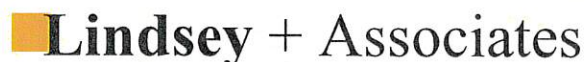


TOWN OF CHEVERLY, MARYLAND
FINANCIAL STATEMENTS
JUNE 30, 2022



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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 Town of Cheverly (the "Town"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Town as of June 30, 2022, and the changes in its net assets and its cash flows 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

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 44 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.

Trinity's Associates, LLC

April 25, 2023

TOWN OF CHEVERLY MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

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, 2022

	2021	2022
Current assets	\$ 5,618,103	\$ 8,768,287
Capital assets	5,087,458	6,403,941
Total assets	10,705,561	15,172,228
Deferred outflows	654,412	1,026,809
Total deferred outflows and assets	11,359,973	16,199,037
Current liabilities	378,445	1,404,292
Long term liabilities	3,551,127	2,722,697
Total liabilities	3,929,572	4,126,989
Deferred inflows	167,537	1,658,607
Net position		
Net investment in capital assets	5,087,458	6,403,941
Restricted	-	-
Unrestricted	2,175,406	1,892,341
Total net position	7,262,864	8,296,282
Total liabilities, deferred inflows, and net position	11,359,973	14,081,878
Program revenues		
Charges for services	808,323	853,297
Grants and contributions	521,775	2,831,803
General revenues		
Income taxes	1,125,882	1,050,010
Property taxes	4,419,207	4,336,658
Total general revenues	6,154,157	5,386,668
Total revenues and transfers	11,699,246	9,071,768
Expenses		
General government expenses	1,509,060	1,901,808
Public safety expenses	2,533,780	2,066,592
Public works expenses	3,104,228	2,500,425
Interest expense	1,899	-
Total expenses and transfers	7,148,967	6,468,825
Change in net position	335,288	3,150,577
Net position, beginning of year	6,927,576	7,262,864
Net position, end of year	\$ 7,262,864	\$ 10,413,441

**TOWN OF CHEVERLY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2022, the Town had approximately \$6.9 million invested in net capital assets including land, buildings, infrastructure, vehicles, machinery, and equipment. During the year ended June 30, 2022, the Town purchased \$1,799,221 of capital assets and had total depreciation expense of \$482,738.

Capital Assets, Net of Depreciation Total Government Activities			
	2021	2022	
Land	\$ 1,576,024	\$ 1,576,024	
Land improvements	148,172	130,804	
Infrastructure	698,522	1,442,474	
Buildings and improvements	1,348,995	2,129,379	
Vehicles	934,592	844,550	
Machinery and equipment	381,153	280,710	
Total	<u>\$ 5,087,458</u>	<u>\$ 6,403,941</u>	

Debt Administration

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

Government Activities			
	2021	2022	
General obligations bonds	\$ -	\$ -	
Net pension liability	3,363,973	2,507,104	
Accrued vacation leave	187,154	199,200	
	<u>\$ 3,553,148</u>	<u>\$ 2,708,326</u>	

TOWN OF CHEVERLY, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities	Total
ASSETS		
Current Assets		
Cash and cash equivalents - unrestricted	\$ 6,235,242	\$ 6,235,242
Investments	2,250,243	2,250,243
Taxes receivable	282,802	282,802
Total Current Assets	<u>8,768,287</u>	<u>8,768,287</u>
Noncurrent Assets		
Net capital assets	<u>6,403,941</u>	<u>6,403,941</u>
Total Noncurrent Assets	<u>6,403,941</u>	<u>6,403,941</u>
TOTAL ASSETS	<u>15,172,228</u>	<u>15,172,228</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>1,026,809</u>	<u>1,026,809</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 16,199,037</u>	<u>\$ 16,199,037</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,399,992	\$ 1,399,992
Unearned revenue	4,300	4,300
Total Current Liabilities	<u>1,404,292</u>	<u>1,404,292</u>
Noncurrent Liabilities		
Compensated absences	199,200	199,200
Employee benefits payable	16,393	16,393
Net pension liability	2,507,104	2,507,104
Total Noncurrent Liabilities	<u>2,722,697</u>	<u>2,722,697</u>
TOTAL LIABILITIES	<u>4,126,989</u>	<u>4,126,989</u>
DEFERRED INFLOWS OF RESOURCES	<u>1,658,607</u>	<u>1,658,607</u>
NET POSITION		
Net investment in capital assets	6,403,941	6,403,941
Restricted	2,117,159	2,117,159
Unrestricted	1,892,341	1,892,341
TOTAL NET POSITION	<u>10,413,441</u>	<u>10,413,441</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 16,199,037</u>	<u>\$ 16,199,037</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, 2022

RECONCILIATION OF TOTAL GOVERNMENTAL
FUND BALANCE TO NET POSITION OF
GOVERNMENTAL ACTIVITIES
JUNE 30, 2022

	General Fund	Total Governmental Funds	
ASSETS			
Cash and cash equivalents - unrestricted	\$ 6,235,242	\$ 6,235,242	
Investments	2,250,243	2,250,243	
Accounts receivable, net of allowances	-	-	
Taxes receivable	282,802	282,802	
TOTAL ASSETS	<u>8,768,287</u>	<u>8,768,287</u>	Total Governmental Fund Balances \$ 7,347,602
DEFERRED OUTFLOWS OF RESOURCES	-	-	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. (2,706,304)
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 8,768,287</u>	<u>\$ 8,768,287</u>	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 6,403,941
LIABILITIES			
Accounts payable and accrued expenses	\$ 1,399,992	\$ 1,399,992	Deferred outflows of resources related to the net pension liability is not reported in the funds. 1,026,809
Unearned revenue	4,300	4,300	
Employee benefits payable	16,393	16,393	Deferred inflows of resources related to the net pension liability is not reported in the funds. (1,658,607)
Amounts held in escrow and deposit	-	-	
TOTAL LIABILITIES	<u>1,420,685</u>	<u>1,420,685</u>	Net Position of Governmental Activities \$ 10,413,441
DEFERRED INFLOWS OF RESOURCES	-	-	
FUND BALANCES			
Restricted	2,117,159	2,117,159	
Committed	-	-	
Unassigned	5,230,443	5,230,443	
TOTAL FUND BALANCES	<u>7,347,602</u>	<u>7,347,602</u>	
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 8,768,287</u>	<u>\$ 8,768,287</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, 2022

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, 2022

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, 2022

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, 2022

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, 2022

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, 2022, \$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, 2022, 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	\$ 2,250,243	\$ 2,250,243	AAAm
Total Investments	<u>\$ 2,250,243</u>	<u>\$ 2,250,243</u>	

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

TOWN OF CHEVERLY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2022, 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	1,576,024	-	-	1,576,024
Depreciable capital assets:				
Buildings & improvements	2,839,886	838,976	-	3,678,862
Machinery & equipment	1,556,541	15,785	-	1,572,326
Land improvements	622,864	-	-	622,864
Infrastructure	1,459,860	803,042	-	2,262,902
Vehicles	2,839,697	141,418	-	2,981,115
Subtotal	9,318,848	1,799,221	-	11,118,069
Total capital assets	10,894,872	1,799,221	-	12,694,093
Accumulated depreciation:				
Buildings & improvements	1,490,891	58,592	-	1,549,483
Machinery & equipment	1,175,388	116,228	-	1,291,616
Land improvements	474,692	17,368	-	492,060
Infrastructure	761,338	59,090	-	820,428
Vehicles	1,905,105	231,460	-	2,136,565
Subtotal, accumulated depreciation	5,807,414	482,738	-	6,290,152
Net capital assets	\$ 5,087,458	\$ 1,316,483	\$ -	\$ 6,403,941

Depreciation was charged to functions as follows:

Government activities:	
General government	\$ 54,696
Public safety	220,217
Public works	207,825
Total government activities depreciation expense	<u>\$ 482,738</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, 2022

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, 2021, 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, 2022

NOTE 7 – RETIREMENT PLAN – continued

Required disclosures aggregate for the plan:

	<u>Maryland State Pension System</u>
Total pension liability	\$ 82,606,805,000
Total fiduciary net position	67,604,500,000
Town's proportionate share of total pension liabilities	2,507,104
Town's proportionate share of net pension liabilities	0.0021032%
Total pension assets	67,604,500,000
Measurement date of collective net pension liability	June 30, 2021
Date of actuarial valuation	June 30, 2021
Deferred outflows related to pensions	1,026,809
Deferred inflows related to pensions	1,658,607
Pension expense for the period	261,804

Actuarial assumptions

The annual required contribution for the current year was determined as part of the actuarial valuation as of June 30, 2021. The key assumptions used to perform the June 30, 2021, 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)	2.60% general, 3.10% wage
Salary Increases	3.10%
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 7.40%.
- (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 2021 valuation:
 - a. Investment return assumption decreased to 6.80%.
 - b. Inflation assumption remained the same at 2.60%.

TOWN OF CHEVERLY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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	\$ 25,551,028,000	\$ 15,002,305,000	\$ 6,252,209,000
The Town's Proportionate Share of the Net Pension Liability	\$ 4,269,949	\$ 2,507,104	\$ 1,044,835

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

At June 30, 2022, the Town's reported a liability of \$2,507,104 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2021, the Town's proportion was approximately 0.0021032 percent.

TOWN OF CHEVERLY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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 2022 the Town's employees contributed \$106,594.

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, 2022, are \$36,036 for compensated absences and net pension liability of \$2,507,104.

Changes in the long-term obligation relating to compensated absences for the year ended June 30, 2022, follow:

	Balance at July 1, 2021	Additions	Reductions	June 30, 2022	Amount Due Within 1 Year
Compensated Absences	<u>\$ 187,154</u>	<u>\$ 12,046</u>	<u>\$ -</u>	<u>\$ 199,200</u>	<u>\$ -</u>

	Balance at July 1, 2021	Additions	Retirements	Balance at June 30, 2022	Amount due in 1 year
Net pension liability	<u>\$ 3,363,973</u>	<u>\$ -</u>	<u>\$ 856,869</u>	<u>\$ 2,507,104</u>	<u>\$ -</u>
	<u>\$ 3,363,973</u>	<u>\$ -</u>	<u>\$ 856,869</u>	<u>\$ 2,507,104</u>	<u>\$ -</u>

TOWN OF CHEVERLY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 13 – FUND BALANCE REPORTING

Fund balances for the Town's governmental funds consisted of the following as of June 30, 2022:

Restricted Fund Balances

Restricted fund balance is \$2,117,159 pertaining to ARPA.

Unassigned Fund Balances

The unassigned fund balance in the general fund is \$5,230,443.

NOTE 16 – NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued the following statements:

Statement No. 87, *Leases*, issued June 2018, effective for financial statements for fiscal years beginning after June 15, 2021 (postponed 18 months by Statement No. 95).

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, issued June 2018, effective for reporting periods beginning after December 15, 2020 (postponed one year by Statement No. 95).

Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, issued August 2018, effective for reporting periods beginning after December 15, 2019 (postponed one year by Statement No. 95).

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. 92, *Omnibus 2020*, issued January 2020, effective for reporting periods beginning after June 15, 2021 (postponed one year by Statement No. 95).

Statement No. 93, *Replacement of Interbank Offered Rates*, issued March 2020, effective for reporting periods beginning after June 15, 2020 (postponed one year by Statement No. 95).

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, issued March 2020, effective for reporting periods beginning after June 15, 2022.

Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, issued May 2020, effective immediately.

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

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

	FY2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016
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	\$ 2,507,104	\$ 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	107.98%	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	81.84%	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

	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 273,795	\$ 368,241	\$ 319,122	\$ 306,590	\$ 229,843	\$ 200,412	\$ 199,688
Contributions in relation to the contractually required contribution	273,795	368,241	319,122	306,590	229,843	200,412	199,688
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	12.4%	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
SCHEDULE OF REVENUES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes			
Real estate	\$ 3,836,200	\$ 3,970,621	\$ 134,421
Personal property - utilities	120,000	140,675	20,675
Personal property - business	300,000	423,427	123,427
Local income	775,000	1,050,010	275,010
Hotel/motel tax	75,000	109,268	34,268
Highway users tax	214,000	262,499	48,499
Total Taxes	<u>5,320,200</u>	<u>5,956,500</u>	<u>636,300</u>
Licenses and Permits			
Traders licenses	50	25	(25)
Building permits	1,500	4,910	3,410
Residential business licenses	1,000	3,351	2,351
Rental housing licenses	70,000	4,167	(65,833)
Cable television franchise fees	140,000	145,639	5,639
Total Licenses and Permits	<u>212,550</u>	<u>158,092</u>	<u>(54,458)</u>
Intergovernmental			
Police protection	115,000	107,532	(7,468)
Disposal fee rebate	18,700	18,840	140
CARES Act grant	-	2,697,431	2,697,431
Miscellaneous grants	-	8,000	8,000
Total Intergovernmental	<u>133,700</u>	<u>2,831,803</u>	<u>2,698,103</u>
Service charges			
Residential parking stickers	600	701	101
Special trash/appliance pickups	600	4,527	3,927
Park pavilion fees	500	2,209	1,709
Vending machine and pay phone	-	500	500
Compost bins/rain barrels	2,500	2,931	431
Mulch delivery fees	1,000	2,579	1,579
Total service charges	<u>5,200</u>	<u>13,447</u>	<u>8,247</u>

TOWN OF CHEVERLY, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND - continued
FOR THE YEAR ENDED JUNE 30, 2022

	Budget	Actual	Variance Favorable (Unfavorable)
Public Safety			
Police department			
Personnel			
Salaries and wages	\$ 1,256,300	\$ 1,026,894	\$ 229,406
Overtime	80,000	81,166	(1,166)
Retirement	200,000	93,606	106,394
Retirement supplement (civilian)	15,000	4,444	10,556
Workmens' compensation	142,700	57,148	85,552
Social security	85,000	87,842	(2,842)
Hospitalization	145,000	111,905	33,095
Life insurance/long-term disability	10,000	3,222	6,778
Unemployment insurance	200	73	127
Total Personnel	1,934,200	1,466,300	467,900
Operating			
Travel and training	34,000	37,670	(3,670)
Community engagement	10,000	12,920	(2,920)
Police liability insurance	25,000	24,520	480
Auto insurance	18,000	20,644	(2,644)
Materials and supplies	15,000	28,330	(13,330)
Miscellaneous	5,000	6,462	(1,462)
Equipment	35,000	45,776	(10,776)
Chief's association	800	730	70
Uniforms	20,000	31,657	(11,657)
Applicant screening	10,000	16,102	(6,102)
Specialized services	35,000	62,459	(27,459)
Equipment maintenance	2,500	2,315	185
Auto repair	25,000	39,760	(14,760)
Building utilities	12,000	7,689	4,311
Building utilities	-	1,124	(1,124)
Telephone	12,000	8,561	3,439
Wireless communications	17,000	20,876	(3,876)
Total operating	276,300	367,595	(91,295)
Capital outlay			
Vehicle replacement	75,000	89,812	(14,812)
Equipment/furnishings	25,000	37,303	(12,303)
Total capital outlay	100,000	127,115	(27,115)
Total Public Safety	\$ 2,310,500	\$ 1,961,010	\$ 349,490

TOWN OF CHEVERLY, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND - continued
FOR THE YEAR ENDED JUNE 30, 2022

	Budget	Actual	Variance Favorable (Unfavorable)
Parks division			
Operating			
Tree service	\$ 110,000	\$ 117,943	\$ (7,943)
Supplies	18,000	22,291	(4,291)
Tools/equipment	12,000	19,327	(7,327)
Total personnel	140,000	159,561	(19,561)
Capital outlay			
Park development	59,000	211,925	(152,925)
Total capital outlay	59,000	211,925	(152,925)
Total parks division	199,000	371,486	(172,486)
Garage division			
Operating			
Auto repair	50,000	73,845	(23,845)
Vehicle repair parts	50,000	11,641	38,359
Garage-tools and equipment	10,000	6,489	3,511
Garage -consumables	10,000	14,260	(4,260)
Tires and tubes	40,000	65,181	(25,181)
Gas/oil/grease	120,000	87,182	32,818
Total garage division	280,000	258,598	21,402
Sanitation Division			
Operating			
Landfill disposal fees	95,000	102,711	(7,711)
Recycling contract	22,000	25,256	(3,256)
Materials and supplies	5,000	60	4,940
Compost bins	10,000	15,574	(5,574)
Recycling disposal fees	18,000	3,751	14,249
Total sanitation division	150,000	147,352	2,648
Total Public Works	629,000	3,590,342	(1,031,042)
Total Expenditures	\$ 4,857,650	\$ 7,511,458	\$ (374,408)