

ARUNDEL-ON-THE-BAY
SPECIAL COMMUNITY BENEFIT DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2018

ARUNDEL-ON-THE-BAY
SPECIAL COMMUNITY BENEFIT DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2018

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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, 2018, 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 of accounting as described in Note 1; this includes determining that the cash basis 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, 2018, and its revenue, expenditures, and change in fund balance for the year then ended, in conformity with accounting practices prescribed or permitted by Anne Arundel County as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, in conformity with the financial reporting practices prescribed or permitted by Anne Arundel County, 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 Reporting Required by State and Local Laws and Regulations

In accordance with state and local laws and regulations, we have also issued our report dated September 14, 2018 on our consideration of the Arundel-on-the-Bay Special Community Benefit District's compliance with the applicable state and local laws and regulations. The purpose of that report is to confirm management's assertion on compliance, and to provide an opinion on management's assertion. That report is an integral part of an audit performed in accordance with state and local laws and regulations in considering the Arundel-on-the-Bay Special Community Benefit District's compliance.

Restriction of Use

Our report is intended solely for the information and use of management, others within the Arundel-on-the-Bay Special Community Benefit District, and Anne Arundel County, and is not intended to be and should not be used by anyone other than these specified parties.

Kullman Cpa, LLC

Annapolis, Maryland
September 14, 2018

ARUNDEL-ON-THE-BAY
SPECIAL COMMUNITY BENEFIT DISTRICT
BALANCE SHEET - CASH BASIS
JUNE 30, 2018

ASSETS

Cash held by the Community	\$ 184,265
Cash held by the County	<u>402</u>

TOTAL ASSETS	\$ <u><u>184,667</u></u>
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FUND BALANCE	\$ <u>184,667</u>
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TOTAL FUND BALANCE	\$ <u><u>184,667</u></u>
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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, 2018

REVENUE	<u>Actual</u>		
Property Taxes		\$	<u>227,193</u>
Total Revenue			<u>227,193</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	\$ 60,000	\$ 35,080	\$ (24,920)
Acquisition, Maintenance, and Improvement of Real Property	100,000	56,403	(43,597)
Special Police Protection	30,000	27,459	(2,541)
Construction, Maintenance, and Repair of Drainage Ditches and Culverts	12,000	-	(12,000)
Maintenance of Recreational Areas and the Acquisition and Maintenance of Recreational Equipment and Facilities	20,000	139	(19,861)
Non-Shore Erosion Prevention and Protection	2,400	-	(2,400)
Insect and Pest Control	5,000	-	(5,000)
Snow Removal	30,000	4,900	(25,100)
Funds Held for Future Use	25,710	-	(25,710)
Other Expenses Necessary for the Administration and Implementation of these Purposes	22,000	18,913	(3,087)
Legal Fees	75,850	79,591	3,741
Required County Administration Fee	<u>2,000</u>	<u>2,000</u>	<u>-</u>
Total Expenditures	\$ <u>384,960</u>	\$ <u>224,485</u>	\$ <u>(160,475)</u>
Excess of Revenue Over Expenditures		<u>2,708</u>	
Fund Balance - Beginning of Year		<u>181,959</u>	
Fund Balance - End of Year		<u><u>\$ 184,667</u></u>	

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

ARUNDEL-ON-THE-BAY
SPECIAL COMMUNITY BENEFIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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 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 14, 2018, that would have a material impact on the financial statements.



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INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE

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

We have examined management's assertion regarding the Arundel-on-the-Bay Special Community Benefit District's compliance with state and local law in the receipts, deposits, and disbursements of tax revenues during the year ended June 30, 2018. Management is responsible for compliance with these requirements by the Arundel-on-the-Bay Special Community Benefit District. Our responsibility is to express an opinion on management's 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. Our examination does not provide a legal determination on the Arundel-on-the-Bay Special Community Benefit District's compliance with specified requirements.

In our opinion, management's assertion that the Arundel-on-the-Bay Special Community Benefit District has received, deposited, and disbursed county tax funds in accordance with state and local law, for the year ended June 30, 2018 is fairly stated, in all material respects.

Kullman Cpa, LLC

Annapolis, Maryland
September 14, 2018