

TOWN OF CHEVERLY, MARYLAND
Cheverly, Maryland

FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

BRIDGETT
MOCK

& ASSOCIATES, P.A.
Certified Public Accountants

TOWN OF CHEVERLY, MARYLAND
For The Year Ended June 30, 2019
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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members
of the Town Council
Town of Cheverly, Maryland
Cheverly, Maryland

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund information of the Town of Cheverly, Maryland, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

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

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

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

Opinions

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 information of the Town of Cheverly, Maryland, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-12 and 44-53 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.

Bridgett, Mock & Associates, P. A.
Waldorf, Maryland
January 13, 2020

TOWN OF CHEVERLY, MARYLAND MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2019. 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, 2019.

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 \$6,388,101 (net position). Of this amount, \$4,891,882 is net investment in capital assets, leaving an unrestricted net position of \$1,496,219.
- As of the close of the current fiscal year, the Town's governmental funds reported an ending fund balance of \$3,638,799, an increase of \$544,702 in comparison to the prior year. The ending fund balance of \$3,638,799 includes \$2,936,637 that is available for spending at the Town's discretion (unassigned fund balance).
- The Town purchased \$475,288 in new capital assets during the year which included three police cars, a public works truck, and police and public works equipment. The tennis courts near the Town Hall were completely redone during the year. Projects which were started in FY 18 were completed in FY 19, including the air conditioning system for the Town Hall building, the work on green infrastructure for Boyd Park, and the renovation of the park pavilion.

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.

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 that found in 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 of 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 is 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. Business-type activities include rental property and Town improvement activities.

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.

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.

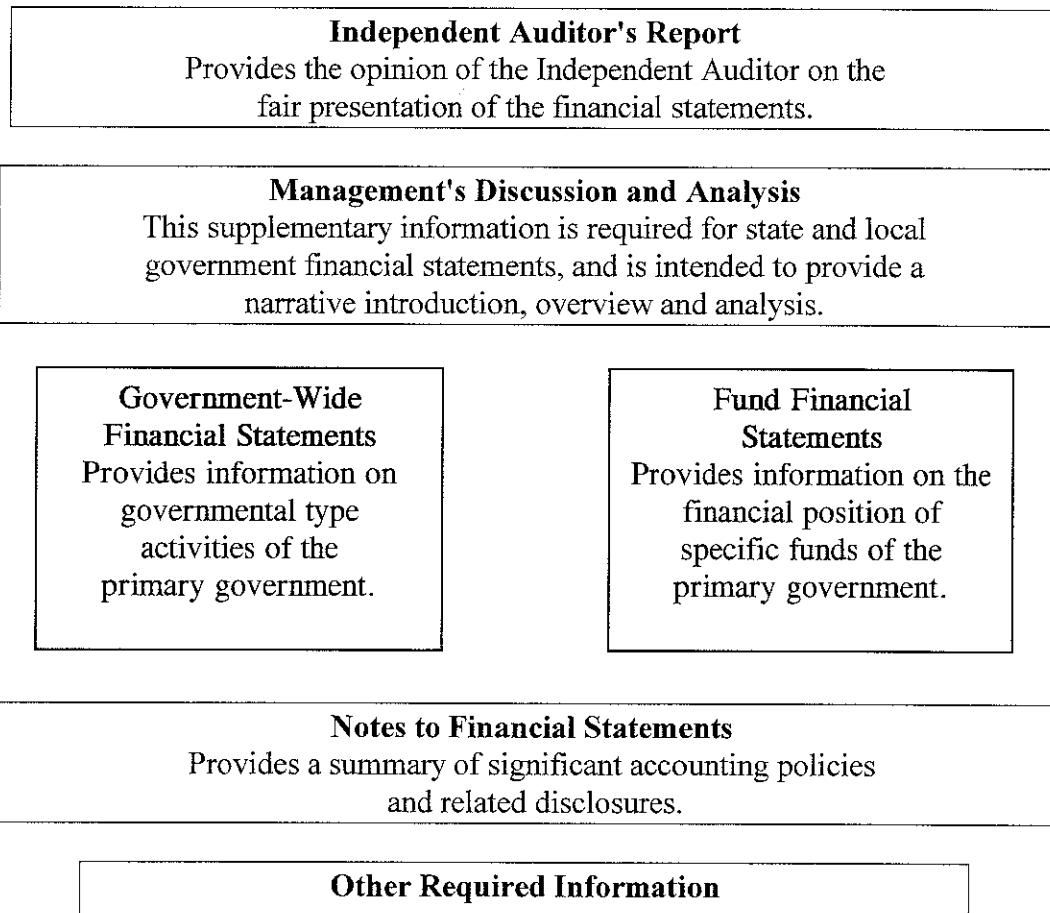
Notes to the Financial Statements

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.

Figure 1 shows how the various parts of this annual report are arranged and are related to one another.

Figure 1

Organization and Flow of Financial Section Information



GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's net position at June 30, 2019 was \$6,388,101.

Of the Town's total net position, \$4,891,882 is reflected as net investment in capital assets which represents capital assets net of depreciation and unamortized debt used to acquire those assets. The Town uses these assets to provide services to the citizens of the Town. Consequently, these assets are not available for future spending. The unrestricted portion of the net position was \$1,496,219. This category represents the amounts that the Town may use to meet the Town's ongoing obligations to its residents and creditors.

Summary of Net Position

The following summarizes the Town-wide net position as of June 30, 2019 compared to 2018.

Governmental Activities Statement of Net Position

	2019	2018
Assets		
Current assets	\$ 4,078,361	\$ 3,417,994
Capital assets, net of depreciation	5,129,691	5,243,398
Total Assets	9,208,052	8,661,392
Deferred Outflow of Resources	547,935	602,065
Liabilities		
Current liabilities	317,882	278,117
Long-term liabilities	2,783,355	2,663,945
Total Liabilities	3,101,237	2,942,062
Deferred Inflow of Resources	266,649	283,866
Net Position		
Net investment in capital assets	4,891,882	4,878,403
Unrestricted	1,496,219	1,159,126
Total Net Position	\$ 6,388,101	\$ 6,037,529

Results of Operations

For the fiscal year ended June 30, 2019 and 2018, the Town-wide results of operations were:

**Governmental Activities
Statement of Activities Summary**

	<u>2019</u>	<u>2018</u>
Revenues		
Program revenues		
Charges for services	\$ 1,063,601	\$ 1,128,686
Operating grants	221,332	138,290
Total Program Revenues	1,284,933	1,266,976
General revenues		
Taxes	5,610,286	4,864,179
Net investment income	59,031	30,588
Other	43,758	131,392
Total General Revenues	5,713,075	5,026,159
Total Revenues	6,998,008	6,293,135
Expenses		
General government	1,383,534	1,163,154
Public safety	2,357,291	2,026,012
Public works	2,892,811	2,487,645
Interest expense	13,800	16,013
Total Expenses	6,647,436	5,692,824
Transfers	-	(12,846)
Changes in Net Position	350,572	587,465
Net Position, beginning	6,037,529	5,450,064
Net Position, ending	<u>\$ 6,388,101</u>	<u>\$ 6,037,529</u>

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

Analysis of Financial Position

- *Governmental Funds* - During the fiscal year ended June 30, 2019, the Town of Cheverly's fund balance increased by \$544,702. 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 \$0.54 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.

<u>Fiscal Year</u>	<u>Amount</u>	<u>% Increase From Prior Year</u>
2018 - 2019	\$ 3,516,381	1.09
2017 - 2018	\$ 3,478,637	4.75
2016 - 2017	\$ 3,320,884	4.05
2015 - 2016	\$ 3,191,538	7.92
2014 - 2015	\$ 2,957,209	1.36
2013 - 2014	\$ 2,917,443	0.75
2012 - 2013	\$ 2,895,864	(1.78)

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.

<u>Fiscal Year</u>	<u>Amount</u>	<u>% Increase From Prior Year</u>
2018 - 2019	\$ 668,149	142.62
2017 - 2018	\$ 275,390	(47.60)
2016 - 2017	\$ 525,550	(6.05)
2015 - 2016	\$ 559,400	74.99
2014 - 2015	\$ 319,679	(33.29)
2013 - 2014	\$ 479,199	6.61
2012 - 2013	\$ 449,492	21.94

The large increase in fiscal year 2019 was due to collections made in fiscal year 2019 for unpaid fiscal year 2018 taxes.

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 2019, the Town's allocation increased by \$15,547 from \$156,188 (2018) to \$171,735 (2019).

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 2019, however, income tax revenue has increased by \$86,337 from \$934,200 (2018) to \$1,020,537 (2019).

5. Red Light Camera Revenue

Red light camera revenue is generated as penalties or fines from running red lights in the Town of Cheverly. The revenue has progressively increased since the inception of cameras. In fiscal year 2019, the revenue decreased by \$99,100 from \$843,093 (2018) to \$743,993 (2019).

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund Expenditures Budget Vs. Actual 5-Year History

Fiscal Year	Expenditures Original Budget	Expenditures Final Budget	Expenditures Final Actual	Expenditures Actual & Original Budget Variance	Expenditures Actual & Final Budget Variance
2018 - 2019	\$ 7,540,320	\$ 7,583,120	\$ 6,427,988	\$ 1,112,332	\$ 1,155,132
2017 - 2018	\$ 6,747,892	\$ 7,083,949	\$ 6,094,199	\$ 653,693	\$ 989,750
2016 - 2017	\$ 6,102,907	\$ 6,377,167	\$ 6,018,363	\$ 84,544	\$ 358,804
2015 - 2016	\$ 5,312,539	\$ 5,368,839	\$ 5,192,145	\$ 120,394	\$ 176,694
2014 - 2015	\$ 5,841,068	\$ 6,183,168	\$ 5,869,701	\$ (28,633)	\$ 313,467

General Fund Revenues Budget Vs. Actual 5-Year History

Fiscal Year	Revenues Original Budget	Revenues Final Budget	Revenues Final Actual	Revenues Actual & Original Budget Variance	Revenues Actual & Final Budget Variance
2018 - 2019	\$ 6,325,584	\$ 6,325,584	\$ 6,972,690	\$ 647,106	\$ 647,106
2017 - 2018	\$ 6,106,108	\$ 6,106,108	\$ 6,422,691	\$ 316,583	\$ 316,583
2016 - 2017	\$ 5,594,554	\$ 5,716,387	\$ 6,550,445	\$ 955,891	\$ 834,058
2015 - 2016	\$ 5,163,489	\$ 5,163,489	\$ 6,019,354	\$ 855,865	\$ 855,865
2014 - 2015	\$ 5,841,068	\$ 6,183,168	\$ 6,422,691	\$ 581,623	\$ 239,523

Original vs. Final Budget

The Town of Cheverly Town Charter requires that the Mayor and Town Council approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, when need arises, the Mayor and Town Council amends it's budget during the fiscal year. There were eight budget adjustments made throughout the year by the Mayor and Town Council.

- The Town of Cheverly's final actual revenues differed from the final amended budget by \$647,106, a favorable variance. Actual personal property taxes exceeded the budget by \$166,649, due mainly to the revenue from the Business personal property collected in FY 2019 for FY 2018. The Town received additional revenues this year due to the State's adjustment for local income taxes.
- The Town of Cheverly's final actual expenditures differed from the final amended budget by \$1,155,132, a favorable variance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Net Investment in Capital Position

The Town of Cheverly's net investment in capital assets in the governmental fund decreased during the fiscal year due to disposals and depreciation. The Town's most significant purchases in fiscal year 2019 consisted of new police vehicles and equipment, and a Public Works vehicle and leaf machine. In fiscal year 2019, \$264,943 was transferred from construction in progress to buildings and infrastructure. This can be summarized as follows:

	Government Activities
Beginning investment in capital assets, net at July 1, 2018	\$ 5,243,398
Acquisition of capital assets at cost, fiscal year June 30, 2019	475,288
Disposal of capital assets at original cost, fiscal year June 30, 2019	(222,507)
Accumulated depreciation of disposal capital assets, fiscal year June 30, 2019	172,258
Net depreciation expense for fiscal year June 30, 2019	(538,746)
Ending Investment In Capital Assets, Net As Of June 30, 2019	<u>\$ 5,129,691</u>

Debt Administration

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

	Government Activities June 30,	
	2019	2018
General obligations		
Bonds	\$ 205,000	\$ 300,000
Capital lease	32,809	64,995
Net pension liability	2,418,400	2,129,206
Accrued vacation leave	127,146	169,744
	<u>\$ 2,783,355</u>	<u>\$ 2,663,945</u>

The net pension liability began in fiscal year 2016 as a result of implementation of GASB Statement 68.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The real property tax rate for fiscal year 2020 remained the same at \$0.51 for single family units \$0.66 for the multi-family units.
- In FY 2020, a 2.5% cost of living adjustment was provided to all employees. A position in the Police Department was unfrozen and one full time and two part time positons added to administration.
- The Town Council adopted a new deferred compensation plan effective July 1, 2018 for the non-law enforcement employees which will continue to effect fiscal year 2020.

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, 2019

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 892,002
Investments	2,800,241
Taxes receivable	144,474
Due from other governments	216,632
Other receivables	25,012
Capital assets, net	
Non-depreciable	1,576,024
Depreciable	3,553,667
TOTAL ASSETS	<u>9,208,052</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Pension related	<u>547,935</u>
 LIABILITIES	
Accounts payable	246,197
Accrued liabilities	70,960
Interest payable	725
Noncurrent liabilities	
Due within one year	132,809
Due in more than one year	232,146
Net pension liability	2,418,400
TOTAL LIABILITIES	<u>3,101,237</u>
 DEFERRED INFLOWS OF RESOURCES	
Pension related	<u>266,649</u>
 NET POSITION	
Net investment in capital assets	4,891,882
Unrestricted	1,496,219
TOTAL NET POSITION	<u>\$ 6,388,101</u>

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

TOWN OF CHEVERLY, MARYLAND
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2019

Function/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities				
General government	\$ 1,383,534	\$ 277,351	\$ 91,833	\$ (1,014,350)
Public safety	2,357,291	778,054	115,369	(1,463,868)
Public works	2,892,811	8,196	14,130	(2,870,485)
Interest on long-term debt	13,800	-	-	(13,800)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 6,647,436</u>	<u>\$ 1,063,601</u>	<u>\$ 221,332</u>	<u>(5,362,503)</u>
GENERAL REVENUES				
				4,260,096
Property taxes				1,020,537
Income tax				329,653
Other taxes				59,031
Investment income				43,758
Miscellaneous income				
Total General Revenues				<u>5,713,075</u>
CHANGE IN NET POSITION				350,572
NET POSITION, BEGINNING				<u>6,037,529</u>
NET POSITION, ENDING				<u>\$ 6,388,101</u>

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

TOWN OF CHEVERLY, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	General Fund
ASSETS	
Cash and cash equivalents	\$ 892,002
Investments	2,800,241
Taxes receivable	144,474
Due from other governments	216,632
Other receivables	25,012
TOTAL ASSETS	\$ 4,078,361
LIABILITIES	
Accounts payable	\$ 246,197
Accrued expenditures	70,960
Total Liabilities	317,157
DEFERRED INFLOW OF RESOURCES	
Unavailable revenue - property taxes	122,405
FUND BALANCES	
Assigned for:	
Public safety	39,862
Subsequent years expenditures	662,300
Unassigned	2,936,637
Total Fund Balances	3,638,799
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,078,361

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

TOWN Of CHEVERLY, MARYLAND
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2019

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 3,638,799

Amounts reported in governmental activities in the
statement of net position are different because:

Capital assets used in governmental activities are not
financial resources and, therefore, are not reported as
assets in governmental funds. The cost of these
assets is \$10,284,161 and the accumulated
depreciation is \$5,154,470. 5,129,691

Payments made for the pension systems reduce the long-
term liability on Statement of Net Position but not in
Fund Statements. This is the amount of deferred
outflow of resources. 547,935

Long-term liabilities are not due and payable in the
current period and, therefore, are not reported as
liabilities in the governmental funds. (2,783,355)

Interest payable on long-term debt does not require current
financial resources. Therefore, interest payable is not
reported as a liability in governmental funds balance sheet. (725)

Deferred inflows of resources related to pension
liability and earnings on pension plan investments
are not reported in fund financial statements. (266,649)

Certain receivables are offset by unavailable
revenue in the governmental funds since they are
not available to pay for current-period expenditures.
This is the amount of unavailable revenues. 122,405

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ 6,388,101**

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

TOWN OF CHEVERLY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2019

	General Fund
REVENUES	
Taxes	\$ 5,534,720
Licenses and permits	277,351
Intergovernmental	221,332
Service charges	8,196
Fines and forfeitures	778,054
Miscellaneous	94,006
Investment income	59,031
Total Revenues	<u>6,972,690</u>
EXPENDITURES	
Current	
General government	1,377,504
Public safety	2,156,832
Public works	2,752,331
Debt service	
Principal	127,186
Interest	14,135
Total Expenditures	<u>6,427,988</u>
NET CHANGE IN FUND BALANCE	544,702
FUND BALANCE, BEGINNING OF YEAR	<u>3,094,097</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 3,638,799</u></u>

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

TOWN OF CHEVERLY, MARYLAND
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2019

TOTAL NET CHANGE IN FUND BALANCE -
GOVERNMENTAL FUNDS

\$ 544,702

Amounts reported for governmental activities in the
Statement of activities are different because:

Capital outlays are reported in governmental funds as
expenditures. However, in the statement of activities,
the cost of those assets is allocated over their estimated
useful lives as depreciation expense in the current period.
This is the amount by which depreciation expense of
\$538,746 exceeds capital outlay of \$475,288. (63,458)

The net effect of various transactions involving capital assets
(i.e., sales, trade-ins, disposals) is to decrease net position. (50,249)

Long-term debt issuance provide current financial
resources to governmental funds, while the repayments
of long-term debt are expenditures in the
governmental funds but the repayment reduces long-
term liabilities in the Statement of Net Position.

Repayments of long-term debt 127,186

Some expenses in the statement of activities
do not require the use of current financial
resources and, therefore, are not reported
as an expenditure in the governmental funds.

Change in accrued interest	335	
Change in compensated absences	42,598	
Changes in pension costs	(326,107)	(283,174)

Revenues in the statement of activities that do not
provide current financial resources are not
reported as revenues in the funds.

75,565

CHANGE IN NET POSITION OF
GOVERNMENTAL ACTIVITIES

\$ 350,572

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

TOWN OF CHEVERLY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to local governments. A summary of significant accounting policies followed by the Town are presented below.

A. Financial Reporting Entity

The Town of Cheverly, Maryland (the Town) was established on April 18, 1931 to serve the needs of the citizens of the Cheverly area. Its major sources of revenue are derived from real estate taxes, income taxes, and usage taxes. The Town provides its citizens with the following services: public safety, sanitation, highways and streets, culture-recreation, public improvements, and general administration services.

For financial reporting purposes, in conformance with accounting principles generally accepted in the United States of America, the reporting entity includes the Mayor and Town Council of the Town of Cheverly and the primary government.

The Town of Cheverly has no separate component units.

B. Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Town as a whole. Governmental activities, which normally are supported by taxes and the Town's general revenues, are reported separately from business-type activities, which rely on fees charged to external customers. The Town does not have any business-type activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines, and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities including investment income, and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

TOWN OF CHEVERLY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when the grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they both become measurable and available). Measurable means the amount of the transactions can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers revenues available if they are collected within the current period or within 60 days after year end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

Those revenues, which are accrued, include federal and state grants, property taxes, franchise taxes, licenses, interest charges, and any charges for services. Other amounts, which are collected and held in the Town's name by other governmental agencies at the end of a fiscal year, are also recognized. Revenues that are not susceptible to accrual include certain licenses, fines, permits, and penalties since they are not measurable until received in cash.

The Town has only one governmental fund, the general fund.

The General Fund is the general operating fund of the Town. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

TOWN OF CHEVERLY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets

Formal budgetary accounting is employed as a management control for the General Fund. The Town Administrator and the Mayor submit an annual budget to the Town Council in accordance with the Town's Charter. The budget is prepared in accordance with the modified accrual basis. In June, the Town Council adopts the annual budget for the Town's General fund. Once approved, the Town Council may amend the legally adopted budget when unexpected modifications are required in estimated revenue and appropriations. The budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department. Expenditures may not exceed the appropriations at the department level.

E. Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Assets, Liabilities, Net Position or Equity

Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits as well as investments with an original maturity date within three months. Cash deposits of the Town are made in accordance with the Annotated Code of Maryland (the Code), which requires depositories to give security in the form of collateral as provided for in the Code, for the safekeeping of these deposits.

Excess funds are also permitted to be invested either in bonds or other obligations for the payment of principal and interest of which the full faith and credit of the United States of America are pledged, obligations of Federal government agencies issued pursuant to acts of Congress, or in the local government investment pool created by the State of Maryland.

TOWN OF CHEVERLY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities, Net Position or Equity

Inventories

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

Prepaid Expenses

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, and similar items), are reported in applicable governmental or business-type activities columns in the government wide financial statements. 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. These assets are stated at cost or estimated cost if historical records are not available. Donated fixed assets are recorded at their acquisition value on the date of donation.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenditures, which materially increase values, change capacities or extend useful lives, are capitalized. Upon sale or retirement of a fixed asset, the cost and/or estimated value is eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

• Buildings	40 - 50 years
• Improvements	15 - 50 years
• Machinery and equipment	3 - 10 years
• Vehicles	5 - 10 years
• Computers	3 - 5 years
• Infrastructure	20 - 50 years

TOWN OF CHEVERLY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities, Net Position or Equity (continued)

Deferred Outflows/Inflows of Resources

The statement of net position reports a separate section for deferred outflows of resources representing a consumption of net position that applies to a future period and is not recognized as an outflow of resources in the current period.

The statement of net position reports a separate section of deferred inflows of resources which represents an acquisition of net position that applies to a future period and is not recognized an inflow of resources or revenue until that time.

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 accrued sick leave, are forfeited.

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).

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. In the fund financial statements, the face amount of debt issued is reported as other financing sources and uses and the amount of principal repayment as an expenditure.

Pensions

In government-wide financial statements, retirement plans (pensions) are required to be recognized and disclosed using the accrual basis of accounting, regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

TOWN OF CHEVERLY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities, Net Position or Equity (continued)

Pensions (continued)

In general, the Town recognizes a net pension liability, which represents the Town's proportionate share of the excess of the total pension liability over the net position reflected in the actuarial report provided by the Maryland State Retirement and Pension System (The System). The net pension liability is measured as of the Town's prior fiscal year-end. Changes in the net pension liability are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred.

Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed basis five-year period of recognition.

Net Position/Equity

In the government-wide financial statements, equity is classified as net position and 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, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

TOWN OF CHEVERLY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities, Net Position or Equity (continued)

Net Position/Equity (continued)

- *Restricted net position* - consists of net position with constraints placed on the use by either (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- *Unrestricted net position* - all other net position that do not meet the definition of restricted or investment in capital assets, net of related debt.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted first then unrestricted as needed.

In the fund financial statements, equity is classified as fund balance for governmental funds. Further classifications are as follows:

- *Nonspendable fund balance* – Amounts that are not in a spendable form or are required to be maintained intact.
- *Restricted fund balance* – Amounts constrained to specific purposes by their 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.
- *Committed fund balance* – Amounts constrained to specific purposes determined by a formal action of the Town Council (ordinance).
- *Assigned fund balance* – Amounts the Town *intends* to use for a specific purpose; intent can be expressed by the Town Council.
- *Unassigned fund balance* – Amounts that are available for any purpose; these amounts are reported only in the general fund.

The Town considers restricted fund balances to be spent for governmental activities first when both restricted and unrestricted are available. The Town also considers committed fund balances to be spent first, assigned balances to be spent second, and unassigned fund balances to be spent last when other unrestricted fund balance classifications are available for use.

TOWN OF CHEVERLY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2019

NOTE 2 - CASH AND INVESTMENTS

Deposits

At year end, the carrying amount of the Town deposits was \$892,002 and the bank balance was \$982,817. Of the bank balance, \$250,000 was covered by Federal Depository Insurance and \$732,817 was covered by collateral held in the pledging bank's trust department in the Town's name. The Town, as of June 30, 2019, was not exposed to custodial risk, which is defined as "the risk that a government will not be able to recover deposits if the depository financial institution fails."

Investments

By statute, the Town is authorized to invest in obligations of the U.S. government and agencies, mutual funds which invest in U.S. government securities, bank certificates of deposit or in repurchase agreements fully collateralized by U.S. government and agency securities, banker's acceptances and the Maryland Local Government Investment Pool (Pool).

As of June 30, 2019, the Town had the following investments:

Investment Type	Fair Value
Maryland Local Government Investment Pool	\$ 2,800,241

Investment Rate Risk

Fair value fluctuates with interest rates, and increasing interest rates could cause fair value to decline below original cost. To limit the Town's exposure to fair value losses arising from increasing interest rates, the Town's investment policy limits the term of investment maturities to ten years in order to remain sufficiently liquid to enable the Town to meet all operating requirements which might be reasonably anticipated. Town management believes the liquidity in the portfolio is adequate to meet cash flow requirements and to preclude the Town from having to sell investments below original cost for that purpose. The investments at June 30, 2019, met the Town investment policy regarding investment rate risk. Investment income as of June 30, 2019, totaled \$59,031.

Credit Risk

As of June 30, 2019, the Maryland Local Investment Pool was rated AAAm by Standard & Poor's. Regulatory oversight for the local government investment pool rests with the Maryland State Treasurer's Office and the fair value of the pool is the same as the value of the pool shares. The Pool was established under Article 95, Section 220 of the Annotated Code of Maryland and is under the administrative control of the State Treasurer. 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 the Pool shares.

TOWN OF CHEVERLY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2019

NOTE 2 - CASH AND INVESTMENTS (continued)

Concentration of Credit Risk

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.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the Town will not be able to recover all or a portion of the value of its investments or collateral securities that are in the possession of an outside party. The investments of the Town were not exposed to custodial credit risk at June 30, 2019.

Foreign Currency Risk

The Town's investment policy does not allow for investments denominated in foreign currencies.

NOTE 3 - DUE FROM OTHER GOVERNMENTS

At June 30, 2019, the Due from Other Governments consists of the following:

State of Maryland	
Highway user tax	\$ 9,905
Income tax	95,999
State aid for police protection	28,305
Prince George's County	
Hotel/motel tax	78,861
D.C. Government	
Withholding refund	3,562
Total Due From Other Governments	<u>\$ 216,632</u>

TOWN OF CHEVERLY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2019

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 was as follows:

Governmental Activities

	Capital Assets At July 1, 2018	Additions	Adjustments & Disposals	Capital Assets At June 30, 2019
Capital assets, not depreciated				
Land	\$ 1,576,024	\$ -	\$ -	\$ 1,576,024
Construction in progress	264,943	-	264,943	-
Total Capital Assets, Not Depreciated	1,840,967	-	264,943	1,576,024
Capital assets depreciated				
Land improvements	578,956	34,500	25,000	588,456
Infrastructure	1,281,977	177,883	-	1,459,860
Buildings and improvements	2,621,500	188,856	-	2,810,356
Vehicles	2,279,633	244,285	197,507	2,326,411
Machinery and equipment	1,428,347	94,707	-	1,523,054
Total Capital Assets, Depreciated	8,190,413	740,231	222,507	8,708,137
Less accumulated depreciation for				
Land improvements	444,813	20,453	25,000	440,266
Infrastructure	561,717	65,861	-	627,578
Buildings and improvements	1,334,204	69,803	-	1,404,007
Vehicles	1,468,704	258,753	147,258	1,580,199
Machinery and equipment	978,544	123,876	-	1,102,420
Total Accumulated Depreciation	4,787,982	538,746	172,258	5,154,470
Total Capital Assets, Depreciated, Net	3,402,431	201,485	50,249	3,553,667
Government Activities Capital Assets, Net	<u>\$ 5,243,398</u>	<u>\$ 201,485</u>	<u>\$ 315,192</u>	<u>\$ 5,129,691</u>

TOWN OF CHEVERLY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2019

NOTE 4 - CAPITAL ASSETS (continued)

Depreciation expense was charged to functions/programs of the Town as follows:

Government activities	
General government	\$ 58,607
Public safety	274,512
Public works	<u>205,627</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 538,746</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, 2019 was \$.51 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 30 days have expired.

At June 30, 2019, the property tax receivable consists of:

Real estate taxes	\$ 31,010
Personal property taxes	<u>113,464</u>
Total	<u>\$ 144,474</u>

NOTE 6 - CAPITAL LEASE

In fiscal year 2018, the Town entered into a lease-purchase agreement with CNH Industrial Capital America, LLC to acquire a tractor backhoe. The leased amount is \$98,416 and the terms of the lease require a \$33,421 payment at the lease commencement date of December 29, 2017, with two additional payments annually of \$33,421 including interest at a rate of 1.9%. The final payment on this lease will be made on December 29, 2019.

TOWN OF CHEVERLY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2019

NOTE 6 - CAPITAL LEASE (continued)

The following is a schedule of the future minimum lease payments under this capital lease arrangement at June 30, 2019:

Year Ending June 30,	Principal
2020	\$ 33,421
	33,421
Less amount represents interest	612
Present value of future minimum lease payments	<u>\$ 32,809</u>

NOTE 7 - LONG-TERM DEBT

Governmental Activities

On May 31, 2006, the Town, following proper authorization and approval, issued a general obligation bond in the amount of \$1,200,000. The proceeds of this bond were used to put an addition on the Town's municipal building for the police department. The bond is due in annual principal installments beginning May 31, 2007 and ending May 31, 2021. Interest is due semi-annually at a rate of 4.3%. Debt service payments are appropriated from general fund resources. General obligation bonds are direct obligations and pledged on full faith and credit of the Town.

Annual debt service requirements to maturity for the general obligation bond are as follows at June 30, 2019:

Years Ending June 30,	Principal	Interest
2020	\$ 100,000	\$ 8,815
2021	105,000	4,515
	<u>\$ 205,000</u>	<u>\$ 13,330</u>

The following is a summary of changes in general long-term debt:

Fiscal Year	Balance July 1, 2018	Increase	Decrease	Balance June 30, 2019	One Year
General obligation					
bonds	\$ 300,000	\$ -	\$ 95,000	\$ 205,000	\$ 100,000
Capital lease	64,995	-	32,186	32,809	32,809
Net pension liability	2,129,206	289,194	-	2,418,400	-
Compensated Absences	169,744	81,954	124,552	127,146	-
	<u>\$ 2,663,945</u>	<u>\$ 371,148</u>	<u>\$ 251,738</u>	<u>\$ 2,783,355</u>	<u>\$ 132,809</u>

TOWN OF CHEVERLY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2019

NOTE 8 - DEFERRED COMPENSATION PLAN

The Town offers a Deferred Compensation Plan to its employees in accordance with Section 457 of the Internal Revenue Code. The plan, available to all Town employees, permits employees to defer a portion of their salary until future years. Participation in the plan is optional and participants elect how their salary deferrals are invested. Investment options include the following: stock funds, bond funds, and money market accounts, including various risk alternatives. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. ICMA Deferred Compensation Plan manages the investments and has the responsibility for investing the deferred monies, maintaining detailed accounting records for both the individual employee, and the Town, and disbursing funds to plan participants. The plan assets, including all income earned and rights purchased, are the exclusive property of the participants and are not assets of the Town.

NOTE 10 - STATE RETIREMENT AND PENSION SYSTEMS OF MARYLAND

Pension Plan Description

Organization

The employees of the Town are covered by the Maryland State Retirement and Pension System (the System), which is a cost sharing employer public employee retirement system. While there are five retirement and pension systems under the System, employees of the Town are members of the Employees' Retirement and Pension Systems ("ECS") and, as of July 1, 2017, the law enforcement officers transferred from ECS to the Law Enforcement Officers Pension System ("LEOPS"). The System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland to provide retirement allowances and other benefits to State employees, teachers, police, judges, legislators, and employees of participating governmental units. The Plans are administered by the State Retirement Agency. Responsibility for the System's administration and operation is vested in a 15-member Board of Trustees. This report may be obtained by writing to the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, Maryland 21202, or by calling (410)625-5555, or on the website: <http://www.sra.state.md.us>.

TOWN OF CHEVERLY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2019

NOTE 10 - STATE RETIREMENT AND PENSION SYSTEMS OF MARYLAND (continued)

Non-Uniformed Employees

Covered Members

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. As of July 1, 1999, and retroactively to July 1, 1998, the Town elected to participate in the Contributory Pension System for all service earned on or after July 1, 1998.

Summary of Significant Plan Provisions

All plan benefits are specified by the State Personnel and Pensions Article of the Annotated Code of Maryland. For all individuals who are members of the Employees' Retirement System (ECS) on or before June 30, 2011, retirement allowances are computed using both the highest three years' Average Final Compensation (AFC) and the actual number of years of accumulated creditable service. For any individual who becomes a member of one of the pension systems on or after July 1, 2011, retirement allowances are computed using both the highest five consecutive years' AFC and the actual number of years of accumulated creditable service. Various retirement options are available under each system which ultimately determines how a retiree's benefit allowance will be computed. Some of these options require actuarial reductions based on the retiree's and/or designated beneficiary's attained age and similar actuarial factors. Beginning July 1, 2011, the member contribution rate was increased for members of the ECS system from 5% and 7%, and from 4% to 6%, respectively, in fiscal year 2013. In addition, the benefit attributable to service on or after July 1, 2011 in many of the pension systems now will be subject to different cost-of-living adjustments (COLA) that is based on the increase in the Consumer Price Index (CPI) and capped at 2.5% or 1.0% based on whether the market value investment return for the preceding calendar year was higher or lower than the investment return assumption used in the valuation. A brief summary of the retirement eligibility requirements of and the benefits available under the various systems in effect during fiscal year 2017, are as follows:

Service Retirement Allowances

A member of the Employees' Retirement System is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable service regardless of age. The annual retirement allowance equals 1/55 (1.8%) of the member's AFC multiplied by the number of years of accumulated creditable service.

TOWN OF CHEVERLY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2019

NOTE 10 - STATE RETIREMENT AND PENSION SYSTEMS OF MARYLAND (continued)

Service Retirement Allowances (continued)

An individual who is a member of the Employees' Pension System on or before June 30, 2011, is eligible for full retirement benefits upon the earlier of attaining age 62, with specified years of eligibility service, or accumulating 30 years of eligibility service regardless of age. An individual who becomes a member of the Employees' Pension System on or after July 1, 2011, is eligible for full retirement benefits if the member's combined age and eligibility service equals at least 90 years or if the member is at least age 65 and has accrued at least 10 years of eligibility service.

For most individuals who retired from the Employees' Pension System on or before June 30, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.4% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998.

With certain exceptions, for individuals who are members of the Employees' Pension System on or after July 1, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.8% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. Beginning July 1, 2011, any new member of the Employees' Pension System shall earn an annual pension allowance equal to 1.5% of the member's AFC multiplied by the number of years of creditable service accumulated as a member of the Employees' Pension System.

Vested Allowances

Any individual who is a member of the State Retirement and Pension System on or before June 30, 2011, and who terminates employment before attaining retirement age but after accumulating 5 years of eligibility service is eligible for a vested retirement allowance. Any individual who joins the State Retirement and Pension System on or after July 1, 2011, and who terminates employment before attaining retirement age, but after accumulating 10 years of eligibility service, is eligible for a vested retirement allowance. A member, who terminates employment prior to attaining retirement age and before vesting, receives a refund of all member contributions and interest.

TOWN OF CHEVERLY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2019

NOTE 10 –STATE RETIREMENT AND PENSION SYSTEMS OF MARYLAND (continued)

Early Service Retirement

A member of the Employees' Retirement System may retire with reduced benefits after completing 25 years of eligibility services. Benefits are reduced by 0.5% per month for each month remaining until the retiree either attains age 60 or would have accumulated 30 years of creditable service, whichever is less. The maximum reduction for an ECS member is 30%. An individual who is a member of ECS on or before June 30, 2011, may retire with reduced benefits upon attaining age 55 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 62. The maximum reduction for these members of ECS is 42%. An individual who becomes a member of the ECS on or after July 1, 2011, may retire with reduced benefits upon attaining age 60 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 65. The maximum reduction for these members of the ECS System is 30%.

Disability and Death Benefits

Generally, a member covered under retirement plan provisions who is permanently disabled after 5 years of service receives a service allowance based on a minimum percentage (usually 25%) of the member's AFC. A member covered under pension plan provisions who is permanently disabled after accumulating 5 years of eligibility service receives a service allowance computed as if service had continued with no change in salary until the retiree attained age 62. A member (other than a member of the Maryland General Assembly or a judge, both of which are ineligible for accidental disability benefits) who is permanently and totally disabled as a result of an accident occurring in the line of duty receives 2/3 (66.7%) of the member's AFC plus an annuity based on all member contributions and interest. Death benefits are equal to a member's annual salary as of the date of death plus all member contributions and interest.

Law Enforcement Officers

Covered Members

On July 2, 1990, the Law Enforcement Officers Pension System ("LEOPS") was established to provide retirement allowances and other benefits to all uniformed law enforcement officers of the State of Maryland and law enforcement officers, firefighters and paramedics of participating governmental units. Effective January 1, 2005, the LEOPS Retirement Plan was closed to new members and the LEOPS Pension Plan was established. As a result, all employees hired after December 31, 2004, became members of the LEOPS Pension Plan.

TOWN OF CHEVERLY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2019

NOTE 10 - STATE RETIREMENT AND PENSION SYSTEMS OF MARYLAND (continued)

Summary of Significant Plan Provisions

All plan benefits are specified by the State Personnel and Pensions Article of the Annotated Code of Maryland. For all individuals who are members of the LEOPS System on or before June 30, 2011, retirement allowances are computed using both the highest three years' Average Final Compensation (AFC) and the actual number of years of accumulated creditable service. For any individual who becomes a member of one of the pension systems on or after July 1, 2011, retirement allowances are computed using both the highest five consecutive years' AFC and the actual number of years of accumulated creditable service. Various retirement options are available under each system which ultimately determines how a retiree's benefit allowance will be computed. Some of these options require actuarial reductions based on the retiree's and/or designated beneficiary's attained age and similar actuarial factors. Beginning July 1, 2011, the member contribution rate was increased for members of the ECS system from 5% and 7%, and from 4% to 6%, respectively, in fiscal year 2013. In addition, the benefit attributable to service on or after July 1, 2011 in many of the pension systems now will be subject to different cost-of-living adjustments (COLA) that is based on the increase in the Consumer Price Index (CPI) and capped at 2.5% or 1.0% based on whether the market value investment return for the preceding calendar year was higher or lower than the investment return assumption used in the valuation. A brief summary of the retirement eligibility requirements of and the benefits available under the various systems in effect during fiscal year 2017, are as follows:

Service Retirement Allowances

A member of the Law Enforcement Officers Pension System is generally eligible for full retirement benefits upon the earlier of attaining age 50 or accumulating 25 years of creditable services regardless of age. The annual retirement allowance equals 2.3% of the members for the first 30 years of creditable service plus an additional 1% of AFC for each additional year for an individual who is subject to the LEOPS retirement plan provisions. The annual retirement allowance equals 2.0% of AFC for the three highest consecutive years as an employee, up to a maximum benefit of 60% of AFC for members subject to the LEOPS retirement plan provisions who became members on or before June 30, 2011. The annual retirement allowance equals 2.0% of AFC for the five highest consecutive years as an employee, up to a maximum benefit of 60% of AFC for members subject to the LEOPS retirement plan provisions who became members after July 1, 2011. Allowances for members who fail to make all required contributions are reduced by the actuarial equivalent of the total unpaid contributions plus interest to the date of retirement.

TOWN OF CHEVERLY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2019

NOTE 10 - STATE RETIREMENT AND PENSION SYSTEMS OF MARYLAND (continued)

Vested Allowances

Any individual who is a member of the LEOPS on or before June 30, 2011 are eligible for vested pension allowances after separation from service and upon attaining age 50, provided they accumulated at least five years of eligibility service prior to separation. Any individual who joins the LEOPS on or after July 1, 2011 are eligible for vested pension allowances after separation from service prior to separation. Vested allowances equal the normal service retirement or pension allowances computed on the basis of the members' accumulated creditable service and AFC at the date of separation.

Early Service Retirement

LEOPS members are not eligible for early service retirement allowances.

Disability and Death Benefits

LEOPS members covered under retirement plan provisions qualify for ordinary disability after completing five years of eligible service and receiving medical board certification as to their permanent incapacity to perform their necessary job functions receive a service allowance based on the greater of the normal service allowance or 25% of AFC. LEOPS members covered under pension plan provisions qualify for ordinary disability after completing five years of eligible service and receiving medical board certification as to their permanent incapacity to perform their necessary job functions receive full service pension allowances if the member is at least age 50 or the member had continued to work until age 50 without any change in the rate of earnable compensation.

LEOPS members qualify for accidental disability benefits if the medical board certifies that they became totally and permanently incapacitated for duty arising out of or in the actual performance of duty receive disability allowances equal to the sum of an annuity determined as the actuarial date of the members' accumulated contributions, and 2/3 (66.67%) of AFC. Allowances may not exceed the members' AFC.

TOWN OF CHEVERLY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2019

NOTE 10 –STATE RETIREMENT AND PENSION SYSTEMS OF MARYLAND (continued)

Disability and Death Benefits (continued)

LEOPS members qualify for ordinary death benefits if the members have accumulated at least one but less than two years of eligibility prior to the date of death receive benefits equal to a member's annual earnable compensation at the time of death plus accumulated contributions. LEOPS members qualify for special death benefits if the member has accumulated at least two years of eligibility prior to the time of death or died in the line of duty. The benefits received equal 50% of the applicable ordinary disability allowance. In cases where the deceased members are not survived by a spouse, the decedents' children, if any, will continue to receive the special death benefit until the youngest child reaches age 18. The special death benefit for officers killed in the line of duty is $\frac{2}{3}$ (66.7%) of AFC.

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

In relation to employees participating in the ECS and in the LEOPS at June 30, 2019, the Town reported a liability of \$2,418,400, for its proportionate share of the net pension liability of the System. The net pension liability was measured as of June 30, 2018, 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 portion of the net pension liability was based on actual employer contributions billed to participating government units for the year ending June 30, 2018. The contributions were increased to adjust for differences between actuarial determined contributions and actual contributions by the State of Maryland. At June 30, 2018, the Town's proportion share was 0.0115263%.

For the year ended June 30, 2019, the Town recognized pension expense of \$632,697. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits.

TOWN OF CHEVERLY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2019

NOTE 10 –STATE RETIREMENT AND PENSION SYSTEMS OF MARYLAND (continued)

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

At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 180,552
Changes in assumptions	68,895	-
Net difference between projected and earnings on retirement plan investments	172,450	86,097
Town contributions subsequent to the measurement date	306,590	-
	<u>\$ 547,935</u>	<u>\$ 266,649</u>

TOWN OF CHEVERLY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2019

NOTE 10 –STATE RETIREMENT AND PENSION SYSTEMS OF MARYLAND (continued)

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

Deferred financing inflows and outflows are made up of changes in actuarial assumptions, differences in actual and expected experience and net differences in the projected and actual investing earnings. The deferred inflows and outflows related to non-investment activity are being amortized over the remaining service life of 5.87 years. The 2014 deferred outflows not related to investment activity are being amortized over the remaining service life of 5 years. The net difference in investment earnings for both 2018 and 2017 is being amortized over a closed five year period. The following tables show the amortization of these balances:

Year End June 30,	2018 Balance Amortization			2017 Balance Amortization			2016 Balance Amortization		2015 Balance Amortization		
	Deferred Outflows	Deferred Inflows		Deferred Outflows	Deferred Inflows		Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows	
		Actual	Net		Actual	Net	Net	Actual	Net	Change	Actual
	Change in Assumptions	Expected Experience	Difference in Investment Earnings	Change in Assumptions	Expected Experience	Difference in Investment Earnings	Difference in Investment Earnings	Expected Experience	Difference in Investment Earnings	in Assumptions	Expected Experience
2020	\$ 3,110	\$ 13,525	\$ 6,095	\$ 2,219	\$ 21,588	\$ 20,574	\$ 59,974	\$ 5,447	\$ 52,502	\$ 24,508	\$ 9,766
2021	3,110	13,525	6,094	2,219	21,588	20,573	59,974	5,447	-	21,323	9,765
2022	3,110	13,525	6,094	2,219	21,588	20,573	-	4,711	-	-	-
2023	3,110	13,525	6,094	1,727	16,814	-	-	-	-	-	-
2024	2,240	9,738	-	-	-	-	-	-	-	-	-
Total	\$ 14,680	\$ 63,838	\$ 24,377	\$ 8,384	\$ 81,578	\$ 61,720	\$ 119,948	\$ 15,605	\$ 52,502	\$ 45,831	\$ 19,531

Fiscal Year Ended June 30	Deferred Outflows	Deferred Inflows	Net
2020	\$ 139,203	\$ 57,375	\$ 81,828
2021	83,516	57,373	26,143
2022	2,219	46,872	(44,653)
2023	1,727	16,814	(15,087)
2024	-	-	-
Total	\$ 226,665	\$ 178,434	\$ 48,231

TOWN OF CHEVERLY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2019

NOTE 10 – STATE RETIREMENT AND PENSION SYSTEMS OF MARYLAND (continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and
Deferred Inflows of Resources Related to Pensions (continued)**

Actuarial Assumptions

Actuarial	Entry age normal.
Amortization Method	Level percentage of payroll, closed.
Inflation	2.60% general, 3.10% wage
Salary Increases	3.10% to 9.10%, including wage inflation
Discount Rate	7.45%
Investment Rate of Return	7.45%
Mortality	RP-2014 Mortality Tables

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 Board after considering input from the System's investment consultant(s) and actuary(s). For each major asset class that is included in the System's target asset allocation, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	37%	5.80%
Private Equity	13%	6.70%
Rate Sensitive	19%	1.10%
Credit Opportunity	9%	3.60%
Real Assets	14%	4.80%
Absolute Return	8%	3.20%
Total	100%	

TOWN OF CHEVERLY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2019

NOTE 10 –STATE RETIREMENT AND PENSION SYSTEMS OF MARYLAND (continued)

Investments (continued)

The above was the Board of Trustees adopted asset allocation policy and best estimate of geometric real rates of return for each major asset class as of June 30, 2018.

For the year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was 8.08%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A single rate of 7.45% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.45%. 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 plan's net pension liability, calculated using a single discount rate of 7.45%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

System	1% Decrease to 6.45%	Current Discount 7.45%	1% Increase to 8.45%
System net pension liability	\$ 30,220,704,000	\$ 20,981,600,000	\$ 13,313,808,000
Town's proportionate share of the net pension liability	\$ 3,483,329	\$ 2,418,400	\$ 1,534,589

TOWN OF CHEVERLY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2019

NOTE 11 -RISK AND UNCERTAINTIES

The Town is a member in the Local Government Insurance Trust. The Trust is a consortium of Maryland local governments created to provide an alternative to the diminishing availability of insurance coverages to municipal governments and the increasing premium costs associated with those coverages. The Trust is owned and directed by the local governments that subscribe to its insurance coverages. If the Trust were to experience large losses, its reserves could be depleted, thus exposing the Town to uninsured risks. No insurance settlement has exceeded the coverages to date.

NOTE 12 -CONTINGENT LIABILITIES

The Town is a defendant in various lawsuits. In the opinion of Town management, such litigation will not have a material adverse effect on the financial position of the Town.

The Town receives federal and state grants through Maryland and Prince George's County for specific purposes. These grants are subject to review and audit by various cognizant agencies. Such audits could result in a request for reimbursement if any expenditure is disallowed under the terms and conditions of the granting authority, and the grant contracts. In the opinion of Town Management, such disallowances, if they should occur, would not be significant.

NOTE 13 -POST RETIREMENT BENEFITS

The Town does not provide and, therefore, has no liability for post retirement benefits.

NOTE 14 -SUBSEQUENT EVENTS

The Town evaluated subsequent events which represents the date the financial statements were available through January 13, 2020, to be issued.

TOWN OF CHEVERLY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2019

BRIDGETT
MOCK

& ASSOCIATES, P.A.
Certified Public Accountants

TOWN OF CHEVERLY, MARYLAND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (GAAP BASIS)
GENERAL FUND
For The Year Ended June 30, 2019

	Original Budget	As Amended Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES				
Taxes	\$ 5,030,894	\$ 5,030,894	\$ 5,534,720	\$ 503,826
Licenses and permits	218,090	218,090	277,351	59,261
Intergovernmental	304,700	304,700	221,332	(83,368)
Service charges	9,300	9,300	8,196	(1,104)
Fines and forfeitures	725,000	725,000	778,054	53,054
Miscellaneous	22,600	22,600	94,006	71,406
Investment income	15,000	15,000	59,031	44,031
Total Revenues	6,325,584	6,325,584	6,972,690	647,106
EXPENDITURES				
General government	1,604,833	1,604,833	1,485,404	119,429
Public safety	2,318,929	2,318,929	2,156,832	162,097
Public works	3,616,558	3,659,358	2,785,752	873,606
Total Expenditures	7,540,320	7,583,120	6,427,988	1,155,132
(DEFICIENCY) EXCESS OF				
REVENUES OVER EXPENDITURES	\$ (1,214,736)	\$ (1,257,536)	\$ 544,702	\$ 1,802,238

TOWN OF CHEVERLY, MARYLAND
SCHEDULE OF REVENUES
BUDGET AND ACTUAL (NON GAAP BASIS)
GENERAL FUND
For The Year Ended June 30, 2019

	Original Budget	As Amended Budget	Actual	Variance -- Favorable (Unfavorable)
Taxes				
Real estate	\$ 3,469,054	\$ 3,469,054	\$ 3,516,381	\$ 47,327
Personal property - utilities	121,500	121,500	155,279	33,779
Personal property - business	380,000	380,000	512,870	132,870
Penalties and interest	-	-	-	-
Local income	800,000	800,000	1,020,537	220,537
Hotel / motel tax	100,000	100,000	150,891	50,891
Highway users tax	159,000	159,000	171,735	12,735
Admissions and amusement tax	-	-	5,687	5,687
Taxes - bank stock tax	1,340	1,340	1,340	-
	<u>5,030,894</u>	<u>5,030,894</u>	<u>5,534,720</u>	<u>503,826</u>
Licenses and permits				
Traders licenses	50	50	1,789	1,739
Building permits	2,000	2,000	2,811	811
Residential business licenses	1,040	1,040	2,728	1,688
Rental housing licenses	75,000	75,000	129,115	54,115
Cable television franchise fees	140,000	140,000	140,908	908
	<u>218,090</u>	<u>218,090</u>	<u>277,351</u>	<u>59,261</u>
Intergovernmental				
Police protection	114,000	114,000	113,727	(273)
Program open space	58,000	58,000	-	(58,000)
Disposal fee rebate	18,700	18,700	14,130	(4,570)
Highway safety grant	7,000	7,000	-	(7,000)
Miscellaneous grants	107,000	107,000	93,475	(13,525)
	<u>304,700</u>	<u>304,700</u>	<u>221,332</u>	<u>(83,368)</u>
Service charges				
Residential parking stickers	1,200	1,200	692	(508)
Special trash / appliance pickups	2,000	2,000	379	(1,621)
Park pavilion reservation fees	1,500	1,500	2,135	635
Lot maintenance (private property)	1,600	1,600	1,720	120
Mulch delivery fee / sign fees	3,000	3,000	3,270	270
	<u>9,300</u>	<u>9,300</u>	<u>8,196</u>	<u>(1,104)</u>
Fines and forfeitures				
Parking tickets	10,000	10,000	13,260	3,260
Municipal infractions	3,000	3,000	5,895	2,895
Red light camera enforcement	700,000	700,000	743,993	43,993
Speed camera enforcement	12,000	12,000	14,906	2,906
	<u>725,000</u>	<u>725,000</u>	<u>778,054</u>	<u>53,054</u>
Miscellaneous				
Sale of fixed assets	1,000	1,000	15,657	14,657
Miscellaneous	20,000	20,000	24,792	4,792
Donations	-	-	700	700
Other police revenue	-	-	7,417	7,417
Vending machine and pay phone	1,500	1,500	1,112	(388)
Compost/rain barrels	100	100	2,098	1,998
Insurance proceeds revenue	-	-	42,230	42,230
	<u>22,600</u>	<u>22,600</u>	<u>94,006</u>	<u>71,406</u>
Investment income	<u>15,000</u>	<u>15,000</u>	<u>59,031</u>	<u>44,031</u>
Total Revenues	<u>\$ 6,325,584</u>	<u>\$ 6,325,584</u>	<u>\$ 6,972,690</u>	<u>\$ 647,106</u>

TOWN OF CHEVERLY, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL (GAAP BASIS)
GENERAL FUND
For The Year Ended June 30, 2019

	Original Budget	As Amended Budget	Actual	Variance - Favorable (Unfavorable)
General government				
Mayor and council				
Personnel				
Salaries and wages	\$ 18,000	\$ 18,000	\$ 18,600	\$ (600)
Staff Bonuses	10,000	10,000	-	10,000
Retirement	2,500	2,500	2,346	154
Social security	1,400	1,400	1,331	69
Official expenses	2,000	2,000	1,450	550
Constituent service system	3,000	3,000	2,400	600
Travel and training	13,000	13,000	8,267	4,733
Total Personnel	49,900	49,900	34,394	15,506
Operating				
Public officials liability insurance	15,000	15,000	13,589	1,411
Materials and supplies	2,000	2,000	2,088	(88)
Newsletter	25,000	25,000	18,762	6,238
Public information	18,000	18,000	15,144	2,856
Public officials association	9,000	9,000	15,144	(6,144)
Election expenses	2,000	2,000	2,592	(592)
Total Operating	71,000	71,000	67,319	3,681
Total Mayor And Council	120,900	120,900	101,713	19,187
Administration				
Personnel				
Salaries and wages	225,183	225,183	286,873	(61,690)
Retirement	32,000	32,000	31,286	714
Workmen's compensation	10,000	10,000	1,687	8,313
Social security	17,500	17,500	29,071	(11,571)
Hospitalization	25,000	25,000	24,056	944
Life insurance	2,000	2,000	1,011	989
Unemployment	150	150	-	150
Total Personnel	311,833	311,833	373,984	(62,151)
Operating				
Travel and training	2,000	2,000	4,766	(2,766)
Auto insurance	3,000	3,000	938	2,062
Materials, supplies & equipment	6,000	6,000	6,487	(487)
Miscellaneous	2,000	2,000	2,697	(697)
Bank card fees	200	200	1,005	(805)
Subscriptions and memberships	1,500	1,500	2,192	(692)
Recruitment and advertising	2,000	2,000	1,761	239
Employee assistance program	3,000	3,000	1,328	1,672
Telephone	5,000	5,000	3,921	1,079
Office equipment maintenance	4,000	4,000	1,373	2,627
Postage	7,000	7,000	5,579	1,421
Total Operating	35,700	35,700	32,047	3,653
Total Administration	347,533	347,533	406,031	(58,498)
Appointed committees				
Operating				
Cheverly day committee	15,000	15,000	17,191	(2,191)
Planning board	500	500	-	500

TOWN OF CHEVERLY, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL (GAAP BASIS)
GENERAL FUND
(continued)

For The Year Ended June 30, 2019

	Original Budget	As Amended Budget	Actual	Variance - Favorable (Unfavorable)
Parks and grounds committee	500	500	-	500
Youth program	1,000	1,000	-	1,000
Recreation council	3,000	3,000	3,320	(320)
Police Chief advisory board (PCAB)	-	-	6,581	(6,581)
CPACT	5,200	5,200	-	5,200
Grants	10,000	10,000	6,736	3,264
Technology & communication committee	3,000	3,000	3,000	-
Composting bins	25,000	25,000	-	25,000
Total Appointed Committees	63,200	63,200	36,828	26,372
Debt service				
Operating				
Municipal Bond Interest Payment	12,900	12,900	12,900	-
Municipal Bond Principal Payment	95,000	95,000	95,000	-
Total Debt Service	107,900	107,900	107,900	-
Miscellaneous activities/divisions				
Auditors	22,000	22,000	22,141	(141)
Legal counsel-retainer fees	40,000	40,000	169,995	(129,995)
Legal counsel-other	10,000	10,000	41,781	(31,781)
Bad debt	-	-	456	(456)
Computer support	35,000	35,000	48,663	(13,663)
Arborist consultant	20,000	20,000	-	20,000
Landscaping/holiday decorating contr.	8,000	8,000	2,150	5,850
Contract employees	200,000	200,000	56,334	143,666
External Studies	-	-	38,010	(38,010)
Municipal building supplies & maint.	35,000	35,000	27,011	7,989
Municipal building utilities	30,000	30,000	34,548	(4,548)
Municipal building liability ins.	52,000	52,000	4,532	47,468
Vending machine	1,800	1,800	1,341	459
Red light camera contractor	300,000	300,000	287,259	12,741
Speed camera contractor	9,000	9,000	10,708	(1,708)
Retirement admin fees	10,000	10,000	7,668	2,332
Materials and supplies	200	200	-	200
Professional services	15,000	15,000	7,688	7,312
Mosquito control	800	800	1,462	(662)
Supplies and equipment	500	500	-	500
Total Miscellaneous Activities/Div.	789,300	789,300	761,747	27,553
Capital outlay				
Equipment	1,000	1,000	1,229	(229)
Municipal Building	175,000	175,000	69,956	105,044
Total Capital Outlay	176,000	176,000	71,185	104,815
Total General Government	1,604,833	1,604,833	1,485,404	119,429
Public safety				
Police department				
Personnel				
Salaries and wages	1,167,229	1,167,229	1,080,377	86,852
Overtime	50,000	50,000	-	50,000
Retirement	200,000	200,000	161,158	38,842
Workmen's compensation	171,000	171,000	146,999	24,001
Social security	90,000	90,000	88,055	1,945
Hospitalization	150,000	150,000	117,187	32,813

TOWN OF CHEVERLY, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL (GAAP BASIS)
GENERAL FUND
(continued)
For The Year Ended June 30, 2019

	Original Budget	As Amended Budget	Actual	Variance - Favorable (Unfavorable)
Life insurance	10,000	10,000	6,142	3,858
Unemployment	200	200	-	200
Total Personnel	1,838,429	1,838,429	1,599,918	238,511
Operating				
Training/travel	17,000	17,000	20,985	(3,985)
Tuition assistance	18,000	18,000	1,854	16,146
Police liability insurance	24,000	24,000	25,680	(1,680)
Auto insurance	19,000	19,000	24,387	(5,387)
Materials and supplies	20,000	20,000	14,457	5,543
Miscellaneous	2,000	2,000	25,726	(23,726)
Equipment	25,000	25,000	27,862	(2,862)
Bank/credit card fees	4,500	4,500	2,683	1,817
Subscriptions and Memberships	600	600	659	(59)
Uniforms	25,000	25,000	32,245	(7,245)
Applicant screening	6,000	6,000	9,023	(3,023)
Specialized services	8,500	8,500	12,774	(4,274)
Equipment maintenance	1,500	1,500	3,322	(1,822)
Traffic control	6,000	6,000	9,314	(3,314)
Residential parking zones	900	900	811	89
Auto repair	35,000	35,000	58,800	(23,800)
Building utilities	12,000	12,000	10,866	1,134
Telephone	9,000	9,000	13,697	(4,697)
Wireless communications	12,000	12,000	13,103	(1,103)
Total Operating	246,000	246,000	308,248	(62,248)
Capital outlay				
Vehicle replacement	162,000	162,000	184,992	(22,992)
Building/Facilities	-	-	-	-
Equipment/furnishing	72,500	72,500	63,674	8,826
Total Capital Outlay	234,500	234,500	248,666	(14,166)
Total Public Safety	2,318,929	2,318,929	2,156,832	162,097
Public works				
Administration				
Personnel				
Salaries and wages	1,054,808	1,054,808	937,775	117,033
Overtime	8,000	8,000	-	8,000
Retirement	139,000	139,000	135,535	3,465
Workmen's compensation	50,000	50,000	77,402	(27,402)
Social security	80,700	80,700	72,639	8,061
Hospitalization	230,000	230,000	151,821	78,179
Life insurance	8,000	8,000	4,744	3,256
Unemployment	2,000	2,000	3,640	(1,640)
Total Personnel	1,572,508	1,572,508	1,383,556	188,952
Operating				
Travel and training	1,000	1,000	992	8
Auto insurance	17,000	17,000	13,542	3,458
Materials and supplies	7,000	7,000	3,290	3,710
Miscellaneous	1,000	1,000	621	379
Subscription and memberships	200	200	332	(132)
Uniforms/safety gear	27,000	27,000	31,961	(4,961)
Lot maintenance (private property)	65,000	65,000	5,325	59,675

TOWN OF CHEVERLY, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL (GAAP BASIS)
GENERAL FUND
(continued)
For The Year Ended June 30, 2019

	Original Budget	As Amended Budget	Actual	Variance - Favorable (Unfavorable)
Security system	1,100	1,100	421	679
Radio repair	1,000	1,000	-	1,000
Total Operating	120,300	120,300	56,484	63,816
Capital outlay				
Vehicle replacement	184,000	184,000	140,693	43,307
Equipment replacement	26,600	36,900	36,250	650
Buildings/Facilities/Yard	211,000	211,000	11,453	199,547
Total Capital Outlay	421,600	431,900	188,396	243,504
Total Administration	2,114,408	2,124,708	1,628,436	496,272
Street division				
Operating				
Street repair	10,000	10,000	75	9,925
Subcontract work	5,000	5,000	-	5,000
Snow/ice removal	25,000	25,000	20,038	4,962
Street light utilities	74,000	74,000	82,713	(8,713)
Stormdrain - materials & supplies	-	-	31,037	(31,037)
Total Operating	114,000	114,000	133,863	(19,863)
Capital outlay				
Sidewalk/curb/gutter	85,000	85,000	76,253	8,747
Street lights	3,000	3,000	907	2,093
Road projects	639,000	639,000	456,597	182,403
Total Capital Outlay	727,000	727,000	533,757	193,243
Total Street Division	841,000	841,000	667,620	173,380
Parks division				
Operating				
Tree service	50,000	65,000	43,999	21,001
Park supplies	20,000	20,000	12,305	7,695
Park tools and equipment	2,200	2,200	4,100	(1,900)
Total Operating	72,200	87,200	60,404	26,796
Capital outlay				
Park development	178,250	195,750	38,709	157,041
Green Space Beautification	5,200	5,200	2,933	2,267
Total Capital Outlay	183,450	200,950	41,642	159,308
Total Parks Division	255,650	288,150	102,046	186,104

TOWN OF CHEVERLY, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL (GAAP BASIS)
GENERAL FUND
(continued)
For The Year Ended June 30, 2019

	Original Budget	As Amended Budget	Actual	Variance - Favorable (Unfavorable)
Garage division				
Operating				
Auto repair	37,000	37,000	48,157	(11,157)
Vehicle repair parts	45,000	45,000	65,169	(20,169)
Garage-tools and equipment	10,000	10,000	6,388	3,612
Garage-consumables	25,000	25,000	5,047	19,953
Tires and tubes	23,000	23,000	22,309	691
Gas/oil/grease	120,000	120,000	86,453	33,547
Total Garage Division	260,000	260,000	233,523	26,477
Sanitation division				
Operating				
Landfill disposal fees	100,000	100,000	106,573	(6,573)
Recycling contract	17,000	17,000	34,822	(17,822)
Materials and supplies	3,500	3,500	-	3,500
Compost bins/barrells	-	-	2,110	(2,110)
Recycling disposal fees	17,000	17,000	-	17,000
Equipment repair	8,000	8,000	10,622	(2,622)
Total Sanitation Division	145,500	145,500	154,127	(8,627)
Total Public Works	3,616,558	3,659,358	2,785,752	873,606
Total Expenditures	<u>\$ 7,540,320</u>	<u>\$ 7,583,120</u>	<u>\$ 6,427,988</u>	<u>\$ 1,155,132</u>

TOWN OF CHEVERLY, MARYLAND
SCHEDULE OF THE TOWN'S PENSION PLAN CONTRIBUTIONS
For The Year Ended June 30, 2019
Last Ten Fiscal Years *

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contribution	\$ 306,590	\$ 229,843	\$ 200,412	\$ 199,688	\$ 241,826	\$ 234,735	\$ 222,111	\$254,586	\$248,677	\$171,106
Contributions in relation to the contractually required contribution	<u>306,590</u>	<u>229,843</u>	<u>200,412</u>	<u>199,688</u>	<u>241,826</u>	<u>234,735</u>	<u>222,111</u>	<u>254,586</u>	<u>248,677</u>	<u>171,106</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$2,043,983	\$2,105,467	\$1,942,271	\$1,813,428	\$2,044,871	\$1,897,888	\$1,976,769	*	*	*
Contributions as a percentage of covered payroll	15.00%	10.92%	10.32%	11.01%	11.83%	12.37%	11.24%	*	*	*

* Additional years will be presented as they become available.

TOWN OF CHEVERLY, MARYLAND
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
Last Ten Fiscal Years *

Employees' Retirement and Pension System:

	2019	2018	2017	2016	2015
Town's proportionate percent of the net pension liability	0.0115263%	0.0098466%	0.0102505%	0.0114733%	0.0098958%
Town's proportionate share(s) of the net pension liability	\$2,418,400	\$2,129,206	\$2,418,508	\$2,384,346	\$1,756,182
Town's covered payroll	\$2,043,983	\$2,105,467	\$1,942,271	\$1,813,428	\$2,044,871
Town's proportionate share of the net pension liability as of a percentage of its covered payroll	118.32%	101.13%	124.52%	131.48%	85.88%
Plan fiduciary net position as a percentage of the total pension liability	71.18%	69.38%	65.79%	68.78%	71.87%

* Additional years will be presented as they become available.

TOWN OF CHEVERLY, MARYLAND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2019

BUDGETARY INFORMATION

Formal budgetary integration is employed as a management control device during the year for the General Fund. The Town Council approved, by ordinance, the total annual budget consisting of anticipated revenues and proposed expenditures (appropriations). Any subsequent transfer of funds between major appropriations for different purposes must be approved by the Council before coming effective. All appropriations lapse at the end of the budget year to the extent that they shall not have been expended.