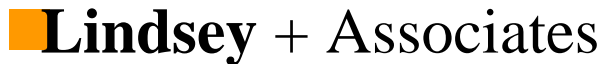


**CHEVY CHASE VILLAGE, MARYLAND
FINANCIAL STATEMENTS
JUNE 30, 2022**

**CHEVY CHASE VILLAGE
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JUNE 30, 2022**

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Independent Auditor’s Report

Board of Managers
Chevy Chase Village, Maryland

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Chevy Chase Village (the “Village”) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Village, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Village as of June 30, 2022, and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Chevy Chase Village and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Chevy Chase Village's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Chevy Chase Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Chevy Chase Village, Maryland's financial statements as a whole. The supplemental schedules of revenues and expenditures – budget and actual – general fund and schedules of revenues and expenditures – budget and actual – special revenue fund, on pages 38 through 44, are not a required part of the basic financial statements. The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Hindley & Associates, LLC

November 7, 2022

**CHEVY CHASE VILLAGE, MARYLAND
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

The management of Chevy Chase Village (the “Village”) consists of the elected Board of Managers and the Village Manager. As management, we offer readers financial statements and this narrative overview and analysis of the financial activities of the Village for the fiscal year ended June 30, 2022. The following pages include:

- I. Summary Statement of Net Position (full accrual basis)
- II. Change in Net Position including Revenues and Expenses (full accrual basis)
- III. Accounting Methods: Full versus Modified Accrual
- IV. Fund Accounting and Budgeting
- V. Management’s Discussion
- VI. Additional Information

I. Summary Statement of Net Position (full accrual basis)
(see page 11 for additional detail)

The comparative data shown below represent the Village’s net position on the full accrual basis for the fiscal years ending June 30, 2022, and June 30, 2021.

	2022	2021
<u>Assets</u>		
Cash, investments and receivables	\$ 17,929,497	\$ 15,179,897
Capital assets, net of depreciation	7,041,600	7,271,226
	24,971,097	22,451,123
 <u>Liabilities</u>		
Payables and other current obligations	693,088	281,594
Long term obligations*	1,410,277	1,430,503
	2,103,365	1,712,097
 <u>Net Position</u>		
Net investment in capital assets	7,041,600	7,271,226
Restricted for <i>SafeSpeed</i> Program approved projects	187,425	197,388
Unrestricted net position	15,638,707	13,270,412
 <u>Total Net Position</u>	22,867,732	20,739,026
 <u>Total Liabilities and Net Position</u>	\$ 24,971,097	\$ 22,451,123

*See Notes 9 and 10.

**CHEVY CHASE VILLAGE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

The comparative data below present the change in the Village's Net Position resulting from governmental activities during the fiscal years ending June 30, 2022, and June 30, 2021.

**II. Change in Net Position
(including Revenues and Expenses, on a full accrual basis;
see page 12 for additional detail)**

	Governmental Activities	
	2022	2021
Program revenues		
Charges for services (1)	\$ 838,566	\$ 855,833
Grants and contributions	1,431,337	272,786
	2,269,903	1,128,619
General revenues		
Property and income taxes		
levied for general purposes	5,162,317	4,612,484
<i>SafeSpeed</i> program investment earnings	-	-
Unrestricted investment earnings	25,113	26,087
	5,187,430	4,638,571
Total revenues	7,457,333	5,767,190
Expenses		
Police and communications	2,396,100	2,363,957
Public works, parks, and recreation	1,797,826	1,592,863
Administration and special projects	1,134,701	1,090,674
Total expenses	5,328,627	5,047,494
Change in net position (2)	2,128,706	719,696
Net position, beginning of year	20,739,026	20,019,330
Net position, end of year	22,867,732	20,739,026

(1) Includes *SafeSpeed* citations

(2) Change in net position equals total revenues minus total expenses plus/minus gains/losses.

**CHEVY CHASE VILLAGE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

III. Accounting Methods: Full vs. Modified Accrual

In accordance with the financial reporting standards for governments, the Village reports its financial condition and the results of its operations in two formats. The full-accrual format reports, the Statement of Net Position and the Statement of Activities, are found on pages 11 and 12. The modified accrual format presents the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds on pages 13 and 14. The differences between the reports arise primarily as a result of the treatment of fixed assets, long-term debt, revenue recognition and certain expenses. The two formats are reconciled and the differences are explained in the reconciliations to the right of the statements.

The Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The Notes to Financial Statements are an integral part of the basic financial statements and can be found on pages 17 through 36.

IV. Fund Accounting and Budgeting

In its modified accrual accounting, the Village uses a General Fund and a Special Revenue Fund. The General Fund is the tax-based operating fund for Chevy Chase Village and is available for spending at the Village's discretion. The Special Revenue Fund derives its income from the *SafeSpeed Program* and, consequently, those funds are restricted to expenditures and capital improvements that relate to public safety.

Each fund is controlled by an annual budget that is adopted by the Board of Managers in April. Budgetary comparison statements have been provided for these funds. The budget-to-actual comparisons are presented by department on pages 37 through 44. A summary comparison of General and Special Revenue Funds – budget vs. actual is shown below:

**Schedule of Revenue and Expenditures - Budget and Actual
(Modified Accrual Basis - General and Special Revenue Funds Combined)**

	Final Budget	Actual	Variance Positive / (Negative)
Revenue	\$ 5,082,472	\$ 7,160,606	\$ 2,078,134
Expenditures	6,110,592	5,070,889	1,039,703
Excess of revenue over expenditures	\$ (1,028,120)	\$ 2,089,717	\$ 3,117,837
Other financing sources (uses)			
Payment on long-term debt (Note 9)	-	48,338	(48,338)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ (1,028,120)	\$ 2,041,379	\$ 3,069,499

**CHEVY CHASE VILLAGE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

V. Management's Discussion

The Village continues to enjoy a strong financial position. The Village has substantial liquid assets, including cash and investments (\$15.5m as of June 30, 2022), enough to cover approximately 2.5 times budgeted operating expenses for FY2022. The Village also benefits from income received through the *SafeSpeed* Program, a photo-speed enforcement program along Connecticut Avenue. These funds have been used for the operation of this program as well as public safety-related expenses. Even though tax revenues were higher than budgeted in FY2021, the Village's management team continues to be judicious in its expenditures and will continue to do so going forward. The following sections explain the Village's accomplishments, issues and plans for fiscal 2022 and beyond.

General Fund Operations

Tax Revenues

The Village is dependent on state income tax collections and real property assessments to provide the primary funding for regular Village operations. The income tax source of revenue, which is beyond the Village's control, is quite variable. The Village maintained the constant yield real estate tax rate as estimated for FY2022 by the State of Maryland at \$.0773 per \$100 of assessed property value. By adopting the constant yield tax rate, this enabled the Village's real estate tax collections to remain relatively constant from the previous fiscal year.

Income tax revenues are much more variable than the property taxes. While the property tax base is relatively steady, the income tax revenues are affected by the tax liability of Village residents and can also be largely affected as high-earning residents move into and out of the Village. Income tax revenues in fiscal 2022 were approximately 26%, or \$772,918 higher than the budgeted amount.

Income tax revenues for fiscal 2023 are budgeted at \$3,000,000 or approximately 26% lower than fiscal 2022's actual receipts, in an effort to maintain a conservative projection, and to account for the effects of the Wynne case (a further explanation of this case can be found on pages 9 and 10), whereby certain Maryland income tax filers can potentially offset their county tax revenue if they also earn income that is taxed by other states. The payments started May of 2021.

Overall General and Special Revenue Funds Revenues

The general and special revenue funds' budget projected total revenues of \$5,082,476. The Village received \$2,078,134 (net of the Wynne withholding) more than projected attributable to the above-outlined increase in income tax revenue on a cash basis. Following active negotiations between the County Executive's staff and the municipalities, in March, 2022, the Montgomery County Council approved a \$5 million supplemental appropriation to increase the property tax duplication payments to municipalities. The Village received a payment of \$89,351, totaling \$204,781, for the fiscal year.

**CHEVY CHASE VILLAGE, MARYLAND
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

SafeSpeed Program

The Village has maintained a *SafeSpeed* Program (photo speed enforcement) since fiscal 2008. The revenue collected in fiscal 2022, including fines for current and delinquent citations and accrued interest, were \$688,128, which is 8% higher than fiscal 2021. This stopped the downward trend in revenue associated with this program. It seems whatever negative impact on citations the COVID pandemic had has subsided.

Beginning FY2014, the Village Board decided to use *SafeSpeed* funds to directly fund the Village’s public safety expenditures. This decision was made because the use of *SafeSpeed* revenues and reserves is restricted to public safety expenditures, while the general income and reserves can be used for any authorized governmental expenditure.

If the Village no longer received revenues through the *SafeSpeed* Program, the Village’s general funds budget could incur up to \$300,000 in additional public safety-related expenses currently allocated to the Special Revenue Fund. This amount has been refined to more accurately reflect current direct expenses related to the program.

Overall Expenses

The Village’s overall operating expenses came in 13% below budget for FY 2022. This was due to a budgeted personnel position that remained unfilled through the year, lower than budgeted legal expenses, and conservative spending by Village management. Special and Capital Projects (including General and Special Revenue funds) came in under budget by \$319,318 due to only using a small portion of the storm water management budget as the project was delayed and is slated for construction in FY2023.

Budget Modifications During FY2022

The budget for the fiscal year is approved at the Village’s Annual Meeting held on the third Monday in the preceding April. As the fiscal year progresses, the budget may be modified by the Board of Managers due to unforeseen events. These were the following:

To	From	Amount
<u>Capital Projects:</u>	<u>Capital Projects:</u>	
Cloud Based Accounting System	Reserves	\$10,000
Public Works Vehicles (x2)	Reserves	\$24,800
Chevy Chase Circle Lighting Project	Reserves	\$41,000

American Rescue Plan Act Funds

In August 2021, the Village received the first of two tranches of American Rescue Plan Act (ARPA) funds from the federal government in the amount of \$1,012,847. Under the federal guidance, jurisdictions who received less than \$10 million can take a one-time standard allowance to use the funds for general government services, rather than documenting that the jurisdiction encountered revenue loss during the COVID-19 pandemic. The Village is slated to receive the second tranche of funds in the amount of \$1,012,847 in FY2023. The ARPA funds must be expended by December 31, 2026.

**CHEVY CHASE VILLAGE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Capital Assets

The Village's Total Net Position at June 30, 2022 totaled \$22,581,357. This includes capital assets, net of accumulated depreciation. At June 30, 2022, there was no debt associated with the capital assets. Capital assets include property, buildings and improvements, furniture, infrastructure and equipment and vehicles. An asset is capitalized if it has a cost in excess of \$5,000 and a useful life greater than one year. Refer to Note 6 for a detailed schedule of capital assets and related depreciation.

The Village's Investment Policy allows investments in money-market funds backed by US treasury obligations, in addition to direct investment in US Treasury bills. Please refer to Note 3 for further details.

Next Year

The costs of general and *SafeSpeed* operations in fiscal year 2023 are expected to be \$5,453,336. Based on the budget initially approved by the Board of Managers, the costs of Capital Projects are expected to be \$914,500. Revenues are also budgeted at \$5,688,866 for general operations and \$625,005 for *SafeSpeed* operations, for a total revenue budget of \$6,313,871. Revenues received through income taxes are expected to continue to serve as the Village's primary source of revenue. While the income tax receipts in fiscal 2022 were very encouraging in that they well-exceeded the budgeted amount, it is impossible to predict future years' income tax revenues with any certainty, so restraining on-going expenditures will continue to be a high priority.

In 2016, the State of Maryland lost the Maryland Comptroller vs. Wynne case in the United States Supreme Court by a 5-4 vote. As a result, the State of Maryland must not only allow credits for out-of-state taxes paid by businesses or non-passive 1099 self-employed individuals, but must also allow for the county and local tax credits as well which the state was not previously doing. The reimbursement due by the Village to the State for claims related to the adjustment of prior years' taxes will be paid over a period of twenty years, starting May 2021. The liability as of June 30, 2022 is \$894,246. The liability will be paid over eighty quarterly installments and started in May 2021.

The Village is pursuing a few Capital Projects in fiscal 2023 including the continued maintenance of Village streets and sidewalks, replacement of the Village's principal computer file server, replacement of the air conditioning unit that services the Village Hall reception area, replacement of the security cameras in the Buffer Area, replacement of a leaf vacuum and small utility vehicle used by the Public Works Department, continued design and planning for a municipal storm drain project, and the Belmont Avenue extended Buffer drainage project. The storm drainage projects are multi-year projects.

The economic and operations impacts resulting from the COVID-19 pandemic coupled with increased inflation continue to develop and it is unclear whether and to what extent the pandemic will have on the short- or long-term fiscal outlook for the Village, including tax revenues, *SafeSpeed* Program revenues and ongoing expenses.

**CHEVY CHASE VILLAGE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

VI. Other Information

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Village Manager at 5906 Connecticut Avenue, Chevy Chase, Maryland 20815.

CHEVY CHASE VILLAGE, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2022

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash and cash equivalents - unrestricted	\$ 4,302,059
Cash and cash equivalents - restricted	908,757
Investments	10,301,524
Amounts due from other governments	1,952,369
Accounts receivable, net of allowances	464,788
Total Current Assets	<u>17,929,497</u>
Noncurrent Assets	
Long-term receivable	-
Net capital assets	7,041,600
Total Noncurrent Assets	<u>7,041,600</u>
TOTAL ASSETS	<u>24,971,097</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 24,971,097</u>
LIABILITIES	
Current Liabilities	
Accounts payable and accrued expenses	\$ 634,975
Amounts held in escrow and deposit	9,775
Current portion of Due to State	48,338
Total Current Liabilities	<u>693,088</u>
Noncurrent Liabilities	
Compensated absences	564,369
Due to State - see Note 9	845,908
Total Noncurrent Liabilities	<u>1,410,277</u>
TOTAL LIABILITIES	<u>2,103,365</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>
NET POSITION	
Net investment in capital assets	7,041,600
Restricted	
SafeSpeed Program - public safety	187,425
Unrestricted	15,638,707
Total Net Position	<u>22,867,732</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 24,971,097</u>

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

CHEVY CHASE VILLAGE, MARYLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expense)	
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position	
			Capital Grants and Contributions	Primary Governmental Activities	
Primary Government					
Governmental Activities:					
General government	\$ 1,134,701	\$ 149,950	\$ 204,781	\$ 1,012,847	\$ 232,877
Public safety	1,983,836	688,616	109,953	-	(1,185,267)
Public works	1,036,075	-	103,756	-	(932,319)
Communications	412,264	-	-	-	(412,264)
Facilities, fleet and infrastructure	761,751	-	-	-	(761,751)
Total Governmental Activities	<u>5,328,627</u>	<u>838,566</u>	<u>418,490</u>	<u>1,012,847</u>	<u>(3,058,724)</u>
Total Primary Government	<u>\$ 5,328,627</u>	<u>\$ 838,566</u>	<u>\$ 418,490</u>	<u>\$ 1,012,847</u>	<u>\$ (3,058,724)</u>
			General revenues:		
			Taxes		
			Income taxes	4,117,983	
			Property taxes	1,044,334	
			Interest and investment earnings	25,113	
			Total General Revenues	<u>5,187,430</u>	
			Change in Net Position	2,128,706	
			Net Position, beginning of year	<u>20,739,026</u>	
			Net Position, end of year	<u>\$ 22,867,732</u>	

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

**CHEVY CHASE VILLAGE, MARYLAND
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022**

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

	General Fund	Special Revenue Fund	Total Governmental Funds		
ASSETS					
Cash and cash equivalents - unrestricted	\$ 4,302,059	\$ -	\$ 4,302,059	<i>Total Governmental Fund Balances</i>	\$ 15,290,911
Cash and cash equivalents - restricted	-	908,757	908,757		
Investments	10,301,150	374	10,301,524	Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(1,458,615)
Due from other funds	754,362	-	754,362		
Amounts due from other governments	1,952,369	-	1,952,369		
Accounts receivable, net of allowances	4,243	460,545	464,788		
TOTAL ASSETS	17,314,183	1,369,676	18,683,859	Receivables pertaining to revenue that is not available in accordance with modified accrual accounting are reported as deferred inflows of resources in the funds.	1,993,836
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	Capital assets used in governmental activities are not financial resources and therefore are not reported on the funds.	7,041,600
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 17,314,183	\$ 1,369,676	\$ 18,683,859	<i>Net Position of Governmental Activities</i>	\$ 22,867,732
LIABILITIES					
Accounts payable and accrued expenses	\$ 248,553	\$ 386,422	\$ 634,975		
Amounts held in escrow	9,775	-	9,775		
Due to other funds	-	754,362	754,362		
TOTAL LIABILITIES	258,328	1,140,784	1,399,112		
DEFERRED INFLOWS OF RESOURCES	1,952,369	41,467	1,993,836		
FUND BALANCES					
Restricted - <i>SafeSpeed</i> Program - public safety	-	187,425	187,425		
Unassigned	15,103,486	-	15,103,486		
TOTAL FUND BALANCES	15,103,486	187,425	15,290,911		
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 17,314,183	\$ 1,369,676	\$ 18,683,859		

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

CHEVY CHASE VILLAGE, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues			
Taxes	\$ 4,865,590	\$ -	\$ 4,865,590
SafeSpeed citations	-	688,616	688,616
Intergovernmental	1,431,337	-	1,431,337
Fees, licenses, and permits	42,364	-	42,364
Rents	92,429	-	92,429
Interest income	25,113	-	25,113
Miscellaneous	15,157	-	15,157
Total Revenues	<u>6,471,990</u>	<u>688,616</u>	<u>7,160,606</u>
Expenditures			
General government	883,723	-	883,723
Public safety	1,248,058	698,579	1,946,637
Public works	1,012,658	-	1,012,658
Communications	420,237	-	420,237
Facilities, fleet and infrastructure	716,452	-	716,452
Special projects	91,182	-	91,182
Principal payment on long-term debt (Note 9)	48,338	-	48,338
Total Expenditures	<u>4,420,648</u>	<u>698,579</u>	<u>5,119,227</u>
Excess (deficiency) of revenues over expenditures	2,051,342	(9,963)	2,041,379
Other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	2,051,342	(9,963)	2,041,379
Fund balance, beginning of year	<u>13,052,144</u>	<u>197,388</u>	<u>13,249,532</u>
Fund balance, end of year	<u>\$ 15,103,486</u>	<u>\$ 187,425</u>	<u>\$ 15,290,911</u>

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

<i>Net Change in Fund Balances - Total Governmental Funds</i>	\$ 2,041,379
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(229,626)
Changes in deferred inflows of resources relating to income taxes do not use current financial resources and are not reported as revenue in the funds.	296,727
Difference between accrual and modified accrual in accounting for compensated absences.	(28,112)
Principal payments on long-term debt (Note 9) are expenditures in the funds, but are reductions of liabilities in the government-wide statements.	<u>48,338</u>
<i>Change in Net Position of Governmental Activities</i>	<u>\$ 2,128,706</u>

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

**CHEVY CHASE VILLAGE, MARYLAND
STATEMENT OF FIDUCIARY NET POSITION
DEFINED CONTRIBUTION TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2022**

ASSETS	
Cash and cash equivalents	\$ -
Investments, at fair value (Note 7)	4,088,818
Due from other funds	-
Total assets	<u>4,088,818</u>
 DEFERRED OUTFLOWS OF RESOURCES	
	<u>-</u>
 LIABILITIES	
Accounts payable	-
Total liabilities	<u>-</u>
 DEFERRED INFLOWS OF RESOURCES	
	<u>-</u>
 NET POSITION	
Held in trust for retirement benefit	4,088,818
Total net position	<u>\$ 4,088,818</u>

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

CHEVY CHASE VILLAGE, MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
DEFINED CONTRIBUTION TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2022

ADDITIONS

Contributions	
Employer	\$ 250,216
Plan member	-
Total contributions	<u>250,216</u>
Investment Income	
Net increase in fair value of investments	<u>(554,168)</u>
Net investment income	<u>(554,168)</u>
Total additions	(303,952)

DEDUCTIONS

Distributions	(97,086)
Administrative expenses	<u>(250)</u>
	<u>(97,336)</u>
Net increase	(401,288)
Net position held in trust for retirement benefits, beginning of year	<u>4,490,106</u>
Net position held in trust for retirement benefits, end of year	<u><u>\$ 4,088,818</u></u>

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

CHEVY CHASE VILLAGE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

Chevy Chase Village, Maryland (the “Village”) was established as a special taxing area in 1914 and incorporated in 1954. Since inception, the Village has operated under the Council-Manager form of government. Services provided include general government, public safety, public works, parks and recreation, and use of the Village building.

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

In evaluating how to define Chevy Chase Village, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set by the Governmental Accounting Standards Board. Component units are legally separate organizations for which the elected officials of the Village are financially accountable and a financial benefit or burden relationship exists. In addition, component units can be other organizations for which the nature and significance of their relationship with the Village are such that exclusion would cause the Village’s financial statements to be misleading. Based upon the application of criteria set by the Governmental Accounting Standards Board, there are no separate component units of the Village.

Basis of Presentation – Fund Accounting

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

The Village’s funds are grouped into two broad fund categories.

The Village’s governmental funds include the General Fund and the Special Revenue Fund. The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund. The Special Revenue Fund is used to account for all financial resources pertaining to the Village’s *SafeSpeed* program.

The Village currently has one Fiduciary Fund. The Deferred Compensation Trust Fund is used to account for defined contribution plan assets as to which the Village serves in a fiduciary capacity.

CHEVY CHASE VILLAGE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of Accounting

Government-Wide Financial Statements (pages 11 – 12)

The statement of net position and the statement of activities display information about the Village, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. The Village has no business-type activities.

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

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

Fund Financial Statements (pages 13 – 16)

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

CHEVY CHASE VILLAGE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Fund financial statements report detailed information about the Village. The focus of governmental and enterprise financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

Governmental Funds

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

- General Fund – This is the Village’s primary operating fund. It is used to account for all financial resources except for those required to be accounted for in another fund.
- Special Revenue Fund – This fund is used to account for all financial resources pertaining to the Village’s *SafeSpeed* program.

Fiduciary Fund – Deferred Compensation Trust Fund

The Village currently has one Fiduciary Fund. The Deferred Compensation Trust Fund is used to account for defined contribution plan assets as to which the Village serves in a fiduciary capacity. The fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting

Revenue Recognition

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

CHEVY CHASE VILLAGE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Some revenues, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, some revenues (including a portion of income taxes) are recorded as receivables and deferred inflows of resources. *SafeSpeed* camera revenues are recognized as revenue when received or deemed collectible.

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

Expenditure Recognition

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

Allocations of costs, such as depreciation and amortization, are not recognized in the governmental activities.

Cash and Cash Equivalents

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition, excluding investments in the State of Maryland Local Government Investment Pool.

Investments

Investments held at June 30, 2022, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

Accounts Receivable – Net of Allowances (Special Revenue Fund)

Receivables at June 30, 2022 consist of *SafeSpeed* camera citations totaling \$442,180. The Village recognizes an allowance for doubtful accounts to ensure that speed camera receivables are not overstated due to uncollectability. At June 30, 2022, the allowance for doubtful accounts in the special revenue fund is \$331,635. The resulting accounts receivable – net of allowances at June 30, 2022, is \$110,545.

CHEVY CHASE VILLAGE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Inventory of Supplies

Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental type funds and expenses in the proprietary type funds when used.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the Village as a whole with an acquisition cost or donated value of \$5,000 or more. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. Infrastructure such as roads, curbs and gutters, streets, sidewalks, drainage systems and lighting systems are capitalized. The valuation bases for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated. Intangible assets are recognized if they are identifiable, and amortized over their useful lives if they do not have indefinite useful lives.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 40 years; improvements/infrastructure, 40 years; vehicles and equipment, 3 to 8 years; furniture and equipment, 8 years.

Restricted Reserves

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

Interest Expense

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

Post-Employment Benefits

The Village does not provide any post-employment benefits to its employees.

CHEVY CHASE VILLAGE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Deferred Outflows and Inflows of Resources

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

As of June 30, 2022, the balance of deferred inflows of resources consisted of income taxes in the general fund of \$1,952,369.

Local Tax Reserve Fund

At June 30, 2022, the Village was advised by the State of Maryland that \$1,952,369 of the Local Tax Reserve Fund was allocable to the Village. The Village recorded receivable and deferred inflows of resources in the amount of \$1,952,369 in the fund financial statements. The change in this amount has been reflected as income tax revenue in the government-wide financial statements in accordance with full accrual accounting.

Compensated Absences

The Village allows employees to accumulate unused vacation and compensatory (earned in lieu of overtime payout) hours that is payable to the employee at retirement or termination. The Village also allows employees to accumulate sick leave for future use or for payment upon retirement at the rate of one hour for every three hours of accumulated sick leave.

Vested or accumulated vacation, compensatory time, and sick leave are accrued when earned by the employee and a liability is recorded in the government-wide financial statements. At June 30, 2022, the liability to Village employees for accrued annual, compensatory and sick leave was \$564,369 based on the wage rates in effect during the fiscal year.

Estimates

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

CHEVY CHASE VILLAGE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Equity Classifications

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

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

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

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

When both restricted and unrestricted resources are available for use, it is the Village’s general policy to consider using restricted resources first and then unrestricted resources as needed.

Governmental Fund Balances

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

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

CHEVY CHASE VILLAGE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

Budget Requirements, Accounting, and Reporting

Requirements for all funds:

The Village prepares an annual operating budget, on a modified accrual basis for all Village funds, consistent with generally accepted accounting principles. The Board of Managers may subsequently amend the budget. The budget was amended once during fiscal year 2022. For day-to-day management control, expenditures may not exceed budget at the department level.

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposit Policies

The Village is authorized to invest in certificates of deposit, repurchase agreements, passbooks, banker's acceptance, and other available bank investments. By arrangement with the banks, the Village's deposits in excess of the FDIC insured limit are collateralized at 102% by investments in U.S. Treasuries. The Village has contractual arrangements with the banks for funds to be transferred daily from investment in a repurchase agreement to cover checks as presented.

Collateral is held by a third-party custodian designated by the Village.

CHEVY CHASE VILLAGE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3 – DEPOSITS AND INVESTMENTS - continued

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Village's deposits may not be returned or the Village will not be able to recover collateral securities in the possession of an outside party. The Village's policy requires deposits to be insured by FDIC, and balances exceeding FDIC limits be secured by a surety bond or collateral valued at 102 percent of principal and accrued interest.

At year-end, the carrying amounts of the Village's deposits were \$5,210,816 (\$4,302,059 unrestricted and \$908,757 restricted) and the bank balances totaled \$5,432,008. Of the bank balances, the entire amount was either insured by Federal Depository Insurance Corporation (FDIC), or balances exceeding FDIC limits are secured by a surety bond or collateral valued at 102 percent of principal and accrued interest. Collateral is to be held by the Village, its agent, or by the pledging institution's trust department or agent in the name of the Village. At year end, the Village's bank balances were not exposed to any custodial credit risk because all deposits were fully collateralized.

Investment Policies

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Village policy does not allow investments in commercial paper or corporate bonds, except under state law in the state investment pool.

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

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the Village's investment in a single issuer. Village policy states that, except for obligations of the United States, Village investment funds in any one qualifying institution shall not exceed half of the total of Village funds, divided among three or more institutions.

CHEVY CHASE VILLAGE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3 – DEPOSITS AND INVESTMENTS – continued

For investments, **custodial credit risk** is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities in the possession of an outside party. At June 30, 2022, all of the Village’s investments were insured, invested in US Treasury securities or US Treasury money market funds, invested in MLGIP, or were collateralized by US securities which were held by the Village’s agent in the Village’s name.

Generally, the Village’s investing activities are managed by the Village manager with approval by the Board of Managers. Investing is performed in accordance with investment policies adopted by the board of managers complying with State Statutes and the Village Charter. The Village funds may be invested in:

- U.S. Treasury Obligations
- Bank accounts, CDs and CDARs
- Money Market Funds investing solely in direct United States obligations and repurchase agreements backed by such obligations
- The Maryland Local Government Investment Pool (“MLGIP”)

For additional information on the Village’s deposit and investment policies, please visit the Village website (<https://www.chevychasevillagemd.gov/>) or contact the Village office.

CHEVY CHASE VILLAGE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3 – DEPOSITS AND INVESTMENTS – continued

Investments

At June 30, 2022, the Village had the following investments. See page 25 for information about the Village’s operating (checking) account.

<u>Types of Investments</u>	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings</u>
MLGIP	\$ 3,336,838	\$ 3,336,838	AAAm
Certificates of Deposit	2,286,131	2,286,131	N/A
Treasury Bills and Treasury Money Market	<u>4,678,556</u>	<u>4,678,556</u>	N/A
	<u>\$ 10,301,525</u>	<u>\$ 10,301,525</u>	

The Village also serves in a fiduciary capacity for the following funds:

Deferred Compensation Trust Fund - mutual funds	<u>\$ 4,088,818</u>	<u>\$ 4,088,818</u>	N/A
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Note: Ratings are provided where applicable to indicate associated Credit Risk. N/A indicates not applicable. For bank balance see page 25. For additional information, see the monthly treasurer’s report.

CHEVY CHASE VILLAGE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4 – RECEIVABLES

Accounts receivable are comprised of the following as of June 30, 2022:

Income taxes	\$ 1,952,369
Other receivables	4,243
<i>SafeSpeed</i> Program	460,545
Total	<u><u>\$ 2,417,157</u></u>

NOTE 5 – PROPERTY TAX

The Board of Managers holds an annual public hearing no later than May 31, for the residents to voice their opinion on the proposed real and personal property tax rates and annual budget. After the hearing, the board sets the tax rate by ordinance by May 31. Montgomery County (the County) tax offices are informed of the approved rate and County tax bills have these amounts included on them. Property taxes are levied as of July 1, on property values as of the same date. The rates of levy cannot exceed the constant yield tax rate without public notice and only after public hearings as determined by the Maryland Department of Assessments and Taxation. Village residents pay all property taxes directly to the County. The County then forwards all payments made to the Village office. When taxes are overdue, a lien is placed against the property. The Village believes all property taxes to be fully collectible and makes no allowance for uncollectible property taxes. The Village's real property and personal property tax rates for the year ended June 30, 2022, was \$.0787 per \$100 of assessed value and \$.66 per \$100 of assessed value respectively.

During the year ended June 30, 2022, the Village received \$119,672 in personal property taxes and \$924,662 in real property taxes.

CHEVY CHASE VILLAGE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Not being depreciated:				
Brookville land	\$ 313,891	\$ -	\$ -	\$ 313,891
Subtotal	313,891	-	-	313,891
Depreciable capital assets:				
Street and sidewalk improvements	6,582,491	89,212	-	6,671,703
Village building and improvements	3,250,958	-	-	3,250,958
Furniture and fixtures	300,883	-	-	300,883
Vehicles and equipment	1,559,462	-	-	1,559,462
Subtotal	11,693,794	89,212	-	11,783,006
Total capital assets	12,007,685	89,212	-	12,096,897
Accumulated depreciation:				
Street and sidewalk improvements	1,274,135	165,231	-	1,439,366
Village building and improvements	1,739,335	59,675	-	1,799,010
Furniture and fixtures	354,568	3,236	-	357,804
Vehicles and equipment	1,368,421	90,696	-	1,459,117
Subtotal, accumulated depreciation	4,736,459	318,838	-	5,055,297
Net capital assets	\$ 7,271,226	\$ (229,626)	\$ -	\$ 7,041,600

Depreciation was charged to functions as follows:

Government activities:	
General government	\$ 228,142
Parks and greenspaces	45,299
Public works	25,089
Public safety	20,308
Total government activities depreciation expense	<u>\$ 318,838</u>

As of June 30, 2022, there were no material construction commitments.

**CHEVY CHASE VILLAGE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 – DEFINED CONTRIBUTION PLAN (pages 15-16)

The Board of Managers established a trust-administered, single employer, defined contribution plan effective May 15, 1964, for eligible employees. The plan administrator is the International City/County Management Association Retirement Corporation (ICMA-RC).

Employees become eligible participants of the defined contribution plan after completing 12 months of employment in which at minimum of 1,000 hours has been worked and the employee is at least 21 years of age. The Village makes contributions equal to 10% of the active participants’ annual compensation to the plan.

The trustee held no securities of the Village on behalf of the defined contribution plan during or at the close of the fiscal year.

Non-vested portions of terminated participants’ account balances are applied to reduce the earliest employer contribution made after the forfeitures are determined. Active participants may make nondeductible voluntary contributions of up to 10% of their annual compensation to their account balance. Voluntary employee contributions are 100% vested and employer contributions vest at the following rate:

<u>Vesting Service</u>	<u>Vesting Percentage</u>
Less than 3 years	0
At least 3 but less than 4 years	20
At least 4 but less than 5 years	40
At least 5 but less than 6 years	60
At least 6 but less than 7 years	80
7 or more years	100

The plan defines a vesting year of service as one in which the employee works 2,000 or more hours. Total Village contributions were \$236,916 for the year ended June 30, 2022.

The Village is the trustee of the plan.

CHEVY CHASE VILLAGE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8 – DEFERRED COMPENSATION PLAN

The Village offers a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457 to all its employees. The plan permits participating employees to defer a portion of their salary until future years. The deferred compensation is not available to employees or their beneficiaries until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property rights purchased with those amounts, and all income attributable to those amounts (until paid or made available to the employee or other beneficiary) shall be held in trust for the exclusive benefit of plan participants and their beneficiaries, and the assets cannot be diverted for any other purpose and are not included in the Village's financial statements. The plan is administered by Empower Retirement, LLC. Employee contributions to the plan for the year ended June 30, 2022, were \$65,000.

NOTE 9 – COMPTROLLER OF THE TREASURY OF MARYLAND V. WYNNE

In 2015, in *Comptroller of the Treasury of Maryland v. Wynne*, the Supreme Court invalidated a portion of Maryland's personal income tax scheme after determining that it inherently burdened the earnings of individuals who resided in one state but earned income in another.

In response, Maryland has enacted corrective legislation allowing a credit for Maryland residents against personal income tax for income taxed by other states. The Court had ruled that the failure of Maryland law to allow such a credit rendered Maryland's personal income tax scheme unconstitutional.

The original impact of the ruling on the Village was \$966,752 in total. During FY2021, the Comptroller's Office stated repayment will be made in 80 withholdings over 20 years, beginning in May 2021. Tax revenues will be reduced \$48,338 each year going forward. The remaining balance is reflected as a liability on the Statement of Net Position, as the Village was required to start reimbursing the State in the fourth quarter of fiscal year 2021. The State will collect these funds by withholding \$12,084 of the Village's income tax distributions four times per year over a period of 20 years.

CHEVY CHASE VILLAGE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 9 – COMPTROLLER OF THE TREASURY OF MARYLAND V. WYNNE

The changes in this liability are as follows:

	Balance <u>July 1, 2021</u>	Net Change <u>During Year</u>	Balance <u>June 30, 2022</u>	Amount Due <u>Within 1 Year</u>
State of Maryland	\$ 942,584	\$ (48,338)	\$ 894,246	\$ 48,338

The annual deductions will be as follows:

<u>FY</u>	<u>Amount</u>
2023	\$ 48,338
2024	48,338
2025	48,338
2026	48,338
2027	48,338
Thereafter	<u>652,556</u>
	\$ 894,246

NOTE 10 – LONG-TERM LIABILITIES

The Village’s only long-term liabilities relate to accrued sick leave, accrued vacation and accrued compensatory (generated in lieu of overtime) hours. The Village policy is to pay employees meeting certain eligibility requirements one hour wages for each three hours of accumulated sick leave. The following summarizes the changes in long-term liabilities for the year ended June 30, 2022.

<u>Compensated Absences</u>	<u>Balance July 1, 2021</u>	<u>Increase / (Decrease)</u>	<u>Balance June 30, 2022</u>	<u>Due within one year</u>
Accrued sick leave	\$ 279,086	\$ 26,160	\$ 305,246	\$ -
Accrued vacation	236,627	1,952	238,579	-
Accrued compensatory time	20,544	-	20,544	-
Total	<u>\$ 536,257</u>	<u>\$ 28,112</u>	<u>\$ 564,369</u>	<u>\$ -</u>

CHEVY CHASE VILLAGE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 11 – CONCENTRATION OF REVENUES

The Village derives most of its revenues from the citizens of the Village and from the *SafeSpeed* program. The Village is located in Montgomery County, Maryland.

NOTE 12 – RISK MANAGEMENT

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

The Village has an insurance agreement with the Local Government Insurance Trust (LGIT), a public entity risk pool. LGIT provides the Village's property, general, public officials' legal liability, punitive damage, and umbrella insurance coverages.

This is a total risk and cost sharing pool for all participants. In the event that the Trust's General Fund falls into a deficit that cannot be satisfied by transfers from the Trust's capital and surplus accounts, the Trustees shall determine a method to fund the deficit. The Trust agreement empowers the Trustees to assess an additional premium to each deficit-year participant. Debt issues could also be used to fund a deficit.

Premiums are charged to the Village's General Fund, with no provision made for claim liability in addition to premiums, unless an assessment is made by the Trust. There have been no assessments during the year ended June 30, 2022, and the amounts of settlements have not exceeded coverage for each of the past three years. During the year ended June 30, 2022, the Village paid premiums of \$26,214 to the Trust.

The Village is insured for worker's compensation through the Montgomery County Self-Insurance Program. Employees are bonded through commercial insurance carriers to limit the loss to the Village in the event of employee acts of embezzlement or theft.

NOTE 13 – DEFERRED INFLOWS OF RESOURCES

At June 30, 2022, Chevy Chase Village was advised by the State of Maryland that \$1,952,369 of the Local Income Tax Reserve Fund was allocable to Chevy Chase Village. The Village recorded receivable and deferred inflows of resources for this amount. The change in this amount from the prior year (\$296,727) has been reflected as revenue in the entity-wide statements in accordance with full accrual accounting.

CHEVY CHASE VILLAGE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 14 – WESTERN GROVE PARK

On August 12, 2002, the Village entered into a memorandum of understanding with Montgomery County (the “County”) and the Maryland-National Capital Park Planning Commissions (the “Commission”) for the purpose of acquiring property immediately adjacent to the Village. This property known as Western Grove Park (formerly referred to as the “Wohlfarth Property”) is to be maintained and operated as a public park. The Village committed to contributing \$1,250,000 to the cost of the acquisition, which totaled \$5,000,000. Approximately \$311,600 of that amount was provided by Program Open Space Funds which the Village received from the County. In addition to the \$200,000 paid in fiscal year 2003, the Village contributed \$100,000 per year through 2009 and the balance of \$38,495 was paid on July 15, 2010. The Village contributed just over \$350,000 toward developing the property into a park.

The Commission and the Village finalized a management plan for the property. The property has been annexed by the Village, and the Village is responsible for municipal services to the property and the Commission handles park maintenance and operations.

The Village shall have the right of first refusal in the event that the County determines to sell all or a portion of the property. The purchase price would be 80% of the then current fair value of the property to be sold. In the event the Village does not exercise its right of first refusal and the County sells the land, the Village shall receive the greater of 20% of the proceeds or the amount of money it contributed to the acquisition of the property. A sale of part of the property would adjust the Village’s reimbursement proportionally to the fraction of the property sold.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Grants

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

The Village will receive an aggregate of \$2,025,694 from the federal government under the American Rescue Plan Act (ARPA). Half of this amount was received in FY2022 and the second half will be received in FY2023. The Village has elected to take a one-time standard allowance, which allows the funds to be used for any general government service expense. For recipients electing the “Standard Allowance,” Treasury will presume that up to \$10 million, not to exceed the award allocation, in revenue has been lost due to the public health emergency. Recipients are permitted to use that amount to fund “government services.” Recipients that elect to use this standard allowance will make this election instead of calculating lost revenue using the formula. The funds must be expended by December 31, 2026.

CHEVY CHASE VILLAGE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 16 – FUND BALANCE REPORTING

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

All fund balances in the general fund are unassigned. At June 30, 2022, this amount was \$14,647,769.

All fund balances in the special revenue fund are restricted. As of June 30, 2022, this amount was \$277,339.

NOTE 17 – SAFESPEED CAMERA REVENUES

Senate Bill 277, “Vehicle Laws – Speed Monitoring Systems – Statewide Authorization and Use in Highway Work Zones,” was effective as of October 1, 2009. This law states:

“For any fiscal year, if the balance remaining from the fines collected by a political subdivision as a result of the violations enforced by speed monitoring systems, after the costs of implementing and administering the systems are recovered . . . , is greater than 10% of the total revenues of the political subdivision for the fiscal year, the political subdivision shall remit any funds that exceed 10% of the total revenues to the Comptroller.”

As of June 30, 2022, the Village has determined that \$0 is due to the State Comptroller as a result of this law.

NOTE 18 – NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued the following statements:

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

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

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

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

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

CHEVY CHASE VILLAGE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 18 – NEW ACCOUNTING PRONOUNCEMENTS – continued

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

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

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

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

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, issued June 2020, effective for reporting periods beginning after June 15, 2021.

Statement No. 98, *The Annual Comprehensive Financial Report*, issued October 2021, effective immediately.

Statement No. 99, *Omnibus 2022*, issued April 2022, sections effective for reporting periods ending after June 15, 2022 and 2023.

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

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

The Village will implement these statements as necessary as of their effective dates. While the Village is still in the process of determining the effect of implementing these GASB statements, they are not expected to have a material effect on the financial position of the Village.

CHEVY CHASE VILLAGE, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES AND EXPENDITURES - UNAUDITED
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022

	General Fund and Special Revenue Fund		<u>Actual</u>	<u>Variance</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues				
Taxes	\$ 4,001,667	\$ 4,001,667	\$ 4,865,590	\$ 863,923
SafeSpeed citations	650,005	650,005	688,616	38,611
Intergovernmental	242,000	242,000	1,431,337	1,189,337
Interest income	7,500	7,500	25,113	17,613
Miscellaneous	181,300	181,300	149,950	(31,350)
Total Revenues	<u>\$ 5,082,472</u>	<u>\$ 5,082,472</u>	<u>\$ 7,160,606</u>	<u>\$ 2,078,134</u>
Expenditures				
General government	\$ 1,011,574	\$ 1,011,574	\$ 883,723	\$ 127,851
Public safety	2,174,417	2,174,417	1,944,058	230,359
Public works	1,206,288	1,206,288	1,012,658	193,630
Communications	441,550	441,550	420,237	21,313
Special projects	369,500	410,500	93,761	316,739
Facilities, fleet and infrastructure	417,463	417,463	424,809	(7,346)
Capital outlays	364,000	398,800	291,643	107,157
Total Expenditures	<u>\$ 5,984,792</u>	<u>\$ 6,060,592</u>	<u>\$ 5,070,889</u>	<u>\$ 989,703</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (902,320)</u>	<u>\$ (978,120)</u>	<u>\$ 2,089,717</u>	<u>\$ 3,067,837</u>
Other financing sources (uses)				
Payment on long-term debt (Note 9)	-	-	48,338	(48,338)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (902,320)</u>	<u>\$ (978,120)</u>	<u>\$ 2,041,379</u>	<u>\$ 3,019,499</u>

Note: The Village passes one budget with the General and *SafeSpeed* Funds combined. The schedules on pages 38 through 44 reflect a breakout of separate budgets for the two funds that is used internally for management purposes.

**CHEVY CHASE VILLAGE, MARYLAND
SCHEDULE OF REVENUES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022**

	Final Budget	Actual - General Fund	Budget Favorable (Unfavorable)
REVENUES			
Taxes			
Real and personal property taxes	\$ 1,001,667	\$ 1,044,334	\$ 42,667
State income taxes	3,000,000	3,821,256	821,256
Total Taxes	<u>4,001,667</u>	<u>4,865,590</u>	<u>863,923</u>
From Other Governments			
State of Maryland			
Highway user revenue	40,000	103,756	63,756
State police aid	102,000	109,953	7,953
Montgomery County			
Duplicative services	100,000	204,781	104,781
Federal Grants			
ARP funds	-	1,012,847	1,012,847
Total From Other Governments	<u>242,000</u>	<u>1,431,337</u>	<u>176,490</u>
Miscellaneous			
Investment income	7,500	25,113	17,613
Building rent	91,000	92,429	1,429
Fees, licenses and permits	25,000	42,364	17,364
Other income	65,300	15,157	(50,143)
Total Miscellaneous	<u>188,800</u>	<u>175,063</u>	<u>(13,737)</u>
Total Revenues	<u>\$ 4,432,467</u>	<u>\$ 6,471,990</u>	<u>\$ 1,026,676</u>

CHEVY CHASE VILLAGE, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Final Budget	Actual	Budget Favorable (Unfavorable)
General Government			
Personnel			
Salaries	\$ 513,578	\$ 506,637	\$ 6,941
Employer obligations	46,000	45,106	894
Employee benefits	164,606	108,854	55,752
Organizational development	26,300	21,677	4,623
Operations			
Communications	8,100	8,684	(584)
Community relations	27,600	18,962	8,638
General expenditures	36,600	17,877	18,723
Insurance	33,200	34,670	(1,470)
Professional services (non-legal and engineering)	24,000	20,502	3,498
Service contracts	9,515	7,570	1,945
Supplies	6,500	5,142	1,358
Engineers and legal	100,000	70,267	29,733
Equipment maintenance and repair	600	-	600
Computer and technical support	14,975	17,775	(2,800)
Total General Government	<u>1,011,574</u>	<u>883,723</u>	<u>127,851</u>
Public Safety			
Personnel			
Salaries	809,245	769,226	40,019
Employer obligations	135,558	154,432	(18,874)
Employee benefits	364,814	256,588	108,226
Organizational development	4,750	3,779	971
Operations			
Communications	11,050	8,653	2,397
General expenditures	14,550	7,859	6,691
Insurance	12,000	11,270	730
Professional services	500	-	500
Service contracts	130,700	4,448	126,252
Supplies	13,050	6,275	6,775
Vehicle operations	23,000	23,125	(125)
Equipment maintenance and repair	1,500	-	1,500
Computer and technical support	3,700	2,403	1,297
Total Public Safety	<u>1,524,417</u>	<u>1,248,058</u>	<u>276,359</u>

CHEVY CHASE VILLAGE, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND - continued
FOR THE YEAR ENDED JUNE 30, 2022

	Final Budget	Actual	Budget Favorable (Unfavorable)
Public Works			
Personnel			
Salaries	\$ 456,260	\$ 423,156	\$ 33,104
Employer obligations	59,299	67,555	(8,256)
Employee benefits	158,406	100,965	57,441
Contracts labor/staff	13,000	2,965	10,035
Organizational development	1,250	676	574
Operations			
Communications	3,000	2,045	955
Disposal and recycling	427,973	372,761	55,212
General expenditures	2,500	2,139	361
Insurance	5,600	6,082	(482)
Weather events	33,500	2,945	30,555
Small tools and shop supplies	4,000	2,659	1,341
Vehicles - operations	41,000	28,710	12,290
Equipment maintenance and repair	500	-	500
Total Public Works	<u>1,206,288</u>	<u>1,012,658</u>	<u>193,630</u>

CHEVY CHASE VILLAGE, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND - continued
FOR THE YEAR ENDED JUNE 30, 2022

	Final Budget	Actual	Budget Favorable (Unfavorable)
Communications			
Personnel			
Salaries	\$ 299,955	\$ 301,182	\$ (1,227)
Employer obligations	25,544	33,222	(7,678)
Employee benefits	88,106	63,917	24,189
Organizational development	225	-	225
Operations			
Communications	2,570	808	1,762
Service contracts	19,000	19,855	(855)
Supplies	2,000	397	1,603
Equipment purchases maintenance and repair	1,000	484	516
Computer and technical support	3,150	372	2,778
Total Communications	<u>441,550</u>	<u>420,237</u>	<u>21,313</u>
Special and Capital Projects			
Chevy Chase Circle landscape and lighting	41,000	41,000	-
Belmont Avenue	60,000	-	60,000
Sidewalks	4,500	1,970	2,530
Municipal storm drain project	250,000	15,453	234,547
Street lights	5,000	32,759	(27,759)
Street maintenance	50,000	-	50,000
Total Special Projects	<u>410,500</u>	<u>91,182</u>	<u>319,318</u>
Debt Service			
Wynne repayment	-	24,168	(24,168)
Total Debt Service	<u>-</u>	<u>24,168</u>	<u>(24,168)</u>

CHEVY CHASE VILLAGE, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND - continued
FOR THE YEAR ENDED JUNE 30, 2022

	Final Budget	Actual	Budget Favorable (Unfavorable)
Facilities, fleet and Infrastructure Acquisitions			
Village Hall			
Systems & structures	\$ 17,500	\$ 19,037	\$ (1,537)
Insurance	2,475	2,668	(193)
Service contracts	53,250	58,369	(5,119)
Supplies	4,750	6,682	(1,932)
Utilities	39,000	44,825	(5,825)
Total Village Hall	<u>116,975</u>	<u>131,581</u>	<u>(14,606)</u>
Parks, Trees and Greenspace			
Communications	8,250	6,544	1,706
Utilities	4,100	2,140	1,960
Equipment repair and maintenance	500	-	500
Supplies	250	-	250
Grounds and amenities	51,500	32,870	18,630
Service contracts	7,388	3,596	3,792
Tree programs	188,500	215,776	(27,276)
Total Parks, Trees, and Greenspace	<u>260,488</u>	<u>260,926</u>	<u>(438)</u>
Streets, Walks, Drains, and Lights			
Utilities	40,000	32,302	7,698
Total Streets, Walks, Drains, and Lights	<u>40,000</u>	<u>32,302</u>	<u>7,698</u>
Vehicle and Equipment Replacement			
Equipment	20,000	29,324	(9,324)
Public safety			
Capital outlay - vehicles	110,000	90,319	19,681
Public works			
Capital outlay	268,800	172,000	96,800
Total Vehicle and Equipment Replacement	<u>398,800</u>	<u>291,643</u>	<u>107,157</u>
Total Facilities, fleet and Infrastructure			
Equipment Acquisitions	<u>816,263</u>	<u>716,452</u>	<u>99,811</u>
Total Expenditures	<u>\$ 5,410,592</u>	<u>\$ 4,420,646</u>	<u>\$ 1,014,114</u>

CHEVY CHASE VILLAGE, MARYLAND
SCHEDULE OF REVENUES
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Final Budget	Actual	Budget Favorable (Unfavorable)
REVENUES			
SafeSpeed citations	\$ 650,000	\$ 688,616	\$ 38,616
Investment interest	5	-	(5)
Total Revenues	<u>\$ 650,005</u>	<u>\$ 688,616</u>	<u>\$ 38,611</u>

CHEVY CHASE VILLAGE, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Final Budget</u>	<u>Actual</u>	<u>Budget Favorable (Unfavorable)</u>
EXPENDITURES			
Department Services			
General government	\$ -	\$ -	\$ -
Police	650,000	696,000	(46,000)
Public works	-	-	-
Total Department Services	<u>650,000</u>	<u>696,000</u>	<u>(46,000)</u>
Special Projects			
Sidewalk - repairs	-	132	(132)
Belmont Avenue	-	-	-
Street light upgrades	-	2,447	(2,447)
Street maintenance	-	-	-
Storm drain system	-	-	-
Total Special Projects	<u>-</u>	<u>2,579</u>	<u>(2,579)</u>
 Total Expenditures	 <u>\$ 650,000</u>	 <u>\$ 698,579</u>	 <u>\$ (48,579)</u>

November 7, 2022

To the Board of Managers
Chevy Chase Village, Maryland

We have audited the financial statements of the governmental activities and each major fund of Chevy Chase Village (the “Village”) for the year ended June 30, 2022, and have issued our report thereon dated November 7, 2022. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U. S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 29, 2022, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U. S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

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

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

Planned Scope and Timing of the Audit

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

Significant Audit Findings

Qualitative Aspects of Accounting Practices

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

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

Difficulties Encountered in Performing the Audit

There were no difficulties encountered during the audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The Village maintains its books on a cash basis of accounting. At year end, we proposed adjusting journal entries to convert the Village's books to generally accepted accounting principles for governmental entities (accrual and modified accrual). Management has made the following adjustments pertaining to converting the books to GAAP.

- Fixed assets, depreciation expense and related accumulated depreciation
- Noncurrent liabilities

Disagreements with Management

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

Management Representations

We have requested certain representations from management that is included in the management representation letter dated November 7, 2022.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Very truly yours,

Hindray & Associates, LLC