	12,043	90,592
Repairs and maintenance	27,500	27,500	18,806	8,694	27,448
Library rent	34,450	34,450	31,262	3,188	30,771
Council expense	27,500	27,500	28,866	(1,366)	29,328
Insurance	30,000	30,000	13,905	16,095	10,823
Telephone and utilities	36,500	36,500	32,239	4,261	25,674
Miscellaneous	13,150	13,150	8,024	5,126	3,917
<b>Total general government</b>	<b>1,084,900</b>	<b>1,084,900</b>	<b>951,660</b>	<b>133,240</b>	<b>1,150,656</b>
<b>Public safety:</b>					
Police	760,000	760,000	736,713	23,287	735,298
<b>Total public safety</b>	<b>760,000</b>	<b>760,000</b>	<b>736,713</b>	<b>23,287</b>	<b>735,298</b>
<b>Public works:</b>					
Salaries, payroll taxes, and benefits	275,500	275,500	277,187	(1,687)	334,637
Trash removal	280,500	280,500	249,341	31,159	236,785
Landfill tipping fees	175,000	175,000	138,103	36,897	147,168
Property maintenance	245,000	245,000	297,869	(52,869)	333,721
Street lighting	60,000	60,000	56,524	3,476	60,184
Holiday lights	60,000	60,000	49,668	10,332	56,972
Streets and equipment maintenance	47,000	47,000	42,482	4,518	30,298
Gasoline and oil	11,000	11,000	15,935	(4,935)	8,257
Snow removal	20,000	20,000	24,778	(4,778)	87,966
Telephone and utilities	28,000	28,000	16,431	11,569	17,692
Supplies	25,000	25,000	10,080	14,920	16,944
Miscellaneous	1,000	1,000	1,049	(49)	509
<b>Total public works</b>	<b>1,228,000</b>	<b>1,228,000</b>	<b>1,179,447</b>	<b>48,553</b>	<b>1,331,133</b>
Capital outlay	3,465,900	3,524,900	3,140,317	384,583	764,318
Debt service	716,200	716,200	715,541	659	715,180
<b>Total expenditures</b>	<b>\$ 7,255,000</b>	<b>\$ 7,314,000</b>	<b>\$ 6,723,678</b>	<b>\$ 590,322</b>	<b>\$ 4,696,585</b>