



TOWN OF CHESAPEAKE BEACH
CHESAPEAKE BEACH, MARYLAND
BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

TOWN OF CHESAPEAKE BEACH

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
Entity-wide Financial Statements:	
- Statement of Net Position	9
- Statement of Activities	10
Fund Financial Statements:	
- Balance Sheet - Governmental Fund	11
- Reconciliation of Balance Sheet - Governmental Fund to Statement of Net Position	12
- Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund	13
- Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund to Statement of Activities	14
- Budgetary Comparison Statement - General Fund	15
- Statement of Net Position - Proprietary Funds	16
- Statement of Revenues, Expenditures, and Changes in Net Position - Proprietary Funds	17
- Statement of Cash Flows - Proprietary Funds	18
Notes to Financial Statements	19
OTHER REPORT	
Independent Auditor's Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	31



INDEPENDENT AUDITOR'S REPORT

November 16, 2023

Members of Council
Town of Chesapeake Beach
Chesapeake Beach, Maryland

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Chesapeake Beach ("the Town"), Chesapeake Beach, Maryland, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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 as of June 30, 2023, and the respective changes in its financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The Town's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

Members of Council
Town of Chesapeake Beach

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2023, 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 effectiveness of 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.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

**TOWN OF CHESAPEAKE BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
JUNE 30, 2023**

As management of the Town of Chesapeake Beach, Maryland ("the Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the Town's financial activities for the fiscal year ended June 30, 2023 to enhance the understanding of the Town's financial performance. It should be read in conjunction with the Town's basic financial statements, which begin on page 9.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the fiscal year by \$50,832,229. Of this amount, \$22,266,335 (or its unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's net position increased by \$2,887,229 in fiscal year 2023.
- As of June 30, 2023, the Town's governmental fund reported an ending fund balance of \$20,326,015, an increase of \$1,882,314 from the prior year's balance. Approximately 99% of the total fund balance, or \$20,131,979, is available for spending at the Town's discretion (unassigned fund balance). The remainder is currently nonspendable for prepaid expenditures (\$194,036).

Overview of the Financial Statements

The Town's basic financial statements are comprised of three components: 1) entity-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

Entity-wide Financial Statements – The entity-wide financial statements provide a broad overview of the Town's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenue and expenses are reported in this statement for some items that will result in cash flows only in the future periods (e.g. uncollected taxes).

Both of the government-wide financial statements distinguish functions of the Town that are governmental activities (those principally supported by taxes and revenues from other governments) and functions of the Town that are business-type activities (those that are intended to recover all or a significant portion of their costs through user fees and charges). The governmental activities of the Town include general government, public safety, public works, capital outlay, and debt service. The business-type activities of the Town include utility services and the water park.

**TOWN OF CHESAPEAKE BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
JUNE 30, 2023**

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

- *Governmental Fund* – All of the Town's basic services are reported in governmental fund, which focus on how money flows into and out of the fund and the balances left at year end that are available for spending. This fund is reported using the modified accrual accounting method, 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 Town's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds are described in the reconciliation after the fund financial statements. The Town's only governmental fund is the General Fund.
- *Proprietary Funds* – The Town maintains two enterprise type proprietary funds to account for the operations of providing utility services and the water park. Enterprise funds are used to present the same functions as business-type functions in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Notes to the Basic Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the entity-wide and fund financial statements. The notes to the financial statements can be found beginning on page 19 of this report.

Financial Analysis of the Town

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At June 30, 2023, the Town's assets exceeded its liabilities by \$50,832,229, which is a \$2,887,229 increase from the prior year.

A summary of the Town's net position is presented in Table 1:

**Table 1
NET POSITION
JUNE 30, 2023 AND 2022**

	June 30, 2023			June 30, 2022		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current assets	\$ 23,793,949	\$ 2,879,614	\$ 26,673,563	\$ 19,840,834	\$ 1,497,449	\$ 21,338,283
Noncurrent assets	8,759,784	23,592,866	32,352,650	9,062,754	23,495,330	32,558,084
Total Assets	32,553,733	26,472,480	59,026,213	28,903,588	24,992,779	53,896,367

**TOWN OF CHESAPEAKE BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
JUNE 30, 2023**

**Table 1
NET POSITION
JUNE 30, 2023 AND 2022**

	June 30, 2023			June 30, 2022		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
(cont'd)						
Current liabilities	3,467,934	1,331,661	4,799,595	1,397,133	649,126	2,046,259
Long-term liabilities	87,370	3,307,019	3,394,389	92,482	3,812,626	3,905,108
Total Liabilities	3,555,304	4,638,680	8,193,984	1,489,615	4,461,752	5,951,367
Net investment in capital assets	8,759,784	19,806,110	28,565,894	9,062,754	19,194,487	28,257,241
Unrestricted	20,238,645	2,027,690	22,266,335	18,351,219	1,336,540	19,687,759
Total Net Position	<u>\$ 28,998,429</u>	<u>\$ 21,833,800</u>	<u>\$ 50,832,229</u>	<u>\$ 27,413,973</u>	<u>\$ 20,531,027</u>	<u>\$ 47,945,000</u>

As shown in Table 2, revenues exceeded expenses by \$2,887,229 in fiscal year 2023, resulting in an overall increase in net position.

**Table 2
CHANGE IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	June 30, 2023			June 30, 2022		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
REVENUES						
Program Revenues:						
Charges for service	\$ 217,090	\$ 4,286,519	\$ 4,503,609	\$ 351,381	\$ 4,663,796	\$ 5,015,177
Operating grants	1,965,989	-	1,965,989	3,439,219	-	3,439,219
General Revenues:						
Taxes	6,602,754	-	6,602,754	6,686,119	-	6,686,119
Franchise fees	177,364	-	177,364	75,093	-	75,093
Investment earnings	437,285	170,476	607,761	11,312	5,716	17,028
Gain on sale of capital assets	-	8,500	8,500	-	-	-
Miscellaneous	139,237	-	139,237	3,041	-	3,041
Total Revenues	<u>9,539,719</u>	<u>4,465,495</u>	<u>14,005,214</u>	<u>10,566,165</u>	<u>4,669,512</u>	<u>15,235,677</u>
EXPENSES						
General government	2,111,672	-	2,111,672	1,375,235	-	1,375,235
Public safety	1,473,571	-	1,473,571	1,591,514	-	1,591,514
Public works	2,770,020	-	2,770,020	3,445,818	-	3,445,818
Water park	-	1,391,454	1,391,454	-	1,410,316	1,410,316
Water and sewer services	-	3,371,268	3,371,268	-	3,277,997	3,277,997
Total Expenses	<u>6,355,263</u>	<u>4,762,722</u>	<u>11,117,985</u>	<u>6,412,567</u>	<u>4,688,313</u>	<u>11,100,880</u>
Transfers (out) in	<u>(1,600,000)</u>	<u>1,600,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	<u>\$ 1,584,456</u>	<u>\$ 1,302,773</u>	<u>\$ 2,887,229</u>	<u>\$ 4,153,598</u>	<u>\$ (18,801)</u>	<u>\$ 4,134,797</u>

**TOWN OF CHESAPEAKE BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
JUNE 30, 2023**

Financial Analysis of the Town's Funds

Governmental Funds

The Town maintains a General Fund which serves as the chief operating fund of the Town. The focus of the Town's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2023, the Town's governmental fund reported ending fund balance of \$20,326,015, an increase of \$1,882,314 compared to the prior year. Approximately 99%, or \$20,131,979, constitutes unassigned fund balance, which is available for spending at the Town's discretion. The remainder of the fund balance is nonspendable, which means it is not available for new spending because it has already been used for prepaid expenditures.

Proprietary Funds

The Town's proprietary funds provide the same type of information found in the business-type activities part of the government-wide financial statements, but in greater detail.

Total net position of the utility and water park funds at the fiscal year end was \$21,833,800. Net position invested in capital assets, net of related debt was \$19,806,110, and unrestricted net position was \$2,027,690.

General Fund Budgetary Highlights

There was one revision to the original General Fund budget to reclassify \$1,600,000 of expenditures. All budgeted appropriations lapse at year end. Based on actual figures, revenues were less than budgeted amounts by \$943,763, and expenditures were less than budgeted amounts by \$2,826,077.

Capital Assets

The Town's investment in capital assets as of June 30, 2023 amounts to \$32,352,650, net of accumulated depreciation. Capital assets include land, construction-in-progress, land improvements, buildings and improvements, water and sewer systems, and equipment and vehicles.

Additional information on the Town's capital assets can be found in Note 3 of this report.

Long-term Debt

As of June 30, 2023, the Town had \$3,786,756 in bonds and loans outstanding – a decrease of \$514,087 from the prior year.

**TOWN OF CHESAPEAKE BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
JUNE 30, 2023**

Additional information about the Town's long-term debt can be found in Note 5 of this report.

Economic Factors

In fiscal year 2023, total taxable property valuations in Chesapeake Beach, as assessed by the State of Maryland Department of Assessment and Taxation, amounted to \$869,937,446. The Town's tax rate was \$0.316 per \$100 of assessed value.

Factors that will affect the future finances of the Town are employee salary and benefit costs, additional open space opportunities, funding for aging infrastructure, to improve walkability and expand pedestrian pathways, funding to address coastal resiliency and flooding risks, a reduction in the property tax rate from \$0.3160 to \$0.2977, an increase in rates or fees associated with utilities, and funding from the State of Maryland and the federal government.

Requests for Information

This financial report is designed to provide a general overview for those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Brittany Moran, Treasurer, Town of Chesapeake Beach, 8200 Bayside Road, Chesapeake Beach, MD, 20732.

TOWN OF CHESAPEAKE BEACH
STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities	Business-type Activities	Total Primary Government
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 15,175,769	\$ 9,248,602	\$ 24,424,371
Taxes receivable	28,406	-	28,406
Accounts receivable	1,094,169	860,502	1,954,671
Prepaid expenses	194,036	62,119	256,155
Inventory	-	9,960	9,960
Due from other funds	7,301,569	(7,301,569)	-
Total Current Assets	23,793,949	2,879,614	26,673,563
Noncurrent Assets:			
Land	1,346,596	21,875	1,368,471
Construction-in-progress	-	1,035,726	1,035,726
Capital assets, net	7,413,188	22,535,265	29,948,453
Total Noncurrent Assets	8,759,784	23,592,866	32,352,650
TOTAL ASSETS	\$ 32,553,733	\$ 26,472,480	\$ 59,026,213
 LIABILITIES AND NET POSITION			
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 814,496	\$ 678,642	\$ 1,493,138
Accrued liabilities	156,395	133,504	289,899
Unearned grant revenue	2,487,803	-	2,487,803
Deposits	9,240	-	9,240
Current portion bonds and loans payable	-	519,515	519,515
Total Current Liabilities	3,467,934	1,331,661	4,799,595
Noncurrent Liabilities:			
Bonds and loans payable	-	3,267,241	3,267,241
Compensated absences	87,370	39,778	127,148
Total Noncurrent Liabilities	87,370	3,307,019	3,394,389
TOTAL LIABILITIES	3,555,304	4,638,680	8,193,984
 NET POSITION			
Net investment in capital assets	8,759,784	19,806,110	28,565,894
Unrestricted	20,238,645	2,027,690	22,266,335
TOTAL NET POSITION	28,998,429	21,833,800	50,832,229
TOTAL LIABILITIES AND NET POSITION	\$ 32,553,733	\$ 26,472,480	\$ 59,026,213

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

**TOWN OF CHESAPEAKE BEACH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

		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 Government
	Expenses						
GOVERNMENTAL ACTIVITIES							
General government	\$ 2,111,672	\$ 156,499	\$ 425,278	\$ -	\$ (1,529,895)	\$ -	\$ (1,529,895)
Public safety	1,473,571	60,591	1,440,374	-	27,394	-	27,394
Public works	2,770,020	-	100,337	-	(2,669,683)	-	(2,669,683)
TOTAL GOVERNMENTAL ACTIVITIES	<u>6,355,263</u>	<u>217,090</u>	<u>1,965,989</u>	<u>-</u>	<u>(4,172,184)</u>	<u>-</u>	<u>(4,172,184)</u>
BUSINESS-TYPE ACTIVITIES							
Water park	1,391,454	1,072,651	-	-	-	(318,803)	(318,803)
Water and sewer services	3,371,268	3,213,868	-	-	-	(157,400)	(157,400)
TOTAL BUSINESS-TYPE ACTIVITIES	<u>4,762,722</u>	<u>4,286,519</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(476,203)</u>	<u>(476,203)</u>
TOTAL GOVERNMENT	<u>\$ 11,117,985</u>	<u>\$ 4,503,609</u>	<u>\$ 1,965,989</u>	<u>\$ -</u>	<u>(4,172,184)</u>	<u>(476,203)</u>	<u>(4,648,387)</u>
GENERAL REVENUES AND TRANSFERS							
Taxes:							
					2,872,139	-	2,872,139
Property					1,359,072	-	1,359,072
Income tax					2,246,700	-	2,246,700
Admissions and amusement tax					124,843	-	124,843
Hotel tax					177,364	-	177,364
Franchise tax					437,285	170,476	607,761
Investment earnings					-	8,500	8,500
Gain on sale of capital assets					(1,600,000)	1,600,000	-
Transfers					139,237	-	139,237
Miscellaneous					<u>5,756,640</u>	<u>1,778,976</u>	<u>7,535,616</u>
TOTAL GENERAL REVENUES AND TRANSFERS							
CHANGE IN NET POSITION					1,584,456	1,302,773	2,887,229
NET POSITION, BEGINNING OF YEAR					<u>27,413,973</u>	<u>20,531,027</u>	<u>47,945,000</u>
NET POSITION, END OF YEAR					<u>\$ 28,998,429</u>	<u>\$ 21,833,800</u>	<u>\$ 50,832,229</u>

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

**TOWN OF CHESAPEAKE BEACH
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2023**

	General Fund
ASSETS	
Cash and cash equivalents	\$ 15,175,769
Taxes receivable	28,406
Accounts receivable	1,094,169
Prepaid expenditures	194,036
Due from other funds	7,301,569
	<u>7,301,569</u>
TOTAL ASSETS	<u><u>\$ 23,793,949</u></u>
LIABILITIES AND FUND BALANCE	
Accounts payable	\$ 814,496
Accrued liabilities	156,395
Unearned grant revenue	2,487,803
Deposits	9,240
TOTAL LIABILITIES	<u>3,467,934</u>
FUND BALANCE	
Nonspendable - prepaid expenditures	194,036
Unassigned	20,131,979
TOTAL FUND BALANCE	<u>20,326,015</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 23,793,949</u></u>

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

**TOWN OF CHESAPEAKE BEACH
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUND TO
STATEMENT OF NET POSITION
JUNE 30, 2023**

TOTAL GOVERNMENTAL FUND BALANCE	\$ 20,326,015
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 fund.	8,759,784
Some liabilities are not due and payable in the current period and, therefore, are not reported in the fund. Those liabilities consist of:	
Compensated absences	<u>(87,370)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 28,998,429</u></u>

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
FOR THE YEAR ENDED JUNE 30, 2023**

	General Fund
REVENUES	
Taxes	\$ 6,780,118
Charges for services	217,090
Grants and contributions	1,965,989
Investment earnings	437,285
Miscellaneous	139,237
	<hr/>
TOTAL REVENUES	9,539,719
	<hr/>
EXPENDITURES	
Current:	
General government	2,047,949
Public safety	1,473,571
Public works	2,075,709
Capital outlay	460,176
	<hr/>
TOTAL EXPENDITURES	6,057,405
	<hr/>
EXCESS OF REVENUES OVER EXPENDITURES	3,482,314
	<hr/>
OTHER FINANCING USES	
Transfers out	(1,600,000)
	<hr/>
TOTAL OTHER FINANCING USES	(1,600,000)
	<hr/>
NET CHANGE IN FUND BALANCE	1,882,314
	<hr/>
FUND BALANCE, BEGINNING OF YEAR	18,443,701
	<hr/>
FUND BALANCE, END OF YEAR	\$ 20,326,015
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The accompanying notes are an integral part of these financial statements.

**TOWN OF CHESAPEAKE BEACH
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUND \$ 1,882,314

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

The governmental fund reports capital outlays 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 effect of these differences:

Capital outlays	\$	460,176		
Depreciation expense		<u>(763,146)</u>		(302,970)

Some expenses reported 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:

Compensated absences				<u>5,112</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES				<u><u>\$ 1,584,456</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF CHESAPEAKE BEACH
BUDGETARY COMPARISON STATEMENT - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Original Appropriated Budget	Final Appropriated Budget	Actual Amounts (Budgetary Basis)	Favorable (Unfavorable) Variance
REVENUES				
Taxes	\$ 6,116,748	\$ 6,116,748	\$ 6,780,118	\$ 663,370
Charges for services	370,800	370,800	217,090	(153,710)
Grants and contributions	3,730,934	3,730,934	1,965,989	(1,764,945)
Investment earnings	10,000	10,000	437,285	427,285
Miscellaneous	255,000	255,000	139,237	(115,763)
TOTAL REVENUES	<u>10,483,482</u>	<u>10,483,482</u>	<u>9,539,719</u>	<u>(943,763)</u>
EXPENDITURES				
Current:				
General government	5,259,191	3,659,191	2,047,949	1,611,242
Public safety	1,516,039	1,516,039	1,473,571	42,468
Public works	2,225,900	2,225,900	2,075,709	150,191
Capital outlay	1,482,352	1,482,352	460,176	1,022,176
TOTAL EXPENDITURES	<u>10,483,482</u>	<u>8,883,482</u>	<u>6,057,405</u>	<u>2,826,077</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>1,600,000</u>	<u>3,482,314</u>	<u>1,882,314</u>
OTHER FINANCING USES				
Transfers out	<u>-</u>	<u>(1,600,000)</u>	<u>(1,600,000)</u>	<u>-</u>
TOTAL OTHER FINANCING USES	<u>-</u>	<u>(1,600,000)</u>	<u>(1,600,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	1,882,314	<u>\$ 1,882,314</u>
FUND BALANCE, BEGINNING OF YEAR			<u>18,443,701</u>	
FUND BALANCE, END OF YEAR			<u>\$20,326,015</u>	

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

TOWN OF CHESAPEAKE BEACH
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2023

	Water Park Fund	Utility Fund	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 3,092,903	\$ 6,155,699	\$ 9,248,602
Accounts receivable	1,767	858,735	860,502
Prepaid expenses	22,432	39,687	62,119
Inventory	9,960	-	9,960
Total Current Assets	<u>3,127,062</u>	<u>7,054,121</u>	<u>10,181,183</u>
Noncurrent Assets:			
Land	-	21,875	21,875
Construction-in-progress	-	1,035,726	1,035,726
Capital assets, net	595,075	21,940,190	22,535,265
Total Noncurrent Assets	<u>595,075</u>	<u>22,997,791</u>	<u>23,592,866</u>
TOTAL ASSETS	<u><u>\$ 3,722,137</u></u>	<u><u>\$ 30,051,912</u></u>	<u><u>\$ 33,774,049</u></u>
LIABILITIES AND NET POSITION			
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 48,191	\$ 630,451	\$ 678,642
Accrued liabilities	49,596	83,908	133,504
Due to other funds	3,198,550	4,103,019	7,301,569
Current portion bonds and loans payable	-	519,515	519,515
Total Current Liabilities	<u>3,296,337</u>	<u>5,336,893</u>	<u>8,633,230</u>
Noncurrent Liabilities:			
Bonds and loans payable	-	3,267,241	3,267,241
Compensated absences	17,522	22,256	39,778
Total Noncurrent Liabilities	<u>17,522</u>	<u>3,289,497</u>	<u>3,307,019</u>
TOTAL LIABILITIES	<u>3,313,859</u>	<u>8,626,390</u>	<u>11,940,249</u>
NET POSITION			
Net investment in capital assets	595,075	19,211,035	19,806,110
Unrestricted (deficit)	<u>(186,797)</u>	<u>2,214,487</u>	<u>2,027,690</u>
TOTAL NET POSITION	<u>408,278</u>	<u>21,425,522</u>	<u>21,833,800</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 3,722,137</u></u>	<u><u>\$ 30,051,912</u></u>	<u><u>\$ 33,774,049</u></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
FOR THE YEAR ENDED JUNE 30, 2023**

	Water Park Fund	Utility Fund	Total
OPERATING REVENUES			
Current use charges	\$ 1,027,810	\$ 2,875,779	\$ 3,903,589
Miscellaneous	44,841	74,089	118,930
TOTAL OPERATING REVENUES	<u>1,072,651</u>	<u>2,949,868</u>	<u>4,022,519</u>
OPERATING EXPENSES			
Personnel services	727,358	719,732	1,447,090
Operations and maintenance	561,404	1,652,166	2,213,570
Depreciation	102,692	934,380	1,037,072
TOTAL OPERATING EXPENSES	<u>1,391,454</u>	<u>3,306,278</u>	<u>4,697,732</u>
OPERATING INCOME (LOSS)	<u>(318,803)</u>	<u>(356,410)</u>	<u>(675,213)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment interest	61,697	108,779	170,476
Gain on sale of capital assets	-	8,500	8,500
Interest expense	-	(64,990)	(64,990)
Transfers in	-	1,600,000	1,600,000
Connection fees	-	264,000	264,000
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>61,697</u>	<u>1,916,289</u>	<u>1,977,986</u>
CHANGE IN NET POSITION	(257,106)	1,559,879	1,302,773
NET POSITION, BEGINNING OF YEAR	<u>665,384</u>	<u>19,865,643</u>	<u>20,531,027</u>
NET POSITION, END OF YEAR	<u><u>\$ 408,278</u></u>	<u><u>\$ 21,425,522</u></u>	<u><u>\$ 21,833,800</u></u>

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

**TOWN OF CHESAPEAKE BEACH
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

	Water Park Fund	Utility Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 1,071,744	\$ 2,767,406	\$ 3,839,150
Payments to suppliers and employees	(1,258,174)	(1,769,219)	(3,027,393)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(186,430)</u>	<u>998,187</u>	<u>811,757</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Payments from other funds	750,736	7,980	758,716
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>750,736</u>	<u>7,980</u>	<u>758,716</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Connection fees	-	264,000	264,000
Purchase of capital assets	(25,745)	(1,108,863)	(1,134,608)
Proceeds from sale of capital assets	-	8,500	8,500
Principal payments on bonds and loans payable	-	(514,087)	(514,087)
Interest paid	-	(68,234)	(68,234)
Proceeds from general fund	-	1,600,000	1,600,000
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(25,745)</u>	<u>181,316</u>	<u>155,571</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income	61,697	108,779	170,476
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>61,697</u>	<u>108,779</u>	<u>170,476</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	600,258	1,296,262	1,896,520
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,492,645</u>	<u>4,859,437</u>	<u>7,352,082</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 3,092,903</u></u>	<u><u>\$ 6,155,699</u></u>	<u><u>\$ 9,248,602</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (318,803)	\$ (356,410)	\$ (675,213)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	102,692	934,380	1,037,072
(Increase) decrease in assets:			
Accounts receivable	(907)	(182,462)	(183,369)
Prepaid expenses	(22,329)	(38,241)	(60,570)
Inventory	(422)	-	(422)
Increase (decrease) in liabilities:			
Accounts payable	163	629,419	629,582
Accrued liabilities	44,214	6,555	50,769
Compensated absences	8,962	4,946	13,908
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ (186,430)</u></u>	<u><u>\$ 998,187</u></u>	<u><u>\$ 811,757</u></u>

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

TOWN OF CHESAPEAKE BEACH
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Chesapeake Beach ("the Town") was incorporated in 1894. The Town operates under a Mayor-Council form of government and provides the following services: Public Safety, Public Works (highway and street maintenance and solid waste collection), Utility Services, Water Park, and General Administrative Services.

The Town complies with accounting principles generally accepted in the United States of America ("GAAP"). GAAP includes all relevant standards as set forth in the Governmental Accounting Standards Board's ("GASB") *Codification of Governmental Accounting and Financial Reporting Standards* ("GASB Codification"). The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

Reporting Entity

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the Town is considered to be an independent reporting entity and has no component units.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Entity-wide Financial Statements

The entity-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Town (the primary government).

TOWN OF CHESAPEAKE BEACH
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The entity-wide financial statements are reported using the economic resources measurement focus. The entity-wide statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. Property taxes and fines are recognized as revenue in the year for which they are levied. Grants and similar items (nonexchange transactions) are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a function or segment. Taxes (property, income, and franchise) and other items not properly included among program revenues are reported instead as general revenues.

Governmental Fund Financial Statements

Separate financial statements are provided for the governmental funds.

The 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 become both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For governmental fund types, the Town considers all revenues to be available if they are collected within 60 days after fiscal year end. Revenues considered susceptible to accrual include property taxes, income taxes, franchise taxes, licenses, fines, investment income, and grants associated with the current fiscal year. Only the portion of the special assessments receivable due within the current fiscal year is considered to be susceptible to accrual and recognized as revenues in the current fiscal year. All other revenue items are considered measurable and available only when cash is received by the Town.

Expenditures are recorded when the related fund liability is incurred (upon receipt of goods or services), except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town reports the following major governmental fund:

TOWN OF CHESAPEAKE BEACH
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

General Fund – to account for all financial resources, except those required to be accounted for in another fund. Town revenues are derived primarily from real estate taxes, licenses and permits, departmental earnings, and intergovernmental grants. Some of the important activities accounted for in the General Fund are Town operations pertaining to general government, police and fire protection, and street maintenance.

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 operation of the water and wastewater system.

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 from the date of acquisition.

Receivables

The Town considers all receivables at year end to be collectible; therefore, no allowance for doubtful accounts has been recorded.

Capital Assets

Capital assets, including land, land improvements, buildings and improvements, equipment, and vehicles, are reported in the statement of net position. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets may be purchased or constructed and are recorded at cost or estimated historical cost. Estimated historical costs are based either on similar assets of the same era or on deflated current values. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Capital assets of the Town are depreciated using the straight-line method over the estimated useful lives of the related assets. Unless an asset's life has been adjusted based on actual experience, the Town generally uses the following estimated useful lives:

TOWN OF CHESAPEAKE BEACH
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Building and improvements	10 - 75 years
Land improvements	2 - 50 years
Equipment and vehicles	5 - 20 years
Water and sewer systems	5 - 45 years

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. The compensated absences liability was \$127,148 at June 30, 2023.

Fund Equity

The difference between assets and liabilities is "net position" on the entity-wide statements. The difference between assets and liabilities is "fund balance" on the governmental statements.

Fund Balance

Fund balance will be displayed in the following classification, as applicable, depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable – amounts that cannot be spent because they are in nonspendable form (e.g., inventory), or legally or contractually required to be maintained intact (e.g., principal of a permanent fund).

Restricted – amounts limited by external parties or legislation (e.g., grants or donations and constraints imposed through a debt covenant).

Committed – amounts limited by Town Council policy (e.g., future anticipated costs). These constraints can be removed or changed by equal levels of action. Action or constraint resources should occur prior to fiscal year end.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Town Council has designated the Finance Manager the authority to assign amounts for specific purposes.

Unassigned – amounts available for consumption or not restricted in any manner.

TOWN OF CHESAPEAKE BEACH
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds as needed.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets 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 (if applicable). Net position is reported as restricted when there are limitations imposed and their use is either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws and regulations of other governments. Any remaining portions of net position are reflected as unrestricted. When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first and then unrestricted resources as they are needed.

Property Taxes

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.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Budgets and Budgetary Accounting

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 GAAP.

TOWN OF CHESAPEAKE BEACH
NOTES TO FINANCIAL STATEMENTS

NOTE 2 CASH AND CASH EQUIVALENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The Town does not have a policy for custodial credit risk on deposits. At June 30, 2023, the carrying amount of the Town's deposits was \$4,376,485, and the bank balance was \$3,714,699. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$3,464,699 was fully covered by pledged collateral held by the depository's agent in the Town's name. In addition, the Town had \$819,537 in its PayPal accounts as of June 30, 2023. This amount was exposed since PayPal accounts are not insured.

Investment Pool

The Town is a participant of the Maryland Local Government Investment Pool ("MLGIP"), which provides all local government units of the State a safe investment vehicle for short-term investment of funds. The State Legislature created the MLGIP with the passage of Article 95 22G of the Annotated Code of Maryland. The MLGIP, under the administrative control of the State Treasurer, has been managed by PNC Capital Advisors, LLC. An MLGIP Advisory Committee comprised of current participants was formed to review, on a quarterly basis, the activities of the fund and to provide suggestions to enhance the pool.

Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, the MLGIP acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent annual audit. These external investment pools are considered 2a7-like pools and are recorded at amortized cost. The amortized cost, which approximates fair value of the pool, is determined by the pool's share price. As of June 30, 2023, the MLGIP was rated AAAM by a nationally recognized statistical rating organization. As of June 30, 2023, the Town had \$20,047,886 invested in the MLGIP.

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
<i>Governmental Activities</i>				
Capital assets not being depreciated:				
Land	\$ 1,346,596	\$ -	\$ -	\$ 1,346,596
Total Capital Assets Not Being Depreciated	1,346,596	-	-	1,346,596

TOWN OF CHESAPEAKE BEACH
NOTES TO FINANCIAL STATEMENTS

NOTE 3 CAPITAL ASSETS (cont'd)

	Beginning Balance	Increase	Decrease	Ending Balance
(cont'd)				
Capital assets being depreciated:				
Land improvements	18,505,348	90,877	-	18,596,225
Buildings and improvements	1,917,121	168,152	-	2,085,273
Equipment and vehicles	1,710,210	201,147	-	1,911,357
Total Capital Assets Being Depreciated	22,132,679	460,176	-	22,592,855
Less accumulated depreciation for:				
Land improvements	12,022,388	626,996	-	12,649,384
Buildings and improvements	860,533	66,521	-	927,054
Equipment and vehicles	1,533,600	69,629	-	1,603,229
Total Accumulated Depreciation	14,416,521	763,146	-	15,179,667
Total Capital Assets Being Depreciated, Net	7,716,158	(302,970)	-	7,413,188
Governmental Activities Capital Assets, Net	<u>\$ 9,062,754</u>	<u>\$ (302,970)</u>	<u>\$ -</u>	<u>\$ 8,759,784</u>
<i>Business-type Activities</i>				
Capital assets not being depreciated:				
Land	\$ 21,875	\$ -	\$ -	\$ 21,875
Construction-in-progress	-	1,035,726	-	1,035,726
Total Capital Assets Not Being Depreciated	21,875	1,035,726	-	1,057,601
Capital assets being depreciated:				
Land improvements	1,060,148	17,380	-	1,077,528
Buildings and improvements	5,014,944	-	-	5,014,944
Water system	6,656,209	-	-	6,656,209
Sewer system	30,420,670	64,489	-	30,485,159
Equipment and vehicles	963,066	17,013	58,800	921,279
Total Capital Assets Being Depreciated	44,115,037	98,882	58,800	44,155,119
Less accumulated depreciation	20,641,582	1,037,072	58,800	21,619,854
Total Capital Assets Being Depreciated, Net	23,473,455	(938,190)	-	22,535,265
Business-type Activities Capital Assets, Net	<u>\$23,495,330</u>	<u>\$ 97,536</u>	<u>\$ -</u>	<u>\$23,592,866</u>

TOWN OF CHESAPEAKE BEACH
NOTES TO FINANCIAL STATEMENTS

NOTE 3 CAPITAL ASSETS (cont'd)

Depreciation was charged to the following activities:

Governmental Activities:

General government	\$ 66,521
Public works	<u>696,625</u>

Total Depreciation Expense - Governmental Activities	<u>\$ 763,146</u>
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Business-type Activities:

Water and sewer services	\$ 934,380
Water park	<u>102,692</u>

Total Depreciation Expense - Business-type Activities	<u><u>\$ 1,037,072</u></u>
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NOTE 4 INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2023 is as follows:

Due To	Amount	Due From	Amount
General Fund	<u>\$ 7,301,569</u>	Utility Fund	\$ 4,103,019
		Water Park Fund	<u>3,198,550</u>
	<u><u>\$ 7,301,569</u></u>		<u><u>\$ 7,301,569</u></u>

NOTE 5 LONG-TERM LIABILITIES

The following summarizes the changes in the long-term liabilities of governmental activities for the year ended June 30, 2023:

	Balance 7/1/2022	Additions	Deductions	Balance 6/30/2023	Due Within One Year
<i>Governmental Activities:</i>					
Compensated absences	\$ 92,482	\$ -	\$ 5,112	\$ 87,370	\$ -
Governmental Activities, Long-term Liabilities	<u>\$ 92,482</u>	<u>\$ -</u>	<u>\$ 5,112</u>	<u>\$ 87,370</u>	<u>\$ -</u>

The following summarizes the changes in the long-term liabilities of business-type activities for the year ended June 30, 2023:

TOWN OF CHESAPEAKE BEACH
NOTES TO FINANCIAL STATEMENTS

NOTE 5 LONG-TERM LIABILITIES (cont'd)

	Balance 7/1/2022	Additions	Deductions	Balance 6/30/2023	Due Within One Year
<i>Business-type Activities:</i>					
Bonds and loans payable	\$ 4,300,843	\$ -	\$ 514,087	\$ 3,786,756	\$ 519,515
Compensated absences	25,870	13,908	-	39,778	-
Business-type Activities, Long-term Liabilities	<u>\$ 4,326,713</u>	<u>\$ 13,908</u>	<u>\$ 514,087</u>	<u>\$ 3,826,534</u>	<u>\$ 519,515</u>

Business-type Activities

Bonds and loans payable relating to business-type activities at June 30, 2023 consist of the following:

ARRA Sewer Improvement Loan of 2009, \$683,000; 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	\$ 164,767
Water Quality Bond, Series of 2007, \$4,960,474; interest payable semi-annually on February 1 and August 1 at 1.10%; annual principal payments due February 1 at varying amounts up to \$296,677; due February 1, 2027	966,027
Maryland Department of the Environment Water Quality 2014 construction loan, \$3,950,000; 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>2,655,962</u>
	<u>\$ 3,786,756</u>

Maturities and interest requirements of the bonds and loans payable relating to business-type activities as of June 30, 2023 are as follows:

Year Ending June 30,	Principal Maturities	Interest Maturities	Total Maturities
2024	\$ 519,515	\$ 38,834	\$ 558,349
2025	525,000	33,348	558,348
2026	530,544	27,806	558,350
2027	321,850	24,560	346,410
2028	214,966	18,898	233,864
2029 - 2033	1,031,126	63,327	1,094,453
2034 - 2037	<u>643,755</u>	<u>12,920</u>	<u>656,675</u>
	<u>\$ 3,786,756</u>	<u>\$ 219,693</u>	<u>\$ 4,006,449</u>

TOWN OF CHESAPEAKE BEACH
NOTES TO FINANCIAL STATEMENTS

NOTE 5 LONG-TERM LIABILITIES (cont'd)

Payments of long-term liabilities for business-type activities are expected to be funded by the Utility Fund.

NOTE 6 INTER-JURISDICTIONAL AGREEMENT

The Town of Chesapeake Beach entered into an interjurisdictional agreement with Calvert County and the Town of North Beach on January 16, 1981, and as amended on May 29, 1990, for the operation of the Chesapeake Beach Water Reclamation Treatment Plant ("CBWRTP"). The terms of the agreement remain in effect in perpetuity and provide that fee simple title to the plant is held by the Town of Chesapeake Beach in trust for all parties with fixed and variable costs allocated between the parties per the interjurisdictional agreement. On August 15, 1996, the Town of Chesapeake Beach entered into an interjurisdictional agreement with Calvert County, the Town of Chesapeake Beach, and Anne Arundel County whereby Anne Arundel County agreed to constructing improvements to increase the capacity of the plant by 177,500 gallons per day ("GPD"), of which Anne Arundel County is allocated 137,500 GPD and has no ownership of the plant.

The CBWRTP allocations of capacity are the Town of Chesapeake Beach, 822,300 GPD; Town of North Beach, 250,200 GPD; Calvert County, 290,000 GPD; and Anne Arundel County, 137,500 GPD. The CBWRTP allocations for Equivalent Dwelling Units ("EDUs") are the Town of Chesapeake Beach, 4,328 EDUs; Town of North Beach, 1,317 EDUs; Calvert County, 1,526 EDUs; and Anne Arundel County, 550 EDUs. Variable charges of the CBWRTP are allocated based upon measurement of the flow by jurisdiction and the total number of EDUs in use. The Town of Chesapeake Beach provides all of the accounting functions, oversight, and management of the CBWRTP through Town staff. The Town invoices all jurisdictions for their proportional share of all operating expenses and capital improvements. The Town accounts for its respective allocations of the operations of the CBWRTP in the Town's Utility Fund and recovers its costs through user charges to residential and commercial users of the Town's water and sewer services.

NOTE 7 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. The LGIT was organized for the purpose of minimizing the cost of insurance and related administrative expenses. The Town pays an annual premium to the LGIT for its general insurance coverage. The agreement with the LGIT provides that the LGIT will be

TOWN OF CHESAPEAKE BEACH
NOTES TO FINANCIAL STATEMENTS

NOTE 7 RISK MANAGEMENT (cont'd)

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 8 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 and completion of a six-month probationary period at the start of their employment. Elective deferrals by employees are not permitted under the plan. The Town makes bi-weekly 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 obtaining the age of 18. Under the plan, participants may make voluntary contributions to the plan up to maximum amount allowable by law, but not to exceed the lesser of \$22,500 or 100% of an employee's total compensation. The Town makes additional 100% matching contributions into the 401(a) retirement plan discussed above. Similar to the 401(a) retirement 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, 2023 was \$265,147.

NOTE 9 COMMITMENTS

Leasing Arrangements

The Town participates in a lease for library services, which is accounted for as an operating lease. 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 this agreement, annual rent increases are provided based upon the Consumer Price Index, with a minimum of 2% and up to a maximum of 4%. The lease expired on June 30, 2020 and is continuing on a month-to-month basis, with a current monthly payment of \$3,514. The Town's portion of rent expense incurred under this agreement for the year ended June 30, 2023 was \$41,983.

TOWN OF CHESAPEAKE BEACH
NOTES TO FINANCIAL STATEMENTS

NOTE 9 COMMITMENTS (cont'd)

Capital Projects

The Town has active capital projects as of June 30, 2023. The Town's commitments with contractors are as follows:

	<u>Contract Amount</u>	<u>Completed at 06/30/2023</u>	<u>Balance to Complete</u>
RFP Design – Filter Covers	\$ 20,040	\$ 3,531	\$ 16,509
Johnston Construction	<u>616,740</u>	<u>518,710</u>	<u>98,030</u>
Total Contracts Under Commitment	<u>\$ 636,780</u>	<u>\$ 522,241</u>	<u>\$ 114,539</u>

In addition, the Town had \$513,485 in costs not incurred under a formal commitment.

NOTE 10 SUBSEQUENT EVENTS

The Town has evaluated all subsequent events through November 16, 2023, the date the financial statements were available to be issued.

OTHER REPORT



INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

November 16, 2023

Members of Council
Town of Chesapeake Beach
Chesapeake Beach, Maryland

We have audited, 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, the financial statements of the governmental activities, business-type activities, and each major fund of the Town of Chesapeake Beach ("the Town"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 16, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting ("internal control") as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Members of Council
Town of Chesapeake Beach

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP