CHEVY CHASE VILLAGE
CHEVY CHASE, MARYLAND

INDEPENDENT AUDITOR'S REPORT, GENERAL PURPOSE FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

JUNE 30, 2002

CHEVY CHASE VILLAGE
Chevy Chase, Maryland

JUNE 30, 2002

Table of Contents

Independent Auditor's Report	1
General Purpose Financial Statements	
Combined Balance Sheet – All Fund Types and Account Groups	2 - 3
Combined Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund	4
Notes to General Purpose Financial Statements	5 – 13
Supplemental Information	
Schedule of General Government Expenditures	14
Schedule of Public Safety Expenditures	15
Schedule of Public Works Expenditures	16
Schedule of Park and Recreation Expenditures	17
Schedule of Village Building Expenditures	18

WOODEN & BENSON
CHARTERED
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Board of Managers
Chevy Chase Village
Chevy Chase, Maryland

We have audited the general purpose financial statements of Chevy Chase Village as of and for the year ended June 30, 2002, as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of the Village's management. Our responsibility is to express and opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Chevy Chase Village as of June 30, 2002, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as whole. The supplemental information is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of Chevy Chase Village. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Wooden & Benson

July 13, 2002
Baltimore, Maryland

100 W. PENNSYLVANIA AVENUE, BALTIMORE, MARYLAND 21204
TELEPHONE: (410) 825-4860 Web Address: www.woodenbenson.com E-MAIL: info@woodenbenson.com FAX: (410) 828-1419

CHEVY CHASE VILLAGE
Chevy Chase, Maryland

COMBINED BALANCE SHEET - ALL FUNDS AND ACCOUNT GROUPS
JUNE 30, 2002

	Governmental Fund Type	Account Groups		Totals (Memorandum Only)	
	General	General Fixed Assets	General Long-Term Debt	2002	2001
Assets					
Cash					
Operating and payroll checking accounts	$ 430,621			$ 430,621	$ 830,751
Petty cash	200			200	200
Savings account	-			-	1,092
	430,821			430,821	832,043
Investments					
Pooled investments	997,054			997,054	904,938
U.S. Treasury securities	748,226			748,226	1,190,495
	1,745,280			1,745,280	2,095,433
Accounts Receivable					
State of Maryland	666,090			666,090	541,517
Montgomery County	-			-	10,209
Contract and other receivables	43,275			43,275	22,693
	709,365			709,365	574,419
Fixed assets		$ 3,229,829		3,229,829	2,027,170
Amount to be provided for retirement of long-term debt			$ 102,187	102,187	87,330
Total assets	$ 2,885,466	$ 3,229,829	$ 102,187	$ 6,217,482	$ 5,616,395

The accompanying notes to the general purpose financial statements are an integral part of this statement.

CHEVY CHASE VILLAGE
Chevy Chase, Maryland

COMBINED BALANCE SHEET - ALL FUNDS AND ACCOUNT GROUPS
JUNE 30, 2002

	Governmental Fund Types	Account Groups		Totals (Memorandum Only)	
	General	General Fixed Assets	General Long-Term Debt	2002	2001
Liabilities and Fund Balance					
Liabilities					
Accounts payable	$ 19,477			$ 19,477	41,871
Damage deposits	2,500			2,500	7,500
Payroll withholdings	-			-	3,052
Accrued payroll	44,473			44,473	40,932
Accrued sick and vacation payroll	54,062			54,062	51,118
Christmas fund	4			4	(9)
Building fund	6,756			6,756	6,756
Deferred income tax revenue	622,419			622,419	438,439
Compensated absences	-		$ 102,187	102,187	87,330
Total liabilities	749,691		102,187	851,878	676,989
Fund Balance					
Unreserved and undesignated	2,135,775			2,135,775	2,912,236
Investment in general fixed assets	-	$ 3,229,829		3,229,829	2,027,170
Total fund balance	2,135,775	3,229,829		5,365,604	4,939,406
Total liabilities and fund balances	$ 2,885,466	$ 3,229,829	$ 102,187	$ 6,217,482	$ 5,616,395

The accompanying notes to the general purpose financial statements are an integral part of this statement.

CHEVY CHASE VILLAGE
Chevy Chase, Maryland

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2002

	Actual	Budget	Favorable (Unfavorable)
Revenues			
Taxes			
Property	$ 519,000	$ 528,764	$ (9,764)
Income	1,659,798	1,230,000	429,798
Highway	111,607	108,363	3,244
County Reimbursements:			-
Duplicated services	63,558	76,084	(12,526)
Intergovernmental Assistance:			-
State of Maryland police grants	95,198	92,365	2,833
Contracted Police Services	247,077	245,908	1,169
Interest	72,459	127,761	(55,302)
Building Rent	57,820	57,820	(0)
Other Income	38,087	52,896	(14,810)
Total revenues	2,864,604	2,519,961	344,643
Expenditures			
General government	542,739	637,870	95,131
Public safety	941,524	1,022,628	81,104
Public works	723,552	773,769	50,217
Park and recreation expenditures	208,637	225,636	16,999
Village building	1,224,613	1,651,573	426,960
Total expenditures	3,641,065	4,311,476	670,411
Excess (deficit) of revenues over expenditures	(776,461)	$ (1,791,515)	$ 1,015,054
Fund balance - beginning of period	2,912,236		
Fund balance - end of period	$ 2,135,775		

The accompanying notes to the general purpose financial statements are an integral part of this statement.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

Note 1 - Summary of Significant Accounting Policies

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

A. Fund Accounting

The accounts of the Village are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts which comprise the fund's assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The Village has established the following funds and account groups:

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.

General Fixed Asset Account Group – The fixed assets account group is a self-balancing group of accounts set up to account for the general fixed assets of the Village. Fixed assets used in operations are accounted for in the General Fixed Asset Account Group, rather than in the General Fund. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, but including roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized. No depreciation has been provided on general fixed assets.

General Long Term Debt Account Group – The long-term debt account group is a self-balancing group of accounts set up to account for the general long-term debt of the Village which is expected to be financed from governmental funds.

The account groups are not "funds". They are concerned only with the measurement of financial position. They are not involved with the measurement of financial operations.

Note 1 - Summary of Significant Accounting Policies

B. Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operation statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to preset a summary of sources and uses of "available spendable resources" during a period.

General fixed assets purchased are recorded as expenditures in the general fund at the time of the purchase. Such assets are capitalized at historical cost in the general fixed asset group of accounts. Estimated historical cost is used to value assets for which actual historical cost was not determinable. Donated fixed assets are valued at their fair market value on the date donated.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

D. Reporting Entity

The main criterion used in determining the entity for financial reporting purposes is whether the Village is financially accountable for any governmental department, agency, institution, commission, public authority, or other governmental organization. As part of that criterion, the following factors were considered:

Note 1 - Summary of Significant Accounting Policies - Continued

D. Reporting Entity - continued

Financial benefit or burden

Appoints a voting majority of the component unit board

Designation of management

Ability to impose will

Fiscally dependent

Based on these factors, no other governmental organizations exist that should have been included in these financial statements.

E. Budgets

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund. All appropriations lapse at the fiscal year-end.

F. Compensated Absences

Village policy allows employees to accumulate unused vacation that is payable to the employee at the employees' retirement or termination. Policy also permits employees to accumulate sick leave for future use or for payment upon retirement at the rate of one hour for every three hours of accumulated sick leave.

At June 30, 2002, the liability to the Village employees for accrued annual and sick leave was $103,944 and $52,305, respectively, based on the wage rates in effect during the fiscal year. Accumulated leave expected to be liquidated with expendable available financial resources is reported as an expenditure and included in the sick and vacation liability of the General Fund. Amounts estimated to be long term (not to be expended within the next fiscal year) have been recorded in the long-term debt account group.

G. Total Columns

The total columns are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position of results of operations in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Note 1 - Summary of Significant Accounting Policies

H. Risks and Uncertainties

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

Note 2 - Cash and Investments

At June 30, 2002, the carrying amount of the Village's cash balance was $430,621 and the bank balance totaled $568,347. The Federal Deposit Insurance Corporation covered $200,000 of the deposit and $368,347 was fully collateralized with securities held by the pledging financial institution.

The Village's investment policy authorized the Village to deposit funds only in authorized, qualified public depositories. Cash and investments must be placed only in U.S. Treasury obligations, including its agencies, U.S. Government guaranteed obligations, FDIC insured certificates of deposit, commercial banks, or money market accounts, the Maryland Local Government Investment Pool, or any obligation of the State of Maryland, its counties and municipal governments.

As of June 30, 2002, investments consist of U.S. Treasury bills and an investment in the Maryland Local Government Investment Pool. Both investments have maturities of less than one year.

Investments of the Village are classified into three categories to give an indication of the level of risk assumed at year-end. Category 1 includes investments insured or registered securities which are held by the Village or its agent in the Village's name. Category 2 includes uninsured and unregistered investments with the securities held by the counterparty's trust department or agent in the Village's name. Category 3 includes uninsured and unregistered investments with the securities held by the counterparty or its trust department or agent but not in the Village's name.

Note 2 - Cash and Investments – Continued

The Village is a participant of the Maryland Local Government Investment Pool (MLGIP), which provides all local government units of the State a safe investment vehicle for the short-term investment of funds. The State Legislature created MLGIP with the passage of Article 95 22G, of the Annotated Code of Maryland. The MLGIP, under the administrative control of the State Treasurer, has been managed by a single Baltimore based financial institution, Mercantile-Safe Deposit and Trust Company. An MLGIP Advisory Committee of current participants was formed to review, on a quarterly basis, the activities of the Fund and to provide suggestions to enhance the pool. The fair value of the pool is the same as the value of the pool shares.

	Categories			Carrying	Market
	1	2	3	Amount	Value
Treasury Bills	$750,000	$ - 0 -	$ - 0 -	$ 748,226	$ 748,226
Investment in Maryland Local Government Investment Pool				997,054	997,054
				$1,745,280	$ 1,745,280

Note 3 - Pension Plan

The Board of Managers of Chevy Chase Village established a trust-administered, single employer, defined contribution pension plan effective May 15, 1964, for eligible employees. Currently, the trustee for the plan is the Principal Financial Group.

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

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

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

Note 3 - Pension Plan - Continued

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

The plan defines a vesting year of service as one in which the employee works 2,000 or more hours.

Total Village contributions were $85,236 for the year ended June 30, 2002.

Note 4 - Deferred Compensation Plan

The Village offers to all its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The plan permits participating employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the plan, all property rights purchased with those amounts, and all income attributable to those amounts (until paid or made available to the employee or other beneficiary) shall be held in trust for the exclusive benefit of the plan participants and their beneficiaries, and the assets can not be diverted to any other purpose.

The plan is administered by the Hartford Life Insurance Corporation. In the year ended June 30, 2002 employee contributions to the plan totaled $38,612.

Note 5 - Property Taxes

The property tax calendar is from July 1 through June 30 with taxes payable by September 30. The Village believes all property taxes to be fully collectible and makes no allowance for uncollectible property taxes.

Real and personal property taxes are levied at rates enacted by the Board of Managers in the annual budget on the assessed value as determined by the Maryland State Department of Assessments and Taxation. The rates of levy cannot exceed the constant yield tax rate furnished by the Maryland State Department of Assessments and Taxation without public notice and only after public hearings.

Note 5 - Property Taxes - Continued

The real and personal property tax rate during the year ended June 30, 2002 was $.10 per $100 of assessed value. Real and personal property taxes are billed and collected by Montgomery County and remitted to the Village.

Note 6 - General Fixed Asset Account Group

A summary of changes in fixed assets follows:

	Cost			
	Balance July 1, 2001	Additions	Deletions or Transfers out	Balance June 30,2002
Village building and improvements	$ 862,790	$ 54,980	$ -	$ 917,770
Building renovations – Town Hall	58,940	1,115,131	-	1,174,071
Brookville land and improvements	313,891	-	-	313,891
Office furniture and equipment	189,357	24,478	-	213,835
Police vehicles and equipment	287,526	47,358	(18,062)	316,822
Public works - vehicles and equipment	283,679	-	(21,236)	262,443
Parks and recreation – vehicles and equipment	30,997	-	-	30,997
	$2,027,180	$1,241,947,	$(39,298)	$3,229,829

Note 7 - Long-term Debt

The following is a summary of the changes in long-term debt for the year ended June 30, 2002. Village policy is to pay the eligible employee one hour wages for each three hours of accumulated sick leave.

Compensated Absences	Balance July 30, 2001	Increase	Balance June 30, 2002
Accrued sick leave	$ 46,310	$ 5,995	$ 52,305
Accrued vacation payroll	92,138	11,806	103,944
	138,448	17,801	156,249
Less: current portion	(51,118)	(2,944)	(54,062)
	$ 87,330	$14,857	$102,187

Note 8 - Risk Management

The Village's risk management techniques include participation in a public entity pool and the purchase of commercial insurance.

For property, general liability, excess liability, primary auto, police liability, public official, and boiler and machinery liability coverage, the Village became a member of the Maryland Local Government Insurance Trust (LGIT). This trust is a public entity risk pool which is owned and directed by the local governments that subscribe to its coverages and operates under the terms of a Trust Agreement.

The Village pays LGIT an annual premium. Claims are processed and recoveries and administrative costs are paid by LGIT. Similar to a commercial insurance carrier, recoveries are subject to deductibles and to annual aggregate/per occurrence dollar limits. The maximum coverage under the liability pool of the Trust is $3,000,000. In the event that the Trust experiences a deficit, it has the right to assess its members up to twice their annual premium. During the year ended June 30, 2002 the Village paid premiums of $32,059 to the Trust.

The Village is fully insured for worker's compensation through the Injured Worker's Insurance Fund of Maryland. Employees are bonded through commercial insurance carriers to limit the loss to the Village in the event of employee acts of embezzlement or theft.

Note 9 - Police Services

During 1995, the Village entered into agreements with the Town of Chevy Chase, Martin's Additions, and Section 3 of the Village of Chevy Chase to provide enhanced police services to their communities. All agreements are for one-year renewable terms with payments based upon police service hours rendered. All contracts were renewed during the fiscal year ended June 30, 2002.

Note 10 - Deferred Income Tax Revenue

At June 30, 2002, Chevy Chase Village was advised by the State of Maryland that $626,580 of the Local Tax Reserve Fund was allocable to Chevy Chase Village. In accordance with the provisions of Government Accounting Standards Board pronouncement #33 which is effective for years ending after June 15, 2001, regarding the accounting and reporting of nonexchange transactions, the Village recorded income and a receivable from the State of $4,161 since it was available for the satisfaction of current liabilities. The balance of the receivable of $622,419 has been recorded as deferred income tax revenue.

Note 11 - Commitments

During the year ended June 30, 2002 major renovations were begun on the Village Administration Building. The original contract in the amount of $1,263,408 was reduced by work order changes to $1,150,490. The construction is expected to be completed in the Fall of 2002. As of June 30, 2002 approximately $913,000 has been advanced against the contract price and the total costs to complete the project are not expected to exceed the contract price.

CHEVY CHASE VILLAGE
Chevy Chase, Maryland

SUPPLEMENTAL INFORMATION

JUNE 30, 2002

CHEVY CHASE VILLAGE
Chevy Chase, Maryland

SCHEDULE OF GENERAL GOVERNMENT EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002

	Actual	Budget	Variance Favorable (Unfavorable)
Payroll	$ 239,290	$ 242,345	$ 3,055
Employer obligations	21,820	24,453	2,633
Employee benefits	40,885	36,390	(4,495)
Contract labor/staff	158	5,000	4,843
Organizational development	12,771	13,900	1,129
Community relations	5,801	8,500	2,699
Communications	6,572	8,250	1,678
General expenditures	17,623	21,860	4,237
Insurance	24,887	32,150	7,263
Professional services	126,610	190,000	63,390
Service contracts	4,386	4,524	138
Supplies	4,493	4,500	7
Computer and technical support	21,551	24,300	2,749
Equipment maintenance and repair	292	500	208
Equipment purchases	15,600	15,600	-
Payroll contingency	-	2,860	2,860
Operating contingency	-	2,738	2,738
	$ 542,739	$ 637,870	$ 95,131

CHEVY CHASE VILLAGE
Chevy Chase, Maryland

SCHEDULE OF PUBLIC SAFETY EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002

	Actual	Budget	Variance Favorable (Unfavorable)
Payroll	$ 642,573	$ 675,032	$ 32,459
Employer obligations	73,806	88,573	14,767
Employee benefits	113,146	126,575	13,429
Organizational development	7,315	8,125	810
Communications	9,447	9,900	453
General expenditures	6,979	8,750	1,771
Insurance	7,172	6,400	(772)
Professional services	5,680	5,800	120
Service contracts	3,323	3,900	577
Supplies	4,395	4,700	305
Vehicle operations	18,337	19,000	663
Office furniture and equipment - purchase	318	600	282
Computer and technical support	4,924	5,300	376
Equipment maintenance and repair	867	2,000	1,133
Equipment purchases	17,998	18,000	2
Machinery purchase	1,834	7,000	5,166
Vehicle purchase	23,410	24,000	590
Payroll contingency	-	8,051	8,051
Operating contingency	-	922	922
	$ 941,524	$ 1,022,628	$ 81,104

CHEVY CHASE VILLAGE
Chevy Chase, Maryland

SCHEDULE OF PUBLIC WORKS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002

	Actual	Budget	Variance Favorable (Unfavorable)
Payroll	$ 172,232	$ 173,950	$ 1,718
Employer obligations	19,551	22,073	2,522
Employee benefits	43,707	38,505	(5,202)
Contract labor/staff	21,091	22,000	909
Organizational development	-	250	250
Communications	3,356	3,350	(6)
Disposal	204,394	194,900	(9,494)
General expenditures	4,411	4,700	289
Infrastructure			
Recurring maintenance & repair	368	3,000	2,632
Streets/sidewalks/storm drainage	216,038	250,000	33,962
Small tools and shop supplies	2,793	3,000	207
Snow removal	2,825	12,500	9,675
Vehicles - operations	28,329	28,000	(329)
Equipment purchases	-	2,500	2,500
Machinery purchase	-	5,500	5,500
Equipment maintenance/repair/operations	4,457	5,000	543
Payroll contingency	-	2,020	2,020
Operating contingency	-	2,521	2,521
	$ 723,552	$ 773,769	$ 50,217

CHEVY CHASE VILLAGE
Chevy Chase, Maryland

SCHEDULE OF PARKS AND RECREATION EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002

	Actual	Budget	Variance Favorable (Unfavorable)
Community promotion	$ 2,768	$ 13,550	$ 10,782
Infrastructure			
Recurring maintenance and repairs	44,331	44,500	169
Service contracts	1,021	2,000	979
Small tools and shop supplies	186	400	214
Trees	160,245	160,000	(245)
Equipment maintenance/repair/operations	86	-	(86)
Operations and tree contingencies	-	5,186	5,186
	$ 208,637	$ 225,636	$ 16,999

CHEVY CHASE VILLAGE
Chevy Chase, Maryland

SCHEDULE OF VILLAGE BUILDING EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002

	Actual	Budget	Variance Favorable (Unfavorable)
Infrastructure			
Recurring maintenance and repairs	$ 5,008	$ 5,000	$ (8)
Building renovation and improvements	1,115,131	1,530,000	414,869
Insurance		450	450
Service contracts	10,193	11,500	1,307
Supplies	1,810	2,200	390
Utilities	41,543	47,714	6,171
Communications equipment	20,000	20,000	-
Equipment maintenance/repair/operations	2,948	4,000	1,052
Machinery & equipment purchases	27,980	30,000	2,020
Operations contingency	-	709	709
	$ 1,224,614	$ 1,651,573	$ 426,959