

**TOWN OF CHEVERLY, MARYLAND
FINANCIAL STATEMENTS
JUNE 30, 2023**

TOWN OF CHEVERLY

TABLE OF CONTENTS

JUNE 30, 2023

	Page
INDEPENDENT AUDITOR’S REPORT	1 – 3
REQUIRED SUPPLEMENTARY INFORMATION	
• Management’s Discussion and Analysis	4 – 10
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
• Statement of Net Position	11
• Statement of Activities	12
Fund Financial Statement	
• Balance Sheet – Governmental Funds	13
• Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	14
NOTES TO BASIC FINANCIAL STATEMENTS	15 – 36
REQUIRED SUPPLEMENTARY INFORMATION	
• Schedules of Required Pension-Related Supplementary Information	37
• Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) – General Fund – Unaudited	38
SUPPLEMENTAL SCHEDULES	
• Schedule of Revenues – Budget and Actual – General Fund	39 – 40
• Schedule of Expenditures – Budget and Actual – General Fund	41 – 45

Independent Auditor's Report

Honorable Mayor
Members of the Town Council
Town Manager
Town of Cheverly, Maryland

Opinion

We have audited the accompanying financial statements of the governmental activities and the major fund of the Town of Cheverly (the "Town") as of 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Town as of June 30, 2023, and the respective changes in its financial position 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 (GAS). 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 of Cheverly and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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 of Cheverly's ability to continue as a going concern for one year after the date that the financial statements are available to be 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 opinion. 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 generally accepted 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 generally accepted 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 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 of Cheverly's ability to continue as a going concern for a reasonable period of time.

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.

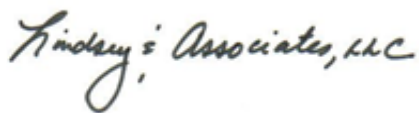
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the pension-related supplementary information, and the budgetary comparison information on pages 4 through 10, 37 and 38, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Cheverly, Maryland's financial statements as a whole. The schedule of revenues – budget and actual – general fund and the schedule of expenditures – budget and actual – general fund on pages 39 through 45 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of revenues – budget and actual – general fund and the schedule of expenditures – budget and actual – general fund are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



February 29, 2024

**TOWN OF CHEVERLY MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

This section of the Town of Cheverly, Maryland's annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year ended June 30, 2023. Please read it with the Town's financial statements, which immediately follow this section.

The Town of Cheverly is located in Prince George's County, Maryland and is one of twenty-eight municipalities within the County. The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Town of Cheverly's discussion and analysis of the financial results for the fiscal year ended June 30, 2023.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$12,400,187 (net position). Of this amount, \$8,124,215 is net investment in capital assets, leaving an unrestricted net position of \$2,881,150.
- As of the close of the current fiscal year, the Town's governmental funds reported an ending fund balance of \$14,948,094, an increase of \$7,600,492 in comparison to the prior year. The ending fund balance includes \$5,537,463 that is available for spending at the Town's discretion (unassigned fund balance).
- The Town purchased \$2,371,447 in new capital assets during the year which included four new police vehicles, body worn cameras for the police officers, one new public works vehicle, town hall improvements including audio visual equipment, town park improvements and upgrades. The purchases also included infrastructure repairs to the streets, sidewalks, curbs and drainage systems.

OVERVIEW OF THE FINANCIAL STATEMENTS

GASB Statement 34 requires the utilization of dual focus financial reporting. Information is presented on a government-wide basis and on a fund basis.

This Discussion and Analysis is intended to serve as an introduction to the Town of Cheverly's basic financial statements that were prepared using these reporting requirements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The Town also includes, in this report, additional information to supplement the basic financial statements.

**TOWN OF CHEVERLY MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Government-Wide Financial Statements

The Town's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the Town's overall status. Financial reporting, at this level, uses a perspective similar to the private sector, with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Position. This is the Town-wide statement of financial position presenting information that includes all the Town's assets, deferred outflow of resources, liabilities, deferred inflow of resources, and net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town, as a whole, are improving or deteriorating.

The second government-wide statement is the Statement of Activities, which presents information about how the Town's net position changed during the past fiscal year. All changes in net position are reported when the underlying event or transaction occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in a future fiscal period such as uncollected income taxes and expensed but not paid interest.

Both government-wide financial statements distinguish governmental activities of the Town that are principally supported by taxes and intergovernmental revenues, such as grants from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, public services, and recreation.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Town uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Town's most significant funds rather than the Town as a whole.

- *Governmental Funds* – Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Town's governmental funds. These statements report short-term fiscal accountability focusing on near-term inflow and outflow of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

**TOWN OF CHEVERLY MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Since the government-wide focus includes the long-term view, comparison between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental funds balance sheet and the governmental funds statements of revenues, expenditures, and changes in fund balance provide reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives. The Town has only one governmental fund - the general fund

The Town adopts an annual budget for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

- *Proprietary Funds* – The Town operates no Proprietary Funds.
- *Fiduciary Funds* – The Town operates no Fiduciary funds.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$12,400,187 as of June 30, 2023. By far the largest portion of the Town's net position reflects its net investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment). This investment was \$8,124,215 or 65% of the Town's net position as of June 30, 2023. Due to the nature of these assets, they are not available for future spending.

The unrestricted portion of the net position was a surplus totaling \$2,881,150. This category represents the amounts that the Town may use to meet the Town's ongoing obligations to its residents and creditors.

The following is selected information as of June 30, 2023. The previous year's information is provided for comparison purposes.

**TOWN OF CHEVERLY MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

	2022	2023
Current assets	\$ 8,768,287	\$ 18,497,718
Capital assets	6,403,941	8,124,215
Total assets	15,172,228	26,621,933
Deferred outflows	1,026,809	551,221
Total deferred outflows and assets	16,199,037	27,173,154
Current liabilities	1,404,292	3,683,444
Long term liabilities	2,722,697	11,004,123
Total liabilities	4,126,989	14,687,567
Deferred inflows	1,658,607	85,400
Net position		
Net investment in capital assets	6,403,941	8,124,215
Restricted	-	-
Unrestricted	4,009,500	2,881,150
Total net position	10,413,441	11,005,365
Total liabilities, deferred inflows, and net position	16,199,037	25,778,332
Program revenues		
Charges for services	853,297	930,260
Grants and contributions	2,831,803	334,355
General revenues		
Income taxes	1,050,010	1,219,096
Property taxes	4,336,658	4,614,245
Total general revenues	5,386,668	5,833,341
Total revenues and transfers	9,071,768	7,097,956
Expenses		
General government expenses	1,901,808	598,843
Public safety expenses	2,066,592	2,525,556
Public works expenses	2,500,425	2,583,607
Interest expense	-	183,461
Total expenses and transfers	6,468,825	5,891,467
Change in net position	3,150,577	1,986,746
Net position, beginning of year	7,262,864	10,413,441
Net position, end of year	\$ 10,413,441	\$ 12,400,187

**TOWN OF CHEVERLY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Governmental activities increased the Town of Cheverly's net position by \$1,986,746 during Fiscal Year 2023. The key elements of this increase are shown below. Information for the prior fiscal year is provided for comparative purposes.

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

Analysis of Financial Position

- *Governmental Funds* - During the fiscal year ended June 30, 2023, the Town of Cheverly's fund balance increased by \$7,600,492. A few of the significant factors affecting the general fund during the year are discussed below:

1. Real Property Taxes Levied for General Operations

The rate has been established at \$0.4899 per \$100 of assessed value on single family homes and an additional rate of \$0.66 per \$100 of assessed value on multi-family units.

2. Tangible Personal Property Tax

The Town of Cheverly levies tangible personal property taxes on business entities within its corporate limits.

The rate has been established at \$1.10 per \$100 of assessed valuation.

3. Highway User Revenue

Highway user revenue is generated from the registration of vehicles within the corporate limits and the amount of linear roadway within the corporate limits. In fiscal year 2023, the Town's allocation decreased by \$17,408 from \$262,499 (2022) to \$245,091 (2023).

4. Income Tax

The Town of Cheverly receives a percentage of the income taxes collected by the State of Maryland. This amount fluctuates with the income earned by the Town of Cheverly residents. High unemployment and/or the aging of a community, such as Cheverly, can affect the amount of income tax revenue on an annual basis. In fiscal year 2023, income tax revenue has increased by \$169,086 from \$1,050,010 (2022) to \$1,219,096 (2023).

5. Red Light Camera Revenue

Red light camera revenue is generated as penalties or fines from running red lights in the Town of Cheverly. In fiscal year 2023, the revenue increased by \$16,667 from \$652,060 (2022) to \$668,727 (2023).

6. The Town of Cheverly, borrowed \$8,912,471 to finance the construction of the new public works building.

**TOWN OF CHEVERLY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2023, the Town had approximately \$8.1 million invested in net capital assets including land, buildings, infrastructure, vehicles, machinery, and equipment. During the year ended June 30, 2023, the Town purchased \$2,371,449 of capital assets and had total depreciation expense of \$651,175.

Capital Assets, Net of Depreciation		
Total Government Activities		
	2022	2023
Land	\$ 1,576,024	\$ 1,576,024
Land improvements	342,730	412,650
Infrastructure	1,230,548	1,842,529
Buildings and improvements	2,056,578	2,959,994
Vehicles	844,550	888,899
Machinery and equipment	353,511	444,119
Total	\$ 6,403,941	\$ 8,124,215

Debt Administration

The Town of Cheverly's outstanding long-term obligations for the past two fiscal years are as follows:

Government Activities		
	2022	2023
General obligations bonds	\$ -	\$ 8,772,471
Net pension liability	2,507,104	2,100,706
Employee benefits payable	8,629	6,180
Accrued vacation leave	199,200	124,766
	\$ 2,714,933	\$ 11,004,123

**TOWN OF CHEVERLY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The real property tax rate for fiscal year 2023 has remained at \$0.4899 for single family units and for multi-family units remained at a rate of \$0.66.
- In FY 2023, a 3% cost of living adjustment and a 2% merit was provided to the employees. Only employees eligible for a step increase received adjustments to wages in FY 2023.
- The Town anticipates an annexation of Hospital Hill and other industrial zones in the near future.

CONTACTING THE TOWN OF CHEVERLY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the Town's finances. If you have questions about this report or need additional information, contact the Town of Cheverly offices during normal business hours at 301-773-8360.

TOWN OF CHEVERLY, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities	Total
ASSETS		
Current Assets		
Cash and cash equivalents - unrestricted	\$ 15,914,529	\$ 15,914,529
Investments	2,250,243	2,250,243
Prepaid	14,123	14,123
Taxes receivable	318,823	318,823
Total Current Assets	18,497,718	18,497,718
Noncurrent Assets		
Net capital assets	8,124,215	8,124,215
Total Noncurrent Assets	8,124,215	8,124,215
TOTAL ASSETS	26,621,933	26,621,933
DEFERRED OUTFLOWS OF RESOURCES	551,221	551,221
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 27,173,154	\$ 27,173,154
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	\$ 846,013	\$ 846,013
Unearned revenue - ARPA	2,697,431	2,697,431
Current portion of long-term debt	140,000	140,000
Total Current Liabilities	3,683,444	3,683,444
Noncurrent Liabilities		
Compensated absences	124,766	124,766
Employee benefits payable	6,180	6,180
Net pension liability	2,100,706	2,100,706
Bond payable - long-term	8,772,471	8,772,471
Total Noncurrent Liabilities	11,004,123	11,004,123
TOTAL LIABILITIES	14,687,567	14,687,567
DEFERRED INFLOWS OF RESOURCES	85,400	85,400
NET POSITION		
Net investment in capital assets	8,124,215	8,124,215
Restricted	1,394,822	1,394,822
Unrestricted	2,881,150	2,881,150
TOTAL NET POSITION	12,400,187	12,400,187
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 27,173,154	\$ 27,173,154

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

**TOWN OF CHEVERLY, MARYLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Total
Primary Government						
Governmental Activities:						
General government	\$ 598,843	\$ 233,926	\$ 181,400	\$ -	\$ (183,517)	\$ (183,517)
Public safety	2,525,556	688,137	134,115	-	(1,703,304)	(1,703,304)
Public works	2,583,607	8,197	18,840	-	(2,556,570)	(2,556,570)
Total Governmental Activities	<u>5,708,006</u>	<u>930,260</u>	<u>334,355</u>	<u>-</u>	<u>(4,443,391)</u>	<u>(4,443,391)</u>
Total Primary Government	<u>\$ 5,708,006</u>	<u>\$ 930,260</u>	<u>\$ 334,355</u>	<u>\$ -</u>	<u>\$ (4,443,391)</u>	<u>\$ (4,443,391)</u>
			General revenues:			
			Taxes			
			Income taxes		1,219,096	1,219,096
			Property taxes		4,614,245	4,614,245
			Highway user taxes		245,091	245,091
			Hotel/motel taxes		131,565	131,565
			Interest and investment earnings		69,851	69,851
			Miscellaneous		150,289	150,289
			Total General Revenues		<u>6,430,137</u>	<u>6,430,137</u>
			Change in Net Position		1,986,746	1,986,746
			Net Position, beginning of year		<u>10,413,441</u>	<u>10,413,441</u>
			Net Position, end of year		<u>\$ 12,400,187</u>	<u>\$ 12,400,187</u>

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

TOWN OF CHEVERLY, MARYLAND
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023

	General Fund	Total Governmental Funds
ASSETS		
Cash and cash equivalents - unrestricted	\$ 15,914,529	\$ 15,914,529
Investments	2,250,243	2,250,243
Accounts receivable, net of allowances	-	-
Taxes receivable	318,823	318,823
Prepaid	14,123	14,123
TOTAL ASSETS	18,497,718	18,497,718
DEFERRED OUTFLOWS OF RESOURCES		
	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 18,497,718	\$ 18,497,718
LIABILITIES		
Accounts payable and accrued expenses	\$ 846,013	\$ 846,013
Unearned revenue - ARPA	2,697,431	2,697,431
Employee benefits payable	6,180	6,180
Amounts held in escrow and deposit	-	-
TOTAL LIABILITIES	3,549,624	3,549,624
DEFERRED INFLOWS OF RESOURCES		
	-	-
FUND BALANCES		
Restricted	1,394,822	1,394,822
Committed	8,015,809	8,015,809
Unassigned	5,537,463	5,537,463
TOTAL FUND BALANCES	14,948,094	14,948,094
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 18,497,718	\$ 18,497,718

**RECONCILIATION OF TOTAL GOVERNMENTAL
FUND BALANCE TO NET POSITION OF
GOVERNMENTAL ACTIVITIES**
JUNE 30, 2023

<i>Total Governmental Fund Balances</i>	\$ 14,948,094
Long-term liabilities, including loans payable and compensated absences are not due and payable in the current period and therefore are not reported in the funds.	(11,137,943)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	8,124,215
Deferred outflows of resources related to the net pension liability is not reported in the funds.	551,221
Deferred inflows of resources related to the net pension liability is not reported in the funds.	(85,400)
<i>Net Position of Governmental Activities</i>	\$ 12,400,187

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

TOWN OF CHEVERLY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	Total Governmental Funds		
REVENUES				
Taxes	\$ 6,209,997	\$ 6,209,997	<i>Net Change in Fund Balances - Total Governmental Funds</i>	\$ 7,600,492
Licenses and permits	233,926	233,926		
Intergovernmental	334,355	334,355		
Fines and forfeitures	688,137	688,137	Governmental funds report capital outlays as expenditures.	
Service charges	8,197	8,197	However, in the statement of activities, the cost of those	
Miscellaneous	220,140	220,140	assets is allocated over their estimated useful lives as	
Total Revenues	<u>7,694,752</u>	<u>7,694,752</u>	depreciation expense. This is the amount by which	
			capital outlays exceed depreciation in the current period.	1,720,274
EXPENDITURES				
Current Operations			Increases in deferred inflows of resources relating to state	
General government	1,806,891	1,806,891	income taxes do not provide current financial resources and	
Public safety	2,141,007	2,141,007	are not reported as revenue in the governmental funds.	-
Public works	2,503,923	2,503,923		
Capital outlays	2,371,449	2,371,449	Difference in accounting for compensated absences between	
Debt Service			modified accrual and accrual accounting.	74,434
Principal	-	-		
Interest	183,461	183,461		
Total Expenditures	<u>9,006,731</u>	<u>9,006,731</u>		
Excess of revenues over (under)			Pension expense pertaining to the net pension liability is not	
 expenditures and other financing uses	<u>(1,311,979)</u>	<u>(1,311,979)</u>	reported in the funds.	1,504,017
Other financing sources (uses)				
Proceeds from long-term debt	8,912,471	8,912,471	Proceeds from new debt is considered an other finance source	<u>(8,912,471)</u>
Total other financing sources (uses)	<u>8,912,471</u>	<u>8,912,471</u>		
Excess of revenue and other financing				
 sources over (under) expenditures			<i>Change in Net Position of Governmental Activities</i>	<u>\$ 1,986,746</u>
 and other financing uses	7,600,492	7,600,492		
Fund balance, beginning of year	<u>7,347,602</u>	<u>7,347,602</u>		
Fund balance, end of year	<u>\$ 14,948,094</u>	<u>\$ 14,948,094</u>		

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

TOWN OF CHEVERLY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Town of Cheverly, Maryland is a municipal corporation governed by an elected mayor and an elected town council and provides the following services as authorized by its charter: public safety, public works and general administrative services. The Town's major sources of revenues are real estate taxes, income taxes and usage taxes.

The accounting policies of the Town of Cheverly conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

In evaluating how to define the Town of Cheverly, 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 by the Governmental Accounting Standards Board. Component units are legally separate organizations for which the elected officials of the Town are financially accountable and a financial benefit or burden relationship exists. In addition, component units can be other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the Town's financial statements to be misleading. Based upon the application of criteria set by the Governmental Accounting Standards Board, there are no separate component units of the Town.

Basis of Presentation – Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The Town's funds are grouped into one broad fund category.

Governmental funds include the General Fund. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

TOWN OF CHEVERLY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of Accounting

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Town, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting including the reclassification or elimination of internal activity (between or within funds). This is the same approach used in the preparation of the proprietary fund financial statements, if any, but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses, and program revenues for each segment of the business-type activities, if any, of the Town and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect costs are allocated to programs. When both restricted and unrestricted resources are available for use, it is the town's policy to use restricted resources first, then unrestricted resources as needed. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the Town. Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Separate financial statements are provided for governmental funds, proprietary funds, if any, and fiduciary funds, if any, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds, if any, are reported as separate columns in the fund financial statements.

TOWN OF CHEVERLY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Fund Financial Statements

Fund financial statements report detailed information about the Town. The focus of governmental and enterprise financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds, if any, are aggregated and presented in a single column.

Governmental Funds

Town activities pertaining to general government, public safety, public works, recreation, and culture are reported in the governmental funds. All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

The major governmental fund is:

- General Fund – This is the Town’s primary operating fund. It is used to account for all financial resources except for those required to be accounted for in another fund.

Revenue Recognition

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e. collectible within the current year or within two months of year-end and available to pay obligations of the current period). These include property taxes, franchise taxes, investment earnings, charges for services and intergovernmental revenues.

Some revenues, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, some revenues are recorded as receivables and deferred inflows of resources.

TOWN OF CHEVERLY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Other revenues, including licenses and permits, certain charges for services, and miscellaneous revenues, are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on long-term debt, which has not matured, are recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

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.

Investments

Investments held at June 30, 2023 with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

Receivables

Current receivables at June 30, 2023, consist of income tax, property tax, state and county police protection grants, cable franchise fees, reimbursements, and fines. Current accounts receivable is deemed collectible in full.

Inventory of Supplies

The Town's general fund inventories are not significant and, therefore, are not reported on its balance sheet.

Prepaid Expenses

Certain payment to vendors reflects costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the allocation method.

TOWN OF CHEVERLY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Deferred Outflows and Inflows of Resources

A *deferred outflow of resources* represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Likewise, a *deferred inflow of resources* represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the Town as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. Infrastructure such as bridges, roads, curbs and gutters, streets, sidewalks, drainage systems and lighting systems are capitalized. Capital assets are defined by the Town as assets with an original, individual cost of \$1,000 or more and an estimated useful life, in excess of, one year. The valuation bases for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated. Intangible assets are recognized if they are identifiable, and are amortized over their useful lives if they do not have indefinite useful lives.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 40 to 50 years; improvements, 15 to 50 years; infrastructure, 20 to 50 years; machinery and equipment, 3 to 10 years; vehicles, 5 to 10 years; and computers, 3 to 5 years.

Restricted Reserves

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

Interest Expense

Interest is expensed as incurred except when interest is incurred during the construction period and is capitalized as part of the cost of the asset.

TOWN OF CHEVERLY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Compensated Absences

The Town allows its eligible employees to accrue up to 240 hours (30 days) of vacation leave. Upon employee termination, the Town pays up to the 240-hour maximum for accrued vacation time. All other amounts, including sick leave, are forfeited. As of June 30, 2023, the liability for compensated absences is \$124,766.

The Town pays all outstanding leave up to the maximum at separation. A liability for vacation pay is recorded in governmental fund financial statements only if it has matured (i.e., unused reimbursable leave still outstanding following an employee’s resignation or retirement).

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues, expenditures, and expenses. Actual results could vary from the estimates that were used.

Equity Classifications

Equity is classified as net position and is displayed in three components:

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings, and reduced or increased by deferred inflows and outflows attributable to the acquisition, construction or improvement of those assets.

Restricted net position – Consists of net position with constraints placed on their use either by 1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation and are reduced by liabilities and deferred inflows of resources related to those constraints.

Unrestricted net position – consist of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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 needed.

TOWN OF CHEVERLY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

1. Non-Spendable Fund Balance – amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.
2. Restricted Fund Balance – amounts that can be spent only for specific purposes because of restrictions imposed externally by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by the Town Charter, Town Code or enabling legislation.
3. Committed Fund Balance – amounts that can be used only for specific purposes determined by a formal action by Town Council, the Town’s highest level of decision-making authority, ordinance or resolution.
4. Assigned Fund Balance – amounts that are constrained by the Town’s intent that they will be used for specific purposes but are neither restricted nor committed. Pursuant to the Town Charter, the Town Manager and the Town Council are authorized to assign amounts for specific purposes.
5. Unassigned Fund Balance – all amounts not included in other spendable classifications.

The Town considers restricted fund balances to be spent for governmental expenditures first when both restricted and unrestricted resources are available. The Town also considers committed fund balances to spend first when other unrestricted fund balance classifications are available for use.

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

Budget Requirements, Accounting, and Reporting

Requirements for all funds:

Annual budgets are adopted for all Town funds. The Town Council may subsequently amend the budget and the budget was not amended during fiscal year 2022. For day-to-day management control, expenditures may not exceed budget at the departmental level.

TOWN OF CHEVERLY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposit Policies

Per §6–222, statutes authorize the Town to invest in certificates of deposit, repurchase agreements, banker’s acceptance, and other available bank investments provided that approved securities are pledged to secure those funds deposited in an amount equal to the amount of those funds. In addition, the Town can invest in direct debt securities of the United States unless such an investment is expressly prohibited by law and can invest in the State of Maryland Local Government Investment Pool.

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town’s deposits may not be returned or the Town will not be able to recover collateral securities in the possession of an outside party. The Town’s policy requires deposits to be insured by FDIC, and balances exceeding FDIC limits be secured by collateral valued at 102 percent of principal and accrued interest. Collateral is to be held by the Town, its agent, or by the pledging financial institution’s trust department or agent in the name of the Town.

At year-end, the carrying amount of the Town’s deposits was \$15,911,780 and the bank balance totaled \$15,876,094. Of the bank balances, \$250,000 was insured by the Federal Depository Insurance Corporation (FDIC) and \$15,626,094 was covered by collateral held in the pledging bank’s trust department in the Town’s name.

Investment Policies

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town has no policy regarding credit risk.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Town’s policy provides that investments generally be limited to those with maturities of one year or less.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the Town’s investment in a single issuer. The Town’s policy states that the Town will diversify its investments by security type and institution and no more than 50% of the Town’s total investment portfolio will be invested in a single security type or with a single financial institution. At year end the Town has more than 50% invested at a single institution.

**TOWN OF CHEVERLY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 3 – DEPOSITS AND INVESTMENTS - continued

For investments, **custodial credit risk** is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities in the possession of an outside party. Town policy provides that investment collateral is held by a third-party custodian with whom the Town has a current custodial agreement in the Town’s name.

Generally, the Town’s investing activities are managed by the Town Manager. Investing is performed in accordance with investment policies adopted by the Town Council complying with State Statutes and the Town Charter. Town funds may be invested in: 1) U.S. Treasury obligations; 2) U.S. Government Agency and U.S. Government-sponsored instrumentalities; 3) Repurchase agreements (master repurchase agreement required); 4) Collateralized certificates of deposit (only Maryland commercial banks) corporation, special district authority or political subdivision thereof, or in any fund or trust that invests only in the securities described in this paragraph; and 5) the Maryland Local Government Investment Pool.

Investments

The Town has invested at June 30, 2023, \$2,250,243 in the State of Maryland Local Government Investment Pool (MLGIP). The pool is under the administrative control of the State’s Treasurer’s Office. The Town’s investments are shown by type, carrying amount, fair value, cost and level of risk assumed in holding the various accounts. Investments are carried at cost which approximates market. The fair value of MLGIP investments is determined daily. PNC Bank is currently contracted to operate the Pool and may invest in any instrument permitted by Section 6-222 of the State Finance and Procurement Article. The Town’s fair value position in the Pool is the same as the value of pool share.

As of June 30, 2023, the Town had the following investments:

<u>Types of Investments</u>	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings</u>
MLGIP	<u>\$ 2,250,243</u>	<u>\$ 2,250,243</u>	AAAm
Total Investments	<u><u>\$ 2,250,243</u></u>	<u><u>\$ 2,250,243</u></u>	

Note: Ratings are provided where applicable to indicate associated Credit Risk.

TOWN OF CHEVERLY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 – RECEIVABLES

Receivables are comprised of the following as of June 30, 2023:

Personal property tax	\$ 318,823
Total	<u>\$ 318,823</u>

NOTE 5 – PROPERTY TAXES

Real estate and personal property taxes are levied based on the State of Maryland's assessments. The tax rate for the year ended June 30, 2023, was \$0.4899 per \$100 of assessed value for single family units and \$0.66 per \$100 of assessed value for multi-family units. For personal property the rate is \$1.10 per \$100 of the assessed value.

Real estate taxes are levied on July 1 and are payable by September 30 of the same year. After September 30, the Town charges both penalties and interest upon the unpaid balance. If the taxes remain unpaid the property is placed with Prince George's County for tax sale the following May.

Personal property taxes are levied throughout the year when the assessment is received from the State of Maryland. The taxes are payable within 30 days after levy. Penalties and interest are charged on any unpaid taxes after the thirty days has expired.

TOWN OF CHEVERLY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Not being depreciated:				
Land	\$ 1,576,024	\$ -	\$ -	\$ 1,576,024
Construction in progress	-	-	-	-
Subtotal	<u>1,576,024</u>	<u>-</u>	<u>-</u>	<u>1,576,024</u>
Depreciable capital assets:				
Buildings & improvements	3,606,061	978,234	-	4,584,295
Machinery & equipment	1,645,127	187,040	-	1,832,167
Land improvements	834,790	99,036	-	933,826
Infrastructure	2,050,976	744,203	-	2,795,179
Vehicles	2,981,115	362,936	-	3,344,051
Subtotal	<u>11,118,069</u>	<u>2,371,449</u>	<u>-</u>	<u>13,489,518</u>
Total capital assets	<u>12,694,093</u>	<u>2,371,449</u>	<u>-</u>	<u>15,065,542</u>
Accumulated depreciation:				
Buildings & improvements	1,549,483	74,818	-	1,624,301
Machinery & equipment	1,291,616	96,432	-	1,388,048
Land improvements	492,060	29,116	-	521,176
Infrastructure	820,428	132,222	-	952,650
Vehicles	2,136,565	318,587	-	2,455,152
Subtotal, accumulated depreciation	<u>6,290,152</u>	<u>651,175</u>	<u>-</u>	<u>6,941,327</u>
Net capital assets	<u>\$ 6,403,941</u>	<u>\$ 1,720,274</u>	<u>\$ -</u>	<u>\$ 8,124,215</u>

Depreciation was charged to functions as follows:

Government activities:	
General government	\$ 71,022
Public safety	243,438
Public works	336,715
Total government activities depreciation expense	<u>\$ 651,175</u>

The Town has entered into a contract to build a new public works building.

TOWN OF CHEVERLY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 – RETIREMENT PLAN

The Town participates in the Maryland State Pension System (the “System”) described below and qualifies as a Participating Governmental Unit (“PGU”). The State Retirement Agency (the “Agency”) is the Plan administrator and fiduciary. GASB No. 68 requires that a PGU recognize its proportionate share of the System’s net pension liability (i.e., unfunded pension liability) and pension expense. The Town’s proportionate share of the net pension liability is based on total System contributions and approximates \$2,100,706 as of the measurement date of June 30, 2022.

GASB No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB No. 68 requires that contributions to the pension plan subsequent to the measurement date be recognized as a deferred outflow of resources. The Town’s fiscal 2023 contribution of \$371,967 is therefore recognized as a pension-related deferred outflow of resources.

A. Description of Plan

The State of Maryland identifies multiple-employer defined benefit pension plans as cost-sharing plans.

On October 1, 1941, the Employees’ Retirement System of the State of Maryland was established to provide retirement allowances and other benefits to State employees, elected and appointed officials and the employees of participating governmental units. Effective January 1, 1980, the Employees’ Retirement System was essentially closed to new members and the Employees’ Pension System was established.

The Employees’ Pension System of the State of Maryland (Pension System) was established January 1, 1980. The Pension System covers employees hired after December 31, 1979, as well as Retirement System participants who have voluntarily joined the Pension System. The Employees Contributory Pension System of the State of Maryland (Contributory Pension System) was established July 1, 1998.

Under the terms of the Pension System, a member may retire with full benefits upon attaining age 60 or after completing 30 years of eligible service regardless of age. A member may retire with reduced benefits prior to attaining age 60 after completing 25 years of eligible service. A member terminating employment before attaining retirement age, but after completing five years of eligible service, becomes eligible for a vested retirement allowance upon age 60.

TOWN OF CHEVERLY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 – RETIREMENT PLAN- continued

Under the terms of the Contributory Pension System, a member may retire after 30 years of service regardless of age; at age 65 with two years of service; at age 64 with three years of service; at age 63 with four years of service; or at age 62 with at least five years of service. An employee may also take early retirement with reduced benefits at age 55 with 15 years of service. A member terminating employment before attaining retirement age, but after completing five years of eligible service, becomes eligible for a vested pension allowance upon reaching age 62.

On retirement from service, a member of any of these plans shall receive an annual service retirement allowance based on the member's average final compensation and years of creditable service multiplied by a factor. This factor varies from 1.2% to 2.0% per eligible service year, depending on employee/employer contributions and other plan-specific provisions. Early retirement, where available, is subject to provisions that reduce the benefit received.

Benefits under the two plans are established under the State Personnel and Pensions Article of the Annotated Code of Maryland.

The Maryland State Retirement Agency issues a comprehensive annual financial report that includes disclosures regarding: plan assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position. The pension plans' fiduciary net position has been determined on the same basis used by the pension plans. The pension plans' financial statements are prepared on the accrual basis of accounting and are prepared in accordance with principles generally accepted in the United States of America that apply to governmental accounting for fiduciary funds. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. Actual employer contributions billed to participating governmental units for the year ending June 30, 2022, are used as the basis for determining each employer's proportionate share of the collective pension amounts reported in the Schedule of Employer Allocations. The contributions were not adjusted to account for differences between actuarially determined contributions and actual contributions by the State of Maryland. This report can be obtained from the agency's office as follows:

State Retirement and Pension System of Maryland
120 E. Baltimore Street, Suite 1601
Baltimore, Maryland 21202-1600

**TOWN OF CHEVERLY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 – RETIREMENT PLAN - continued

Funding Policy

Obligations to contribute to the plans are under the Annotated Code of Maryland. Members of the three plans contribute a percentage of their gross employee compensation. For the Retirement System and Contributory Pension System, members contribute 7 percent, 2 percent and 3 percent. Contribution rate to the Contributory Pension System was 4 percent for fiscal year 2008 and will be 5 percent for each fiscal year thereafter.

Required contributions under the plans are not funded by employee contributions but are funded entirely by the Town. Contributions by the Town to all three State plans take place during the fiscal year and are based upon salaries for the preceding fiscal year. The Town contributions for the year ending June 30, 2023 are based on salaries for the year ending June 30, 2022. The contribution requirements of plan members of the reporting entity are established and may be amended by the Maryland State Pension System Board of Trustees. The required and actual contributions for the fiscal years ending June 30th were as follows and are determined on an actuarially determined basis:

	Fiscal Year Ending June 30		
	2023	2022	2021
Retirement plan contributions	<u>\$ 371,967</u>	<u>\$ 273,795</u>	<u>\$ 368,241</u>

The Town contributed \$371,967 to the System for fiscal year 2023 which was actuarially determined based on statutory provisions. The Town has also recognized in Pension Expense its proportionate share of the System’s deferred inflows of resources (an increase in Pension Expense) attributable to the net difference between projected and actual investment earnings on pension plan assets and its proportionate share of the System’s deferred outflows of resources (a decrease in Pension Expense) attributable to changes in assumptions.

TOWN OF CHEVERLY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 – RETIREMENT PLAN – continued

Required disclosures aggregate for the plan:

	<u>Maryland State Pension System</u>
Total pension liability	\$ 84,319,523,000
Total fiduciary net position	64,310,991,000
Town's proportionate share of total pension liabilities	2,100,706
Town's proportionate share of net pension liabilities	0.0104991%
Total pension assets	64,310,991,000
Measurement date of collective net pension liability	June 30, 2022
Date of actuarial valuation	June 30, 2022
Deferred outflows related to pensions	551,221
Deferred inflows related to pensions	85,400
Pension expense for the period	(1,504,017)

Actuarial assumptions

The annual required contribution for the current year was determined as part of the actuarial valuation as of June 30, 2022. The key assumptions used to perform the June 30, 2022, pension liability calculation for the System are as follows:

Actuarial Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Asset valuation method	5-year smoothed market; 20% collar
Inflation (b)	2.25% general, 2.75% wage
Salary Increases	2.75%
Discount Rate (a)	6.80%
Investment Rate of Return (b)	6.80%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2018 valuation pursuant to an experience study of the period July 1, 2014 to July 30, 2018.
Mortality	Public Sector 2010 Mortality Tables calibrated to MSRPS experience with generational projections using MP-2018 (2-dimensional) mortality improvement scale.

- (a) Discount rate at prior measurement date was 6.80%.
- (b) There were no benefit changes during the year. Adjustments to the roll-forward liabilities were made to reflect the following assumption changes in the 2022 valuation:
 - a. Investment return assumption remained the same at 6.80%.
 - b. Inflation assumption remained the same at 2.60%.

TOWN OF CHEVERLY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 – RETIREMENT PLAN- continued

The components of the net pension liability for the System as of June 30, 2022, calculated in accordance with GASB Statement No. 67, are shown in the following table:

Total pension liability	\$ 84,319,523,000
Plan Fiduciary Net Position	<u>64,310,991,000</u>
Net Pension Liability	<u><u>\$ 20,008,532,000</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u><u>76.27%</u></u>

Investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Pension System’s Board after considering input from the investment consultant(s) and actuary(s). For each major asset class that is included in the Pension System’s target asset allocation, these best estimates are summarized in the following table:

Asset Class	Target Allocations	Long-term Expected Real Rate of Return
Public equity	37%	4.7%
Private equity	13%	6.5%
Rate sensitive	19%	-0.4%
Credit opportunity	9%	2.6%
Real assets	14%	4.2%
Absolute return	8%	2.0%
Total	100%	

The above was the Pension System’s Board of Trustee’s adopted asset allocation policy and best estimate of geometric real rates of return for each major asset class as of June 30, 2022.

**TOWN OF CHEVERLY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 – RETIREMENT PLAN- continued

Discount Rate

A single discount rate of 6.80% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 6.80%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the System’s net pension liability and the Town’s proportionate share of the System’s net pension liability, calculated using a single discount rate of 6.80%, a single discount rate that is 1-percentage point lower (i.e., 5.80%), and a single discount rate that is 1-percentage point higher (i.e., 7.80%).

	1% Lower - 5.80%	Current Rate - 6.80%	1% Higher - 7.80%
The System's Net Pension Liability	\$ 30,699,455,000	\$ 20,008,532,000	\$ 11,137,544,000
The Town's Proportionate Share of the Net Pension Liability	\$ 3,223,151	\$ 2,100,706	\$ 1,169,336

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2023, the Town’s reported a liability of \$2,100,706 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental units, actuarially determined. At June 30, 2022, the Town’s proportion was approximately 0.0104991 percent.

TOWN OF CHEVERLY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 – RETIREMENT PLAN- continued

For the year ended June 30, 2023, the Town recognized a pension expense of \$(1,510,033). At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Changes in assumptions	\$ -	\$ -
Differences in actual and expected experience	-	79,633
Net difference between projected and actual earnings on pension plan investments	545,454	-
Contributions made subsequent to the measurement date	371,967	-
Changes in proportion and differences between employer contributions and share of contributions	5,767	5,767
Total	\$ 923,188	\$ 85,400

The deferred outflows of resources of \$371,967 relating to contributions subsequent to the measurement date will be recognized as a reduction of the Town’s net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources are being amortized over a five-year period beginning in fiscal 2023. These unamortized amounts will be ratably recognized in pension expense over the next four years.

Net Pension Liability

The components of the Town’s proportionate share of the Pension System’s net pension liability as of the measurement date of June 30, 2022, were as follows:

Total pension liability	\$ 8,852,750
Plan Fiduciary Net Position	6,752,044
Net Pension Liability	<u><u>\$ 2,100,706</u></u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 <u><u>76.27%</u></u>

TOWN OF CHEVERLY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 – DEFERRED COMPENSATION PLAN

The Town also provides a deferred compensation plan in accordance with Internal Revenue Code Section 457. All employees are eligible to participate immediately. Plan provisions and contribution requirements are established and may be amended by the Town council. The Town’s plan is administered by ICMA Retirement Corporation. ICMA Retirement Corporation is also the trustee. The Town contributes nothing towards the plan and employees may make voluntary contributions of up to \$7,500 annually. During fiscal year 2023 the Town’s employees contributed \$137,651.

In compliance with the Internal Revenue Code Section 457(g), all assets and income of the plan are held in trust for the exclusive benefit of participants and their beneficiaries. Investments designated for compensation benefits are no longer reported on the Town’s balance sheet. Accordingly, the fair value of the plan assets at June 30, 2022, is not reflected in the Town’s financial statements.

NOTE 9 – LONG-TERM OBLIGATIONS

The Town’s only long-term obligations for the year ended June 30, 2023, are \$124,766 for compensated absences and net pension liability of \$2,100,706, and a bond payable.

Changes in the long-term obligation relating to compensated absences for the year ended June 30, 2023, follow:

	<u>Balance at July 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2023</u>	<u>Amount Due Within 1 Year</u>
Compensated Absences	\$ 199,200	\$ -	\$ 74,434	\$ 124,766	\$ -
	<u>Balance at July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2023</u>	<u>Amount due in 1 year</u>
Bond payable	\$ -	\$ 8,912,471	\$ -	\$ 8,912,471	\$ 140,000
Net pension liability	2,507,104	-	406,398	2,100,706	-
	<u>\$ 2,507,104</u>	<u>\$ 8,912,471</u>	<u>\$ 406,398</u>	<u>\$ 11,013,177</u>	<u>\$ 140,000</u>

TOWN OF CHEVERLY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 9 – LONG-TERM OBLIGATIONS - continued

Bond payable: On November 17, 2022, the Town issued 5% interest-bearing bonds in the amount of \$8,912,471 with the State of Maryland for the purpose of expenditures made in connect with a project generally identified as the new Eley Building. This is a general obligation debt of the Town and matures in June 2053. Interest payments are due semi-annually (May 1 and November 1), with principal paid annually (November 1), beginning May 1, 2023. At June 30, 2023, \$8,912,471 was outstanding.

The principal and interest requirement to maturity of the bond payable is as follows:

Bond Payable				
Year(s) Ended	June 30	Principle	Interest	Total
2024	\$	140,000	\$ 399,219	\$ 539,219
2025		145,000	392,094	537,094
2026		155,000	384,594	539,594
2027		160,000	376,719	536,719
2028		170,000	368,469	538,469
2029-2033		980,000	1,703,094	2,683,094
2034-2038		1,250,000	1,436,344	2,686,344
2039-2043		1,535,000	1,150,969	2,685,969
2044-2048		1,910,000	776,144	2,686,144
2049-2053		2,467,471	287,328	2,754,799
	\$	8,912,471	\$ 7,274,972	\$ 16,187,443

TOWN OF CHEVERLY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 10 – CONCENTRATIONS

The Town derives most of its revenues, except grants, from its citizens. The Town provides various services to its residents. The Town is located in northern Prince George’s County, Maryland.

NOTE 11 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to workers; and natural disasters.

The Town has an insurance agreement with the Local Government Insurance Trust (LGIT), a public entity risk pool. LGIT provides the Town’s property, general, automobile, employee, health, police and public officials’ legal liability insurance coverage.

This is a total risk and cost sharing pool for all participants. In the event that the Trust’s General Fund falls into a deficit that cannot be satisfied by transfers from the Trust’s capital and surplus accounts, the Trustees shall determine a method to fund the deficit.

The Trust agreement empowers the Trustees to assess an additional premium to each deficit-year participant. Debt issues could also be used to fund a deficit.

Premiums are charged to the Town’s General Fund, with no provision made for claim liability in addition to premiums, unless an assessment is made by the Trust. There have been no assessments during the year ended June 30, 2023 and the amount of settlements has not exceeded coverage for each of the past three years.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Grants

The Town receives grants from time-to-time. Expenditures from certain grants are subject to audit by the grantor, and the Town is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of the Town’s management, no material refunds will be required as a result of disallowed expenditures.

**TOWN OF CHEVERLY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 13 – FUND BALANCE REPORTING

Fund balances for the Town’s governmental funds consisted of the following as of June 30, 2023:

Restricted Fund Balances

Restricted fund balance is \$4,092,254 pertaining to ARPA.

Committed Fund Balances

Committed fund balance is \$8,772,471 pertaining to public works building bond.

Unassigned Fund Balances

The unassigned fund balance in the general fund is \$2,083,369.

NOTE 14 – NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued the following statements:

Statement No. 91, *Conduit Debt Obligations*, issued May 2019, effective for reporting periods beginning after December 15, 2021 (postponed one year by Statement No. 95).

Statement No. 96, *Subscription-Based Information Technology Arrangements*, issued May 2020, effective for reporting periods beginning after June 15, 2022.

Statement No. 100, *Accounting Changes and Error Corrections*, issued June 2022, effective for reporting periods beginning after June 15, 2023.

Statement No. 101, *Compensated Absences*, issued June 2022, effective for reporting periods beginning after December 15, 2023.

The Town will implement these statements as necessary as of their effective dates. The Town is still in the process of determining the effect of implementing these GASB statements.

**TOWN OF CHEVERLY, MARYLAND
SCHEDULES OF REQUIRED PENSION-RELATED
SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

	FY2023	FY2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017
Town's proportion (%) of collective net pension liability	0.0027678%	0.0026448%	0.0021032%	0.0025532%	0.00222674%	0.0025568%	0.0025955%
Town's proportionate share (\$) of collective net pension liability	\$ 2,100,706	\$ 3,363,973	\$ 2,670,369	\$ 2,418,400	\$ 2,129,206	\$ 2,418,508	\$ 2,384,346
Town's covered payroll(\$)	\$ 2,321,772	\$ 2,203,566	\$ 2,159,831	\$ 2,043,983	\$ 2,105,467	\$ 1,942,271	\$ 1,813,428
Town's proportionate share of collective net pension liability as a percentage of its covered-employee payroll	90.48%	152.66%	123.64%	118.32%	101.13%	124.52%	131.48%
Pension plan's fiduciary net position as a percentage of the total pension liability	76.27%	70.72%	72.34%	71.18%	69.38%	65.79%	68.78%

The years shown above reflect the June 30 reporting dates.

**SCHEDULE OF THE TOWN'S PENSION PLAN CONTRIBUTIONS
Last 10 Fiscal Years**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 371,967	\$ 368,241	\$ 319,122	\$ 306,590	\$ 229,843	\$ 200,412	\$ 199,688
Contributions in relation to the contractually required contribution	<u>371,967</u>	<u>368,241</u>	<u>319,122</u>	<u>306,590</u>	<u>229,843</u>	<u>200,412</u>	<u>199,688</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-
Town's covered-employee payroll	2,321,772	2,203,566	2,159,831	2,043,983	2,105,467	1,942,271	1,813,428
Contributions as a percentage of covered-employee payroll	16.9%	17.0%	15.6%	14.6%	11.8%	11.1%	11.0%

The above schedules are presented to illustrate the requirement for specific information for 10 years; however, until a full 10-year trend is compiled, information is only presented for those years for which information is available. Covered payroll listed above represents payroll as of the MSRPS measurement date.

**TOWN OF CHEVERLY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES AND EXPENDITURES-UNAUDITED
BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2023**

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Revenues				
Taxes	\$ 5,601,649	\$ 5,601,649	\$ 6,209,997	\$ 608,348
Licenses and permits	200,734	200,734	233,926	33,192
Intergovernmental	187,040	187,040	334,355	147,315
Fines and forfeitures	616,000	616,000	688,137	72,137
Miscellaneous	450	450	220,140	219,690
Service charges	2,650	2,650	8,197	5,547
Total Revenues	\$ 6,608,523	\$ 6,608,523	\$ 7,694,752	\$ 1,086,229
Expenditures				
General government	\$ 1,790,761	\$ 1,790,761	\$ 2,105,648	\$ (314,887)
Public safety	2,416,821	2,416,821	2,518,879	(102,058)
Public works	3,526,793	3,526,793	4,382,204	(855,411)
Appropriated from fund balance	(1,125,852)	(1,125,852)	-	(1,125,852)
Total Expenditures	\$ 6,608,523	\$ 6,608,523	\$ 9,006,731	\$ (2,398,208)

TOWN OF CHEVERLY, MARYLAND
SCHEDULE OF REVENUES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

REVENUES	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Taxes			
Real estate	\$ 4,116,349	\$ 4,093,414	\$ (22,935)
Personal property - utilities	120,000	145,886	25,886
Personal property - business	300,000	374,945	74,945
Local income	775,000	1,219,096	444,096
Hotel/motel tax	75,000	131,565	56,565
Highway users tax	214,000	245,091	31,091
Bank stock tax	1,300	-	(1,300)
Total Taxes	<u>5,601,649</u>	<u>6,209,997</u>	<u>608,348</u>
Licenses and Permits			
Traders licenses	50	-	(50)
Building permits	1,500	56,052	54,552
Residential business licenses	1,500	80	(1,420)
Rental housing licenses	70,000	64,490	(5,510)
Cable television franchise fees	127,684	113,304	(14,380)
Total Licenses and Permits	<u>200,734</u>	<u>233,926</u>	<u>33,192</u>
Intergovernmental			
Police protection	110,000	134,115	24,115
Disposal fee rebate	18,840	18,840	-
Program open space	58,200	-	(58,200)
State grants	-	181,400	181,400
Total Intergovernmental	<u>187,040</u>	<u>334,355</u>	<u>147,315</u>
Service charges			
Residential parking stickers	150	453	303
Special trash/appliance pickups	500	1,250	750
Park pavilion fees	500	830	330
Compost bins/rain barrels	500	4,724	4,224
Mulch delivery fees	1,000	940	(60)
Total service charges	<u>2,650</u>	<u>8,197</u>	<u>5,547</u>

TOWN OF CHEVERLY, MARYLAND
SCHEDULE OF REVENUES
BUDGET AND ACTUAL - GENERAL FUND - continued
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Fines and Forfeitures			
Parking fines	\$ 1,000	\$ 3,505	\$ 2,505
Municipal infractions	-	10,030	10,030
Red light camera fines	600,000	668,727	68,727
Speed camera enforcement	15,000	5,875	(9,125)
Total Fines and Forfeitures	<u>616,000</u>	<u>688,137</u>	<u>72,137</u>
Miscellaneous			
Sale of fixed assets	-	16,626	16,626
Lot maintenance	-	573	573
Miscellaneous	200	45,383	45,183
Other police revenue	-	2,676	2,676
Donations	-	37	37
WMATA	-	27,560	27,560
Insurance proceeds	-	57,434	57,434
Interest income	250	69,851	69,601
Total Miscellaneous	<u>450</u>	<u>220,140</u>	<u>219,690</u>
Transfer from Investments	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>\$ 6,608,523</u>	<u>\$ 7,694,752</u>	<u>\$ 1,086,229</u>

TOWN OF CHEVERLY, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES			
General Government			
Mayor and Council			
Personnel			
Salaries and wages	\$ 18,600	\$ 15,600	\$ 3,000
Retirement	2,500	2,000	500
Social security	1,400	1,193	207
Official expenses	1,500	3,559	(2,059)
Consultant service system	16,000	11,900	4,100
Travel and training	11,000	19,162	(8,162)
Total Personnel	51,000	53,414	(2,414)
Operating			
Public officials liability insurance	\$ 18,000	\$ 12,927	\$ 5,073
Materials and supplies	2,500	2,083	417
Newsletter	30,000	37,849	(7,849)
Public information	20,000	8,120	11,880
Public officials association	11,000	10,595	405
Election expense	6,500	8,209	(1,709)
Total Operating	88,000	79,783	8,217
Total Mayor and Council	139,000	133,197	5,803
Administration			
Personnel			
Salaries and wages	455,261	503,458	(48,197)
Overtime	10,000	32,551	(22,551)
Retirement	29,000	28,558	442
Retirement supplement	17,000	9,047	7,953
Workmen's compensation	3,500	3,624	(124)
Social security	35,300	40,667	(5,367)
Hospitalization	70,000	70,982	(982)
Life insurance/long-term disability	2,200	2,058	142
Unemployment	200	113	87
Total Personnel	622,461	691,058	(68,597)
Professional Fees			
Operating			
Travel and training	15,000	30,944	(15,944)
Tuition assistance	15,000	15,199	(199)
Auto insurance	2,500	2,250	250
Materials, supplies & equipment	14,000	13,104	896
Miscellaneous	2,500	8,064	(5,564)
Banking fees	5,100	3,227	1,873
Bond interest	-	183,461	(183,461)
Credit card fees	1,500	-	1,500
Subscriptions and memberships	2,500	7,780	(5,280)
Consultant/accountant	53,600	64,794	(11,194)
Recruitment and advertising	1,000	1,796	(796)
Employee assistance	6,500	3,867	2,633
Telephone	10,000	9,071	929
Office equipment maintenance	2,000	1,496	504
Private property/lots	10,000	6,725	3,275
Residential parking	900	802	98
Uniforms	1,000	549	451
Postage	5,000	7,229	(2,229)
Total Operating	148,100	360,358	(212,258)
Total Administration	\$ 770,561	\$ 1,051,416	\$ (280,855)

TOWN OF CHEVERLY, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND - continued
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Appointed committees			
Operating			
Cheverly day	\$ 22,000	\$ 33,302	\$ (11,302)
Cheverly planning board	300	-	300
Cheverly youth committee	15,000	3,542	11,458
Residential Covid Relief Grants	15,000	16,000	(1,000)
Police Chief advisory board (PCAB)	2,000	-	2,000
Cheverly community market	5,000	-	5,000
Cheverly recreation	4,500	1,200	3,300
Green infrastructure	300	-	300
Interpretive services	3,000	-	3,000
Total Municipal Building	<u>67,100</u>	<u>54,044</u>	<u>13,056</u>
Contractual - consulting services			
Auditors	\$ 22,000	\$ 37,458	\$ (15,458)
Legal counsel-retainer fees	90,000	50,588	39,412
Legal counsel-other	20,000	14,095	5,905
Computer support	70,000	103,984	(33,984)
Arborist consultant	34,100	25,670	8,430
Contract employees	500	-	500
Professional services	49,000	34,116	14,884
External studies	5,000	-	5,000
Specialty consultants	-	22,253	(22,253)
Total Municipal Building	<u>290,600</u>	<u>288,164</u>	<u>2,436</u>
Non-Departmental - miscellaneous			
Municipal building supplies & maint	30,000	35,408	(5,408)
Municipal building utilities	35,000	49,629	(14,629)
Municipal building liability insurance	5,000	3,248	1,752
Vending machine	1,500	-	1,500
Red light camera contractor	300,000	322,586	(22,586)
Speed camera contractor	52,800	44,000	8,800
MD retirement admin fees	8,500	6,634	1,866
Supplies (cable television)	500	-	500
Credit card transactions	-	1,500	(1,500)
Animal and insect control programs	200	526	(326)
Total non-departmental - misc	<u>433,500</u>	<u>463,531</u>	<u>(30,031)</u>
Capital outlay			
Equipment (cable television)	65,000	46,669	18,331
Municipal building	25,000	32,252	(7,252)
Municipal building - ARPA	-	18,375	(18,375)
Website upgrade - ARPA	-	18,000	(18,000)
Total capital outlay	<u>90,000</u>	<u>115,296</u>	<u>(25,296)</u>
Total General Government	<u>\$ 1,790,761</u>	<u>\$ 2,105,648</u>	<u>\$ (314,887)</u>

TOWN OF CHEVERLY, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND - continued
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Public Safety			
Police department			
Personnel			
Salaries and wages	\$ 1,360,621	\$ 1,269,662	\$ 90,959
Overtime	80,000	78,759	1,241
Retirement	200,000	170,168	29,832
Retirement supplement (civilian)	15,000	-	15,000
Workmens' compensation	142,700	65,572	77,128
Social security	105,000	102,541	2,459
Hospitalization	145,000	165,142	(20,142)
Life insurance/long-term disability	10,000	8,152	1,848
Unemployment insurance	200	68	132
Total Personnel	<u>2,058,521</u>	<u>1,860,064</u>	<u>198,457</u>
Operating			
Travel and training	30,000	37,123	(7,123)
Community engagement	10,000	19,124	(9,124)
Police liability insurance	25,000	25,209	(209)
Auto insurance	18,000	21,649	(3,649)
Materials and supplies	15,000	18,184	(3,184)
Miscellaneous	6,500	2,169	4,331
Equipment	35,000	30,637	4,363
Chief's association	800	620	180
Uniforms	20,000	16,612	3,388
Applicant screening	5,000	6,890	(1,890)
Specialized services	35,000	23,038	11,962
Equipment maintenance	2,500	430	2,070
Auto repair	30,000	25,400	4,600
Building utilities	16,000	6,281	9,719
Credit card transactions	-	829	(829)
Credit card fees	500	-	500
Telephone	12,000	11,291	709
Wireless communications	17,000	35,457	(18,457)
Total operating	<u>278,300</u>	<u>280,943</u>	<u>(2,643)</u>
Capital outlay			
Vehicle replacement	80,000	79,610	390
Vehicle replacement - ARPA	-	181,720	(181,720)
Equipment/furnishings	-	116,542	(116,542)
Total capital outlay	<u>80,000</u>	<u>377,872</u>	<u>(297,872)</u>
Total Public Safety	<u>\$ 2,416,821</u>	<u>\$ 2,518,879</u>	<u>\$ (102,058)</u>

TOWN OF CHEVERLY, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND - continued
FOR THE YEAR ENDED JUNE 30, 2023

	Budget	Actual	Variance Favorable (Unfavorable)
Public Works			
Administration			
Personnel			
Salaries and wages	\$ 1,097,487	\$ 1,027,134	\$ 70,353
Overtime	40,000	66,467	(26,467)
Retirement	165,000	135,204	29,796
Retirement supplement (civilian)	30,000	26,990	3,010
Workmen's compensation	70,000	34,896	35,104
Social security	84,000	82,463	1,537
Hospitalization	175,000	177,920	(2,920)
Life insurance/long-term disability	5,000	7,687	(2,687)
Unemployment	200	7,808	(7,608)
Total personnel	<u>1,666,687</u>	<u>1,566,569</u>	<u>100,118</u>
Operating			
Travel and training	10,000	11,894	(1,894)
Auto insurance	45,000	44,286	714
Credit card transactions	-	2,185	(2,185)
Material and supplies	13,000	29,200	(16,200)
Miscellaneous	1,000	9,668	(8,668)
Security system	-	1,420	(1,420)
Subscriptions and memberships	500	647	(147)
Uniforms/safety gear	35,000	22,048	12,952
Radio repair	1,000	-	1,000
Building facilities/yard	-	36,986	(36,986)
Total operating	<u>105,500</u>	<u>158,334</u>	<u>(52,834)</u>
Capital outlay			
Vehicle replacement	51,606	51,606	-
Equipment replacement	52,000	36,396	15,604
Buildings/facilities/yard	500,000	897,040	(397,040)
Total capital outlay	<u>603,606</u>	<u>985,042</u>	<u>(381,436)</u>
Total administration	<u>\$ 2,375,793</u>	<u>\$ 2,709,945</u>	<u>\$ (334,152)</u>
Street division			
Operating			
Street repair	15,000	849	14,151
Snow/ice removal	25,000	3,627	21,373
Traffic control	30,000	22,529	7,471
Road projects	214,000	-	214,000
Street light electric utilities	72,000	72,516	(516)
Street light maintenance	15,000	-	15,000
Stormwater materials and supplies	2,000	7,540	(5,540)
Stormwater materials ARPA	-	27,745	(27,745)
Total operating	<u>373,000</u>	<u>134,806</u>	<u>238,194</u>
Capital outlay			
Infrastructure - ARPA	-	191,341	(191,341)
Vehicles - ARPA	-	50,000	(50,000)
Road project - HUR	-	46,500	(46,500)
Sidewalk/curb/gutter - GF	-	90,815	(90,815)
Sidewalk/curb/gutter - CDBG	-	84,100	(84,100)
Stormwater project - ARPA	-	106,764	(106,764)
Sidewalk/curb/gutter - HUR	-	112,896	(112,896)
Sidewalk/curb/gutter - SHA	-	87,023	(87,023)
Total capital outlay	<u>-</u>	<u>769,439</u>	<u>(769,439)</u>
Total street division	<u>\$ 373,000</u>	<u>\$ 904,245</u>	<u>\$ (531,245)</u>

TOWN OF CHEVERLY, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND - continued
FOR THE YEAR ENDED JUNE 30, 2023

	Budget	Actual	Variance Favorable (Unfavorable)
Parks division			
Operating			
Tree service	\$ 175,000	\$ 173,991	\$ 1,009
Supplies	50,000	44,097	5,903
Tools/equipment	20,000	21,279	(1,279)
Total personnel	<u>245,000</u>	<u>239,367</u>	<u>5,633</u>
Capital outlay			
Park development	48,000	26,100	21,900
Park development - ARPA	-	97,700	(97,700)
Total capital outlay	<u>48,000</u>	<u>123,800</u>	<u>21,900</u>
Total parks division	<u>293,000</u>	<u>363,167</u>	<u>27,533</u>
Garage division			
Operating			
Auto repair	50,000	50,282	(282)
Vehicle repair parts	50,000	39,772	10,228
Garage-tools and equipment	10,000	13,402	(3,402)
Garage -consumables	15,000	9,703	5,297
Tires and tubes	40,000	34,409	5,591
Gas/oil/grease	120,000	108,257	11,743
Total garage division	<u>285,000</u>	<u>255,825</u>	<u>29,175</u>
Sanitation Division			
Operating			
Landfill disposal fees	120,000	118,899	1,101
Recycling contract	30,000	15,250	14,750
Materials and supplies	5,000	2,175	2,825
Compost bins	15,000	520	14,480
Sanitation/equipment repair	5,000	-	5,000
Recycling disposal fees	25,000	12,178	12,822
Total sanitation division	<u>200,000</u>	<u>149,022</u>	<u>50,978</u>
Total Public Works	<u>1,151,000</u>	<u>4,382,204</u>	<u>(757,711)</u>
Total Expenditures	<u>\$ 5,358,582</u>	<u>\$ 9,006,731</u>	<u>\$ (1,174,656)</u>

February 29, 2024

To the Mayor, Town Council and Town Manager
Town of Cheverly, Maryland

We audited the financial statements of the governmental activities and the major fund of the Town of Cheverly, Maryland (the “Town”) for the year ended June 30, 2023, and have issued our report thereon dated February 29, 2024. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U. S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 28, 2023, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U. S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Town. Such consideration was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of the Town’s compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our test was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Town are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2022, except as may be explained in Note 1 to the financial statements. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

The audit was delayed due to not having the final accounting information available.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We proposed adjustments to accrued vacation liability, employee benefits, and equity. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representation from management that is included in the management representation letter dated February 29, 2024.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationships and our responses were not a condition to our retention.

We also provided management with a letter dated February 29, 2024 pertaining to our audit findings and recommendations.

This information is intended solely for the use of the Mayor, Town Council, and Treasurer and Town management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Kindsey's Associates, LLC