

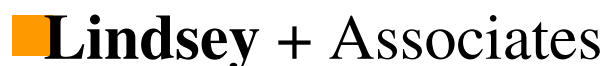
**THE VILLAGE OF  
CHEVY CHASE SECTION 5, MARYLAND  
FINANCIAL STATEMENTS  
JUNE 30, 2022**

**THE VILLAGE OF CHEVY CHASE SECTION 5**

**TABLE OF CONTENTS**

**JUNE 30, 2022**

	<b>Page</b>
<b>INDEPENDENT AUDITOR’S REPORT</b>	1 – 3
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
• Management’s Discussion and Analysis	4 – 9
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>Government-wide Financial Statements</b>	
• Statement of Net Position	10
• Statement of Activities	11
<b>Fund Financial Statements</b>	
• Balance Sheet – Governmental Funds	12
• Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	13
<b>NOTES TO BASIC FINANCIAL STATEMENTS</b>	14 – 29
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
• Schedule of Revenues and Expenditures – Budget and Actual – General Fund – Unaudited	30
• Schedule of Revenues and Expenditures – Budget and Actual – Special Revenue Fund – Unaudited	31
<b>SUPPLEMENTAL SCHEDULES</b>	
• Schedule of Revenues – Budget (GAAP basis) and Actual General Fund	32
• Schedule of Expenditures – Budget (GAAP basis) and Actual General Fund	33



110 West Road  
Suite 220  
Towson, MD 21204

410.825.1994 phone  
410.825.1997 fax

[www.acpafirm.com](http://www.acpafirm.com)

## **Independent Auditor's Report**

Honorable Chairman  
Members of the Village Council  
The Village of Chevy Chase Section 5, Maryland

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Village of Chevy Chase Section 5, Maryland, as of June 30, 2022, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and 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 Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 the Village's ability to continue as a going concern within 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, including omissions, 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 the Village's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Chevy Chase Section 5, Maryland's financial statements as a whole. The schedule of revenues – budget and actual and the schedule of general expenditures – budget and actual on pages 31 through 32 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of revenues – budget and actual and schedule of general expenditures – budget and actual 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.

*Lindsay Associates, LLC*

October 21, 2022

**VILLAGE OF CHEVY CHASE SECTION 5  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

Our discussion and analysis of the Village of Chevy Chase Section 5’s (the “Village”) financial performance provides an overview of the Village’s financial activities for the year ended June 30, 2022. Please read it in conjunction with the Village’s financial statements.

**Financial Highlights**

- Income tax receipts came in higher than budgeted this year by \$107,855. Total income tax receipts were lower than fiscal year 2021, but fairly consistent with amounts received in the prior three years. The Village expects income taxes to remain the same; however, the Village is cautious when budgeting for income tax and therefore only budgeted \$615,000 for the coming fiscal year.
- As a result of the year’s activities, the Village’s net position increased by \$320,305. In addition, the combined fund balances of the Village increased by \$273,708.

**Using This Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities are government-wide statements that provide information about the activities of the Village as a whole and present a longer-term view of the Village’s finances. Fund financial statements report the Village’s operation in more detail than the government-wide statements by providing information about the Village’s most significant funds and individual parts.

**Reporting the Village as a Whole**

**The Statement of Net Position and the Statement of Activities**

One of the most important questions asked about the Village’s finances is, “Is the Village as a whole better off or worse off as a result of the year’s activities?” The Statement of Net Position and the Statement of Activities report information about the Village as a whole and about its activities in a way that helps answer this question. These statements include all assets and deferred outflows and liabilities and deferred inflows using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

**VILLAGE OF CHEVY CHASE SECTION 5  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

These two statements report changes in the Village’s net position. You can think of the Village’s net position (the difference between assets and deferred outflows and liabilities and deferred inflows) as one way to measure the Village’s financial health or position. Over time, increases or decreases in the Village’s net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, such as changes in the Village’s property tax base and the condition of the Village’s roads to assess the overall health of the Village.

In the Statement of Net Position and the Statement of Activities, we divide the Village into two kinds of activities:

- Governmental activities – The Village’s basic services are reported here, including general administration, public works, and sanitation. Taxes, franchise fees, fines, and state and federal grants finance these activities.
- Business-type activities – The Village currently has no business-type activities.

**Reporting the Village’s Most Significant Funds**

**Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds – not the Village as a whole. Currently, the Village only has governmental funds.

- Governmental funds – The Village’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Village’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village’s programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation to the right of the fund financial statements.

**VILLAGE OF CHEVY CHASE SECTION 5  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

**The Village as a Whole**

**Governmental Activities**

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the Village's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants. Some of the individual line item revenues reported for each function are:

Public Works

Highway User Revenues

All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue, even if restricted to a specific purpose.



**VILLAGE OF CHEVY CHASE SECTION 5  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

**Governmental-Wide Financial Information**

The following is selected information as of June 30, 2022, and for the previous year, which is provided for comparison purposes.

	Governmental Activities	
	2021	2022
Current assets	\$ 4,246,753	\$ 4,434,403
Capital assets	168,084	151,874
Total assets	4,414,837	4,586,277
Deferred outflows	-	-
Total deferred outflows and assets	4,414,837	4,586,277
Current liabilities	199,866	56,027
Long-term liabilities	92,981	87,955
Total liabilities	292,847	143,982
Deferred inflows	-	-
Net position		
Net investment in capital assets	168,084	151,874
Restricted	-	-
Unrestricted	3,953,906	4,290,421
Total net position	4,121,990	4,442,295
Total liabilities, deferred inflows and net position	4,414,837	4,586,277
Program revenues		
Charges for services	-	-
Operating grants and contributions	21,599	24,765
General revenues		
Income taxes	713,501	775,558
Property taxes	-	-
Total general revenues	731,760	1,001,772
Transfers	-	-
Contingency loss	-	-
Total revenues and transfers	753,359	1,026,537
Expenses		
General government	377,963	417,111
Public works	221,214	289,121
Total expenses and transfers	599,177	706,232
Change in net position	154,182	320,305
Net position, beginning of year	3,967,808	4,121,990
Net position, end of year	\$ 4,121,990	\$ 4,442,295

**VILLAGE OF CHEVY CHASE SECTION 5  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

**Business-type Activities**

The Village currently has no business-type activities.

**The Village's Funds**

The following schedule presents a summary of general revenue and expenditures for the fiscal year ended June 30, 2022, and percentage of increases and decreases in relation to the prior year.

	FY2022 Amount	Percent of Total	Increase (Decrease) From FY2021
<b>Revenues</b>			
Taxes	\$ 717,777	74%	\$ (2,360)
Intergovernmental	24,765	3%	3,166
Investment and interest income	3,925	0%	(4,728)
Miscellaneous	222,289	23%	212,683
<b>Total Revenue</b>	<b>\$ 968,756</b>	<b>100%</b>	<b>\$ 208,761</b>
<b>Expenditures</b>			
General government	\$ 417,111	60%	\$ 39,148
Public works	263,961	39%	68,793
Capital outlays	8,950	1%	275
<b>Total Expenditures</b>	<b>\$ 690,022</b>	<b>100%</b>	<b>\$ 108,216</b>

Taxes increased from the prior year. Interest income remains low with current yields averaging 1%. General government expenditures increased from the prior year.

**VILLAGE OF CHEVY CHASE SECTION 5  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

**Budgetary Highlights**

The budget was not amended in fiscal year 2022. Refer to pages 29 and 30 of this report for a detailed analysis of the original budget, final budget, and actual revenues and expenditures for the governmental funds.

For the year ended June 30, 2022, actual revenues in the governmental funds were \$943,991 compared to the budgeted amount of \$629,922.

Actual expenditures in the governmental funds were \$657,748 compared to the budgeted amount of \$438,115. Refer to page 32 of this report for a detailed analysis of the actual general fund expenditures.

**Capital Asset and Debt Administration**

**Capital Assets**

Capital additions for fiscal year 2022 include street and sidewalk maintenance in the amount of \$8,950.

**Debt**

At year end, the Village's only debt liability is \$92,981 due to the State of Maryland, as a result of the 2015 *Comptroller of Maryland v. Wynne* case. See Note 12 for more information.

**Economic Factors and Next Year's Budgets and Rates**

The Village expects income taxes to remain the same. However, the Village is cautious when budgeting for income taxes; therefore, only \$615,000 is budgeted for fiscal year 2023. Expenditures are budgeted to remain fairly constant.

**Contacting the Village's Financial Management**

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 P. O. Box 15140, Chevy Chase, Maryland 20815.

**VILLAGE OF CHEVY CHASE SECTION 5, MARYLAND**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2022**

	Governmental Activities	Total
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents - unrestricted	\$ 1,942,918	\$ 1,942,918
Investments	2,080,245	2,080,245
Accounts receivable - income taxes	411,240	411,240
Total Current Assets	4,434,403	4,434,403
Noncurrent Assets		
Net capital assets	151,874	151,874
Total Noncurrent Assets	151,874	151,874
<b>TOTAL ASSETS</b>	<b>4,586,277</b>	<b>4,586,277</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 4,586,277</b>	<b>\$ 4,586,277</b>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 44,001	\$ 44,001
Amounts held in escrow and deposit	7,000	7,000
Current portion of Due to State	5,026	5,026
Total Current Liabilities	56,027	56,027
Noncurrent Liabilities		
Due to State	87,955	87,955
Total Noncurrent Liabilities	87,955	87,955
<b>TOTAL LIABILITIES</b>	<b>143,982</b>	<b>143,982</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
	-	-
<b>NET POSITION</b>		
Net investment in capital assets	151,874	151,874
Unrestricted	4,290,421	4,290,421
<b>TOTAL NET POSITION</b>	<b>4,442,295</b>	<b>4,442,295</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 4,586,277</b>	<b>\$ 4,586,277</b>

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

**VILLAGE OF CHEVY CHASE SECTION 5, MARYLAND  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Primary Government						
Governmental Activities:						
General government	\$ 417,111	\$ -	\$ -	\$ -	\$ (417,111)	\$ (417,111)
Public works	289,121	-	24,765	-	(264,356)	(264,356)
Total Governmental Activities	<u>706,232</u>	<u>-</u>	<u>24,765</u>	<u>-</u>	<u>(681,467)</u>	<u>(681,467)</u>
 Total Primary Government	 <u>\$ 706,232</u>	 <u>\$ -</u>	 <u>\$ 24,765</u>	 <u>\$ -</u>	 <u>\$ (681,467)</u>	 <u>\$ (681,467)</u>
			General revenues:			
			Taxes			
			Income taxes	775,558	775,558	
			Licenses and permits	7,987	7,987	
			Interest and investment earnings	3,925	3,925	
			Miscellaneous	214,302	214,302	
			Total General Revenues	<u>1,001,772</u>	<u>1,001,772</u>	
			Change in Net Position	320,305	320,305	
			Net Position, beginning of year	<u>4,121,990</u>	<u>4,121,990</u>	
			Net Position, end of year	<u>\$ 4,442,295</u>	<u>\$ 4,442,295</u>	

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

**VILLAGE OF CHEVY CHASE SECTION 5, MARYLAND  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2022**

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents - unrestricted	\$ 1,942,918	\$ -	\$ 1,942,918
Investments	2,080,245	-	2,080,245
Accounts receivable - income taxes	411,240	-	411,240
<b>TOTAL ASSETS</b>	<u>4,434,403</u>	<u>-</u>	<u>4,434,403</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
	-	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 4,434,403</u>	<u>\$ -</u>	<u>\$ 4,434,403</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 44,001	\$ -	\$ 44,001
Amounts held in escrow and deposit	7,000	-	7,000
<b>TOTAL LIABILITIES</b>	<u>51,001</u>	<u>-</u>	<u>51,001</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
	411,240	-	411,240
<b>FUND BALANCES</b>			
Unassigned	3,972,162	-	3,972,162
<b>TOTAL FUND BALANCES</b>	<u>3,972,162</u>	<u>-</u>	<u>3,972,162</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 4,434,403</u>	<u>\$ -</u>	<u>\$ 4,434,403</u>

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

<i>Total Governmental Fund Balances</i>	\$ 3,972,162
Capital assets used in governmental activities are not reported in the funds.	151,874
Receivables pertaining to revenue that are not available in accordance with modified accrual accounting are reported as deferred inflows of resources in the funds.	411,240
Long-term liabilities, including due to state, are not payable in the current period and therefore are not reported in the funds.	<u>(92,981)</u>
<i>Net Position of Governmental Activities</i>	<u>\$ 4,442,295</u>

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

**VILLAGE OF CHEVY CHASE SECTION 5, 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
<b>Revenues</b>			
Taxes	\$ 717,777	\$ -	\$ 717,777
Intergovernmental	-	24,765	24,765
Interest	3,925	-	3,925
Miscellaneous	222,289	-	222,289
<b>Total Revenues</b>	<u>943,991</u>	<u>24,765</u>	<u>968,756</u>
<b>Expenditures</b>			
General government	417,111	-	417,111
Public works	235,611	28,350	263,961
Capital outlay	-	8,950	8,950
Debt service			
Principal	5,026	-	5,026
Interest	-	-	-
<b>Total Expenditures</b>	<u>657,748</u>	<u>37,300</u>	<u>695,048</u>
<b>Excess (deficiency) of revenues over expenditures</b>	286,243	(12,535)	273,708
<b>Other financing sources (uses)</b>			
Operating transfers in (out)	(12,535)	12,535	-
<b>Total other financing sources (uses)</b>	<u>(12,535)</u>	<u>12,535</u>	<u>-</u>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	273,708	-	273,708
<b>Fund balance, beginning of year</b>	<u>3,698,454</u>	<u>-</u>	<u>3,698,454</u>
<b>Fund balance, end of year</b>	<u>\$ 3,972,162</u>	<u>\$ -</u>	<u>\$ 3,972,162</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>	\$ 273,708
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs 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.	(16,210)
Increases in deferred inflows of resources relating to state income taxes do not provide current financial resources and are not reported as revenue in the governmental funds.	57,781
Principal payments on long-term debt are shown as expenditures in the fund statements, but are a reduction of the liability in the government wide statements.	<u>5,026</u>
<i>Change in Net Position of Governmental Activities</i>	<u>\$ 320,305</u>

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

**VILLAGE OF CHEVY CHASE SECTION 5**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial Reporting Entity**

The Village of Chevy Chase Section 5 was established in 1922 and later incorporated in 1982. The Village is governed by an elected Village council and chairman and provides the following services as authorized by its charter: highways, streets, and general administrative services. The Village is located within Montgomery County, Maryland.

The accounting policies of the Village of Chevy Chase Section 5 conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

In evaluating how to define the Village of Chevy Chase Section 5, 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 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 the Village's share of Highway User Revenues that are restricted to use in maintaining roads of the Village.



**VILLAGE OF CHEVY CHASE SECTION 5**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**Basis of Accounting**

**Government-Wide Financial Statements**

The statement of net position and the statement of activities display information about the 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 funds). This is the same approach used in the preparation of the proprietary fund financial statements 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 are 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.

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

**VILLAGE OF CHEVY CHASE SECTION 5**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**Fund Financial Statements**

Fund financial statements report detailed information about the 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. Nonmajor funds, if any, are aggregated and presented in a single column.

**Governmental Funds**

Village activities pertaining to general government, sanitation, public improvements and highways and streets 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 – The Special Revenue fund is used to account for the Village’s share of motor fuel tax revenue and highway user fees legally restricted to be used to maintain the roads within the Village’s borders.

**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 franchise taxes, investment earnings, charges for services and intergovernmental revenues.

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

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

**VILLAGE OF CHEVY CHASE SECTION 5**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**Expenditure Recognition**

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

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

**Cash and Cash Equivalents**

The 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.

**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.

**Receivables**

Receivables at June 30, 2022, consist of income taxes. All receivables are deemed collectible in full.

**Inventory of Supplies**

Inventories, if any, 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.

**VILLAGE OF CHEVY CHASE SECTION 5**  
**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, deferred inflows of resources consisted of income taxes of \$411,240.

**Local Tax Reserve Fund**

At June 30, 2022, the Village was advised by the State of Maryland that \$411,240 of the Local Tax Reserve Fund was allocable to the Village. The Village recorded receivable and deferred inflows of resources in the amount of \$411,240 in the fund financial statements. The change in this amount from the prior year is reflected in current year income tax revenue in the government-wide financial statements in accordance with full accrual accounting.

**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. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. Infrastructure such as bridges, roads, curbs and gutters, streets, sidewalks, and drainage 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 are amortized over their useful lives if they do not have indefinite useful lives.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 20 years.

**Restricted Reserves**

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

**VILLAGE OF CHEVY CHASE SECTION 5**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**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.

**Compensated Absences**

Village employees do not earn vacation or sick leave. Therefore, no amount is shown for accrued compensated absences.

**Estimates**

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

**Equity Classifications**

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

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

*Restricted net position* – Consists of net position with constraints placed on its 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* – consists 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 policy to use restricted resources first and then unrestricted resources as needed.

**VILLAGE OF CHEVY CHASE SECTION 5  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**Governmental Fund Balances**

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

1. Non-Spendable Fund Balance – amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.
2. Restricted Fund Balance – amounts that can be spent only for specific purposes because of restrictions imposed externally by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by the 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.

The Village 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 spend first when other unrestricted fund balance classifications are available for use.

**NOTE 2 – COMPLIANCE AND ACCOUNTABILITY**

**Budget Requirements, Accounting, and Reporting**

**Requirements for all funds:**

Annual budgets are adopted for all Village funds. The Village Council may subsequently amend the budget and the budget was not amended during fiscal year 2022. For day-to-day management control, expenditures may not exceed budget at the department level. The Village prepares an annual operating budget on a basis consistent with generally accepted accounting principles.

**VILLAGE OF CHEVY CHASE SECTION 5**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 3 – DEPOSITS AND INVESTMENTS**

**Deposit Policies**

The deposits of the Village are governed by the Annotated Code of Maryland. The Village's deposits are insured or collateralized with securities held by the Village, its agent, or by the pledging financial institution's trust department or agent in the name of the Village.

**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 collateral valued at 102 percent of principal and accrued interest. Collateral is to be held by the Village, its agent, or by the pledging financial institution's trust department or agent in the name of the Village.

At year-end, the carrying amounts of the Village's deposits were \$1,942,918 and the bank balances totaled \$2,106,724. Of the bank balances, \$1,606,724 was not insured by Federal Depository Insurance Corporation (FDIC). 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 has no policy regarding credit risk.

**Interest Rate Risk** is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Village's policy provides that to the extent practicable, investments are matched with anticipated cash flows.

**Concentration of Credit Risk** is the risk of loss attributed to the magnitude of the Village's investment in a single issuer. The Village has no policy regarding concentration of credit risk.

**VILLAGE OF CHEVY CHASE SECTION 5  
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. Village policy provides that collateral is to be held by the Village, its agent, or by the pledging financial institution’s trust department or agent in the name of the Village.

Generally, the Village’s investing activities are managed by the Village Manager. Investing is performed in accordance with investment policies adopted by the Village Council complying with State Statutes governing the investment of public funds.

**Investments**

The Village has invested at June 30, 2022, \$1,131,448 in Certificates of Deposits, and \$948,797 in the Maryland Local Government Investment Pool (MLGIP).

As of June 30, 2022, the Village had the following investments:

Types of Investments	Fair Value/ Carrying Amount	Cost	Average Credit Quality/ Ratings
Certificates of Deposit	\$ 1,131,448	\$ 1,131,448	N/A
MLGIP	948,797	948,797	AAAm
	\$ 2,080,245	\$ 2,080,245	

Note: The Village has 11 certificates of deposit in various financial institutions, all 11 for \$100,000 plus accrued interest.



**VILLAGE OF CHEVY CHASE SECTION 5**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 4 – ACCOUNTS RECEIVABLE**

Accounts receivable consists of the following as of June 30, 2022:

State of Maryland - Income tax receivable	<u>\$ 411,240</u>
	<u><u>\$ 411,240</u></u>

**NOTE 5 – PROPERTY TAX**

Property taxes are levied as of July 1 on property values as of the same date. Village residents pay all property taxes to Montgomery County and the County remits the monies to the Village. Tax billings are considered delinquent after September 30. Properties with delinquent taxes may be sold at auction. When taxes are overdue, a lien is placed against the property. The real and personal property tax rates for the year ended June 30, 2022, were \$0.00 and \$0.00 per \$100 of assessed value, respectively.

**VILLAGE OF CHEVY CHASE SECTION 5  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 6 – CAPITAL ASSETS AND DEPRECIATION**

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	-	-	-	-
Subtotal	-	-	-	-
Depreciable capital assets:				
Streets and improvements	732,533	8,950	-	741,483
Equipment	2,964	-	-	2,964
Subtotal	735,497	8,950	-	744,447
Total capital assets	735,497	8,950	-	744,447
Accumulated depreciation:				
Streets and improvements	564,449	25,160	-	589,609
Equipment	2,964	-	-	2,964
Subtotal, accumulated depreciation	567,413	25,160	-	592,573
Net capital assets	\$ 168,084	\$ (16,210)	\$ -	\$ 151,874

Depreciation expense was charged to functions as follows:

Government activities:	
General government	\$ -
Public works	25,160
Total government activities depreciation expense	<u>\$ 25,160</u>

The Village has no material construction commitments as of June 30, 2022.

**VILLAGE OF CHEVY CHASE SECTION 5**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 7 – RETIREMENT PLAN**

The Village charter authorizes the Village to provide retirement benefits and may be amended by the Village Council. The Village has a simplified employee pension – individual retirement agreement (SEP-IRA) for its one employee. An employee becomes eligible by being at least 21 years of age and receiving compensation of at least \$450. The Village contributes 6.75% of the employee’s gross compensation provided the employee matches at least 3% of their gross compensation. All contributions vest immediately. At June 30, 2022, the Village made contributions of \$0 and the employee contributed \$0. The trustee for the SEP-IRA is Aetna Life Insurance.

**NOTE 8 – 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, automobile, employee health, police and public officials’ legal liability insurance coverage.

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

Premiums are charged to the 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 amount of settlements has not exceeded coverage for each of the past three years.

**NOTE 9 – 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.

**VILLAGE OF CHEVY CHASE SECTION 5**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 10 – CONCENTRATION OF CREDIT RISK**

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

**NOTE 11 – FUND BALANCE REPORTING**

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

**Unassigned Fund Balances**

All fund balances in the general fund are unassigned. At June 30, 2022, this amount was \$3,972,162.

**VILLAGE OF CHEVY CHASE SECTION 5  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 12 – 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 \$100,520 in total. During FY2021, the Comptroller’s Office stated that repayment will be made in 80 payments over 20 years, beginning in May 2021. Tax revenues will be reduced by \$5,026 each year going forward.

The amount of refunds that must be returned to the State of Maryland 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. The Village was required to start reimbursing the State until the fourth quarter of fiscal year 2021, and will be repaid over a period of 20 years as a reduction in income tax distribution. The changes in the liability are as follows:

	Balance June 30, 2021	Additions During Year	Retired During Year	Balance June 30, 2022	Amount Due Within 1 Year
State of Maryland	\$ 98,007	\$ -	\$ 5,026	\$ 92,981	\$ 5,026

The annual deductions will be as follows:

FY	Amount
2023	\$ 5,026
2024	5,026
2025	5,026
2026	5,026
2027	5,026
Thereafter	67,851
	\$ 92,981

**VILLAGE OF CHEVY CHASE SECTION 5**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 13 – NEW ACCOUNTING PRONOUNCEMENTS**

The GASB has issued the following statements:

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

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

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

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

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

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

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

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

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.

**VILLAGE OF CHEVY CHASE SECTION 5**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 13 – NEW ACCOUNTING PRONOUNCEMENTS - continued**

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.

**VILLAGE OF CHEVY CHASE SECTION 5, MARYLAND  
REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2022**

	<b>General Fund</b>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues</b>				
Taxes	\$ 609,922	\$ 609,922	\$ 717,777	\$ 107,855
Interest and investment earnings	10,000	10,000	3,925	(6,075)
Miscellaneous	10,000	10,000	222,289	212,289
<b>Total Revenues</b>	<u>\$ 629,922</u>	<u>\$ 629,922</u>	<u>\$ 943,991</u>	<u>\$ 314,069</u>
<b>Expenditures</b>				
General government	\$ 266,215	\$ 266,215	\$ 422,137	\$ (155,922)
Public works	171,900	171,900	235,611	(63,711)
<b>Total Expenditures</b>	<u>\$ 438,115</u>	<u>\$ 438,115</u>	<u>\$ 657,748</u>	<u>\$ (219,633)</u>



**VILLAGE OF CHEVY CHASE SECTION 5, MARYLAND  
REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2022**

	<b>Special Revenue Fund</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
Revenues				
Highway user revenue	\$ 21,797	\$ 21,797	\$ 24,765	\$ 2,968
Total Revenues	\$ 21,797	\$ 21,797	\$ 24,765	\$ 2,968
Expenditures				
Public works	\$ 45,000	\$ 45,000	\$ 28,350	\$ 16,650
Capital expenditures	40,000	40,000	8,950	31,050
Total Expenditures	\$ 85,000	\$ 85,000	\$ 37,300	\$ 47,700

## **SUPPLEMENTAL SCHEDULES**

**VILLAGE OF CHEVY CHASE SECTION 5, MARYLAND  
SCHEDULE OF REVENUES  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2022**

	Final Budget	Actual - General Fund	Budget Favorable (Unfavorable)
<b>REVENUES</b>			
<b>Taxes</b>			
State income taxes	\$ 609,922	\$ 717,777	\$ 107,855
<b>Total Taxes</b>	<u>609,922</u>	<u>717,777</u>	<u>107,855</u>
<b>Miscellaneous</b>			
Interest and investment earnings	10,000	3,925	(6,075)
ARPA funds	-	213,852	
Building application fees	1,500	450	(1,050)
Cable TV fees	8,500	7,987	(513)
Snow removal & sanding: FEMA	-	-	-
<b>Total Miscellaneous</b>	<u>20,000</u>	<u>226,214</u>	<u>(7,638)</u>
<b>Total Revenues</b>	<u>\$ 629,922</u>	<u>\$ 943,991</u>	<u>\$ 314,069</u>

**VILLAGE OF CHEVY CHASE SECTION 5, MARYLAND  
SCHEDULE OF GENERAL EXPENDITURES  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Final Budget</u>	<u>Actual - General Fund</u>	<u>Budget Favorable (Unfavorable)</u>
<b>General Government Expenditures</b>			
Personnel	\$ 87,750	\$ 97,595	\$ (9,845)
Professional fees	38,000	23,030	14,970
Insurance	6,000	5,960	40
Office and printing	14,450	7,908	6,542
Community activities	45,000	46,611	(1,611)
Membership and dues	4,215	3,215	1,000
Miscellaneous	3,500	1,542	1,958
Police and safety	67,300	71,650	(4,350)
Resident tax rebate	-	159,600	(159,600)
Wynne liability	-	5,026	(5,026)
<b>Total General Government Expenditures</b>	<u>266,215</u>	<u>422,137</u>	<u>(155,922)</u>
<b>Public Works Expenditures</b>			
Waste removal	72,000	86,899	(14,899)
Trees, shrubs and grass	50,000	103,473	(53,473)
Leaf collection	20,000	19,886	114
Composting	20,000	14,370	5,630
Landscaping	9,900	10,983	(1,083)
<b>Total Public Works Expenditures</b>	<u>171,900</u>	<u>235,611</u>	<u>(63,711)</u>
<b>Total Expenditures</b>	<u>\$ 438,115</u>	<u>\$ 657,748</u>	<u>\$ (219,633)</u>

October 21 2022

To the Chair of the Council, Village Council and Village Manager  
Section 5 of the Village of Chevy Chase, Maryland

We audited the financial statements of the governmental activities and each major fund of Section 5 of the Village of Chevy Chase, Maryland (the “Village”) for the year ended June 30, 2022, and have issued our report thereon dated October 21, 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 16, 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*

The Village maintains its books on a cash basis. We assisted the Village in converting from the cash basis to generally accepted accounting principles (GAAP). 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. Many of the following adjustments pertain to converting from the cash basis to GAAP. Management has corrected all such misstatements.

- Accounts receivable
- Accounts payable
- Various income accounts
- Various expense accounts
- Fund balance
- Deferred revenue

### *Disagreements with Management*

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

### *Management Representations*

We have requested certain representation from management that is included in the management representation letter dated October 21, 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.

This information is intended solely for the use of the Chair of the Council, Village Council, and Village Manager and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Lindsey's Associates, LLC". The signature is written in black ink and is positioned to the right of the "Very truly yours," text.

October 21, 2022

To the Chair of the Council, Village Council and Village Manager  
The Village of Chevy Chase Section 5, Maryland

In planning and performing our audit of the financial statements of the Village of Chevy Chase Section 5 (the “Village”) as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the Village’s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Village’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in the Village’s internal control to be material weaknesses:

### **Preparation of Financial Statements**

In the current year as well as the prior year, we noted no Village employee or officer has the technical background to prepare the financial statements, including the related notes to the financial statements, in accordance with generally accepted accounting principles.

As part of the audit, the Village’s management has requested us to prepare a draft of the Village’s financial statements, including related notes to the financial statements. The Village Manager performed a review of the financial statements. However, in order to provide improved oversight of the financial statement preparation services at an appropriate level and implement controls over the financial reporting process, we recommend the Village obtain and use one or both of the following publications in subsequent years when reviewing the financial statements:



*Governmental Accounting, Auditing, and Financial Reporting Using the GASB 34 Model* available from the Government Finance Officers Association at [www.gfoa.org](http://www.gfoa.org) or *Preparing Governmental Financial Statements Under GASBS No. 34* available from Thomson Tax & Accounting at [www.ppc.thomson.com](http://www.ppc.thomson.com).

This communication is intended solely for the information and use of the Chairman, Village Council, and Village Manager, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Kindrey & Associates, LLC*