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**TOWN OF CHEVY CHASE,  
MARYLAND**

**Financial Statements,  
Supplementary Information and  
Independent Auditor's Report**

**For the Years Ended  
June 30, 2024 and 2023**

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**LSWG**

**CERTIFIED PUBLIC ACCOUNTANTS  
& BUSINESS ADVISORS**

**TOWN OF CHEVY CHASE, MARYLAND**  
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## **INDEPENDENT AUDITOR'S REPORT**

To the Mayor and Council of the  
Town of Chevy Chase, Maryland

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Chevy Chase, Maryland, as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Town of Chevy Chase, Maryland'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 Town of Chevy Chase, Maryland, as of June 30, 2024 and 2023, and the respective changes in financial position for the years 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Chevy Chase, Maryland and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Chevy Chase, Maryland's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***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 opinions. 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 and *Government 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 and *Government 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 Town of Chevy Chase, Maryland'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 Town of Chevy Chase, Maryland'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.

### **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 schedule – general fund be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2024, on our consideration of the Town of Chevy Chase, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Chevy Chase, Maryland's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Chevy Chase, Maryland's internal control over financial reporting and compliance.

*LSWG, P.A.*

Rockville, Maryland  
October 28, 2024

**TOWN OF CHEVY CHASE, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2024**

As management of the Town of Chevy Chase, Maryland (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2024. This discussion and analysis is best understood if read in conjunction with the Town's basic financial statements.

**Financial Highlights**

The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the 2024 fiscal year by \$17,720,915 (net position). Of the total net position, \$16,557,713 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors, \$758,716 is invested in capital assets, and \$404,486 is restricted net position. Restricted net position consists of \$398,425 for cable television operating and capital expenses \$6,061 for the net pension asset..

As of June 30, 2024, the Town's governmental funds reported an ending fund balance of \$17,680,522, an increase of \$2,203,370 in comparison with the prior year. Of this amount, \$12,686,905 is available for spending at the government's discretion (unassigned fund balance). The unassigned fund balance of \$12,686,905 is 320% of the total fiscal year 2024 general fund expenditures.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The *Statement of Net Position*, Exhibit A-1, presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *Statement of Program Activities*, Exhibit A-2, presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

**TOWN OF CHEVY CHASE, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2024**

Government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general administration, public safety, streets, sanitation, parks and recreation, and building inspection. The Town does not have any business-type activities.

The government-wide financial statements include only the Town of Chevy Chase, Maryland because the Town has no component unit relationships with any other agency. The government-wide financial statements can be found in Exhibits A-1 to A-3 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. The Town of Chevy Chase, Maryland has only a governmental fund, the General Fund.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of available, spendable resources*, as well as on *balances of those resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By so doing, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town adopts an annual appropriated budget for its governmental fund. A budgetary comparison schedule has been provided as Exhibit B-1 for the fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found in Exhibits A-4 to A-6.

**Summary of significant accounting policies and notes to the financial statements.** The summary and notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They are part of the basic financial statements and can be found on pages 1 to 19 of Exhibit A-7.

**Other information.** In addition to the basic financial statements and accompanying notes, this report presents certain *required supplementary information* in Exhibits B-1 to B-4.

**TOWN OF CHEVY CHASE, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2024**

**Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's overall financial condition and position. In the case of the Town, assets and deferred outflows exceeded liabilities and deferred inflows by \$17,720,915 at the close of the current fiscal year. The Town of Chevy Chase, Maryland's net position is divided into three categories – 1) investment in capital assets, net of related debt, 2) restricted net position and 3) unrestricted net position. The investment in capital assets has a balance of \$758,716 (4.3% of total net position) and reflects investment in capital assets net of depreciation (e.g. land, improvements, buildings, machinery, equipment and vehicles). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The restricted net position is restricted for cable television access facilities and equipment, as well as the net pension asset, and has a balance of \$404,486 (2.3% of total net position). The unrestricted net position of the government has a balance of \$16,557,713 (93.4% of total net position), which may be used to meet the government's ongoing obligations to citizens and creditors.

For the fiscal years ended June 30, 2024 and 2023 the Town reported the following assets and liabilities:

**Town of Chevy Chase, Maryland's Net Position**

	<u>2024</u>	<u>2023</u>
<b>Assets</b>		
Current and other assets	\$ 18,941,766	\$ 17,311,792
Capital assets	<u>758,716</u>	<u>845,115</u>
Total assets	<u>19,700,482</u>	<u>18,156,907</u>
<b>Deferred Outflows</b>	<u>47,169</u>	<u>72,019</u>
<b>Liabilities</b>	<u>1,158,792</u>	<u>904,231</u>
<b>Deferred Inflows</b>	<u>867,944</u>	<u>1,631,604</u>
<b>Net Position</b>		
Invested in capital assets	758,716	845,115
Restricted	404,486	407,871
Unrestricted and undesignated	<u>16,557,713</u>	<u>14,440,105</u>
<b>Total net position</b>	<u>\$ 17,720,915</u>	<u>\$ 15,693,091</u>

**TOWN OF CHEVY CHASE, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2024**

The following table indicates the changes in net position for governmental activities:

**Town of Chevy Chase, Maryland's Change in Net Position**

	<b>2024</b>	<b>2023</b>
<b>Net position, beginning of year</b>	\$ 15,693,091	\$ 13,193,021
<b>Revenues</b>		
Program revenues:		
Charges for services	75,748	80,204
Operating grants and contributions	1,095,305	826,085
Capital grants and contributions	23,895	71,551
General revenues:		
Property and income taxes levied for general purposes	3,870,890	3,938,410
Intergovernmental and miscellaneous	267,578	262,335
Unrestricted investment earnings	837,940	462,792
<b>Total revenues</b>	<b>6,171,356</b>	<b>5,641,377</b>
<b>Expenditures</b>		
General government	1,676,720	1,551,350
Building and zoning	3,009	3,336
Public safety	529,469	336,763
Parks and recreation	319,953	325,925
Public works	1,614,381	923,933
<b>Total expenses</b>	<b>4,143,532</b>	<b>3,141,307</b>
<b>Increase (Decrease) in net position</b>	2,027,824	2,500,070
<b>Net position, end of year</b>	<b>\$ 17,720,915</b>	<b>\$ 15,693,091</b>

Governmental Activities: Revenues for the governmental activities were \$6,171,356, while total expenditures were \$4,143,532. As compared to last fiscal year, revenues increased by \$529,979 while expenditures increased by \$1,002,225. The increase in net position for governmental activities was \$2,027,824.

As a result of the U.S. Supreme Court decision on the Wynne Case, the State of Maryland is requiring Maryland local governments to refund the estimated portion of income tax paid to the local governments in previous years, consisting of the local portion of the tax that the State may have to re-pay taxpayers who filed amended returns claiming a refund for the credit applicable to the local tax rate. The Town has recorded a liability of \$743,172 in the Statement of Net Position which will be paid to the State of Maryland over eighty quarters beginning May 1, 2021. The Town's estimated liability at June 30, 2024 and 2023 was \$628,839 and \$666,950, respectively.

**TOWN OF CHEVY CHASE, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2024**

**Financial Analysis of the Town's Funds**

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the Town's *governmental fund* is to provide information on current inflows, outflows, and balances of available, *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the operating fund of the Town of Chevy Chase, Maryland. At June 30, 2024, the Town's General Fund reported an ending fund balance of \$17,680,522, an increase of \$2,203,370 in comparison with the prior year. Of this amount, \$12,686,905 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. As a measure of the General Fund's liquidity, it may be useful to compare the total fund balance to total fund expenditures. The total fund balance represents 446% of total General Fund expenditures including capital projects.

**General Fund Budgetary Highlights**

Total revenues on Exhibit B-1 of \$6,171,271 were \$208,771 more than budgeted. The Town revenues were more than budgeted in the following areas: \$255,805 in tax revenue, \$15,494 in licenses and permits revenue, \$251,940 in interest income. The Town was \$337,500 under budget in program open space.

Total expenditures on Exhibit B-1 of \$3,967,901 were \$617,599 under budget, with unexpended operating funds in professional services accounting for \$161,320 of the variance, unexpended funds of \$86,636 for streets & roads, unexpended capital project funds accounting for \$253,933 of the variance, and unexpended funds in civic affairs and community programs accounting for \$98,063 of the variance.

**Capital Assets and Debt Administration**

**Capital Assets.** The Town's investment in capital assets for its governmental activities as of June 30, 2024 was \$758,716 (net of accumulated depreciation). This investment in capital assets includes buildings and improvements, streets, road and parks, vehicles and furniture and equipment.

**TOWN OF CHEVY CHASE, MARYLAND  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
June 30, 2024**

The following table reflects the Town’s capital assets, net of depreciation by category. Additional information can be found in Note 3 on page 11 of Exhibit A-7.

**Town of Chevy Chase, Maryland’s Capital Assets  
(net of depreciation)**

	<b>2024</b>	<b>2023</b>
Building and improvements	\$ 26,099	\$ 29,108
Vehicles	71,204	82,910
Furniture and equipment	27,879	51,927
Streets and roads, parks	633,534	681,170
<b>Total</b>	<b>\$ 758,716</b>	<b>\$ 845,115</b>

Major capital asset events during the year ending June 30, 2024 included the following:

General fund capital expenditures for parks, grounds and trees were \$31,636; expenditures for furniture and equipment were \$24,779 and expenditures for streets and sidewalks were \$610,152.

**Long Term Debt**

The State tax credit liability of \$628,839 along with accrued compensated absences of \$41,660 represent the outstanding debt obligations of the Town.

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

In fiscal year 2025, the Council levied a real property tax rate of \$0.0084 per \$100 of assessed value and levied a utility property tax rate of \$0.66 per \$100 of assessed value.

Income tax revenues for fiscal year 2025 are budgeted at \$3,650,000, which represents an increase of \$200,000 of the fiscal year 2024 budget of \$3,450,000.

Capital improvement expenditures for fiscal year 2025 are budgeted at \$987,500, which represents an increase of \$67,000 from the fiscal year 2024 budget of \$920,500.

**Requests for Information**

This financial report is designed to provide a general overview of the Town of Chevy Chase, Maryland’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Town Manager, Town of Chevy Chase, Maryland, 4301 Willow Lane, Chevy Chase, Maryland 20815 or send an e-mail to [thoffman@townofchevychase.org](mailto:thoffman@townofchevychase.org).

**TOWN OF CHEVY CHASE, MARYLAND**  
**Statements of Net Position**  
**June 30,**

	<b>Governmental Activities <u>2024</u></b>	<b>Governmental Activities <u>2023</u></b>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,804,865	\$ 2,044,159
Investments	15,998,469	15,160,956
Due from other governments	90,026	64,265
Other receivables	982	897
Prepaid expenses	41,363	15,750
Net pension asset	6,061	25,765
Capital assets, net	<u>758,716</u>	<u>845,115</u>
 Total Assets	 <u>19,700,482</u>	 <u>18,156,907</u>
 <b>Deferred Outflows</b>	 <u>47,169</u>	 <u>72,019</u>
<b>Liabilities</b>		
Accounts payable	332,136	113,486
Accrued liabilities	125,688	22,054
Performance bonds	29,615	63,178
Accrued compensated absences	42,514	38,563
State tax credit liability - current portion	38,111	38,111
Long-term liabilities		
Due in more than one year		
State tax credit liability	<u>590,728</u>	<u>628,839</u>
 Total Liabilities	 <u>1,158,792</u>	 <u>904,231</u>
 <b>Deferred Inflows</b>	 <u>867,944</u>	 <u>1,631,604</u>
<b>Net Position</b>		
Invested in capital assets	758,716	845,115
Restricted	404,486	407,871
Unrestricted	<u>16,557,713</u>	<u>14,440,105</u>
 Total Net Position	 <u>\$ 17,720,915</u>	 <u>\$ 15,693,091</u>

The accompanying notes are an integral part of these statements.

**TOWN OF CHEVY CHASE, MARYLAND**  
**Statement of Program Activities**  
**For the Year Ended June 30, 2024**

	<u>Program Revenue</u>			<u>Net (Expenses) Revenue and Changes in Net Position Governmental Activities</u>	<u>Total</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>			<u>Capital Grants and Contributions</u>
<b>Functions/Programs</b>						
Governmental Activities						
General government	\$ 1,676,720	\$ 32,099	\$ 739,000	\$ 23,895	\$ (881,726)	\$ (881,726)
Building and zoning	3,009	25,000	-	-	21,991	21,991
Public works	1,614,381	-	309,388	-	(1,304,993)	(1,304,993)
Public safety	529,469	18,649	46,917	-	(463,903)	(463,903)
Parks and recreation	319,953	-	-	-	(319,953)	(319,953)
Total Governmental Activities	<u>\$ 4,143,532</u>	<u>\$ 75,748</u>	<u>\$ 1,095,305</u>	<u>\$ 23,895</u>	(2,948,584)	(2,948,584)
General Revenues						
Property taxes					167,308	167,308
Income taxes					3,703,582	3,703,582
Intergovernmental					256,249	256,249
Interest					837,940	837,940
Miscellaneous					11,329	11,329
Total General Revenues					<u>4,976,408</u>	<u>4,976,408</u>
Changes in Net Position					2,027,824	2,027,824
Net Position, Beginning of Year					<u>15,693,091</u>	<u>15,693,091</u>
Net Position, End of Year					<u>\$ 17,720,915</u>	<u>\$ 17,720,915</u>

The accompanying notes are an integral part of this statement.

**TOWN OF CHEVY CHASE, MARYLAND**  
**Statement of Program Activities**  
**For the Year Ended June 30, 2023**

	<u>Program Revenue</u>			<b>Net (Expenses) Revenue and Changes in Net Position Governmental Activities</b>	<b>Total</b>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		
<b>Functions/Programs</b>					
Governmental Activities					
General government	\$ 1,551,350	\$ 33,810	\$ 700,000	\$ 25,275	\$ (792,265) \$ (792,265)
Building and zoning	3,336	25,410	-	-	22,074 22,074
Public works	923,933	-	126,085	-	(797,848) (797,848)
Public safety	336,763	20,984	-	46,276	(269,503) (269,503)
Parks and recreation	325,925	-	-	-	(325,925) (325,925)
Total Governmental Activities	<u>\$ 3,141,307</u>	<u>\$ 80,204</u>	<u>\$ 826,085</u>	<u>\$ 71,551</u>	(2,163,467) (2,163,467)
General Revenues					
Property taxes					164,837 164,837
Income taxes					3,773,573 3,773,573
Intergovernmental					238,160 238,160
Interest					462,792 462,792
Miscellaneous					24,175 24,175
Total General Revenues					<u>4,663,537</u> <u>4,663,537</u>
Changes in Net Position					2,500,070 2,500,070
Net Position, Beginning of Year					<u>13,193,021</u> <u>13,193,021</u>
Net Position, End of Year					<u>\$ 15,693,091</u> <u>\$ 15,693,091</u>

The accompanying notes are an integral part of this statement.

**TOWN OF CHEVY CHASE, MARYLAND**  
**Balance Sheets**  
**Governmental Funds**  
**For the Years Ended June 30,**

	<b>General Fund</b>	<b>General Fund</b>
	<b><u>2024</u></b>	<b><u>2023</u></b>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,804,865	\$ 2,044,159
Investments	15,998,469	15,160,956
Due from other governments	90,026	64,265
Other receivables	982	897
Prepaid expenses	<u>41,363</u>	<u>15,750</u>
<b>Total Assets</b>	<u>18,935,705</u>	<u>17,286,027</u>
<b>Deferred Outflows</b>	<u>-</u>	<u>-</u>
<b>Liabilities</b>		
Accounts payable	332,136	113,486
Accrued liabilities	25,688	22,054
Performance bonds	29,615	63,178
Accrued compensated absences - current	<u>854</u>	<u>4,352</u>
Total Liabilities	<u>388,293</u>	<u>203,070</u>
<b>Deferred Inflows</b>	<u>866,890</u>	<u>1,605,805</u>
<b>Fund Balances</b>		
Nonspendable	41,363	15,750
Restricted	398,425	382,106
Committed	4,553,829	4,553,829
Unassigned	<u>12,686,905</u>	<u>10,525,467</u>
Total Fund Balances	<u>\$ 17,680,522</u>	<u>\$ 15,477,152</u>
<b>Reconciliation of Total Governmental Fund Balances To Net</b>		
<b>Assets of the Governmental Activities</b>		
Total Governmental Fund Balances	\$ 17,680,522	\$ 15,477,152
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Property tax revenues in the Statement of Program Activities that do not provide current financial resources are not reported as revenues in the funds.	982	897
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements.	758,716	845,115
State tax credit liability expensed in the government-wide financial statements not reported as expenditures in the fund financial statements.	(628,839)	(666,950)
Net pension asset (liability) in the government-wide financial statements not requiring the use of current financial resources in the fund financial statements.	6,061	25,765
Compensated absences not requiring current financial resources and therefore not reported as expenditures in the fund financial statements.	(41,660)	(34,211)
Long-term liabilities used in governmental activities are not financial resources and therefore are not reported in the fund financial statements.	(100,000)	-
Deferred outflows factored for pension contributions not reportable in the governmental funds.	47,169	72,019
Deferred inflows for pension investment activity not reported in the governmental funds.	<u>(2,036)</u>	<u>(26,696)</u>
Net Position of Governmental Activities	<u>\$ 17,720,915</u>	<u>\$ 15,693,091</u>

The accompanying notes are an integral part of these statements.

**TOWN OF CHEVY CHASE, MARYLAND**  
**Statements of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Governmental Funds**  
**For the Years Ended June 30,**

	<b>2024</b>	<b>2023</b>
	<b>General</b>	<b>General</b>
	<b>Fund</b>	<b>Fund</b>
	<u>          </u>	<u>          </u>
<b>Revenues</b>		
General property taxes	\$ 167,223	\$ 164,920
State shared taxes	3,703,582	3,773,573
Permits, fees and licenses	80,994	84,496
Fines and forfeitures	18,649	20,984
Intergovernmental revenues	456,160	410,521
Grants	739,000	700,000
Miscellaneous	<u>1,005,663</u>	<u>486,979</u>
Total Revenues	6,171,271	5,641,473
<b>Expenditures</b>		
General government	1,528,369	1,539,773
Public safety	529,469	418,248
Public works	1,871,952	1,219,793
Debt service	<u>38,111</u>	<u>38,111</u>
Total Expenditures	<u>3,967,901</u>	<u>3,215,925</u>
Excess of Revenues Over Expenditures	2,203,370	2,425,548
<b>Fund Balance at Beginning of Year</b>	<u>15,477,152</u>	<u>13,051,604</u>
<b>Fund Balance at End of Year</b>	<u><u>\$17,680,522</u></u>	<u><u>\$ 15,477,152</u></u>

The accompanying notes are an integral part of these statements.

**TOWN OF CHEVY CHASE, MARYLAND**  
**Reconciliation of the Statements of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Program Activities**  
**For the Years Ended June 30,**

	<u>2024</u>	<u>2023</u>
Net Change in Fund Balance - Total Governmental Funds	\$ 2,203,370	\$ 2,425,548
Amounts reported for governmental activities in the Statement of Program Activities are different because:		
Property tax revenues in the Statement of Program Activities that do (do not) provide current financial resources are not reported as revenues in the funds.	85	(82)
Governmental funds report capital outlays as expenditures. However, in the Statement of Program Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation is (more) or less than capital outlay in the current period.	(86,399)	13,968
Compensated absences (increase) decrease in the Statement of Program Activities not requiring the use of current financial resources and therefore not reported as expenditures in the governmental funds.	(7,449)	(5,809)
Change in net pension liability not requiring the use of current financial resources and therefore are (are not) reported as governmental fund expenditures.	(19,894)	28,334
Post retirement benefits (increase) in the Statement of Program Activities not requiring the use of current financial resources and therefore not reported as expenditures in the governmental funds.	(100,000)	-
State tax credit refunds in the Statement of Program Activities not requiring the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<u>38,111</u>	<u>38,111</u>
Net Change in Net Position - Government-wide	<u>\$ 2,027,824</u>	<u>\$ 2,500,070</u>

The accompanying notes are an integral part of these statements.

**TOWN OF CHEVY CHASE, MARYLAND**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**Note 1 - Summary of Significant Accounting Policies**

**A. Financial Reporting Entity**

The Town of Chevy Chase (the Town) was established as a municipality and incorporated in 1918 under the laws of the State of Maryland. The Town operates under a Council-Manager form of government consisting of a Town Manager and Town Council. The Town provides the following services as authorized by its charter: streets, sanitation, building inspection, public safety and general administration services. The basic financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for established governmental and financial reporting principles. The Town previously implemented the accounting and financial reporting requirements of GASB Statements No. 34, Basic Financial Statements and Management's Discussion and Analysis for States and Local Governments. GASB No. 34 added the following components to the financial statements:

Management's Discussion and Analysis – A narrative introduction and analytical overview of the government's financial activities. This analysis is similar to the analysis the private sector provides in their annual reports.

Government-Wide Financial Statements – These include financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter. The government-wide statements include the Statement of Net Position and the Statement of Program Activities.

Statement of Net Position – The Statement of Net Position displays the financial position of the Town. All assets, deferred outflows, liabilities and deferred inflows of resources associated with the operation of the Town are included on the Statement of Net Position. The net position of a government is broken into three categories –1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Program Activities – The Statement of Program Activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants.)

**TOWN OF CHEVY CHASE, MARYLAND**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**Note 1 - Summary of Significant Accounting Policies (continued)**

**A. Financial Reporting Entity (continued)**

Budgetary Comparison Schedules – Demonstrating compliance with the adopted budget is an important component of a government’s accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The Town and many other governments revise their original budgets over the course of the year for a variety of reasons.

The financial statements were prepared in accordance with GASB Statement No.14, The Financial Reporting Entity, which establishes standards for defining and reporting on the financial reporting entity. The definition of the financial reporting entity is based upon the concept that elected officials are accountable to their constituents for their actions. One of the objectives of financial reporting is to provide users of financial statements with the basis for assessing the accountability of the elected officials. The financial reporting entity consists of the Town of Chevy Chase. There are no organizations for which the Town is financially accountable and there are no component units of the Town.

**B. Government-Wide and Fund Financial Statements**

The basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements. The reporting model focus is on both the Town as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories. The government-wide financial statements (i.e., the statement of net position and the statement of program activities) report information on all of the activities of the Town. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for support. The Town has one governmental fund, the general fund, to account for all activities of the government, and does not have any business-type activities at this time.

The statement of program activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**TOWN OF CHEVY CHASE, MARYLAND**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**Note 1 - Summary of Significant Accounting Policies (continued)**

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

The government-wide statements are reported using the economic resources measurement focus, and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, franchise fees, utility taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports unearned revenues as deferred inflows on its governmental funds balance sheet. Unearned revenues arise from taxes levied in the current year which are for subsequent years' operations. For governmental fund financial statements unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received before the Town has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

The Town reports the following major governmental fund:

The General Fund – This is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. No other funds are currently required.

**TOWN OF CHEVY CHASE, MARYLAND**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**Note 1 - Summary of Significant Accounting Policies (continued)**

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position**

1. Deposits and Investments

Cash and cash equivalents, which are cash and short-term investments with maturities of three months or less, include cash on hand and demand deposit accounts.

2. Capital Assets

Capital assets, which include building and building improvements, furniture, equipment, infrastructure and vehicles are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life of five years or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. General infrastructure assets acquired prior to July 1, 2004 are not reported in the basic financial statements. There were infrastructure increases of \$0 and \$24,685 for the years ended June 30, 2024 and 2023. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property and equipment of the Town are depreciated using the straight-line method over the following estimated useful lives:

- Infrastructure – 10 – 20 years
- Building and building improvements – 5 - 40 years
- Furniture and equipment – 5 - 10 years
- Vehicles – 10 years

TOWN OF CHEVY CHASE, MARYLAND  
Notes to Financial Statements  
June 30, 2024 and 2023

Note 1 - Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position  
(continued)

3. Compensated Absences

Town employees are granted vacation in varying amounts based on length of service. Carryover is limited to two hundred and forty (240) hours. Unused vacation pay, if any, is paid with the employee's termination or retirement. Those amounts estimated to be liquidated with expendable available financial resources from the general fund are reported as an expenditure and a liability of the general fund.

4. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town recognizes unearned property taxes and unearned grant funds as a deferred inflow.

See Note 5 for description of deferred inflows and outflows related to GASB No. 68 and Note 8 for deferred inflows related to unearned grant revenue.

TOWN OF CHEVY CHASE, MARYLAND  
Notes to Financial Statements  
June 30, 2024 and 2023

Note 1 - Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position  
(continued)

5. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. A material estimate that is particularly susceptible to significant change in the near term relates to the determination of the actuarially accrued liability for unpaid claims which is prepared based on certain assumptions pertaining to interest rates, inflation rates, etc. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results. The net pension liability is also an estimate that will change annually based on actuarial assumptions and calculations.

6. Property Taxes

The real property tax rate for the Town for fiscal years ended June 30, 2024 and 2023 was \$0.009 and \$0.0097, respectively, per \$100 of assessed taxable value. The public utility tax rate for the Town for fiscal years ended June 30, 2024 and 2023 was \$0.66 and \$0.66, respectively, per \$100 of assessed taxable value. The personal property tax rates for the Town for the fiscal years ended June 30, 2024 and 2023 were \$.00, respectively, per \$100 of assessed taxable value.

7. Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the government-wide financial statements. Net position is classified in the following categories:

*Invested in capital assets* – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

*Restricted net position* – This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

**TOWN OF CHEVY CHASE, MARYLAND**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**Note 1 - Summary of Significant Accounting Policies (continued)**

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position (continued)**

7. Net Position (continued)

The Town received Cable TV PEG grant fees which can be spent on public, education or governmental access and institutional network facilities. As of June 30, 2024 and 2023 the restricted balance for the Cable TV PEG grant fees is \$398,425 and \$382,106, respectively. The Town has a net pension asset of \$6,061 and \$25,765 for the years ended June 30, 2024 and 2023, respectively, which are restricted for the Montgomery County Retirement Pension plan.

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

**Note 2 – Reconciliation of Government-Wide and Fund Financial Statements**

The governmental fund balance sheet includes reconciliation between fund balance – total government funds and net position – governmental activities as reported in the government-wide statement of net position. Exhibit A-6 reconciles the governmental fund statement of revenues, expenditures and change in fund balance to the revenues, expenses and change in net position of the government-wide statement of program activities.

**Note 3 – Detailed Notes on All Funds**

A. Deposits and Temporary Investments

Deposits

State statutes require all deposits be insured by the Federal Depository Insurance Corporation (FDIC) or fully collateralized. Cash and cash equivalents as presented on the balance sheet and statement of net position include demand deposits and money market accounts.

At June 30, 2024 and 2023 the carrying amount of the Town’s deposits totaled \$2,804,865 and \$2,044,159 and the bank balances totaled \$2,802,162 and \$2,043,159, respectively. Of the bank balances at June 30, 2024 and 2023, \$250,000 was covered by federally depository insurance, respectively, and the remaining balance was covered by collateral held by the bank’s trust department in the Town’s name.

**TOWN OF CHEVY CHASE, MARYLAND**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**Note 3 – Detailed Notes on All Funds (continued)**

A. Deposits and Temporary Investments (continued)

Investments

The Town invest in the Montgomery County Pooled Investment Fund. These funds are part of a collateralized investment pool. The Fund is managed by Montgomery County, with oversight by the Investment Committee and in compliance with the Annotated Code of Maryland. The average maturity of the portfolio is generally less than six months. Deposits are fully insured or collateralized. Investment income during the year is allocated to pool participants based upon their average equity in the pool.

The carrying amount and fair value of the Fund at June 30, 2024 and 2023 is \$15,998,469 and \$15,160,956, respectively.

Credit Risk

The Town investment policy permits investments in Government and U.S. Government agency obligations, certificates of deposits, prime commercial paper, investment pools as authorized by the State of Maryland and repurchase agreements collateralized with U.S. Treasury bills, notes or bonds.

The Town invests in the Montgomery County Pooled Investment Fund (the Fund). The Fund seeks to maintain a constant yield value of \$1.00 per unit. Unit value is computed using the amortized cost method. In addition, the net asset value of the pool, marked to market, is calculated and maintained on a weekly basis to ensure a \$1.00 per unit constant value.

Custodial Credit Risk

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

Fair Value

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**TOWN OF CHEVY CHASE, MARYLAND**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**Note 3 – Detailed Notes on All Funds (continued)**

A. Deposits and Temporary Investments (continued)

Fair Value (continued)

The Town has the following recurring fair value measurements as of June 30, 2024 and 2023:

- Montgomery County Investment Pool mutual funds of \$15,998,469 and \$15,160,956, respectively and are valued using quoted market prices (Level 1 inputs).

B. Due from Other Governments

Due from other governments represents accrued revenue at June 30, 2024 and 2023 consisting of the following:

Primary Government	<u>2024</u>	<u>2023</u>
State		
General Fund	\$ 19,953	\$ 36,158
County		
General Fund	<u>70,073</u>	<u>28,107</u>
Total Primary Government	<u>\$ 90,026</u>	<u>\$ 64,265</u>

C. Prepaid Expenses

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

D. Fund Balance

The Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

Nonspendable – such as fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable and property held for resale.

**TOWN OF CHEVY CHASE, MARYLAND**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**Note 3 – Detailed Notes on All Funds (continued)**

D. Fund Balance (continued)

Restricted fund balance – includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers or through enabling legislation.

Committed fund balance – includes amounts that can be used only for the specific purposes determined by a formal action of the Mayor and Council of the Town of Chevy Chase.

Assigned fund balance – includes amounts to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned fund balance – is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Nonspendable

The Town's nonspendable fund balance includes prepaid expenses of \$41,363 and \$15,750 for the years ended June 30, 2024 and 2023, respectively.

Restricted Fund Balance

The Town received Cable TV PEG grant fees which can be spent on public, education or governmental access and institutional network facilities. As of June 30, 2024 and 2023 the restricted balance for the Cable TV PEG grant fees is \$398,425 and \$382,106, respectively.

Committed Fund Balance

The Town's committed fund balance includes the projected use of fund balance for a Purple Line noise wall, for which a contract has been signed. For the years ended June 30, 2024 and 2023, the committed fund balance was \$53,829 and \$53,829, respectively. The Town's committed fund balance also consists of a commitment for the Bethesda Market Park of \$4,500,000 for the years ended June 30, 2024 and 2023.

**TOWN OF CHEVY CHASE, MARYLAND**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**Note 3 – Detailed Notes on All Funds (continued)**

D. Fund Balance (continued)

Order of Fund Balance Spending Policy

The Town considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as grant agreements requiring dollar for dollar spending. Additionally, the Town would first use restricted, committed, assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made. Unassigned fund balance cannot fall to a negative balance.

E. Capital Assets

Capital asset activity for the year ended June 30, 2024 was as follows:

	<b>Beginning Balance</b>			<b>Ending Balance</b>
	<b><u>June 30, 2023</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>June 30, 2024</u></b>
Governmental Activities				
Capital assets, being depreciated				
Building and building improvements	\$ 464,315	\$ -	\$ -	\$ 464,315
Vehicles	117,061	-	-	117,061
Furniture and equipment	447,463	6,839	(1,829)	452,473
Parks	337,657	10,793	-	348,450
Streets and roads	<u>1,269,170</u>	<u>-</u>	<u>-</u>	<u>1,269,170</u>
Total capital assets being depreciated	2,635,666	17,632	(1,829)	2,651,469
Less accumulated depreciation for:				
Building and building improvements	(435,207)	(3,009)	-	(438,216)
Vehicles	(34,151)	(11,706)	-	(45,857)
Furniture and equipment	(395,536)	(30,887)	1,829	(424,594)
Parks	(72,832)	(12,673)	-	(85,505)
Streets and roads	<u>(852,825)</u>	<u>(45,756)</u>	<u>-</u>	<u>(898,581)</u>
Total accumulated depreciation	<u>(1,790,551)</u>	<u>(104,031)</u>	<u>1,829</u>	<u>(1,892,753)</u>
Total capital assets, being depreciated, net	<u>845,115</u>	<u>(86,399)</u>	<u>-</u>	<u>758,716</u>
Governmental activities capital assets, net	<u>\$ 845,115</u>	<u>\$ (86,399)</u>	<u>\$ -</u>	<u>\$ 758,716</u>

**TOWN OF CHEVY CHASE, MARYLAND**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**Note 3 – Detailed Notes on All Funds (continued)**

E. Capital Assets (continued)

Depreciation expense was charged to function/programs of the primary government as follows:

Governmental activities:

	<u>2024</u>	<u>2023</u>
General government	\$ 30,854	\$ 45,189
Public works	57,462	58,144
Parks and recreation	<u>15,715</u>	<u>15,715</u>
Total depreciation expense	<u>\$ 104,031</u>	<u>\$ 119,048</u>

F. Long-Term Liability

Changes in the long-term liability are as follows:

	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
	<u>June 30, 2023</u>			<u>June 30, 2024</u>
Accrued compensated absences	\$ 34,211	\$ 7,449	-	\$ 41,660

G. Reclassifications

Certain prior year amounts have been reclassified for consistency with the current year presentation.

**Note 4 – Commitment and Contingencies**

The Town is exposed to various risks of loss related to torts, theft of or damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters for which the Town carries insurance through Local Government Insurance Trust. Premiums for coverages are charged to the Town's general fund, with no provision made for claim liability in addition to premiums unless an assessment is made by the Trust. Claims over the past three years have been significantly less than that amount.

The agreement with the pool provides that the pool will be self-sustaining through member premiums, and will reinsure through commercial companies for claims in excess of \$1,000,000. The Town continues to carry commercial insurance for health, life, short-term disability and workers compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage, and no significant reductions in insurance coverage have occurred, in any of the past three fiscal years.

**TOWN OF CHEVY CHASE, MARYLAND**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**Note 5 - Retirement Plans**

A. Cost Sharing Multiple Employer Plan

The Town previously adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. It requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits.

*Plan description* – The Town is a member of the Montgomery County Employees' Retirement System (System). The System was established by Montgomery County Code. Responsibility for the System's administration and operation is vested with the Systems Board of Investment Trustee's. The System is closed to employees hired on or after October 1, 1994, except for public safety bargaining unit employees and GRIP participants. The System provides retirement benefits to employees of participating agencies. All covered full-time employees of the County and participating agencies must become members of the System as a condition of employment.

*Pension benefits* – Normal and early retirement eligibility, the formula for determining the amount of benefits, and the cost of living adjustment varies depending upon the retirement group and retirement membership class. Normal retirement is a percentage of earnings multiplied by years of credited service. Earnings for optional non-integrated group members is defined as the high 12 months and for mandatory integrated plan members, the high 36 months. The percentage of earnings, the maximum years of credited service and the cost of living adjustment varies depending upon the retirement membership class and group. Members who retire early receive normal retirement benefits reduced by a minimum of 2 percent to a maximum of 60 percent depending on the number of years of early retirement precedes normal retirement. The System provides options for disability and death benefits to eligible participants. Annual cost of living adjustments are provided to retirees and beneficiaries based on the percentage change in the Consumer Price Index (CPI). All benefits vest at five years of service. There is currently 1 active Town employee in the System.

For members of the GRIP, employee contributions and earnings thereon vest immediately and employer contributions and earnings thereon are vested after three years of service or upon death, disability, or reaching retirement age. At separation, a participant's benefit is determined based upon the account balance which includes contributions and earnings.

**TOWN OF CHEVY CHASE, MARYLAND**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**Note 5 - Retirement Plans (continued)**

A. Cost Sharing Multiple Employer Plan (continued)

*Contributions* - The System is a contributory plan with employees contributing a percentage of their base annual salary. Contribution rates range from 6 percent to 11.25 percent of regular earnings annually based on group classification and contributions earn interest at the rate of 4 percent per annum as specified under Section 33-39(b) of the Code. The County and each participating agency are required to contribute the remaining amounts necessary to fund the System using the actuarial basis as specified in Section 33-40 of the Code. The contribution rates for the years ended June 30, 2024 and 2023 were 6.10% and 6.12%, respectively.

The GRIP, as defined in the Section 33-35 of the Code, requires non-public safety employees to contribute 4 percent of regular earnings up to the Social Security wage base and 8 percent above the Social Security wage base. Section 33-40 of the code requires the County and each participating agency to contribute 8 percent and 10 percent of regular earnings for non-public safety and public safety employees, respectively.

*Net Pension Liability* – The pension liability is determined using the individual entry age normal actuarial cost method. The objective of this method is to finance the benefits of the System as a level percentage of payroll over the members' career. The normal cost for each individual active member, payable from the date of employment to the date of retirement, is sufficient to accumulate the value of the member's benefit at the time of retirement. Each annual normal cost is a constant percentage of the member's year by year projected covered pay. The net pension liability is allocated among all employers which includes the County and participating agencies. Each employer's portion of the net pension liability was determined by their respective employer's share of the unfunded actuarial liability, which is based on the number of participants each employer had participating in the system, relative to all participants in the System as of July 1, 2022.

*Actuarial assumptions* - The actuarial assumptions included (a) 7.5% discount rate, (b) projected salary increases of 3.00% to 10.75%, (c) Pub-2010 healthy retiree mortality table, sex-distinct for healthy mortality with rates projected from 2010 using projections scale MP-2021 (generational mortality) updated for the 2023 valuation (d) level percentage of payroll, separate closed periods bases for Public Safety and GRIP, single closed period amortization base for non-Public Safety (e) 2.50% compound for service before July 1, 2011, for optional integrated and nonintegrated members, 2.45% compound for services before July 1, 2011 for mandatory integrated plan members (1.50% compound for service before July 1, 2011 for defined groups of mandatory integrated plan members) 2.2% compound for service on or after July 1, 2011 (f) 7.5% investment rate of return, (g) individual entry age normal actuarial cost method, (h) fair market value asset valuation method.

TOWN OF CHEVY CHASE, MARYLAND  
Notes to Financial Statements  
June 30, 2024 and 2023

Note 5 - Retirement Plans (continued)

A. Cost Sharing Multiple Employer Plan (continued)

An experience study was conducted for the period July 1, 2014 to July 1, 2018 in September 2019. The phase 1 experience study report covering the period July 1, 2018 through July 1, 2022. The results of the experience study have been incorporated into the financial statements where applicable.

*Discount rate* – a single discount rate of 7.5% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.5%. The projection of cash flows to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and contributions from the County and other participating agencies will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The net pension asset if the discount rate changes plus 1% or minus 1% from the discount rate used in the current projection is as follows:

	1% Decrease <u>(6.5%)</u>	Current Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
Town's net pension asset/liability	\$ <u>(28,166)</u>	\$ <u>(6,061)</u>	\$ <u>12,624</u>

*Other information* – the measurement period is July 1<sup>st</sup> through June 30<sup>th</sup>. The valuation date is June 30, 2023 as this was the latest period available. There are no changes to the benefit terms.

The Montgomery County Employees’ Retirement System issues a comprehensive annual financial report. The report can be obtained from the agency’s office at:

Montgomery County Employee Retirement Plans  
101 Monroe Street, 6th Floor  
Rockville, Maryland 20850

*Changes in assumptions* – there were no changes in assumptions.

**TOWN OF CHEVY CHASE, MARYLAND**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**Note 5 - Retirement Plans (continued)**

A. Cost Sharing Multiple Employer Plans (continued)

The contributions made to the GRIP plan for fiscal years ending June 30, 2024 and 2023 were \$7,800 and \$9,005, respectively.

*Deferred inflows and outflows* – Under GASB Statement No. 68 deferred inflows and outflows are reported on the Statement of Net Position. The deferred inflows consist of differences in expected versus actual experience in pension liability and changes in assumptions of \$2,036 and \$26,696 for the years ended June 30, 2024 and 2023, respectively. The Town's deferred outflows include changes in employer contributions and differences in projected versus actual earnings in investments of \$47,169 and \$72,019 for the years ended June 30, 2024 and 2023, respectively.

Pension investment will be amortized to income over the next five years. The pension contribution will reduce the net pension liability in the next fiscal year. The change in proportionate share of contributions will be amortized over 20 years beginning July 1, 2021.

Pension expense (recovery) for the years ended June 30, 2024 and 2023 was \$19,894 and (\$28,334), respectively.

B. Other Retirement Plans

Available to employees hired after June 30, 1996, is the Montgomery County Retirement Savings Plan, which is a cost-sharing, multiple employer defined contribution plan. At June 30, 2024 and 2023, there were four and three employees enrolled in the Plan, respectively. For the years ended June 30, 2024 and 2023, the required contribution was 8%. The employees also have 4% withheld from wages and forwarded to the Plan.

**Note 6 – Leases**

The Town rents office space from Montgomery County under a 35-year lease that began in 1986. During the time period that general obligation bonds were outstanding, no rent was due under the lease. Once the bonds had completely matured, in 2002, the Town began paying rent. As of July 1, 2003, rent was \$795 per month, with annual inflationary adjustments. During the 2004 fiscal year, the Town entered into an agreement with Montgomery County (the County), which assigned additional space in the County owned Leland Center where the Town offices are located. In consideration of the transfer of office space to the Town, the Town agreed to construct an addition to the Leland Center for use by the County. The Town agreed to bear the entire cost of the construction of the addition and the incorporation of the additional space into the Town offices. The County agreed to suspend the lease payments for the remaining 16 years of the lease. The project was completed in 2005 and rent payments ceased.

**TOWN OF CHEVY CHASE, MARYLAND**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**Note 7 – Wynne Case**

Maryland’s individual income tax is composed of a state and a local rate. Maryland residents are allowed a credit for taxes paid to other states, but the credit was allowed against only the state portion of the tax and not against the local tax portion. The U.S. Supreme Court ruled this practice to be unconstitutional because it results in double taxation of income earned outside of Maryland. As a result, the State of Maryland is requiring Maryland local governments to refund the estimated portion of income tax paid to the local governments in previous years, consisting of the local portion of the tax, that the state will have to re-pay taxpayers that file amended returns claiming a refund for the credit applicable to the local tax rate. The Town’s obligation as of June 30, 2024 and 2023 were \$628,839 and \$666,950, respectively and is reported in the liabilities section of the Statements of Net Position. This amount will be repaid to the State over eighty quarters beginning in May 2021.

	<b>Beginning</b>	<b>Ending</b>	<b>Amount Due</b>
	<b><u>Balance</u></b>	<b><u>Reductions</u></b>	<b><u>Balance</u></b>
	<b><u>Balance</u></b>	<b><u>Within 1 Year</u></b>	
State of Maryland	<u>\$ 666,950</u>	<u>\$ (38,111)</u>	<u>\$ 628,839</u>
			<u>\$ 38,111</u>

**Note 8 – Deferred Inflows**

The American Rescue Plan Act (ARPA) was signed into Federal law in March of 2021, and established the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program. This program provides financial support to State and Local governments in responding to the economic and public health impacts of COVID-19 and in their efforts to contain impacts on their communities, residents, and businesses. These funds may be used to cover eligible program costs incurred during the period beginning on March 3, 2021 and ending on December 31, 2024, as long as the award funds incurred by December 31, 2024 are expended by December 31, 2026. Any funds not obligated or expended for eligible uses during this period must be returned to the U.S. Treasury.

The Town applied for and was awarded SLFRF funding passed through the State of Maryland in the amount of \$2,429,908. Eligible expenditures incurred during the fiscal years ended June 30, 2024 and 2023 were \$739,000 and \$700,000, respectively. The remaining amount of \$865,908 and \$1,604,908 as of June 30, 2024 and 2023 has been included in deferred inflows. Revenue recognition of these funds will be deferred until the related eligible expenditures are incurred.

**TOWN OF CHEVY CHASE, MARYLAND**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**Note 8 – Deferred Inflows (continued)**

Deferred inflows consist of the following on the Statements of Net Position as of June 30:

	<u>2024</u>	<u>2023</u>
Grant funds received but not spent	\$ 865,908	\$ 1,604,908
Actuarial assumptions and investment return on the County retirement plan	<u>2,036</u>	<u>26,696</u>
 Total deferred inflows	 <u>\$ 867,944</u>	 <u>\$ 1,631,604</u>

Deferred inflows consist of the following on the Balance Sheets – Governmental Funds as of June 30:

	<u>2024</u>	<u>2023</u>
Grants funds received but not spent	\$ 865,908	\$ 1,604,908
Property taxes	<u>982</u>	<u>897</u>
 Total deferred inflows	 <u>\$ 866,890</u>	 <u>\$ 1,605,805</u>

**Note 9 – Upcoming Pronouncement**

GASB Statement No. 101, *Compensated Absences*, issued June 2022, will be effective for the Town beginning with its fiscal year ending June 30, 2025. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. This Statement amends the existing requirements to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The Town’s management has not yet determined the effect this Statement will have on the Town’s financial statements.

**TOWN OF CHEVY CHASE, MARYLAND**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**Note 10 – Subsequent Events**

Management has evaluated subsequent events through October 28, 2024, the date that the financial statements were available to be issued.

On July 25, 2024, the Town entered into an operating lease for a copier. The lease term is sixty months and the monthly payments will be \$258. There are no other subsequent events to report.

**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF CHEVY CHASE, MARYLAND**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2024**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
<b>Revenues</b>				
<b>Taxes</b>				
<b>Local</b>				
Property taxes	\$ 131,000	\$ 131,000	\$ 131,535	\$ 535
Utility property tax	34,000	34,000	35,688	1,688
Total Taxes - Local	<u>165,000</u>	<u>165,000</u>	<u>167,223</u>	<u>2,223</u>
<b>State Shared</b>				
Income taxes	3,450,000	3,450,000	3,703,582	253,582
Total Taxes - State Shared	<u>3,450,000</u>	<u>3,450,000</u>	<u>3,703,582</u>	<u>253,582</u>
Total Taxes	<u>3,615,000</u>	<u>3,615,000</u>	<u>3,870,805</u>	<u>255,805</u>
<b>Licenses and Permits</b>				
Variance fees	3,500	3,500	1,300	(2,200)
Permit fees	25,000	25,000	23,700	(1,300)
Cable TV franchise tax - PEG	-	-	23,895	23,895
Cable TV franchise tax	37,000	37,000	32,099	(4,901)
Total Licenses and Permits	<u>65,500</u>	<u>65,500</u>	<u>80,994</u>	<u>15,494</u>
<b>Fines and Forfeitures</b>				
Parking fines and meters	23,000	23,000	18,649	(4,351)
Total Fines and Forfeitures	<u>23,000</u>	<u>23,000</u>	<u>18,649</u>	<u>(4,351)</u>
<b>Intergovernmental Revenues</b>				
County revenue sharing	265,000	265,000	255,739	(9,261)
State highway user tax	153,000	153,000	152,994	(6)
State aid for police protection	47,000	47,000	46,917	(83)
Financial corporation - bank shares	500	500	510	10
Total Intergovernmental Revenues	<u>465,500</u>	<u>465,500</u>	<u>456,160</u>	<u>(9,340)</u>
<b>Grants</b>				
American Rescue Plan Act	739,000	739,000	739,000	-
Program open space	-	337,500	-	(337,500)
Total Grants	<u>739,000</u>	<u>1,076,500</u>	<u>739,000</u>	<u>(337,500)</u>
<b>Miscellaneous</b>				
Miscellaneous revenues	1,000	1,000	11,330	10,330
Reimbursement for utility repairs	-	130,000	156,393	26,393
Interest	586,000	586,000	837,940	251,940
Total Miscellaneous	<u>587,000</u>	<u>717,000</u>	<u>1,005,663</u>	<u>288,663</u>
<b>Total Revenues</b>	<u>\$ 5,495,000</u>	<u>\$ 5,962,500</u>	<u>\$ 6,171,271</u>	<u>\$ 208,771</u>

**TOWN OF CHEVY CHASE, MARYLAND**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2024**

<b>Expenditures</b>	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		<b>Positive (Negative)</b>
<b>General Government</b>				
Administration:				
Salaries and benefits	\$ 945,000	\$ 945,000	\$ 959,592	\$ (14,592)
Professional services	385,000	385,000	223,680	161,320
Other services and supplies	158,000	158,000	117,381	40,619
Civic affairs and community programs:				
Services and supplies	291,000	301,000	202,937	98,063
Total General Government	1,779,000	1,789,000	1,503,590	285,410
<b>Public Safety</b>				
Parking control, building inspections, services and supplies	476,500	476,500	529,469	(52,969)
Total Public Safety	476,500	476,500	529,469	(52,969)
<b>Public Works</b>				
Sanitation and waste removal:				
Household trash collection	365,500	365,500	371,479	(5,979)
Yard trash collection	63,500	63,500	63,000	500
Organic waste collection	50,500	65,500	62,390	3,110
Leaf collection	84,000	84,000	88,208	(4,208)
Recycling	233,000	233,000	228,327	4,673
Streets and roads	220,000	220,000	133,364	86,636
Parks, grounds and trees	368,000	368,000	283,396	84,604
Total Public Works	1,384,500	1,399,500	1,230,164	169,336
<b>Debt Service - State Income Tax</b>	-	-	38,111	(38,111)
<b>Total Expenditures Before Capital Project Expenditures</b>				
	3,640,000	3,665,000	3,301,334	363,666
<b>Capital Project Expenditures</b>				
Streets and sidewalks	753,000	753,000	610,152	142,848
Facilities and equipment	30,000	30,000	24,779	5,221
Parks, grounds and trees	137,500	137,500	31,636	105,864
Total Capital Project Expenditures	920,500	920,500	666,567	253,933
<b>Total Expenditures After Capital Project Expenditures</b>				
	\$ 4,560,500	\$ 4,585,500	\$ 3,967,901	\$ 617,599

The accompanying notes are an integral part of this schedule.

**TOWN OF CHEVY CHASE, MARYLAND  
Notes to Required Supplementary Information  
June 30, 2024 and 2023**

**Note 1 – Summary of Significant Budget Policies**

The Town Council annually adopts a budget for the General Fund of the primary government. All appropriations are legally controlled at the departmental level for the General Fund. On May 2, 2023, the Town Council approved the original adopted budget. There were two revisions to the budget for fiscal year 2024; the last one was on June 12, 2024.

The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the accompanying Budgetary Comparison Schedule for the General Fund presents actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

**Note 2 – Material Violations**

There were no material violations of the annual appropriated budgets for the General Fund for the fiscal year ended June 30, 2024. In addition, there were no excesses of budgetary expenditures for that period.

**TOWN OF CHEVY CHASE, MARYLAND**  
**Schedules of Proportionate Share of the Net**  
**Pension Liability and Related Ratios**  
**For the Years Ended June 30,**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's portion of the net pension liability/(asset)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%	3.4%	2.9%	0.0%
Town's proportionate share of the net pension liability/asset	\$ (6,061)	\$ (25,765)	\$ (77,824)	\$ (26,529)	\$ (11,494)	\$ (17,159)	\$170,671	\$184,371	\$120,751	\$ 67,786
Town's covered-employee payroll	\$123,399	\$147,141	\$112,017	\$129,778	\$111,235	\$ 98,060	\$102,524	\$432,639	\$499,717	\$637,757
Town's proportionate share of the net pension liability/asset as a percentage of its covered employee payroll	-4.91%	-17.51%	-69.48%	-20.44%	-10.33%	-17.50%	166.47%	42.62%	24.16%	10.63%
Plan fiduciary net position as a percentage of the total pension liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	92.00%	87.06%	89.69%	92.28%

The accompanying notes are an integral part of this schedule.

**TOWN OF CHEVY CHASE, MARYLAND**  
**Schedules of Required Contributions**  
**For the Years Ended June 30,**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 7,800	\$ 9,005	\$ 6,856	\$ 6,426	\$ 5,632	\$ 5,462	\$ 5,629	\$ 13,010	\$ 15,671	\$ 66,612
Contribution in relation to the contractually required contribution	<u>7,800</u>	<u>9,005</u>	<u>6,856</u>	<u>6,426</u>	<u>5,632</u>	<u>5,462</u>	<u>5,629</u>	<u>142,582</u>	<u>15,671</u>	<u>66,612</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (129,572)</u>	<u>\$ -</u>	<u>\$ -</u>						
Town's covered-employee payroll	<u>\$123,399</u>	<u>\$147,141</u>	<u>\$112,017</u>	<u>\$129,778</u>	<u>\$111,235</u>	<u>\$ 98,060</u>	<u>\$102,524</u>	<u>\$ 432,639</u>	<u>\$499,717</u>	<u>\$637,757</u>
Contribution as a percentage of covered employee payroll	6.32%	6.12%	6.12%	4.95%	5.06%	5.57%	5.49%	32.96%	3.14%	10.44%

The accompanying notes are an integral part of this schedule.



**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Mayor and Council of the  
Town of Chevy Chase, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Town of Chevy Chase, Maryland, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Town of Chevy Chase, Maryland’s basic financial statements, and have issued our report thereon dated October 28, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Chevy Chase, Maryland’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Chevy Chase, Maryland’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Chevy Chase, Maryland’s internal control.

*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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Chevy Chase, Maryland’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with

those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*LSWG, P.A.*

Rockville, Maryland  
October 28, 2024

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