VILLAGE OF
FRIENDSHIP HEIGHTS, MARYLAND
FINANCIAL STATEMENTS
JUNE 30, 2023

VILLAGE OF FRIENDSHIP HEIGHTS

TABLE OF CONTENTS

JUNE 30, 2023

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Independent Auditor's Report

Honorable Mayor and members of the Village Council
Village of Friendship Heights, Maryland

Opinion

We have audited the accompanying financial statements of the governmental activities and the major fund of the Village of Friendship Heights (the "Village"), as of June 30, 2023, and the related notes to the financial statements, which collectively comprise the Village's 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 the major fund of the Village as of June 30, 2023, 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Village of Friendship Heights 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 of Friendship Height's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of required OPEB-related supplementary information and the budgetary comparison information on pages 4 through 10 and 38 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Friendship Heights, Maryland's financial statements as a whole. The schedule of revenues – budget and actual and the schedule of expenditures – budget and actual on pages 40 through 43 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 the schedule of 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.

October 27, 2023

VILLAGE OF FRIENDSHIP HEIGHTS, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

This section of the Village's annual financial report presents management's discussion and analysis of the Village's financial performance during the fiscal year that ended June 30, 2023. Please read it in conjunction with the Village's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Village finished the year with a $230,549 surplus against a budgeted surplus of $275,355. Increased intergovernmental and interest income was the primary reason for this difference.

- The office space in the Village-owned property at 4602 North Park Avenue was leased for the entire fiscal year. Rental revenue is anticipated to continue for FY 2024 as the lease has been extended.

- On an accrual basis, and adjusted for depreciation, the Village finished the year with a change in net position of ($65,533) compared to $951,856 in the previous year.

- Net position available for appropriation at the end of the year amounted to $3,146,521. Fund balances committed for specific purposes by the Village Council amounted to $13,086.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis, the basic financial statements and required supplementary information. The financial statements include two kinds of statements that present different views of the Village.

The first two statements are government-wide financial statements that provide both long-term and short-term information about the Village's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the Village's government, reporting the Village's operations in more detail than the government-wide statements. The governmental funds statements describe how general government services were financed in the short term and what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Government-wide Statements

The scope of the government-wide statements covers the entire Village government. Required statements are the statement of net position and statement of activities, which are prepared on the accrual basis with an economic resource focus. The statement of net position includes all assets and deferred outflows and liabilities and deferred inflows, both financial and capital, short and long term.

The statement of activities reports all revenues and expenses of the current year regardless of when cash is received or paid.

The government-wide statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The statements report the Village's net position (the difference between assets and deferred outflows and liabilities and deferred inflows) and how they have changed, which is one way to measure the Village's financial health, or position. Over time, increases or decreases in the Village's net position are an indicator of whether its financial health is improving or deteriorating. Of course, other factors should also be considered.

The Village does not have any business-type activities or component units to report, so all the activity of the Village is included in its General Fund as governmental activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Village's General Fund. Funds are accounting devices that the Village uses to keep track of specific sources of funding and spending for particular purposes.

The Village has one Governmental Fund, the General Fund. The governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance Village programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the right of the governmental funds statement that explains the difference between them.

The Village does not have any proprietary or fiduciary funds.

The Village as a Whole

Governmental Activities

To aid in the understanding of the Statement of Activities, note that the format is significantly different from a typical Statement of Revenues, Expenditures and Changes in Fund Balance. Note 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 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.

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.

Governmental-Wide Financial Information

The following is selected information as of June 30, 2023, and for the previous year, which is provided for comparison purposes.

	Governmental Activities	
	2023	2022
Current assets	$ 3,933,216	$ 7,282,894
Capital assets	6,221,112	3,180,231
Total assets	10,154,328	10,463,125
Deferred outflows	63,873	67,786
Total deferred outflows and assets	10,218,201	10,530,911
Current liabilities	71,639	171,914
Long-term liabilities	388,228	407,334
Total liabilities	459,867	579,248
Deferred inflows	390,701	518,497
Net position		
Net investment in capital assets	6,221,112	3,180,231
Restricted	-	-
Unrestricted	3,146,521	6,252,935
Total net position	9,367,633	9,433,166
Total liabilities, deferred inflows and net position	10,218,201	10,530,911
Program revenues		
Charges for services	290,527	265,492
Operating grants and contributions	179,032	194,821
General revenues		
Income taxes	1,266,086	2,032,430
Property taxes	667,412	644,503
Other	183,362	103,347
Total general revenues	2,116,860	2,780,280
Transfers	-	-
Total revenues and transfers	2,586,419	3,240,593
Expenses		
General government	1,680,297	1,410,311
Public works	593,450	584,543
Public safety	118,433	71,368
Health and social services	12,064	10,780
Recreation and parks	247,708	211,735
Total expenses and transfers	2,651,952	2,288,737
Change in net position	(65,533)	951,856
Net position, beginning of year	9,433,166	8,481,310
Net position, end of year	9,367,633	9,433,166

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, 2023, and percentage of increases and decreases in relation to the prior year.

	FY 2023 Amount	Percent of Total	Increase (Decrease) From FY 2022
Revenues			
Taxes	$ 2,092,817	76%	$ (316,163)
Intergovernmental	469,559	17%	9,246
Permits	5,366	0%	(16,715)
Interest income	99,708	4%	86,836
Miscellaneous	78,288	3%	9,894
Total Revenues	$ 2,745,738	100%	$ (226,902)
Expenditures			
General government	$ 1,540,523	27%	$ 171,271
Public works	593,450	10%	8,907
Public safety	118,433	2%	47,065
Health and social services	12,064	0%	1,284
Recreation and parks	247,708	4%	35,973
Total expenditures before capital outlays and OPEB expenditures	2,512,178	43%	264,500
Capital outlays	3,320,633	57%	3,009,780
OPEB expenditures	-	0%	(5,000)
Total Expenditures	$ 5,832,811	100%	$ 3,269,280

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

At the end of the year the Village's fund reported a total fund balance of $3,108,665. The net capital assets of the Village increased by $3,040,881. Taxes decreased, when compared to FY 2022, primarily due to a decrease in state income tax. Total taxes for FY 2023 were $11,183 less than budget.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues were $112,493 more than budget, a positive variance. Actual expenditures, not including capital outlays and OPEB expenditures, were above budget for an overall negative variance of $157,299.

CAPITAL ASSETS

At the end of fiscal year 2023 the Village had $6,221,112 invested in capital assets (net of depreciation). The detail of these assets is presented in Note 5 of the financial statements.

Capital expenditures made during fiscal year 2023 were $3,320,633.

The Village will continue to finance all of its capital projects from either existing net position or revenue earned during the fiscal year.

LONG-TERM DEBT

The Village currently has no long-term debt, other than compensated absences and due to State.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The budget passed by the Village Council for FY 2024 anticipates a surplus of $133,410. The property tax rate remains 4¢ per $100 of assessed valuation, the lowest rate allowed by the Village Charter. Income tax receipts were estimated based on projections received from the State. Property tax projections are based on property valuations provided by the State. Expenditures are based on historical experience modified by expected increases and decreases.

Early in 2016, the State of Maryland lost the Maryland Comptroller vs. Wynne case in the United States Supreme Court by a 5-4 vote. As a result, the State of Maryland must not only allow credits for out-of-state taxes paid by businesses or non-passive 1099 self-employed individuals, but must allow for the county and local tax credits as well which the State was not previously doing. The full impact of this ruling to the Village is a $61,835 liability owed by the Village to the State of Maryland for the payment of protective claims dating back up to six years, payment for refiled claims dating back three years and an almost certain reduction in core income tax revenue going forward. The reimbursement due by the Village to the State for these protective claims is anticipated to be paid over a period of five years, in quarterly installments starting May 2022. In FY21 the period of quarterly installments was changed to twenty years.

The current liability as of June 2023 is $54,199, this could increase as more amended returns are filed and processed; however, the prevailing opinion among officials at the State is that most substantial amended returns have already been filed and processed so this number will potentially increase by a non-substantial amount. The liability will be paid over eighty quarterly installments.

CONTACTING THE VILLAGE'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and customers with a general overview of the Village's finances and to demonstrate the Village's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Village offices at 4433 South Park Avenue, Chevy Chase, Maryland 20815.

VILLAGE OF FRIENDSHIP HEIGHTS
STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities	Total
ASSETS		
Current Assets		
Cash and cash equivalents - unrestricted	$ 471,935	$ 471,935
Cash and cash equivalents - restricted	12,503	12,503
Investments	2,649,017	2,649,017
Accounts receivable	43,838	43,838
Accounts receivable - income taxes	755,923	755,923
Total Current Assets	3,933,216	3,933,216
Noncurrent Assets		
Net capital assets	6,221,112	6,221,112
Total Noncurrent Assets	6,221,112	6,221,112
TOTAL ASSETS	10,154,328	10,154,328
DEFERRED OUTFLOWS OF RESOURCES	63,873	63,873
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 10,218,201	$ 10,218,201
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	$ 56,125	$ 56,125
Amounts held in escrow and deposit	12,503	12,503
Due to State - current portion	3,011	3,011
Total Current Liabilities	71,639	71,639
Noncurrent Liabilities		
Compensated absences	50,536	50,536
Due to State - see Note 12	51,188	51,188
Net OPEB liability	286,504	286,504
Total Noncurrent Liabilities	388,228	388,228
TOTAL LIABILITIES	459,867	459,867
DEFERRED INFLOWS OF RESOURCES	390,701	390,701
NET POSITION		
Net investment in capital assets	6,221,112	6,221,112
Restricted	-	-
Unrestricted	3,146,521	3,146,521
TOTAL NET POSITION	9,367,633	9,367,633
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 10,218,201	$ 10,218,201

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

VILLAGE OF FRIENDSHIP HEIGHTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position – Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position – Primary Government: Total
Primary Government						
Governmental Activities:						
General government	$ 1,680,297	$ -	$ 108,511	$ -	$ (1,571,786)	$ (1,571,786)
Public safety	118,433	290,527	-	-	172,094	172,094
Public works	593,450	-	70,521	-	(522,929)	(522,929)
Health and social services	12,064	-	-	-	(12,064)	(12,064)
Recreation and parks	247,708	-	-	-	(247,708)	(247,708)
Total Governmental Activities	2,651,952	290,527	179,032	-	(2,182,393)	(2,182,393)
Total Primary Government	$ 2,651,952	$ 290,527	$ 179,032	$ -	$ (2,182,393)	$ (2,182,393)
General revenues:						
Taxes						
Income taxes					1,266,086	1,266,086
Property taxes					667,412	667,412
Licenses and permits					5,366	5,366
Interest and investment earnings					99,708	99,708
Miscellaneous					78,288	78,288
Total General Revenues					2,116,860	2,116,860
Transfers in (out)					-	-
Change in Net Position					(65,533)	(65,533)
Net Position, beginning of year					9,433,166	9,433,166
Net Position, end of year					$ 9,367,633	$ 9,367,633

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

VILLAGE OF FRIENDSHIP HEIGHTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023

	General Fund	Total Governmental Funds
ASSETS		
Cash and cash equivalents - unrestricted	$ 471,935	$ 471,935
Cash and cash equivalents - restricted	12,503	12,503
Investments	2,649,017	2,649,017
Accounts receivable	43,838	43,838
Accounts receivable - income taxes	755,923	755,923
TOTAL ASSETS	3,933,216	3,933,216
DEFERRED OUTFLOWS OF RESOURCES	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 3,933,216	$ 3,933,216
LIABILITIES		
Accounts payable and accrued expenses	$ 56,125	$ 56,125
Amounts held in escrow and deposit	12,503	12,503
TOTAL LIABILITIES	68,628	68,628
DEFERRED INFLOWS OF RESOURCES	755,923	755,923
FUND BALANCES		
Committed - OPEB	1,383	1,383
Committed - CIP	11,703	11,703
Unassigned	3,095,579	3,095,579
TOTAL FUND BALANCES	3,108,665	3,108,665
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 3,933,216	$ 3,933,216

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2023

Total Governmental Fund Balances	$ 3,108,665
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	6,221,112
Receivables pertaining to revenue that is not available in accordance with modified accrual accounting are reported as deferred inflows of resources in the funds.	755,923
Long-term liabilities, including compensated absences and amounts Due to State, are not due and payable in the current period and therefore are not reported in the funds.	(391,239)
Deferred outflows of resources relating to net OPEB liability are not reported in the funds.	63,873
Deferred inflows of resources pertaining to net OPEB liability are not reported in the funds.	(390,701)
Net Position of Governmental Activities	$ 9,367,633

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

VILLAGE OF FRIENDSHIP HEIGHTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	Total Governmental Funds
REVENUES		
Taxes	$ 2,092,817	$ 2,092,817
Licenses and permits	5,366	5,366
Intergovernmental	469,559	469,559
Investment income		
Interest Income	99,708	99,708
Miscellaneous	78,288	78,288
Total Revenues	2,745,738	2,745,738
EXPENDITURES		
Current Operations		
General government	1,540,523	1,540,523
Public safety	118,433	118,433
Public works	593,450	593,450
Health and social services	12,064	12,064
Recreation and parks	247,708	247,708
Debt Service		
Principal	3,011	3,011
Interest	-	-
Total Expenditures	2,515,189	2,515,189
Excess of revenues over (under) expenditures and other financing uses before capital outlays and OPEB expenditures	230,549	230,549
Capital outlays	3,320,633	3,320,633
OPEB expenditures	-	-
Total capital outlays and OPEB expenditures	3,320,633	3,320,633
Excess of revenue and other financing sources over (under) expenditures including capital outlays and OPEB expenditures	(3,090,084)	(3,090,084)
Fund balance, beginning of year	6,198,749	6,198,749
Fund balance, end of year	$ 3,108,665	$ 3,108,665

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, 2023

Net Change in Fund Balances - Total Governmental Funds	$ (3,090,084)
OPEB expense pertaining to net OPEB liability is not reported in the funds.	152,557
Differences between accrual and modified accrual in accounting for compensated absences.	(12,579)
Decreases in deferred inflows of resources relating to income taxes do not use current financial resources and are not reported as revenue in the governmental funds.	(159,319)
Repayment of debt principal is an expenditure in the governmental funds, but reduces long-term libilities in the statement of net position.	3,011
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	3,040,881
Change in Net Position of Governmental Activities	$ (65,533)

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Village of Friendship Heights, Maryland was designated as a special tax district in 1914 by the State of Maryland, and operates under a Council-Manager form of government. The Council, elected by the residents of the Village, consists of seven members serving two-year terms each. The Village provides the following public services: public safety, public works, health and social services, recreation and parks, public improvements, planning, and general and administrative services.

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

Basis of Presentation – Fund Accounting

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

The Village's funds are grouped into one broad fund category.

Governmental funds consist of the General 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 Village does not have any proprietary funds.

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 government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting including the reclassification or elimination of internal activity (between or within funds). This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include 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 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Governmental Funds

Village activities pertaining to general government, public safety, public works, health and social services, and recreation and parks 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.

Revenue Recognition

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

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

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.

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, money market funds, and short-term investments with original maturities of three months or less from the date of acquisition, excluding investments in the State of Maryland Local Government Investment Pool.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Investments

Investments 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, 2023, consist of income tax, property tax, fines and other receivables. Accounts receivable are deemed collectible in full.

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, drainage systems and lighting systems are capitalized. The valuation basis for general capital assets is 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 are available.

Interest Expense

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

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, 2023, the balance of deferred inflows of resources consisted of income taxes of $755,923.

Local Tax Reserve Fund

At June 30, 2023, the Village was advised by the State of Maryland that $755,923 of the Local Tax Reserve Fund was allocable to the Village. The Village recorded receivable and deferred inflows of resources in the amount of $755,923 in the fund financial statements. The change in this amount has been reflected as current year income tax revenue in the government-wide financial statements in accordance with full accrual accounting.

Compensated Absences

The Village accrues unused annual leave as the employees earn it. Full-time and some part-time employees are granted annual leave and sick leave based on the number of continuous service years. A maximum of one hundred and sixty (160) hours of annual leave may be carried over to subsequent years. Separating employees giving the normal minimum 10 working days' notice will receive pay for the unused accrued annual leave as of the separation date. Accrued vacation payable as of June 30, 2023, is $50,536. Employees separating from employment are not paid for unused sick leave.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Equity Classifications

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

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

Restricted net position – Consists of net position with constraints placed on 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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 an expenditure is incurred for purposes for which amounts in any unrestricted fund balance classification (committed, assigned or unassigned) may be used.

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

Budget Requirements, Accounting, and Reporting

Requirements for all funds:

Annual budgets are adopted as a guideline for all Village funds. The Village Council may subsequently amend the budget; however, the budget was not amended during fiscal year 2023. For day-to-day management control, expenditures may vary from budget. The Village prepares an annual operating budget on a basis consistent with generally accepted accounting principles.

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposit Policies

The Village is authorized to deposit funds in Maryland banks, repurchase agreements and other deposits allowable by state statute provided the deposits are insured by FDIC or secured by a surety bond 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. The Village is also authorized to deposit funds in the State of Maryland Local Government Investment Pool and other institutions and obligations authorized by state statute. Refer to pages 22 through 23 for the Village's authorized investing activities.

NOTE 3 – DEPOSITS AND INVESTMENTS – continued

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Village's deposits may not be returned or the Village will not be able to recover collateral securities in the possession of an outside party. The Village's policy requires deposits to be insured by FDIC, and balances exceeding FDIC limits be secured by a surety bond or collateral valued at 105 percent of principal and accrued interest. Collateral is to be held by the Village, its agent, or by the pledging institution's trust department or agent in the name of the Village.

At year-end, the carrying amounts of the Village's deposits were $484,238 and the bank balances totaled $516,091. Of the bank balances, the entire amount was insured by Federal Depository Insurance Corporation (FDIC) or secured by a surety bond 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. At year end, the Village's bank balances were not exposed to any custodial credit risk because all deposits were fully collateralized.

As of June 30, 2023, restricted cash consisted of the following:

Rental deposits	$ 12,503
Total	$ 12,503

Investment Policies

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Village policy regarding credit risk is consistent with State and County regulations.

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's policy regarding the concentration of credit risk is consistent with State and County regulations.

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 is for collateral is to be held by the Village, its agent, or by the pledging institution's trust department or agent in the name of the Village.

Generally, the Village's investing activities are managed by the Village Manager and the Council Treasurer with Council approval. Investing is performed in accordance with investment policies adopted by the Village Council complying with State Statutes and the Village Charter. The Village funds may be invested in: 1) bankers acceptances; 2) secured certificates of deposit issued by Maryland banks; 3) commercial paper of the highest investment grade; 4) money market funds whose portfolio is operated consistent with the SEC rule 2a-7 and that invest only in obligations that a federal agency or instrumentality issues; 5) the Maryland Local Government Investment Pool (MLGIP); 6) any obligation for which the United States Government has pledged its faith and credit for the payment of principal and interest; 7) any obligation that a United States agency issues in accordance with an act of Congress; 8) securities lending collateral; and 9) repurchase agreements collateralized by an obligation of the United States, its agencies or instrumentalities. In addition, the Village can invest in direct debt securities of the United States unless such an investment is expressly prohibited by law.

Investments

The Village has invested at June 30, 2023, $1,149,017 in the State of Maryland Local Government Investment Pool (MLGIP). The pool is under the administrative control of the State's Treasurer's Office. The Village's investments are shown by type, carrying amount, fair value, cost and level of risk assumed in holding the various accounts. Investments are carried at cost which approximates market. The fair value of MLGIP investments is determined daily. PNC is currently contracted to operate the Pool and may invest in any instrument permitted by Section 6-222 of the State Finance and Procurement Article. The Village's fair value position in the Pool is the same as the value of pool share.

The Village also had $1,500,000 invested in Certificate of Deposits at June 30, 2023.

NOTE 3 – DEPOSITS AND INVESTMENTS – continued

As of June 30, 2023, the Village had the following investments:

Types of Investments	Fair Value/ Carrying Amount	Cost	Average Credit Quality/ Ratings
MLGIP	$ 1,149,017	$ 1,149,017	AAAm
Certificate of Deposits	1,500,000	1,500,000	N/A
Total Investments	$ 2,649,017	$ 2,649,017	

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

NOTE 4 – PROPERTY TAX

Real estate and personal property taxes are levied based on the State of Maryland assessments. Property taxes include amounts levied against all real and public utility property and tangible personal property which are used in businesses located in the Village. Real property taxes are levied on the first day of July, on the assessed value. A lien is placed against the property when property taxes are delinquent. Taxes are due and payable per the schedule set forth by Montgomery County. Penalties and interest are charged on any unpaid taxes. The property tax rate for fiscal year 2023 is $.04 per $100 of assessed value for real property, and $.04 per $100 of assessed value for personal and corporate property.

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Not being depreciated:				
Land	$ 1,902,116	$ -	$ -	$ 1,902,116
Construction in progress	29,331	-	-	29,331
Subtotal	1,931,447	-	-	1,931,447
Depreciable capital assets:				
Buildings	2,902,028	3,030,540	-	5,932,568
Landscaping	44,563	-	-	44,563
Furniture	257,878	-	-	257,878
Infrastructure	1,549,410	290,093	-	1,839,503
Parks	1,022,882	-	-	1,022,882
Subtotal	5,776,761	3,320,633	-	9,097,394
Total capital assets	7,708,208	3,320,633	-	11,028,841
Accumulated depreciation:				
Buildings	2,395,153	167,421	-	2,562,574
Landscaping	44,483	-	-	44,483
Furniture	256,673	2,407	-	259,080
Infrastructure	805,453	109,924	-	915,377
Parks	1,026,215	-	-	1,026,215
Subtotal, accumulated depreciation	4,527,977	279,752	-	4,807,729
Net capital assets	$ 3,180,231	$ 3,040,881	$ -	$ 6,221,112

Depreciation was charged to functions as follows:

General government	$ 279,752
Parks and recreation	-
Total government activities depreciation expense	$ 279,752

The Village has no construction commitments as of June 30, 2023.

NOTE 6 – DEFERRED COMPENSATION PLAN

The Village Council established a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan, available to all employees after six months of employment, permits them to defer any portion of their salary, up to IRS limits, until future years. The Village contributes up to 8% of eligible employees' salaries to this plan. During fiscal year 2023, the Village contributed $54,755.

In compliance with the Internal Revenue Code Section 457(g), all assets and income of the plan are held in trust for the exclusive benefit of participants and their beneficiaries. Accordingly, the investments designated for compensation benefits are not reflected in the Village's financial statements.

The plan administrator, ICMA Retirement Corporation, is the trustee.

NOTE 7 – LONG-TERM LIABILITIES

Governmental Activities

As of June 30, 2023, the Village had no long-term liabilities except the net OPEB liability, Due to State, and compensated absences.

NOTE 8 – CONCENTRATION OF CREDIT RISK

The Village derives most of its revenues, except grants, from its citizens. The Village provides various services to its residents. The Village is located in Montgomery County, Maryland.

NOTE 9 – 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 obtains all of its insurance through a self-insurance fund administered by the Montgomery County government. Participants share the costs of workers' compensation, comprehensive general, automobile and professional liability (errors and omissions), and property coverage including fire and theft, and other selected areas which require coverage. The liability for claims with respect to all participants transfers to the self-insurance fund.

This is a total risk and cost sharing pool for all participants. Payments to the fund by participants and recognition of the fund's liability for unpaid claims including those incurred but not reported are based on actuarial estimates.

NOTE 9 – RISK MANAGEMENT – continued

There have been no assessments during the year ended June 30, 2023, and the amount of settlements has not exceeded coverage for each of the past three years.

Additional information regarding the Liability and Property Coverage Self-Insurance Fund can be obtained by writing to Department of Finance, Division of the Controller, 101 Monroe Street, Rockville, Maryland 20850.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Grants

The Village may receive 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 as no grants were received this fiscal year.

NOTE 11 – OTHER POST EMPLOYEMENT BENEFITS (OPEB)

Plan Description

The Village participates in Montgomery County's Retiree Health Benefits Trust (the "Trust") which is a cost-sharing multiple-employer defined benefit health care plan sponsored by the County. The Village's participation in the Trust is voluntary and the Village can terminate its participation for any reason at any time and withdraw the Village's contributions from the Trust. Refer to http://www.montgomerycountymd.gov for details regarding the Trust contained in Montgomery County's Comprehensive Annual Financial Report.

The Village pays up to 70% for life for each eligible retiree's health insurance including costs for spouse and dependents as defined by the plan. Thirty percent (30%) of the costs associated with such coverage are the responsibility of the employee and must be paid in accordance with procedures established by the Council.

In order to qualify for the above retiree benefits, the employee must be a participant in the health plans offered by the Council at the time of retirement. The employee must also enroll in Medicare Part A, Medicare Part B (and any other Medicare section required by the Village's health insurance carrier) at the time he/she is eligible for such coverage.

In the event of the death of an employee (retired or active) who meets the eligibility requirements for retired employees, a surviving spouse many continue coverage, under benefit plans available to retirees, under the same condition as if he/she was the retiree. Coverage for other dependents (including an unborn child), however, is only available to dependents who were eligible for coverage at the time of the employee's death.

NOTE 11 – OTHER POST EMPLOYEMENT BENEFITS (OPEB) - continued

The Trust issues a comprehensive annual financial report that includes disclosures regarding: plan assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position. The Trust's fiduciary net position has been determined on the same basis used by the OPEB plans. The Trust's financial statements are prepared on the accrual basis of accounting and are prepared in accordance with principles generally accepted in the United States of America that apply to governmental accounting for fiduciary funds. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. Actual employer contributions billed to participating governmental units for the year ending June 30, 2022, are used as the basis for determining each employer's proportionate share of the collective pension amounts reported in the Schedule of OPEB Amounts by Employer. The contributions were not adjusted to account for differences between actuarially determined contributions and actual contributions by Montgomery County. This report can be obtained from the agency's office as follows:

Montgomery County Employee Retirement Plans
101 Monroe Street, 15th Floor
Rockville, MD 20850

Plan membership

At June 30, 2022, total membership in the plan consisted of:

Inactive plan members or beneficiaries currently receiving benefit payments	7,441
Active plan members	9,962
Total	17,403

Funding Policy

The actuarial valuation of the Plan involves estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarially determined amounts regarding the funded status of the Plan and the annual required contribution (ARC) of the County and other participating agencies are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The Village funded 100% of its required contribution during 2022. In future years, the Village intends to fund 100% of its required contribution, which is anticipated to be less than the ARC through fiscal year 2022, unless the Village terminates its participation in the Trust.

NOTE 11 – OTHER POST EMPLOYEMENT BENEFITS (OPEB) - continued

Required contributions under the plans are not funded by employee contributions but are funded entirely by the Village. Contributions by the Village to all three State plans take place during the fiscal year and are based upon salaries for the preceding fiscal year. The Village contributions for the year ending June 30, 2022, are based on salaries for the year ending June 30, 2021. The contribution requirements of plan members of the reporting entity are established and may be amended by the Maryland State Pension System Board of Trustees. The required and actual contributions for the fiscal years ending June 30th were as follows and are determined on an actuarially determined basis:

	2022	2021	2020
Retirement plan contributions	$ -	$ 5,000	$ 8,000

The Village contributed $0 to the System for fiscal year 2022 which was actuarially determined based on statutory provisions. The Village has also recognized in OPEB Expense its proportionate share of the System's deferred inflows of resources (an increase in OPEB Expense) attributable to the net difference between projected and actual investment earnings on OPEB plan assets and its proportionate share of the System's deferred outflows of resources (a decrease in OPEB Expense) attributable to changes in assumptions.

Net OPEB Liability

The total net OPEB liability of the plan was $811,626,424 as of the measurement date of June 30, 2022. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The net OPEB liability is allocated among all employers and participating agencies. Each employer's portion of the net OPEB liability was based on the proportion of each agency's actuarially determined contribution as of June 30, 2022.

As of June 30, 2023, the Village reported a liability of $286,504 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Village's proportion of the net OPEB liability was based on a projection of the Villages long-term share of contributions to the OPEB plan relative to the projected contributions of all participating agencies, actuarially determined. At June 30, 2022, the Village's proportion was 0.0353 percent.

For the year ended June 30, 2022, the Village recognized negative OPEB expense of $152,557.

NOTE 11 – OTHER POST EMPLOYEMENT BENEFITS (OPEB) - continued

Actuarial Assumptions

Actuarial assumptions used in the actuarial valuation were:

Measurement Date	June 30, 2022
Actuarial cost method	Entry age normal
Discount rate	6.20%
20 year municipal bond rate	3.69%
Municipal bond rate basis	20-year tax exempt general obligation municipal bond with average rating of AA/Aa
Expected return on assets	7.50%
Salary increases	4.25% - 8.25%
General inflation	3.00%
Mortality:	
Healthy Retirees	Group A, H, J, GRIP - Pub-2010 Healthy Mortality, Headcount weighted, General Employees, Sex Distinct, Fully Generational projected from 2010 using scale MP-2018.
Disabled retirees	Group E, F, G - Pub-2010 Healthy Mortality, Headcount weighted, General Employees, Sex Distinct, Fully Generational projected from 2010 using scale MP-2018.
Healthare cost trend rates	The medical trend assumption was developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model, version 2019_b. The initial rate is 5.40% and the ultimate rate is 3.68%.

The actuarial assumptions used in the June 30, 2022 valuation, with the exception of the mortality assumptions, were based on the results of an actuarial experience study conducted by the County in September 2019 for the period July 1, 2014, to July 1, 2018.

NOTE 11 – OTHER POST EMPLOYEMENT BENEFITS (OPEB) - continued

Investments

The long-term expected rate of return on the Plan's investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Plan's target asset allocation as of June 30, 2021, are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
Domestic equities	2.20%
International equities	3.00%
Emerging market equities	5.90%
Global equities	3.30%
Private equity	5.80%
Credit opportunities	4.20%
High yield bonds	0.80%
Emerging market debt	1.70%
Directional hedge funds	1.80%
Long duration fixed income	(0.60%)
Cash	(0.90)%
Diversifying hedge funds	1.70%
Global ILs	2.50%
Private real assets	4.40%
Public real assets	2.90%

NOTE 11 – OTHER POST EMPLOYEMENT BENEFITS (OPEB) - continued

Discount Rate

A single discount rate of 6.20% was used to measure the total OPEB liability as of June 30, 2022. The single discount rate was blended based on the expected rate of return on OPEB plan investments of 7.50% and the municipal long-term high-quality bond index yield (at the measurement date) of 3.69% as described under the terms of the GASB standard. The projection of cash flows used to determine this single discount rate assumes that employer contributions will be made based on the current funding policy (contributions equal to the employer normal cost plus a 30-year open level percent of pay amortization of the unfunded employer liability). Based on these assumptions, the OPEB plan's fiduciary net position was projected to not be sufficient to make all projected future benefit payments on behalf of current plan members. Therefore, the long-term expected rate of return on plan investments was applied only to those payments prior to the depletion of the fiduciary net position and the bond yield index rate was applied to those benefit payments subsequent to the projected depletion of the fiduciary net position. For this valuation, the bond rates used as of June 30, 2022, was 3.69%. Therefore, the blended discount rate used at June 30, 2022, was 6.20%.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability calculated using the discount rate of 6.20%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.20%) or 1-percentage-point higher (7.20%) than the current rate:

	1% Decrease (5.20%)	Discount Rate (6.20%)	1% Increase (7.20%)
The Plan's Net OPEB Liability	$ 1,005,700,439	$ 811,626,424	$ 650,506,434
The Village's Proportionate Share of the Net OPEB Liability	$ 355,012	$ 286,504	$ 229,629

NOTE 11 – OTHER POST EMPLOYEMENT BENEFITS (OPEB) - continued

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability, as well as what the Plan's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (2.68%)	Trend Rate (3.68%)	1% Increase (4.68%)
The Plan's Net OPEB Liability	$ 628,536,039	$ 811,626,424	$ 1,037,749,230
The Village's Proportionate Share of the Net OPEB Liability	$ 221,873	$ 286,504	$ 366,325

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2023, the Village reported deferred inflows and deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between employer contributions and proportionate share of contributions	$ -	$ 181,716
Differences between expected and actual experience	14,766	81,962
Changes of assumption	32,420	127,023
Net difference between projected and actual investment earnings on OPEB Plan investments	16,687	-
Village contributions subsequent to the measurement date	-	-
Total	$ 63,873	$ 390,701

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 Town was $61,835 in total. During FY2021, the Comptroller's Office stated repayment will be made in 80 withholdings over 20 years, beginning in May 2021. Tax revenues will be reduced $3,011 each year going forward. The remaining balance is reflected as a liability on the Statement of Net Position, as the Town was required to start reimbursing the State in the fourth quarter of fiscal year 2021. The State will collect these funds by withholding $753 of the Town's income tax distributions four times per year over a period of 20 years.

The changes in this liability are as follows:

	Balance June 30, 2022	Retired During Year	Balance June 30, 2023	Amount Due Within 1 Year
State of Maryland	$ 57,210	$ 3,011	$ 54,199	$ 3,011

The annual deductions will be as follows:

FY	Amount
2024	$ 3,011
2025	3,011
2026	3,011
2027	3,011
2028	3,011
Thereafter	39,144
	$ 54,199

NOTE 13 – FUND BALANCE REPORTING

Fund balances for the Village's governmental funds consisted of the following as of June 30, 2023:

Committed Fund Balances

Committed fund balances totals $13,086 and is comprised of $1,383 for OPEB expenditures, and $11,703 for future capital improvement projects.

Unassigned Fund Balance

Unassigned fund balance totals $3,095,579.

NOTE 14 – NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued the following statements:

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. 96, *Subscription-Based Information Technology Arrangements*, issued May 2020, effective for reporting periods beginning after June 15, 2022.

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 Friendship Heights, MD
SCHEDULES OF REQUIRED OPEB-RELATED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE VILLAGE'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

FY reported Measurement date	FY2018 (6/30/17)	FY2019 (6/30/18)	FY2020 (6/30/19)	FY2021 (6/30/20)
Village's proportion (%) of collective net OPEB liability	0.0678%	0.02979%	0.0395%	0.0374%
Village's proportionate share ($) of collective net OPEB liability	$ 396,575	$ 396,575	$ 337,106	$ 378,306
Village's covered payroll ($)	$ 650,127	$ 650,127	$ 701,376	$ 754,436
Village's proportionate share of collective net OPEB liability as a percentage of its covered-employee payroll	61.00%	61.00%	48.06%	50.14%
Penion plan's fiduciary net position as a percentage of the total net OPEB liability	26.99%	26.99%	39.35%	38.02%

SCHEDULE OF THE VILLAGE'S OPEB CONTRIBUTIONS
Last 10 Fiscal Years

	FY2018	FY2019	FY2020	FY2021
Contractually required contribution	$ 16,718	$ 26,872	$ 8,000	$ 3,000
Contributions in relation to the contractually required contribution	$ 16,718	$ 26,872	$ 8,000	$ 3,000
Contribution deficiency (excess)	-	-	-	
Covered-employee payroll	$ 700,840	$ 650,127	$ 701,376	$ 754,436
Contributions as a percentage of covered-employee payroll	2.39%	4.13%	1.14%	0.40%

The above schedules are presented to illustrate the requirement for specific information for 10 years; however, until a full 10-year trend is compiled, information is only presented for those years for which information is available.

VILLAGE OF FRIENDSHIP HEIGHTS, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Revenues				
Taxes	$ 2,104,000	$ 2,104,000	$ 2,092,817	$ (11,183)
Licenses and permits	25,000	25,000	5,366	(19,634)
Intergovernmental	415,245	415,245	469,559	54,314
Interest Income	10,000	10,000	99,708	89,708
Miscellaneous	79,000	79,000	78,288	(712)
Total Revenues	$ 2,633,245	$ 2,633,245	$ 2,745,738	$ 112,493
Expenditures				
General government	$ 1,354,190	$ 1,354,190	$ 1,540,523	$ (186,333)
Public safety	69,000	69,000	118,433	(49,433)
Public works	644,200	644,200	593,450	50,750
Health and social services	12,000	12,000	12,064	(64)
Recreation and parks	278,500	278,500	247,708	30,792
Debt Service				
Principal	-	-	3,011	(3,011)
Interest	-	-	-	-
Subtotal	2,357,890	2,357,890	2,515,189	(157,299)
Capital outlays	-	-	3,320,633	(3,320,633)
OPEB expenditures	-	-	-	-
Total Expenditures	$ 2,357,890	$ 2,357,890	$ 5,835,822	$ (3,477,932)

SUPPLEMENTAL SCHEDULES

VILLAGE OF FRIENDSHIP HEIGHTS, MARYLAND
SCHEDULE OF REVENUES
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2023

	Final Budget	Actual	Budget Favorable (Unfavorable)
REVENUES			
Taxes			
Property taxes	$ 640,000	$ 667,412	$ 27,412
State income taxes	1,464,000	1,425,405	(38,595)
Total Taxes	2,104,000	2,092,817	(11,183)
Licenses and Permits			
Building, permits and fees	25,000	5,366	(19,634)
Total Licenses and Permits	25,000	5,366	(19,634)
From Other Governments			
State of Maryland			
Highway user revenue	70,000	70,521	521
County			
Revenue sharing	95,245	108,511	13,266
Parking violations	250,000	290,527	40,527
Total Other Governments	415,245	469,559	54,314
Miscellaneous			
Interest	10,000	99,708	89,708
Rentals	36,000	38,286	2,286
Miscellaneous receipts	13,000	12,137	(863)
Newsletter	30,000	27,865	(2,135)
Produce sales	-	-	-
Total Miscellaneous	89,000	177,996	88,996
Total Revenues	$ 2,633,245	$ 2,745,738	$ 112,493

VILLAGE OF FRIENDSHIP HEIGHTS, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Final Budget	Actual	Budget Favorable (Unfavorable)
GENERAL GOVERNMENT EXPENDITURES			
Elections	$ 6,500	$ 13,235	$ (6,735)
Financial administration	13,000	11,334	1,666
Administrative cost	12,000	14,507	(2,507)
Memberships & conferences	25,000	36,056	(11,056)
Legal counsel & consultants	50,000	101,933	(51,933)
Village council reports	3,000	2,831	169
Salaries	740,000	711,082	28,918
Health & life insurance	220,000	213,931	6,069
FICA	56,500	56,082	418
Retirement contribution	55,000	54,755	245
Xerox copiers	1,000	4,719	(3,719)
Aquarium	-	4,428	(4,428)
Heating & cooling maintenance	12,000	10,841	1,159
Building security maintenance	4,500	11,971	(7,471)
Building & general liability insurance	11,690	11,690	-
Telephone & utilities	35,000	51,611	(16,611)
Hospitality & special events	15,000	7,602	7,398
Equipment & supplies	14,000	45,169	(31,169)
Office & building furniture	5,000	2,266	2,733
Wynne repayment	-	3,011	(3,011)
4608 North Park maintenance	-	42,226	(42,226)
4602 North Park maintenance	15,000	18,408	(3,408)
Computer equipment & supplies	10,000	12,232	(2,232)
Center maintenance & repair	35,000	83,781	(48,781)
Maintenance service	15,000	17,833	(2,833)
Total General Government Expenditures	$ 1,354,190	$ 1,543,534	$ (189,345)

VILLAGE OF FRIENDSHIP HEIGHTS, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Final Budget	Actual	Budget Favorable (Unfavorable)
PUBLIC SAFETY EXPENDITURES			
Security patrol contract	$ 60,000	$ 66,853	$ (6,853)
Police field office	2,000	1,847	153
Police patrol	-	41,890	(41,891)
Security vehicle maintenance	7,000	7,843	(843)
Total Public Safety Expenditures	69,000	118,433	(49,434)
PUBLIC WORKS EXPENDITURES			
Bus contract	495,000	527,634	(32,634)
Street maintenance	15,000	6,141	8,859
Sidewalk maintenance	20,000	-	20,000
Snow removal	50,000	-	50,000
Waste collection	14,000	14,436	(436)
Recycling	1,200	2,737	(1,537)
Street lighting	20,000	22,333	(2,333)
Street signs	5,000	7,939	(2,939)
Trees	10,000	26	9,974
Villagescape	14,000	12,204	1,796
Total Public Works Expenditures	644,200	593,450	50,750
HEALTH AND SOCIAL SERVICE EXPENDITURES			
Health & social services	12,000	12,064	(64)
Total Health And Social Service Expenditures	$ 12,000	$ 12,064	$ (64)

VILLAGE OF FRIENDSHIP HEIGHTS, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Final Budget	Actual	Budget Favorable (Unfavorable)
RECREATION AND PARKS EXPENDITURES			
Lecture fees	$ 10,000	$ 3,391	$ 6,609
Musicians fees	20,000	28,122	(8,122)
Instructors fees	-	(4,086)	4,086
Trip fees	3,000	3,089	(89)
Art & theme shows	3,000	610	2,390
Consumable supplies	4,000	2,836	1,164
Lunches, brunches, etc.	14,000	9,117	4,883
Center special events	35,000	38,788	(3,788)
Reading room materials	3,000	2,799	201
Village newsletter	29,000	36,930	(7,930)
Electricity	1,500	1,020	480
Water	10,000	4,691	5,309
Fountain maintenance	20,000	17,325	2,675
Light maintenance	3,000	-	3,000
Furniture	2,000	-	2,000
Walk maintenance	3,000	-	3,000
Art fund	3,000	-	3,000
Landscaping	100,000	90,701	9,299
Arborist	15,000	12,375	2,625
Total Recreation and Park Expenditures	278,500	247,708	30,792
Total expenditures before capital outlays and OPEB expenditures	2,357,890	2,515,189	(157,301)
Capital outlays	-	3,320,633	(3,320,633)
OPEB expenditures	-	-	-
TOTAL EXPENDITURES	$ 2,357,890	$ 5,835,822	$ (3,477,934)