

**TOWN OF CHESAPEAKE BEACH,
MARYLAND**

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

Year Ended June 30, 2018

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Chesapeake Beach, Maryland (the Town), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Chesapeake Beach, Maryland, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October __, 2018 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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* in considering the Town's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Rubins & Company". The signature is written in a cursive, flowing style.

October 30, 2018
Bethesda, Maryland

TOWN OF CHESAPEAKE BEACH, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

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, 2018. Readers are encouraged to consider the information presented here in conjunction with the financial statements and notes to the financial statements (which immediately follow this discussion).

Financial Highlights

- The net position of the Town of Chesapeake Beach on June 30, 2018, was \$36,368,484 (net position). Approximately 49% of this amount is attributable to business-type activities that include the Utility and Water Park funds. The remaining 51% is attributable to government activities. Of total net position, \$9,264,354 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors. This includes \$2,608,066 set aside into the Rainy Day Fund, created as a contingency for emergency situations. The remaining net position of \$27,104,130 represents a net investment in capital assets and restricted net position.
- The property tax rate for the Town was maintained at \$0.35/\$100.
- Water and sewer user rates maintained a fixed charge per quarter of \$50 and the rates for Sewer per thousand gallons increased to \$5.57 and for Water per thousand gallons increased to \$2.01 in fiscal year 2018.
- In the Utility Fund, work continued on the water and sewer line relocation project at the 261 bridge.
- At the Chesapeake Beach Wastewater Treatment Plant, construction is continuing on the enhanced nutrient removal (ENR) project and is scheduled for completion in FY19.

Overview of the Financial Statements

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

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

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

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

**TOWN OF CHESAPEAKE BEACH, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Government-Wide Financial Statements (Reporting on the Town as a Whole)

The government-wide financial statements are designed to provide readers with a broad overview of the finances of the Town of Chesapeake Beach. The Statement of Net Position and the Statement of Activities include all assets and liabilities using the accrual basis of accounting. The accrual basis of accounting requires that revenues be reported when they are earned and that expenses be reported when the goods and services are received, regardless of the timing of the cash flow. Items such as uncollected taxes, unpaid vendor invoices for items received as of June 30, 2018, and earned but unused vacation leave will be included in the Statement of Activities as revenues and expenses, even though the cash associated with these items will not be received or distributed until after June 30, 2018.

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

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

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

Fund Financial Statements

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

- Government Funds – Most of the basic services provided by the Town are reported in the governmental funds, which focus on how money flows into and out of the funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily be converted to cash. The governmental fund statements provide a detailed short-term view of the general government operations of the Town and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs offered by the Town. We describe the relationship (or differences) between governmental activities (reported in the

TOWN OF CHESAPEAKE BEACH, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund financial statements.

- Proprietary Funds – When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities but provide more detail.
- Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.
- Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information. Detailed schedules of revenue and expenditures comparing budget to actual for the general fund are presented immediately after the basic financial statements.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's combined assets exceeded liabilities by \$36,368,484 at the close of the most recent fiscal year.

Of the Town's net position, 73.7% reflects its net investment in capital assets (e.g., land, buildings, machinery and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**TOWN OF CHESAPEAKE BEACH, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Condensed Statement of Net Position

	Governmental Activities		Business Type-Activities		Total Town	
	2018	2017	2018	2017	2018	2017
Assets						
Current and other assets	8,939,261	9,823,499	2,016,794	1,757,014	10,956,055	11,580,513
Capital assets, net	10,060,572	10,490,380	24,578,083	25,209,863	34,638,655	35,700,243
Total Assets	18,999,833	20,313,879	26,594,877	26,966,877	45,594,710	47,280,756
Liabilities						
Long-term liabilities	151,607	1,478,887	7,774,945	8,378,050	7,926,552	9,856,937
Other liabilities	464,544	402,840	835,130	989,882	1,299,674	1,392,722
Total liabilities	616,151	1,881,727	8,610,075	9,367,932	9,226,226	11,249,659
Net Position						
Net investment in capital assets	9,975,090	9,076,124	16,815,747	16,847,624	26,790,837	25,923,748
Restricted	313,293	250,700	-	-	313,293	-
Unrestricted	8,095,299	9,105,328	1,169,055	751,321	9,264,354	9,856,649
Total Net Position	18,383,682	18,432,152	17,984,802	17,598,945	36,368,484	35,780,397

Governmental Activities

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

Proprietary (Business-Type) Activities

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

**TOWN OF CHESAPEAKE BEACH, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Condensed Statement of Activities

	Governmental Activities		Business-Type Activities		Total Town	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues:						
Charges for services	235,817	222,117	2,551,097	2,832,147	2,786,914	3,054,264
Operating Grants and Contributions	73,824	51,196	-	-	73,824	51,196
Capital Grants and Contributions	254,576	246,194	-	549,740	254,576	795,934
General Revenues:						
Property Tax	2,743,637	2,712,586	-	-	2,743,637	2,712,586
Income Tax	1,054,575	1,172,164	-	-	1,054,575	1,172,164
Admissions and Amusements Tax	1,576,244	1,590,479	-	-	1,576,244	1,590,479
Hotel Tax	89,771	99,502	-	-	89,771	99,502
Franchise Tax	113,887	82,940	-	-	113,887	82,940
Investment Earnings	73,820	39,117	25,841	2,545	99,661	41,662
Miscellaneous	19,201	12,622	8,951	12,041	28,152	24,663
Transfers	(1,000,000)	40,000	1,000,000	(40,000)	-	-
Total Revenues	5,235,352	6,268,917	3,585,889	3,356,473	8,821,241	9,625,390
Expenses						
General government	2,628,549	1,754,705	-	-	2,628,549	1,754,705
Public Safety	1,079,769	953,457	-	-	1,079,769	953,457
Public Works	1,550,454	1,436,363	-	-	1,550,454	1,436,363
Water Park	-	-	1,228,373	1,175,175	1,228,373	1,175,175
Water and Sewer Services	-	-	1,971,659	1,382,487	1,971,659	1,382,487
Interest on long-term debt	25,050	64,747	-	-	25,050	64,747
Total Expenses	5,283,822	4,209,272	3,200,032	2,557,662	8,483,854	6,766,934
Change in Net Position	(48,470)	2,059,645	385,857	798,811	337,387	2,858,456

General Fund Budgetary Highlights

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

**TOWN OF CHESAPEAKE BEACH, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Capital Asset and Debt Administration

Capital Assets

The only major project during fiscal year 2018, which was still in process at June 30, 2018, was the ENR project at the treatment plant in the amount started in the prior year with current year additions of \$504,443 in the Utility Fund. More detailed information about capital assets can be found in Note 5 to the basic financial statements.

Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Town Total	
	2018	2017	2018	2017	2018	2017
Land	1,192,375	1,192,375	21,875	21,875	1,214,250	1,214,250
Construction in Progress	42,826	42,826	11,206,997	10,702,555	11,249,823	10,745,381
Land Improvements	7,586,893	7,836,020	198,025	194,233	7,784,918	8,030,253
Buildings	1,077,036	1,128,656	3,348,314	3,348,314	4,425,350	4,476,970
Water System	-	-	3,481,126	3,651,593	3,481,126	3,651,593
Sewer System	-	-	6,156,028	6,968,319	6,156,028	6,968,319
Vehicles and Equipment	161,442	290,503	165,718	322,974	327,160	613,477
Total	10,060,572	10,490,380	24,578,083	25,209,863	34,638,655	35,700,243

Long-Term Liabilities

At June 30, 2018, the Town had total outstanding long-term liabilities of \$7,926,552. Total debt for the Governmental activities is \$85,482. Total outstanding debt for business-type activities is \$7,762,336, which includes the \$3,589,426 in the Utility Fund used for costs associated with the ENR project previously discussed. More detailed information about long-term debt can be found in Note 6 to the basic financial statements.

Long-Term Liabilities

	Governmental Activities		Business-Type Activities		Town Total	
	2018	2017	2018	2017	2018	2017
General obligation Bonds	-	1,293,592	7,762,336	8,362,239	7,762,336	9,655,831
Notes Payable	85,482	120,664	-	-	85,482	120,664
Compensated Absences	66,125	64,631	12,609	15,811	78,734	80,442
Total	151,607	1,478,887	7,774,945	8,378,050	7,926,552	9,856,937

**TOWN OF CHESAPEAKE BEACH, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Economic Factors and Next Year's Budgets and Rates

The fiscal 2018 budget reflects that the Town is not immune to the economic downturn and the impact of a weakened real estate market. Real property tax revenues have remained flat since the 13% decline in FY11. The rate of residential construction continues to grow at a slow but steady rate. The real property tax rate will remain at \$0.35/\$100.

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

Water and sewer user rates were changed in FY 2018. There is a fixed charge per quarter of \$50.00 for sewer usage plus a rate of \$5.57/tg (thousand gallons) and \$2.01/tg (thousand gallons) for water use. Capital connection fees are unchanged.

Contacting the Town's Financial Management

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

**TOWN OF CHESAPEAKE BEACH
STATEMENT OF NET POSITION
June 30, 2018**

	Governmental Activities	Business-Type Activities	Total Primary Government
ASSETS			
Cash and cash equivalents	\$ 8,324,860	\$ 1,678,504	\$ 10,003,364
Accounts receivable			
Property taxes	51,632	-	51,632
Water and sewer services	-	322,325	322,325
Prepaid Expenses	39,061		
Inventory	-	15,965	15,965
Due from TP fund	422	-	422
Due from WP fund	126,019	-	126,019
Due from Utility fund	397,267	-	397,267
Capital assets			
Non-depreciable assets	1,272,448	11,228,873	12,501,321
Depreciable assets, net	8,788,124	13,349,210	22,137,334
Total assets	\$ 18,999,833	\$ 26,594,877	\$ 45,594,710
LIABILITIES AND NET POSITION			
Liabilities			
Accounts payable	\$ 416,248	\$ 17,342	\$ 433,590
Accrued liabilities	39,056	139,956	179,012
Deposits	9,240	-	9,240
Due to general fund	-	523,286	523,286
Due to TP fund	-	154,546	154,546
Due to WP fund	-	-	-
Non-current liabilities			
Due within one year	35,182	591,436	626,618
Due in more than one year	116,425	7,183,509	7,299,934
Total liabilities	616,151	8,610,075	9,226,226
Net position			
Net investment in capital assets	9,975,090	16,815,747	26,790,837
Restricted net position	313,293	-	313,293
Unrestricted net position	8,095,299	1,169,055	9,264,354
Total net position	18,383,682	17,984,802	36,368,484
Total liabilities and net position	18,999,833	26,594,877	45,594,710

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

TOWN OF CHESAPEAKE BEACH
STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total Primary Government
Governmental Activities							
General government	\$ 2,628,549	184,177	\$ 4,000	\$ -	\$ (2,440,372)	\$ -	\$ (2,440,372)
Public safety	1,079,769	49,009	69,524	-	(961,236)	-	(961,236)
Public works	1,550,454	1,539	300	254,576	(1,294,039)	-	(1,294,039)
Interest on long-term debt	25,050	-	-	-	(25,050)	-	(25,050)
Total governmental activities	5,283,822	234,725	73,824	254,576	(4,720,697)	-	(4,720,697)
Business-Type Activities							
Water park	1,228,373	1,215,631	-	-	-	(12,742)	(12,742)
Water and sewer services	1,971,659	1,335,466	-	-	-	(636,193)	(636,193)
Total business-type activities	3,200,032	2,551,097	-	-	-	(648,935)	(648,935)
Total primary government	\$ 8,483,854	\$ 2,785,822	\$ 73,824	\$ 254,576	(4,720,697)	(648,935)	(5,369,632)
General Revenues:							
Property tax					2,743,637	-	2,743,637
Income tax					1,054,575	-	1,054,575
Admissions and amusement tax					1,576,244	-	1,576,244
Hotel tax					89,771	-	89,771
Franchise tax					113,887	-	113,887
Investment earnings					74,912	25,841	100,753
Miscellaneous					19,201	8,951	28,152
Transfers					(1,000,000)	1,000,000	-
Total general revenues and transfers					4,672,227	1,034,792	5,707,019
Change in net position					(48,470)	385,857	337,387
Net Position:							
Beginning					18,432,152	17,598,945	36,031,097
Ending					<u>\$ 18,383,682</u>	<u>\$ 17,984,802</u>	<u>\$ 36,368,484</u>

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

TOWN OF CHESAPEAKE BEACH
BALANCE SHEET - GOVERNMENTAL FUND
June 30, 2018

General
Fund

ASSETS

Cash and cash equivalents	\$	8,324,860
Property taxes receivable		51,632
Prepaid expenses		39,061
Due from TP fund		422
Due from WP fund		126,019
Due from Utility fund		<u>397,267</u>
Total assets	\$	<u>8,939,261</u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$	416,248
Accrued liabilities		39,056
Deposits		<u>9,240</u>
Total liabilities		<u>464,544</u>

Fund balance

Committed for:		
Dredging projects		313,293
Unassigned		<u>8,161,424</u>
Total fund balance		<u>8,474,717</u>
Total liabilities and fund balance	\$	<u>8,939,261</u>

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

TOWN OF CHESAPEAKE BEACH
Reconciliation of the Governmental Fund
Balance Sheet to the Statement of Net Position
June 30, 2018

Total Fund Balance - Governmental Fund	\$	8,474,717
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Amounts reported for Governmental Activities in the Statement of Net Position are different because:

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

Cost of capital assets	\$ 21,227,104	
Accumulated depreciation	<u>(11,166,532)</u>	10,060,572

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	(85,482)	
Accumulated unused compensated absences	<u>(66,125)</u>	<u>(151,607)</u>

Net position of governmental activities	\$	<u><u>18,383,682</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF CHESAPEAKE BEACH
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND
Year Ended June 30, 2018

	General Fund
Revenue	
Taxes	\$ 5,578,114
Charges for services	234,725
Grants and contributions	328,400
Investment earnings	74,912
Miscellaneous	19,201
Total revenue	6,235,352
Expenditures	
Current:	
General government	1,406,199
Public safety	1,079,769
Public works	1,550,454
Capital outlay	791,048
Debt service:	
Principal	1,328,774
Interest	25,050
Total expenditures	6,181,294
Other financing sources	
Transfer to utility fund	(1,000,000)
Net change in fund balance	(945,942)
Fund Balance	
Beginning	9,420,659
Ending	\$ 8,474,717

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

TOWN OF CHESAPEAKE BEACH
Reconciliation of the Governmental Fund Statement of Revenues,
Expenditures, and Changes in Fund Balance to the Statement of Activities
Year Ended June 30, 2018

Total Net Change in Fund Balance - Governmental Fund \$ (945,942)

Amounts reported for Governmental Activities in the Statement of
 Activities are different because:

Capital outlays are reported in governmental funds as expenditures.
 However, in the statement of activities, the cost of these assets is
 allocated over their estimated useful lives as depreciation expense.
 This is the amount by which depreciation expense exceeds capital
 outlays in the current period:

Capital outlays	\$ 791,048	
Accumulated depreciation	<u>(1,220,856)</u>	(429,808)

Repayment of loan payable principal is an expenditure in the
 general fund, but the repayment reduces non-current liabilities in
 the statement of net position. 1,328,774

Some expenses in the statement of activities do not require
 the use of current financial resources, and therefore, are not
 reported as expenditures in the governmental fund. This is the
 amount by which accumulated unused compensated absences
 decreased. (1,494)

Change in net position of governmental activities \$ (48,470)

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

TOWN OF CHESAPEAKE BEACH
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Amended Budget Positive (Negative)
	Original	Amended		
Revenue				
Taxes	\$ 4,307,200	\$ 4,307,200	\$ 5,578,114	\$ 1,270,914
Charges for services	167,500	167,500	234,725	67,225
Grants and contributions	278,484	278,484	328,400	49,916
Investment earnings	12,000	12,000	74,912	62,912
Miscellaneous	1,988,549	2,008,549	19,201	(1,989,348)
Total revenue	<u>6,753,733</u>	<u>6,773,733</u>	<u>6,235,352</u>	<u>(538,381)</u>
Expenditures				
Current:				
General government	1,492,409	1,492,409	1,406,199	86,210
Public safety	1,022,008	1,022,008	1,079,769	(57,761)
Public works	1,678,051	1,678,051	1,550,454	127,597
Capital outlay	969,943	989,943	791,048	198,895
Debt service:				
Principal	1,578,531	1,578,531	1,328,774	249,757
Interest	12,791	12,791	25,050	(12,259)
Total expenditures	<u>6,753,733</u>	<u>6,773,733</u>	<u>6,181,294</u>	<u>592,439</u>
Other financing sources				
Transfer in	-	-	(1,000,000)	(1,000,000)
Net change in fund balance	<u>-</u>	<u>-</u>	<u>(945,942)</u>	<u>(945,942)</u>
Fund Balance				
Beginning			<u>9,420,659</u>	
Ending			<u>\$ 8,474,717</u>	

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

TOWN OF CHESAPEAKE BEACH
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2018

	Enterprise Funds		
	Water Park Fund	Utility Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 640,468	\$ 1,038,036	\$ 1,678,504
Accounts receivable	-	322,325	322,325
Inventory	<u>15,965</u>	<u>-</u>	<u>15,965</u>
Total current assets	<u>656,433</u>	<u>1,360,361</u>	<u>2,016,794</u>
Non-current assets			
Capital assets			
Non-depreciable assets	-	11,228,873	11,228,873
Depreciable assets, net	<u>675,466</u>	<u>12,673,744</u>	<u>13,349,210</u>
Total assets	<u>\$ 1,331,899</u>	<u>\$ 25,262,978</u>	<u>\$ 26,594,877</u>
LIABILITIES AND NET POSITION			
Current liabilities			
Accounts payable	\$ 2,916	\$ 14,426	\$ 17,342
Accrued liabilities	64,812	75,144	139,956
Due to general fund	126,019	397,267	523,286
Due to TP fund	-	154,546	154,546
Due to WP fund	-	-	-
General obligation bonds payable	<u>-</u>	<u>591,436</u>	<u>591,436</u>
Total current liabilities	<u>193,747</u>	<u>1,232,819</u>	<u>1,426,566</u>
Non-current liabilities			
General obligation bonds payable	-	7,170,900	7,170,900
Compensated absences	<u>12,609</u>	<u>-</u>	<u>12,609</u>
Total liabilities	<u>206,356</u>	<u>8,403,719</u>	<u>8,610,075</u>
Net position			
Net investment in capital assets	675,466	16,140,281	16,815,747
Unrestricted net position	<u>450,077</u>	<u>718,978</u>	<u>1,169,055</u>
Total net position	<u>1,125,543</u>	<u>16,859,259</u>	<u>17,984,802</u>
Total liabilities and net position	<u>\$ 1,331,899</u>	<u>\$ 25,262,978</u>	<u>\$ 26,594,877</u>

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

TOWN OF CHESAPEAKE BEACH
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
Year Ended June 30, 2018

	Enterprise Funds		
	Water Park Fund	Utility Fund	Total
Operating Revenues			
Current use charges	\$ 1,215,631	\$ 1,335,466	\$ 2,551,097
Miscellaneous	<u>684</u>	<u>8,267</u>	<u>8,951</u>
Total operating revenues	<u>1,216,315</u>	<u>1,343,733</u>	<u>2,560,048</u>
Operating Expenses			
Personnel services	660,108	-	660,108
Operations and maintenance	481,912	782,757	1,264,669
Depreciation	<u>86,353</u>	<u>1,188,902</u>	<u>1,275,255</u>
Total operating expenses	<u>1,228,373</u>	<u>1,971,659</u>	<u>3,200,032</u>
Operating income (loss)	<u>(12,058)</u>	<u>(627,926)</u>	<u>(639,984)</u>
Non-Operating Revenues (Expenses)			
Investment interest	6,823	19,018	25,841
Interest income (expense)	<u>-</u>	<u>-</u>	<u>-</u>
Income (loss) before transfers and connection fees and capital grants and contributions	(5,235)	(608,908)	(614,143)
Transfer from GF	<u>-</u>	<u>1,000,000</u>	<u>1,000,000</u>
Change in net position	(5,235)	391,092	385,857
Fund Balance			
Beginning	<u>1,130,778</u>	<u>16,468,167</u>	<u>17,598,945</u>
Ending	<u>\$ 1,125,543</u>	<u>\$ 16,859,259</u>	<u>\$ 17,984,802</u>

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

TOWN OF CHESAPEAKE BEACH
STATEMENTS OF CASH FLOWS - PROPRIETARY FUNDS
Year Ended June 30, 2018

	Enterprise Funds		
	Water Park Fund	Utility Fund	Total
Cash flows from operating activities			
Receipts from customers	\$ 1,220,608	\$ 1,481,941	\$ 2,702,549
Payments to suppliers and employees	(1,106,033)	(768,182)	(1,874,215)
Net cash provided by operating activities	<u>114,575</u>	<u>713,759</u>	<u>828,334</u>
Cash flows from non-capital financing activities			
Transfers out	-	1,000,000	1,000,000
Internal activity - payments from (to) other funds	(51,171)	(157,333)	(208,504)
Net cash used in non-capital financing activities	<u>(51,171)</u>	<u>842,667</u>	<u>791,496</u>
Cash flows from capital and related financing activities			
Purchases of capital assets	(139,032)	(504,443)	(643,475)
Issuance of debt	-	207,590	207,590
Principal payments on notes and bonds payable	-	(807,493)	(807,493)
Net cash provided by (used in) capital and related financing activities	<u>(139,032)</u>	<u>(1,104,346)</u>	<u>(1,243,378)</u>
Cash flows from investing activities			
Investment interest earned	6,823	19,018	25,841
Net cash provided (used) by investing activities	<u>6,823</u>	<u>19,018</u>	<u>25,841</u>
NET INCREASE (DECREASE) IN CASH	(68,805)	471,098	402,293
CASH AND CASH EQUIVALENTS, beginning of year	<u>709,273</u>	<u>566,938</u>	<u>1,276,211</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 640,468</u>	<u>\$ 1,038,036</u>	<u>\$ 1,678,504</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (12,058)	\$ (627,926)	\$ (639,984)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation	86,353	1,188,902	1,275,255
Changes in operating assets and liabilities			
Accounts receivable, net	-	138,208	138,208
Inventory	4,293	-	4,293
Accounts payable	2,916	14,801	17,717
Accrued liabilities	36,273	(226)	36,047
Compensated absences	(3,202)	-	(3,202)
Net cash used in operating activities	<u>\$ 114,575</u>	<u>\$ 713,759</u>	<u>\$ 828,334</u>

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

TOWN OF CHESAPEAKE BEACH
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

1. OVERVIEW AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

B. Basis of Accounting

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

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

Invested in Capital Assets (net of related debt) – is intended to reflect the portion of net position which is associated with non-liquid capital assets less outstanding capital asset related debt.

TOWN OF CHESAPEAKE BEACH
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

1. OVERVIEW AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Accounting (continued)

Restricted Net Position – represents net position that has third party (statutory, bond covenant or granting agency) limitations on its use. The Town’s policy is generally to use any restricted net position first, as appropriate opportunities arise.

Unrestricted Net Position – represents all the remaining net position that does not meet the definition of the other two categories.

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

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

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

C. Fund Accounting

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

TOWN OF CHESAPEAKE BEACH
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

1. OVERVIEW AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

C. Fund Accounting (continued)

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

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

Proprietary Fund Types: Proprietary Fund types are used to account for a government’s ongoing organizations and activities, which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position, and cash flows. The accrual basis of accounting is used under this measurement focus.

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

D. Measurement Focus and Basis of Accounting

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

TOWN OF CHESAPEAKE BEACH
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

1. OVERVIEW AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

D. Measurement Focus and Basis of Accounting (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 available if they are collected within 60 days of the end of the current fiscal period, except for grants from state and federal governments, which the Town considers available if they are collected within 90 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, compensated absences, and claims and judgements are recorded only when payment is due.

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

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

Property taxes are recognized as a receivable at the time they are levied. The Town's property tax is levied on property values as assessed on January 1, billed on July 1, and payable either by September 30, or in two equal installments on September 30, and December 31. Property taxes are attached as an enforceable lien on the underlying properties as of the succeeding June 1, and are thereafter sold at public auction. Calvert County, Maryland bills and collects property taxes for the Town and remits cash collections to the Town once a month. Property taxes are considered available if received within 60 days of year-end. Delinquent tax receivables not received within 60 days of year-end are reflected as deferred inflows of resources and recognized at the date of receipt. The Town's tax rate for the collection year ended June 30, 2018, was \$0.35 per \$100 of assessed valuation.

TOWN OF CHESAPEAKE BEACH
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

1. OVERVIEW AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

D. Measurement Focus and Basis of Accounting (continued)

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

E. Use of Estimates

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

F. Encumbrances

The Town does not use encumbrances accounting.

G. Budgetary Data

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

TOWN OF CHESAPEAKE BEACH
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

1. OVERVIEW AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

H. Cash and Cash Equivalents (continued)

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

I. Receivables

Accounts receivable are carried at original invoice amount, less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic conditions. As of June 30, 2018, management believes all receivables are collectible and has not recorded an allowance for doubtful accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

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

J. Inventory

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

K. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2018, are reported as prepaid items using the consumption method, by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which services are consumed.

L. Deferred Outflows of Resources

Deferred outflows are the consumption of net position by the government that is applicable to a future reporting period. The Town did not report any deferred outflow of resources as of June 30, 2018.

TOWN OF CHESAPEAKE BEACH
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

1. OVERVIEW AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

M. Capital Assets

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

Major outlays for capital assets and improvements are capitalized as projects are constructed, including interest during the construction period. Interest in the amount of \$196,812 was capitalized on projects for the year ended June 30, 2016. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

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

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

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

TOWN OF CHESAPEAKE BEACH
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

1. OVERVIEW AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

N. Deferred Inflows of Resources

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

O. Interfund Transactions

Activity between funds that are representative of lending/borrowing arrangements at the end of the fiscal year is referred to as “due to/from other funds” or “advances to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.” Interfund balances result from the time lag between the dates that (1) Interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Interfund receivables and payables are non-interest-bearing and are normally settled in the subsequent period, except for advances which are long term in nature.

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

TOWN OF CHESAPEAKE BEACH
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

1. OVERVIEW AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

P. Compensated Absences

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

For governmental fund types, the amount of accumulated unpaid vacation and compensatory leave that is payable from available resources is recorded as a liability of the respective fund only if it has matured, for example, as a result of employee retirements and resignations. As of June 30, 2018, no accumulated unpaid vacation or compensatory leave had matured, resulting in it being maintained separately and being a reconciling item between the governmental fund and government-wide financial statement presentations.

Q. Long-Term Obligations

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

TOWN OF CHESAPEAKE BEACH
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

1. OVERVIEW AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

R. Fund Balance

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

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

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

S. Net Position

Net position equals assets plus deferred outflows of resources less liabilities and deferred inflows of resources. The net position category of net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets, excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulation of other governments. Remaining net position amounts are unrestricted.

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

TOWN OF CHESAPEAKE BEACH
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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, 2018, all of the Town's deposits were either covered by federal depository insurance or were covered by collateral held by the Town's agent in the Town's name.

Short-Term Investments: Maryland State Law authorizes the Town to invest in obligations of the U.S. Government, federal government obligations, and repurchase agreements secured by direct government or agency obligations, or the state's sponsored investment pool. As of June 30, 2018, 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 \$6,947,924 and \$1,450,175 for governmental activities and business-type activities, respectively, at June 30, 2018.

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

TOWN OF CHESAPEAKE BEACH
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

3. RECEIVABLES AND PAYABLES

Receivables and payables at June 30, 2018 consist of the following:

	Governmental Activities	Business-Type Activities		Total
		Water Park Fund	Utility Fund	
Taxes Receivable				
Property taxes	\$ 51,632	\$ -	\$ -	\$ 51,632
Other Receivables				
Utility payments	\$ -	\$ -	\$ 322,325	\$ 322,325
Treatment plant	422	-	-	422
	\$ -	\$ -	\$ 322,325	\$ 322,325
Accounts Payable				
Vendors	\$ 416,248	\$ 2,916	\$ 14,426	\$ 433,590
Accrued Liabilities				
Payroll and withholdings	\$ 29,281	\$ 64,812	\$ -	\$ 94,093
MDE flush fee	-	-	38,494	38,494
Interest	-	-	36,650	36,650
Treatment plant	-	-	154,546	154,546
Miscellaneous	9,775	-	-	9,775
	\$ 39,056	\$ 64,812	\$ 229,690	\$ 323,783

4. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Interfund receivables and payables are non-interest bearing and are normally settled in the subsequent period. At June 30, 2018, intefund receivable and payable balances are as follows:

TOWN OF CHESAPEAKE BEACH
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

4. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (continued)

	Receivable Fund		
<u>Payable Fund</u>	<u>General Fund</u>	<u>Utility Fund</u>	<u>Water Park Fund</u>
General Fund	\$ -	\$ 397,267	\$ 126,019
Water Park Fund	397,267	-	-
Utility Fund	126,019	-	-
	\$ 523,286	\$ 397,267	\$ 126,019

Interfund transfers for the year ended June 30, 2018 consisted of a transfer of \$1,000,000 from the General Fund to the Utility Fund as a reserve to pay off the ENR loan.

TOWN OF CHESAPEAKE BEACH
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 is as follows:

Governmental Activities	July 1, <u>2017 Balance</u>	Additions and <u>Other Increases</u>	Deletions and <u>Other Decreases</u>	June 30, <u>2018 Balance</u>
Land	\$ 1,192,375	\$ -	\$ -	\$ 1,192,375
Construction in Progress	<u>80,073</u>	<u>-</u>	<u>-</u>	<u>80,073</u>
Total Assets not being depreciated	1,272,448	-	-	1,272,448
Land Improvements	15,978,318	768,517	-	16,746,835
Buildings and Facilities	1,717,055	-	-	1,717,055
Equipment	<u>1,468,235</u>	<u>22,531</u>	<u>-</u>	<u>1,490,766</u>
Total Capital Assets	20,436,056	791,048	-	21,227,104
Less Accumulated Depreciation:	<u>(9,945,676)</u>	<u>(1,220,856)</u>	<u>-</u>	<u>(11,166,532)</u>
Net Book Value	<u>\$ 10,490,380</u>	<u>\$ (429,808)</u>	<u>\$ -</u>	<u>\$ 10,060,572</u>
Business-Type Activities	July 1, <u>2017 Balance</u>	Additions and <u>Other Increases</u>	Deletions and <u>Other Decreases</u>	June 30, <u>2018 Balance</u>
Land	\$ 21,875	\$ -	\$ -	\$ 21,875
Construction in Progress	<u>10,702,499</u>	<u>504,499</u>	<u>-</u>	<u>11,206,998</u>
Total Assets not being depreciated	10,724,374	504,499	-	11,228,873
Land Improvements	676,783	69,871	-	746,654
Buildings and Facilities	4,948,182	-	-	4,948,182
Water System	6,656,209	-	-	6,656,209
Sewer System	14,557,994	-	-	14,557,994
Equipment	<u>820,177</u>	<u>69,105</u>	<u>-</u>	<u>889,282</u>
Total Capital Assets	38,383,719	643,475	-	39,027,194
Less Accumulated Depreciation:	<u>(13,173,856)</u>	<u>(1,275,255)</u>	<u>-</u>	<u>(14,449,111)</u>
Net Book Value	<u>\$ 25,209,863</u>	<u>\$ (631,780)</u>	<u>\$ -</u>	<u>\$ 24,578,083</u>

TOWN OF CHESAPEAKE BEACH
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

5. CAPITAL ASSETS (continued)

Depreciation expense was charged in the statement of activities for the year ended June 30, 2018 as follows:

Governmental Activities

General government	\$ 129,061
Public works	1,091,795
	\$ 1,220,856

Business-Type Activities

Water park	\$ 86,353
Water and sewer services	1,188,902
	\$ 1,275,255

6. LONG-TERM LIABILITIES

Long-term liabilities for the year ended June 30, 2018 are as follows:

Governmental Activities	Balance			Balance	Due Within
	<u>July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2018</u>	<u>One Year</u>
General obligation bonds payable	\$ 1,293,592	-	#####	\$ -	\$ -
Note payable	120,664	-	(35,182)	85,482	35,182
Compensated absences	64,631	1,494	-	66,125	-
	\$ 1,478,887	\$ 1,494	#####	\$ 151,607	\$ 35,182
Long Term Liabilities					
Business-Type Activities	Balance			Balance	Due Within
	<u>July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2018</u>	<u>One Year</u>
General obligation bonds payable	\$ 8,362,239	\$ 207,590	\$ (807,493)	\$ 7,762,336	\$ 591,436
Compensated absences	15,811	-	(3,202)	12,609	-
	\$ 8,378,050	\$ 207,590	\$ (810,695)	\$ 7,774,945	\$ 591,436
Long Term Liabilities					

TOWN OF CHESAPEAKE BEACH
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

6. LONG-TERM LIABILITIES (continued)

Notes payable relating to governmental activities at June 30, 2018 consists of the following:

Various non-interest bearing Shore Erosion Control notes payable through the Maryland Department of Natural Resources; currently being liquidated in annual installments totaling \$35,182, with varying due dates through September 2020

\$85,482

Maturities of the notes payable relating to governmental activities as of June 30, 2018 are as follows:

Years ending June 30,	Notes Payable
2019	35,182
2020	25,150
2021	25,150
2022	-
2023	-
	\$ 85,482

TOWN OF CHESAPEAKE BEACH
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

6. LONG-TERM LIABILITIES (continued)

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

General obligation bonds payable relating to business-type activities at June 30, 2018 consist of the following:

\$683,000 ARRA Sewer Improvement Loan of 2009; interest payable at semi-annually on February 1 and August 1 at 1.00%; annual principal payments due February 1 at varying amounts up to \$38,046; due February 1, 2028	\$343,994
\$2,164,385 Maryland Department of Housing and Community Development Local Government Infrastructure Financing Bond 2010 Series A-1; interest payable semi-annually on May 1 and November 1 at varying rates up to 4.25%; annual principal payments due May 1 at varying amounts up to \$149,000; due May 1, 2030	\$1,458,300
\$4,720,489 Water Quality Bond, Series 2007; interest payable semi-annually on February 1 and August 1 at 1.10%; annual principal payments due February 1 at varying amounts up to \$293,499; due February 1, 2027	\$2,370,616
\$3,950,000 Maryland Department of the Environment Water Quality 2014 construction loan; \$420,913 construction draws available at June 30, 2018; interest payable semi-annually on February 1 and August 1 at 1.0%; annual principal payments beginning February 1, 2017 at varying amounts up to \$216,723; due February 1, 2036	<u>\$3,589,426</u>
	<u><u>\$7,762,336</u></u>

TOWN OF CHESAPEAKE BEACH
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

6. LONG-TERM LIABILITIES (continued)

Maturities and interest requirements of the general obligation bonds payable relating to business-type activities as of June 30, 2018 are as follows:

Years ending June 30,	Principal	Interest	Total
2019	\$ 591,436	\$ 130,601	\$ 722,037
2020	620,417	121,616	742,033
2021	630,416	111,740	742,156
2022	640,119	101,990	742,109
2023	631,044	86,459	717,503
2024-2033	4,648,904	395,460	5,044,364
	<u>\$ 7,762,336</u>	<u>\$ 947,866</u>	<u>\$ 8,710,202</u>

7. INTER-JURISDICTIONAL AGREEMENT

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

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

TOWN OF CHESAPEAKE BEACH
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

8. RISK MANAGEMENT

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

9. RETIREMENT PLAN

The Town sponsors a 401(a) retirement plan on behalf of its eligible employees. Employees are eligible upon obtaining the age of 18. Elective deferrals by employees are not permitted under the plan. The Town makes quarterly contributions to the plan based on 10% of the compensation of all eligible participants during the plan year. All assets and income of the plan are held in trust for the exclusive benefit of each of the participants and their beneficiaries; as such, plan assets are not reflected in the Town's financial statements.

The Town also provides employees the opportunity to participate in a deferred compensation 457(b) plan covering all eligible employees. Employees are eligible upon completion of a six-month probationary period at the start of their employment. Under the plan, participants may make voluntary contributions to the plan up to a maximum amount allowable by law, but not to exceed the lesser of \$15,500 or 100% of an employee's total compensation. The Town makes additional 100% matching contributions of up to 10% of eligible compensation deferred under the plan. Matching contributions made by the Town are made into the 401(a) plan discussed above. Similar to the 401(a) plan, the 457(b) plan assets are not reflected in the Town's financial statements.

Total contributions made by the Town under these plans for the year ended June 30, 2018 was \$83,715.

TOWN OF CHESAPEAKE BEACH
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

10. COMMITMENTS AND CONTINGENCIES

Litigation: The Town is contingently liable with respect to lawsuits and other claims that arise in the ordinary course of its operations. The Town is involved with the following litigation and claims as of June 30, 2018:

A vendor of the Town has filed a breach of contract suit seeking damages related to a contract to provide lockers at the Water Park. The Town is seeking to void the contract which is currently on appeal in the Circuit Court. The value of the contract is approximately \$180,000.

The Town is in a dispute, with no claims yet filed, related to work done by a contractor on the Wastewater Reclamation and Treatment Plant. The Town claims the work did not meet performance requirements and is withholding retainage of approximately \$250,000 until the issue is settled.

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

Capital projects: The Town has entered into engineering and construction contracts pertaining to an Enhanced Nutrient Removal (ENR) upgrade project for the wastewater treatment plant totaling \$17,200,608, of which a total project commitment of \$0 was outstanding at June 30, 2018. The Town has received notification from the Maryland Department of the Environment (MDE) that 45.34% of eligible construction costs will be offset directly by a grant from MDE through the Bay Restoration Fund, up to a maximum grant amount of \$7,080,000 (ENR Grant). Under these terms of the inter-jurisdictional agreement discussed in Note 7, the Town is responsible for 49.66% of the net project costs, thus is obligated for \$4,276,842 of remaining project costs not covered by the ENR Grant, of which \$0 is still outstanding at June 30, 2018.

Leasing Arrangements: The Town participates in two separate leases for library services, which are accounted for as operating leases. The Town is responsible for 25% of the combined rents and Calvert County, Maryland is responsible for the remaining 75% of the combined rents. Under the terms of these agreements, annual rent increases are provided based upon the Consumer Price Index, with a minimum of 2% and up to a maximum of 4%. One of the leases renewed July 1, 2015, for a period of five years ending June 30, 2020, with a current monthly payment of \$2,212. The other lease was renewed November 1, 2015, only for a one year period ending October 31, 2016, with a current monthly payment of \$729. The Town's portion of rent expense incurred under these agreements for the year ended June 30, 2018 was \$36,798. The Town also entered into an operating lease on January 1, 2013 for a copier for five years ending December 31, 2017. The Town's lease expense for this copier is \$325 monthly. The Town's portions of future minimum lease payments are as follows:

TOWN OF CHESAPEAKE BEACH
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

10. COMMITMENTS AND CONTINGENCIES (continued)

<u>Years ending June 30,</u>	
2019	27,980
2020	<u>28,540</u>
	<u><u>\$ 56,520</u></u>

11. NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STANDARDS

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to year ended June 30, 2018 that have effective dates that may impact future financial presentations.

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

- GASB 87 – Leases

This Statement requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources and outflows of resources based on payment provisions of the contract. Under this statement, a lessee is required to recognize a lease liability and an intangible right to use lease assets and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This Statement is effective for financial statements for periods beginning after December 15, 2019, with earlier application encouraged.

- GASB 88 – Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placement

This statement defines debt for purposes of disclosure in notes to financial statements and requires additional information related to debt be disclosed, including unused lines of credit, assets pledged as collateral, and terms specified in debt agreements related to significant events of default, consequences, and acceleration clauses. This Statement is effective for financial statements for periods beginning after June 15, 2018, with earlier application encouraged.

TOWN OF CHESAPEAKE BEACH
SCHEDULE OF REVENUES - BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2018
(With Comparative Totals for 2017)

	Budgeted Amounts		Actual	Variance with	2017 Actual
	Original	Amended		Amended Budget Positive (Negative)	
Taxes					
Local Property Taxes:					
Real property	\$ 2,627,000	\$ 2,627,000	\$ 2,683,992	\$ 56,992	\$ 2,626,210
Personal property	44,700	44,700	49,246	4,546	75,359
Penalties and interest	2,500	2,500	10,399	7,899	11,017
	<u>2,674,200</u>	<u>2,674,200</u>	<u>2,743,637</u>	<u>69,437</u>	<u>2,712,586</u>
Admission and amusement tax	730,000	730,000	1,576,244	846,244	1,590,479
Hotel tax	88,000	88,000	89,771	1,771	99,502
Total taxes	<u>3,492,200</u>	<u>3,492,200</u>	<u>4,409,652</u>	<u>917,452</u>	<u>4,402,567</u>
Licenses and Permits					
Liquor	2,000	2,000	7,360	5,360	7,063
Cable franchise	95,000	95,000	113,887	18,887	82,940
Traders	2,500	2,500	2,128	(372)	3,032
Zoning	6,000	6,000	14,159	8,159	11,922
Total licenses and permits	<u>105,500</u>	<u>105,500</u>	<u>137,534</u>	<u>32,034</u>	<u>104,957</u>
Intergovernmental					
State-shared taxes:					
Income	720,000	720,000	1,054,575	334,575	1,172,164
Highway user	227,066	227,066	254,576	27,510	246,194
	<u>947,066</u>	<u>947,066</u>	<u>1,309,151</u>	<u>362,085</u>	<u>1,418,358</u>
Grants from state government:					
State police protection	47,418	47,418	69,524	22,106	42,801
State DNR critical areas	4,000	4,000	4,000	-	8,000
Miscellaneous grants	5,000	5,000	-	(5,000)	-
	<u>56,418</u>	<u>56,418</u>	<u>73,524</u>	<u>17,106</u>	<u>50,801</u>
Funds from county government:					
County recreation fees	-	-	-	-	-
Total intergovernmental	<u>1,003,484</u>	<u>1,003,484</u>	<u>1,382,675</u>	<u>379,191</u>	<u>1,469,159</u>
Charges for services					
Town recreation fees	-	-	-	-	-
Scrap metal fees	-	-	1,539	1,539	26
Total charges for services	<u>-</u>	<u>-</u>	<u>1,539</u>	<u>1,539</u>	<u>26</u>
Investment earnings	12,000	12,000	73,820	61,820	39,117
Miscellaneous Revenues					
Fines and forfeitures	18,000	18,000	49,009	31,009	40,950
Tower site rental	89,000	89,000	105,067	16,067	101,026
Veterans park brick sales	-	-	300	300	395
Bayfront park admissions	50,000	50,000	55,463	5,463	56,648
Citizen donations	-	-	-	-	-
Miscellaneous	1,983,549	2,003,549	20,293	(1,983,256)	14,072
Total miscellaneous revenues	<u>2,140,549</u>	<u>2,160,549</u>	<u>230,132</u>	<u>(1,930,417)</u>	<u>213,091</u>
Total revenues	<u>\$ 6,753,733</u>	<u>\$ 6,773,733</u>	<u>\$ 6,235,352</u>	<u>\$ (538,381)</u>	<u>\$ 6,228,917</u>

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

TOWN OF CHESAPEAKE BEACH
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2018
(With Comparative Totals for 2017)

	Budgeted Amounts		Actual	Variance with	2017
	Original	Amended		Amended Budget Positive (Negative)	
General Government					
Salaries, payroll taxes, and benefits	\$ 684,988	\$ 684,988	658,181	\$ 26,807	\$ 536,299
Planning and zoning	51,000	51,000	64,769	(13,769)	49,837
Legal	60,000	60,000	46,292	13,708	40,157
Code enforcement	-	-	-	-	-
Engineering and consulting	80,000	80,000	76,816	3,184	42,098
Special events	119,550	119,550	119,644	(94)	101,797
Economic development	28,000	28,000	27,294	706	34,144
Grants to local organizations	61,500	61,500	61,500	-	11,500
Audit and financial expense	31,420	31,420	30,255	1,165	28,190
Newsletter	15,000	15,000	8,808	6,192	7,950
Office expense	62,000	62,000	60,978	1,022	57,163
IT Support	25,000	25,000	25,000	-	21,734
Repairs and maintenance	39,000	39,000	29,848	9,152	28,335
Notification system	500	500	-	500	-
Document imaging	5,500	5,500	8,202	(2,702)	3,778
Library rent	39,516	39,516	36,798	2,718	36,027
Board of elections	-	-	5,126	(5,126)	4,691
Council expense	30,000	30,000	29,064	936	41,850
SDAT fees	11,558	11,558	11,558	-	11,558
Annual software license	31,877	31,877	31,877	-	30,949
Insurance	50,000	50,000	40,099	9,901	38,043
Telephone and utilities	30,000	30,000	26,546	3,454	23,559
Miscellaneous	36,000	36,000	7,544	28,456	15,964
Total general government	<u>1,492,409</u>	<u>1,492,409</u>	<u>1,406,199</u>	<u>86,210</u>	<u>1,165,623</u>
Public Safety					
Police	917,008	917,008	978,057	(61,049)	893,501
Boardwalk Patrol	55,000	55,000	51,712	3,288	59,956
North Beach VFD	50,000	50,000	50,000	-	-
Total public safety	<u>1,022,008</u>	<u>1,022,008</u>	<u>1,079,769</u>	<u>(57,761)</u>	<u>953,457</u>
Public Works					
Salaries, payroll taxes, and benefits	607,101	607,101	549,428	57,673	552,433
Trash removal	325,000	325,000	323,606	1,394	290,145
Landfill tipping fees	160,000	160,000	160,000	-	127,448
Property and landscape maintenance	190,000	190,000	193,512	(3,512)	190,160
Street lighting	86,525	86,525	61,902	24,623	76,710
Holiday lights	75,000	75,000	66,216	8,784	68,196
Streets and equipment maintenance	65,000	65,000	46,177	18,823	39,740
Tree trimming and removals	10,000	10,000	-	10,000	-
Gasoline and oil	17,000	17,000	17,000	-	15,842
Snow removal	40,000	40,000	35,550	4,450	(12,794)
Telephone and utilities	13,000	13,000	13,000	-	11,065
Supplies	15,425	15,425	15,425	-	9,485
Oyster program	-	-	9,142	(9,142)	7,009
Road and sidewalk repairs	-	-	-	-	-
Fishing creek dredging	10,000	10,000	(1,000)	11,000	3,252
Recreational operation charges	62,000	62,000	58,694	3,306	55,858
Miscellaneous	2,000	2,000	1,802	198	1,814
Total public works	<u>1,678,051</u>	<u>1,678,051</u>	<u>1,550,454</u>	<u>127,597</u>	<u>1,436,363</u>
Capital Outlay	969,943	989,943	791,048	198,895	1,114,292
Debt Service	1,591,322	1,591,322	1,353,824	237,498	383,944
Total expenditures	<u>\$ 6,753,733</u>	<u>\$ 6,773,733</u>	<u>\$ 6,181,294</u>	<u>\$ 592,439</u>	<u>\$ 5,053,679</u>

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