



TOWN OF CHESAPEAKE BEACH
CHESAPEAKE BEACH, MARYLAND
BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

TOWN OF CHESAPEAKE BEACH

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INDEPENDENT AUDITOR'S REPORT

October 31, 2022

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, 2022, 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, 2022, 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 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, 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 October 31, 2022, 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

**TOWN OF CHESAPEAKE BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
JUNE 30, 2022**

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, 2022 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 \$47,945,000. Of this amount, \$19,687,759 (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 \$4,134,797 in fiscal year 2022.
- As of June 30, 2022, the Town's governmental fund reported a combined ending fund balance of \$18,443,701, an increase of \$4,511,444 from the prior year's balance. Approximately 99 percent of the total fund balance, or \$18,345,337, is available for spending at the Town's discretion (unassigned fund balance). The remainder is currently nonspendable for prepaid expenditures (\$98,364).

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, 2022**

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, 2022, the Town's assets exceeded its liabilities by \$47,945,000, which is a \$4,134,797 increase from the prior year.

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

**Table 1
NET POSITION
JUNE 30, 2022 AND 2021**

	June 30, 2022			June 30, 2021		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current assets	\$ 19,840,834	\$ 1,497,449	\$ 21,338,283	\$ 14,406,751	\$ 1,052,414	\$ 15,459,165
Noncurrent assets	9,062,754	23,495,330	32,558,084	9,421,024	24,446,810	33,867,834
Total Assets	28,903,588	24,992,779	53,896,367	23,827,775	25,499,224	49,326,999

**TOWN OF CHESAPEAKE BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
JUNE 30, 2022**

**Table 1
NET POSITION
JUNE 30, 2022 AND 2021**

	June 30, 2022			June 30, 2021		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
(cont'd)						
Current liabilities	1,397,133	649,126	2,046,259	474,494	597,571	1,072,065
Long-term liabilities	92,482	3,812,626	3,905,108	92,906	4,351,825	4,444,731
Total Liabilities	1,489,615	4,461,752	5,951,367	567,400	4,949,396	5,516,796
Net investment in capital assets	9,062,754	19,194,487	28,257,241	9,421,024	19,637,252	29,058,276
Unrestricted	18,351,219	1,336,540	19,687,759	13,839,351	912,576	14,751,927
Total Net Position	<u>\$ 27,413,973</u>	<u>\$ 20,531,027</u>	<u>\$ 47,945,000</u>	<u>\$ 23,260,375</u>	<u>\$ 20,549,828</u>	<u>\$ 43,810,203</u>

As shown in Table 2, revenues exceeded expenses by \$4,134,797 in fiscal year 2022, resulting in an overall increase in net position.

**Table 2
CHANGE IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	June 30, 2022			June 30, 2021		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
REVENUES						
Program Revenues:						
Charges for service	\$ 351,381	\$ 4,663,796	\$ 5,015,177	\$ 393,432	\$ 4,369,126	\$ 4,762,558
Operating grants	3,439,219	-	3,439,219	392,095	-	392,095
General Revenues:						
Taxes	6,686,119	-	6,686,119	5,838,966	-	5,838,966
Franchise fees	75,093	-	75,093	67,171	-	67,171
Investment earnings	11,312	5,716	17,028	7,305	2,246	9,551
Miscellaneous	3,041	-	3,041	64	-	64
Total Revenues	10,566,165	4,669,512	15,235,677	6,699,033	4,371,372	11,070,405
EXPENSES						
General government	1,375,235	-	1,375,235	1,548,538	-	1,548,538
Public safety	1,591,514	-	1,591,514	1,198,283	-	1,198,283
Public works	3,445,818	-	3,445,818	2,338,052	-	2,338,052
Water park	-	1,410,316	1,410,316	-	1,001,635	1,001,635
Water and sewer services	-	3,277,997	3,277,997	-	3,029,125	3,029,125
Total Expenses	6,412,567	4,688,313	11,100,880	5,084,873	4,030,760	9,115,633
Transfers (out) in	-	-	-	(313,325)	313,325	-
CHANGE IN NET POSITION	<u>\$ 4,153,598</u>	<u>\$ (18,801)</u>	<u>\$ 4,134,797</u>	<u>\$ 1,300,835</u>	<u>\$ 653,937</u>	<u>\$ 1,954,772</u>

**TOWN OF CHESAPEAKE BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
JUNE 30, 2022**

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, 2022, the Town's governmental fund reported ending fund balance of \$18,443,701, an increase of \$4,511,444 compared to the prior year. Approximately 99 percent, or \$18,345,337, 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 \$20,531,027. Net position invested in capital assets, net of related debt was \$19,194,487, and unrestricted net position was \$1,336,540.

General Fund Budgetary Highlights

There were no revisions to the original General Fund budget. All budgeted appropriations lapse at year end. Based on actual figures, revenues were more than budgeted amounts by \$3,876,959, and expenditures were less than budgeted amounts by \$634,485.

Capital Assets

The Town's investment in capital assets as of June 30, 2022 amounts to \$32,558,084, net of accumulated depreciation. Capital assets include land, 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, 2022, the Town had \$4,300,843 in bonds and loans outstanding – a decrease of \$508,715 from the prior year.

**TOWN OF CHESAPEAKE BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
JUNE 30, 2022**

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

Economic Factors

In fiscal year 2022, total taxable property valuations in Chesapeake Beach, as assessed by the State of Maryland Department of Assessment and Taxation, amounted to \$841,184,431. The Town's tax rate was \$0.3233 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 to improve walkability and expand pedestrian pathways, a reduction in the property tax rate from \$0.3233 to \$0.3160, an increase in rates or fee 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, 2022

	Governmental Activities	Business-type Activities	Total Primary Government
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 11,484,197	\$ 7,352,082	\$ 18,836,279
Taxes receivable	997,047	-	997,047
Accounts receivable	718,373	677,133	1,395,506
Prepaid expenses	98,364	1,549	99,913
Inventory	-	9,538	9,538
Due from other funds	6,542,853	(6,542,853)	-
Total Current Assets	<u>19,840,834</u>	<u>1,497,449</u>	<u>21,338,283</u>
Noncurrent Assets:			
Land	1,346,596	21,875	1,368,471
Capital assets, net	7,716,158	23,473,455	31,189,613
Total Noncurrent Assets	<u>9,062,754</u>	<u>23,495,330</u>	<u>32,558,084</u>
TOTAL ASSETS	<u><u>\$ 28,903,588</u></u>	<u><u>\$ 24,992,779</u></u>	<u><u>\$ 53,896,367</u></u>
 LIABILITIES AND NET POSITION			
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 363,037	\$ 49,060	\$ 412,097
Accrued liabilities	135,073	85,979	221,052
Unearned grant revenue	889,783	-	889,783
Deposits	9,240	-	9,240
Current portion bonds and loans payable	-	514,087	514,087
Total Current Liabilities	<u>1,397,133</u>	<u>649,126</u>	<u>2,046,259</u>
Noncurrent Liabilities:			
Bonds and loans payable	-	3,786,756	3,786,756
Compensated absences	92,482	25,870	118,352
Total Noncurrent Liabilities	<u>92,482</u>	<u>3,812,626</u>	<u>3,905,108</u>
TOTAL LIABILITIES	<u>1,489,615</u>	<u>4,461,752</u>	<u>5,951,367</u>
 NET POSITION			
Net investment in capital assets	9,062,754	19,194,487	28,257,241
Unrestricted	18,351,219	1,336,540	19,687,759
TOTAL NET POSITION	<u>27,413,973</u>	<u>20,531,027</u>	<u>47,945,000</u>
 TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 28,903,588</u></u>	<u><u>\$ 24,992,779</u></u>	<u><u>\$ 53,896,367</u></u>

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

**TOWN OF CHESAPEAKE BEACH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

	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 Government
GOVERNMENTAL ACTIVITIES							
General government	\$ 1,375,235	\$ 303,478	\$ 430,002	\$ -	\$ (641,755)	\$ -	\$ (641,755)
Public safety	1,591,514	47,903	2,139,104	-	595,493	-	595,493
Public works	3,445,818	-	870,113	-	(2,575,705)	-	(2,575,705)
TOTAL GOVERNMENTAL ACTIVITIES	<u>6,412,567</u>	<u>351,381</u>	<u>3,439,219</u>	<u>-</u>	<u>(2,621,967)</u>	<u>-</u>	<u>(2,621,967)</u>
BUSINESS-TYPE ACTIVITIES							
Water park	1,410,316	1,311,963	-	-	-	(98,353)	(98,353)
Water and sewer services	3,277,997	3,351,833	-	-	-	73,836	73,836
TOTAL BUSINESS-TYPE ACTIVITIES	<u>4,688,313</u>	<u>4,663,796</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,517)</u>	<u>(24,517)</u>
TOTAL GOVERNMENT	<u>\$ 11,100,880</u>	<u>\$ 5,015,177</u>	<u>\$ 3,439,219</u>	<u>\$ -</u>	<u>(2,621,967)</u>	<u>(24,517)</u>	<u>(2,646,484)</u>
GENERAL REVENUES							
Taxes:							
Property					2,762,501	-	2,762,501
Income tax					1,222,669	-	1,222,669
Admissions and amusement tax					2,610,767	-	2,610,767
Hotel tax					90,182	-	90,182
Franchise tax					75,093	-	75,093
Investment earnings					11,312	5,716	17,028
Miscellaneous					3,041	-	3,041
TOTAL GENERAL REVENUES					<u>6,775,565</u>	<u>5,716</u>	<u>6,781,281</u>
CHANGE IN NET POSITION					4,153,598	(18,801)	4,134,797
NET POSITION, BEGINNING OF YEAR					<u>23,260,375</u>	<u>20,549,828</u>	<u>43,810,203</u>
NET POSITION, END OF YEAR					<u>\$ 27,413,973</u>	<u>\$ 20,531,027</u>	<u>\$ 47,945,000</u>

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

**TOWN OF CHESAPEAKE BEACH
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2022**

	General Fund
ASSETS	
Cash and cash equivalents	\$ 11,484,197
Taxes receivable	997,047
Accounts receivable	718,373
Prepaid expenditures	98,364
Due from other funds	6,542,853
	<u>6,542,853</u>
TOTAL ASSETS	<u><u>\$ 19,840,834</u></u>
LIABILITIES AND FUND BALANCE	
Accounts payable	\$ 363,037
Accrued liabilities	135,073
Unearned grant revenue	889,783
Deposits	9,240
TOTAL LIABILITIES	<u>1,397,133</u>
FUND BALANCE	
Nonspendable - prepaid expenditures	98,364
Unassigned	18,345,337
TOTAL FUND BALANCE	<u>18,443,701</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 19,840,834</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, 2022**

TOTAL GOVERNMENTAL FUND BALANCE	\$ 18,443,701
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.	9,062,754
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>(92,482)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 27,413,973</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, 2022**

	General Fund
REVENUES	
Taxes	\$ 6,761,212
Charges for services	351,381
Grants and contributions	3,439,219
Investment earnings	11,312
Miscellaneous	3,041
	<hr/>
TOTAL REVENUES	10,566,165
	<hr/>
EXPENDITURES	
Current:	
General government	1,344,131
Public safety	1,591,514
Public works	2,712,480
Capital outlay	406,596
	<hr/>
TOTAL EXPENDITURES	6,054,721
	<hr/>
EXCESS OF REVENUES OVER EXPENDITURES	4,511,444
	<hr/>
NET CHANGE IN FUND BALANCE	4,511,444
	<hr/>
FUND BALANCE, BEGINNING OF YEAR	13,932,257
	<hr/>
FUND BALANCE, END OF YEAR	\$ 18,443,701
	<hr/> <hr/>

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, 2022**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUND \$ 4,511,444

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	\$	406,596		
Depreciation expense		<u>(764,866)</u>		(358,270)

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>424</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES				<u><u>\$ 4,153,598</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, 2022**

	Original Appropriated Budget	Final Appropriated Budget	Actual Amounts (Budgetary Basis)	Favorable (Unfavorable) Variance
REVENUES				
Taxes	\$ 5,678,725	\$ 5,703,725	\$ 6,761,212	\$ 1,057,487
Charges for services	380,860	380,860	351,381	(29,479)
Grants and contributions	584,621	584,621	3,439,219	2,854,598
Investment earnings	15,000	15,000	11,312	(3,688)
Miscellaneous	5,000	5,000	3,041	(1,959)
TOTAL REVENUES	6,664,206	6,689,206	10,566,165	3,876,959
EXPENDITURES				
Current:				
General government	1,899,743	1,924,743	1,344,131	580,612
Public safety	1,449,109	1,449,109	1,591,514	(142,405)
Public works	2,115,191	2,115,191	2,712,480	(597,289)
Capital outlay	1,175,013	1,175,013	406,596	768,417
Debt service:				
Principal	25,150	25,150	-	25,150
TOTAL EXPENDITURES	6,664,206	6,689,206	6,054,721	634,485
EXCESS OF REVENUES OVER EXPENDITURES	-	-	4,511,444	4,511,444
NET CHANGE IN FUND BALANCE	\$ -	\$ -	4,511,444	\$ 4,511,444
FUND BALANCE, BEGINNING OF YEAR			13,932,257	
FUND BALANCE, END OF YEAR			\$ 18,443,701	

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

TOWN OF CHESAPEAKE BEACH
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2022

	Water Park Fund	Utility Fund	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 2,492,645	\$ 4,859,437	\$ 7,352,082
Accounts receivable	860	676,273	677,133
Prepaid expenses	103	1,446	1,549
Inventory	9,538	-	9,538
Total Current Assets	<u>2,503,146</u>	<u>5,537,156</u>	<u>8,040,302</u>
Noncurrent Assets:			
Land	-	21,875	21,875
Capital assets, net	672,022	22,801,433	23,473,455
Total Noncurrent Assets	<u>672,022</u>	<u>22,823,308</u>	<u>23,495,330</u>
TOTAL ASSETS	<u><u>\$ 3,175,168</u></u>	<u><u>\$ 28,360,464</u></u>	<u><u>\$ 31,535,632</u></u>
LIABILITIES AND NET POSITION			
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 48,028	\$ 1,032	\$ 49,060
Accrued liabilities	5,382	80,597	85,979
Due to other funds	2,447,814	4,095,039	6,542,853
Current portion bonds and loans payable	-	514,087	514,087
Total Current Liabilities	<u>2,501,224</u>	<u>4,690,755</u>	<u>7,191,979</u>
Noncurrent Liabilities:			
Bonds and loans payable	-	3,786,756	3,786,756
Compensated absences	8,560	17,310	25,870
Total Noncurrent Liabilities	<u>8,560</u>	<u>3,804,066</u>	<u>3,812,626</u>
TOTAL LIABILITIES	<u>2,509,784</u>	<u>8,494,821</u>	<u>11,004,605</u>
NET POSITION			
Net investment in capital assets	672,022	18,522,465	19,194,487
Unrestricted (deficit)	(6,638)	1,343,178	1,336,540
TOTAL NET POSITION	<u>665,384</u>	<u>19,865,643</u>	<u>20,531,027</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 3,175,168</u></u>	<u><u>\$ 28,360,464</u></u>	<u><u>\$ 31,535,632</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, 2022**

	Water Park Fund	Utility Fund	Total
OPERATING REVENUES			
Current use charges	\$ 1,310,637	\$ 2,624,891	\$ 3,935,528
Miscellaneous	1,326	6,942	8,268
TOTAL OPERATING REVENUES	<u>1,311,963</u>	<u>2,631,833</u>	<u>3,943,796</u>
OPERATING EXPENSES			
Personnel services	800,512	659,635	1,460,147
Operations and maintenance	503,885	1,539,499	2,043,384
Depreciation	105,919	954,983	1,060,902
TOTAL OPERATING EXPENSES	<u>1,410,316</u>	<u>3,154,117</u>	<u>4,564,433</u>
OPERATING INCOME (LOSS)	<u>(98,353)</u>	<u>(522,284)</u>	<u>(620,637)</u>
NONOPERATING REVENUES			
Investment interest	2,075	3,641	5,716
Interest expense	-	(123,880)	(123,880)
Connection fees	-	720,000	720,000
TOTAL NONOPERATING REVENUES	<u>2,075</u>	<u>599,761</u>	<u>601,836</u>
CHANGE IN NET POSITION	(96,278)	77,477	(18,801)
NET POSITION, BEGINNING OF YEAR	<u>761,662</u>	<u>19,788,166</u>	<u>20,549,828</u>
NET POSITION, END OF YEAR	<u><u>\$ 665,384</u></u>	<u><u>\$ 19,865,643</u></u>	<u><u>\$ 20,531,027</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, 2022**

	Water Park Fund	Utility Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 1,311,603	\$ 2,614,951	\$ 3,926,554
Payments to suppliers and employees	(1,309,417)	(2,210,360)	(3,519,777)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>2,186</u>	<u>404,591</u>	<u>406,777</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Payments from other funds	902,238	398,481	1,300,719
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>902,238</u>	<u>398,481</u>	<u>1,300,719</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Connection fees	-	720,000	720,000
Purchase of capital assets	(66,211)	(42,959)	(109,170)
Interest paid	-	(76,319)	(76,319)
Principal payments on bonds and loans payable	-	(508,715)	(508,715)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(66,211)</u>	<u>92,007</u>	<u>25,796</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income	2,075	3,641	5,716
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>2,075</u>	<u>3,641</u>	<u>5,716</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	840,288	898,720	1,739,008
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,652,357</u>	<u>3,960,717</u>	<u>5,613,074</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,492,645</u>	<u>\$ 4,859,437</u>	<u>\$ 7,352,082</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (98,353)	\$ (522,284)	\$ (620,637)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	105,919	954,983	1,060,902
(Increase) decrease in assets:			
Accounts receivable	(360)	(16,882)	(17,242)
Inventory	1,992	-	1,992
Prepaid expenses	(103)	8,355	8,252
Increase (decrease) in liabilities:			
Accounts payable	(163)	(767)	(930)
Accrued liabilities	(448)	-	(448)
Compensated absences	(6,298)	(18,814)	(25,112)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 2,186</u>	<u>\$ 404,591</u>	<u>\$ 406,777</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 \$118,352 at June 30, 2022.

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, 2022, the carrying amount of the Town's deposits was \$4,363,904, and the bank balance was \$4,549,000. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$4,299,000 was fully covered by pledged collateral held by the depository's agent in the Town's name.

Investment Pool

The Town is a participant of the MLGIP, which provides all local government units of the State a safe investment vehicle for short-term investment of funds. The State Legislature created 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, 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, 2022, MLGIP was rated AAAM by a nationally recognized statistical rating organization. As of June 30, 2022, the Town had \$14,472,375 invested in MLGIP.

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 is as follows:

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

TOWN OF CHESAPEAKE BEACH
NOTES TO FINANCIAL STATEMENTS

NOTE 3 CAPITAL ASSETS (cont'd)

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets being depreciated:				
Land improvements	18,213,166	292,182	-	18,505,348
Buildings and improvements	1,874,490	42,631	-	1,917,121
Equipment and vehicles	1,638,427	71,783	-	1,710,210
Total Capital Assets Being Depreciated	21,726,083	406,596	-	22,132,679
Less accumulated depreciation for:				
Land improvements	11,353,077	669,311	-	12,022,388
Buildings and improvements	802,572	57,961	-	860,533
Equipment and vehicles	1,496,006	37,594	-	1,533,600
Total Accumulated Depreciation	13,651,655	764,866	-	14,416,521
Total Capital Assets Being Depreciated, Net	8,074,428	(358,270)	-	7,716,158
Governmental Activities Capital Assets, Net	<u>\$ 9,421,024</u>	<u>\$ (358,270)</u>	<u>\$ -</u>	<u>\$ 9,062,754</u>
<i>Business-type Activities</i>				
Capital assets not being depreciated:				
Land	\$ 21,875	\$ -	\$ -	\$ 21,875
Total Capital Asset Not Being Depreciated	21,875	-	-	21,875
Capital assets being depreciated:				
Land improvements	1,032,776	27,372	-	1,060,148
Buildings and improvements	4,975,853	39,091	-	5,014,944
Water system	6,656,209	-	-	6,656,209
Sewer system	30,377,711	42,959	-	30,420,670
Equipment and vehicles	963,066	-	-	963,066
Total Capital Assets Being Depreciated	44,005,615	109,422	-	44,115,037
Less accumulated depreciation	19,580,680	1,060,902	-	20,641,582
Total Capital Assets Being Depreciated, Net	24,424,935	(951,480)	-	23,473,455
Business-type Activities Capital Assets, Net	<u>\$24,446,810</u>	<u>\$ (951,480)</u>	<u>\$ -</u>	<u>\$23,495,330</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	\$ 31,351
Public works	<u>733,515</u>

Total Depreciation Expense - Governmental Activities	<u>\$ 764,866</u>
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Business-type Activities:

Water and sewer services	\$ 954,983
Water park	<u>105,919</u>

Total Depreciation Expense - Business-type Activities	<u>\$ 1,060,902</u>
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NOTE 4 INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2022 is as follows:

Due To	Amount	Due From	Amount
General Fund	<u>\$ 6,542,853</u>	Utility Fund	\$ 4,095,039
		Water Park Fund	<u>2,447,814</u>
	<u>\$ 6,542,853</u>		<u>\$ 6,542,853</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, 2022:

	Balance 7/1/2021	Additions	Deductions	Balance 6/30/2022	Due Within One Year
<i>Governmental Activities:</i>					
Compensated absences	\$ 92,906	\$ -	\$ 424	\$ 92,482	\$ -
Governmental Activities, Long-term Liabilities	<u>\$ 92,906</u>	<u>\$ -</u>	<u>\$ 424</u>	<u>\$ 92,482</u>	<u>\$ -</u>

The following summarizes the changes in the long-term liabilities of business-type activities for the year ended June 30, 2022:

TOWN OF CHESAPEAKE BEACH
NOTES TO FINANCIAL STATEMENTS

NOTE 5 LONG-TERM LIABILITIES (cont'd)

	Balance 7/1/2021	Additions	Deductions	Balance 6/30/2022	Due Within One Year
<i>Business-type Activities:</i>					
Bonds and loans payable	\$ 4,809,558	\$ -	\$ 508,715	\$ 4,300,843	\$ 514,087
Compensated absences	50,982	-	25,112	25,870	-
Business-type Activities, Long-term Liabilities	<u>\$ 4,860,540</u>	<u>\$ -</u>	<u>\$ 533,827</u>	<u>\$ 4,326,713</u>	<u>\$ 514,087</u>

Business-type Activities

Bonds and loans payable relating to business-type activities at June 30, 2022 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	\$ 201,329
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	1,253,125
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>2,846,389</u>
	<u>\$ 4,300,843</u>

Maturities and interest requirements of the bonds and loans payable relating to business-type activities as of June 30, 2022 are as follows:

Year Ending June 30,	Principal Maturities	Interest Maturities	Total Maturities
2023	\$ 514,087	\$ 44,262	\$ 558,349
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 - 2032	1,035,743	73,684	1,109,427
2033 - 2036	<u>854,104</u>	<u>21,462</u>	<u>875,566</u>
	<u>\$ 4,300,843</u>	<u>\$ 263,956</u>	<u>\$ 4,564,799</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

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 waste 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 cost sharing being allocated 47 percent to the Town, 24 percent to the Town of North Beach, and 29 percent to Calvert County, Maryland. On August 15, 1996, the municipalities 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 (gpd). Under this agreement, Anne Arundel does not have any ownership of the plant but is entitled to an allocation of 157,500 gpd.

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 gpd allocations of 789,640 gpd to the Town; 250,200 gpd to the Town of North Beach; 302,325 gpd to Calvert County, Maryland; and 157,500 gpd 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 expense 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.

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. 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.

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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 quarterly contributions to the plan based on 10 percent of the compensation of all eligible participants during the plan year. All assets and income of the plan are held in trust for the exclusive benefit of each of the participants and their beneficiaries; as such, plan assets are not reflected in the Town's financial statements.

The Town also provides employees the opportunity to participate in a deferred compensation 457(b) plan covering all eligible employees. Employees are eligible upon 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 \$20,500 or 100 percent of an employee's total compensation. The Town makes additional 100 percent 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, 2022 was \$194,041.

NOTE 9 COMMITMENTS

Leasing Arrangements

The Town participates in a lease for library services, which are accounted for as an operating lease. The Town is responsible for 25 percent of the combined rents, and Calvert County, Maryland is responsible for the remaining 75 percent of the combined rents. Under the terms of these agreements, annual rent increases are provided based upon the Consumer Price Index, with a minimum of two percent and up to a maximum of four percent. The lease expired on June 30, 2020 and is continuing on a month-to-month basis, with a current monthly payment of \$3,379. The Town's portion of rent expense incurred under this agreement for the year ended June 30, 2022 was \$40,181.

NOTE 10 UNCERTAINTIES

As a result of the spread of the COVID-19 coronavirus which is ongoing at June 30 2022, economic and operational uncertainties have arisen which may impact the Town in fiscal year 2023. The extent of the potential impact is unknown as the COVID-19 pandemic continues to develop.

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NOTE 11 SUBSEQUENT EVENTS

The Town has evaluated all subsequent events through October 31, 2022, the date the financial statements were available to be issued.