

ARUNDEL-ON-THE-BAY
SPECIAL COMMUNITY BENEFIT DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2015

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SPECIAL COMMUNITY BENEFIT DISTRICT
FINANCIAL STATEMENTS
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Kullman CPA, LLC
1997 Annapolis Exchange Parkway
Suite 230
Annapolis, MD 21401

P 410 266 9885
F 410 266 9940

www.kullmancpa.com

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Property Owners Association of Arundel-on-the-Bay, Inc.
Annapolis, Maryland 21403

We have audited the accompanying financial statements of the Arundel-on-the-Bay Special Community Benefit District, which comprise the balance sheet – cash basis as of June 30, 2015, the related statement of revenue, expenditures, and change in fund balance – cash basis for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis method of accounting as described in Note 1; this includes determining that the cash basis method of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and fund balance of the Arundel-on-the-Bay Special Community Benefit District as of June 30, 2015, and its revenue, expenditures, and change in fund balance for the year then ended in accordance with the cash basis method of accounting as described in Note 1.

Basis of Accounting

Of particular importance is Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis method of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

The accompanying statements were prepared to present the assets, fund balance, revenue, expenditures, and change in fund balance arising from cash transactions of only the Special Community Benefit District of the Property Owners Association of Arundel-on-the-Bay, Inc. pursuant to requirements imposed by Anne Arundel County. They are not intended to be a complete presentation of the Association's assets, liabilities, fund balance, and results of operations.

Kullman Cpa, LLC

Annapolis, Maryland
September 23, 2015

ARUNDEL-ON-THE-BAY
SPECIAL COMMUNITY BENEFIT DISTRICT
BALANCE SHEET - CASH BASIS
JUNE 30, 2015

ASSETS

| | |
|-------------------------|--------------|
| Cash held by Community | \$ 115,538 |
| Cash held by the County | <u>1,028</u> |

| | |
|--------------|--------------------------|
| TOTAL ASSETS | \$ <u><u>116,566</u></u> |
|--------------|--------------------------|

| | |
|--------------|-------------------|
| FUND BALANCE | \$ <u>116,566</u> |
|--------------|-------------------|

| | |
|--------------------|--------------------------|
| TOTAL FUND BALANCE | \$ <u><u>116,566</u></u> |
|--------------------|--------------------------|

See independent auditor's report and accompanying notes to the financial statements.

ARUNDEL-ON-THE-BAY
SPECIAL COMMUNITY BENEFIT DISTRICT
STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGE IN FUND BALANCE - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2015

| REVENUE | | <u>Actual</u> | |
|---|-------------------|--------------------------|----------------------------------|
| Property Taxes | | \$ 207,553 | |
| Total Revenue | | <u>207,553</u> | |
| | | | |
| EXPENDITURES | <u>Budget</u> | <u>Actual</u> | <u>Variance Over/(Under)</u> |
| Construction, Maintenance, and Repair of Non-County Owned Roads, Paths, Signs, and Streetlights | \$ 80,000 | 3,300 | \$ (76,700) |
| Acquisition, Maintenance, and Improvement of Real Property | 57,000 | 37,954 | (19,046) |
| Special Police Protection | 25,000 | 28,222 | 3,222 |
| Construction, Maintenance, and Repair of Drainage Ditches and Culverts | 40,000 | 5,150 | (34,850) |
| Maintenance of Recreational Areas and the Acquisition and Maintenance of Recreational Equipment and Facilities | 30,000 | 1,743 | (28,257) |
| Required County Administration Fee | 2,000 | 2,000 | - |
| Non-Shore Erosion Prevention and Protection | 10,000 | - | (10,000) |
| Snow Removal | 5,000 | 12,195 | 7,195 |
| Other Expenses Necessary for the Administration and Implementation of these Purposes | <u>22,916</u> | <u>27,255</u> | <u>4,339</u> |
| Total Expenditures | \$ <u>271,916</u> | <u>117,819</u> | \$ <u>(154,097)</u> |
| Excess of Revenue Over Expenditures | | <u>89,734</u> | |
| Fund Balance - Beginning of Year | | <u>26,832</u> | |
| Fund Balance - End of Year | | <u><u>\$ 116,566</u></u> | |

See independent auditor's report and accompanying notes to the financial statements.

ARUNDEL-ON-THE-BAY
SPECIAL COMMUNITY BENEFIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Arundel-on-the-Bay Special Community Benefit District (the Organization) is a taxing district of Anne Arundel County that was created on May 21, 1979 by the Anne Arundel County Council. The purposes for which the district was created are for non-shore erosion control, to provide a community security officer, the acquisition, maintenance, and improvement of numerous community facilities, and to pay administrative costs related to these purposes. It is administered by the Property Owners Association of Arundel-on-the-Bay, Inc.

Basis of Accounting

The Arundel-on-the-Bay Special Community Benefit District maintains its books and records on the cash receipts and disbursements basis method of accounting, as permitted by Anne Arundel County. Revenue and related assets are recognized when received, rather than when earned. Expenditures are recognized when paid, rather than when the obligation is incurred. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in the United States of America.

NOTE 2 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through the date that the financial statements were available to be issued. The Organization is not aware of any significant events that occurred subsequent to the balance sheet date, but prior to September 23, 2015, that would have a material impact on the financial statements.



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F 410 266 9940

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INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Directors
Property Owners Association of Arundel-On-The-Bay, Inc.
Annapolis, Maryland 21403

We have examined management's assertion that the Arundel-on-the-Bay Special Community Benefit District complied with the specific requirements and Code Sections, as noted on page 5 of the attachment to the Anne Arundel County Auditor's letter dated July 31, 2015, during the year ended June 30, 2015. Management is responsible for the assertion. Our responsibility is to express an opinion on the assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting management's assertion and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, management's assertion referred to above is fairly stated, in all material respects, based on the specific requirements and Code Sections, as noted on page 5 of the attachment to the Anne Arundel County Auditor's letter dated July 31, 2015.

Kullman Cpa, LLC

Annapolis, Maryland
September 23, 2015