CHEVY CHASE VILLAGE, MARYLAND
FINANCIAL STATEMENTS
JUNE 30, 2013

CHEVY CHASE VILLAGE
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Independent Auditor's Report

Board of Managers
Chevy Chase Village, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Chevy Chase Village, Maryland (the "Village"), as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the basic financial statements of the Village as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund and the aggregate remaining fund information of Chevy Chase Village as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information on pages 4 through 9 and 35 through 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Chevy Chase Village, Maryland's financial statements as a whole. The supplemental schedules of revenues and expenditures – budget and actual – general fund and schedules of revenues and expenditures – budget and actual – special revenue fund, on pages 37 through 43, are not a required part of the basic financial statements. The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Lindsey + Associates, LLC

October 14, 2013

CHEVY CHASE VILLAGE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

The management of Chevy Chase Village (the "Village") consists of the Village Manager and the elected Board of Managers. As management, we offer readers this narrative overview and analysis of the financial activities of the Village for the fiscal year ended June 30, 2013. Included are:

Accounting Methods: Full vs. Modified Accrual
A summary statement of Net Position and comparison with prior year
Revenues and Expenses and comparison with prior year
Fund Accounting and Budgeting
Management's discussion
Additional information

Summary Statement of Net Position (see page 10 for additional detail)

The comparative data shown below represent the Village's net position on the full accrual basis for the fiscal years ending June 30, 2013 and June 30, 2012.

	2013	2012
Assets		
Cash, investments and receivables	$ 6,738,692	$ 6,757,849
Capital assets, net of depreciation	5,006,487	3,946,367
	11,745,179	10,704,216
Deferred Outflows of Resources	-	-
Liabilities		
Payables and other current obligations	202,049	221,759
Long term obligations	340,244	317,574
	542,293	539,333
Deferred Inflows of Resources	-	-
Net Position		
Net investment in capital assets	5,006,487	3,946,367
Restricted for Safe Speed Program approved projects	793,675	2,339,354
Unrestricted net position	5,402,724	3,879,162
Total Net Position	$ 11,202,886	$ 10,164,883

Revenues and Expenses (see page 11 for additional detail)

The comparative data below present the change in the Village's Net Position resulting from governmental activities during the fiscal years ending June 30, 2013 and June 30, 2012.

Change in Net Position
(Full Accrual Basis)

	Governmental Activities	
	2013	2012
Program revenues		
Charges for services	1,894,141	1,865,146
Operating grants and contributions	227,741	235,822
	2,121,882	2,100,968
General revenues		
Property and income taxes levied for general purposes	3,424,449	3,044,681
SafeSpeed program investment earnings	4,091	4,270
Unrestricted investment earnings	23,417	19,259
	3,451,957	3,068,210
Total revenues	5,573,839	5,169,178
Expenses		
Police and communications	2,480,004	994,768
SafeSpeed program	-	1,572,038
Public works, parks, and recreation	1,331,442	1,179,991
Administration and special projects	724,390	676,019
Total expenses	4,535,836	4,422,816
Loss on disposal of fixed assets	-	(13,460)
Change in net position	1,038,003	732,902
Net position, beginning of year	10,164,883	9,431,981
Net position, end of year	11,202,886	10,164,883

Fund Accounting and Budgeting

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

Each fund is controlled by an annual budget that is adopted in April. Budgetary comparison statements have been provided for these funds. The budget-to-actual comparisons are presented by department on pages 35 and 36. A summary comparison of General Funds – budget vs. actual is shown below:

Schedule of Revenue and Expenditures - Budget and Actual
(Modified Accrual Basis - General Fund)

	Final Budget	Actual	Variance Positive / (Negative)
Revenue	$ 3,670,052	$ 4,213,852	$ 543,800
Expenditures	2,745,521	2,439,540	305,981
Excess of revenue over expenditures	$ 924,531	$ 1,774,312	$ 849,781

Management's Discussion

The Village enjoys a strong financial position. The Village has substantial reserves, enough to cover 1.4 times operating expenses just from our reserves alone. In recent years the Village has benefited from income from the *SafeSpeed* Program, a photo enforcement program along Connecticut Avenue, and this year the Village has also benefitted from stronger than expected income tax revenue. The Village has continued to be judicious in its expenditures and will continue to do so in the coming year. The following sections explain the Village's accomplishments, issues and plans for fiscal 2014 and beyond.

General Fund Operations

Tax Revenues

The Village is dependent on state income tax collections and real property assessments to provide the primary funding for regular Village operations. These factors, which are beyond the Village's direct control, are quite variable. The Village maintained the constant yield rate for its real estate taxes as the property assessment base had minimal change this year. This allowed the Village to receive approximately the same revenue from real estate taxes as it has the previous few years.

Income tax revenues are much more variable than the property taxes. While the property tax base is relatively steady, the income tax revenues are affected by the tax liability of Village residents and can also be affected as residents move into and out of the Village. Income tax revenues in fiscal 2013 were 33% higher than budgeted and were $516,688 or 26.5% higher than fiscal 2012's collections. Income tax revenues for fiscal 2014 are budgeted at $2,200,000 or almost 12% lower than fiscal 2013's actual receipts in an effort to maintain a conservative projection for the 2014 budget.

Overall General Funds Revenues

The general fund's budget projected total revenues of $3,670,052. The Village received $543,800 more than projected attributable to big increases in income tax revenue, and slight increases in County tax duplication, rent and permit fees and cable franchise fees.

General Fund Expenses

Personnel expenses came in slightly below budget due to temporarily unfilled positions in the communications department. Operational expenditures also came in slightly lower than budgeted during the course of the fiscal year due to decreased legal costs and a lack of inclement weather.

SafeSpeed Program

The Village has maintained a *SafeSpeed* Program since fiscal 2008. The citations collected in fiscal 2013, including current and delinquent citations, were $1,583,976, which is lower than fiscal 2012 representing a 14.5% decrease. This is likely due to the prevalence of photo speed enforcement programs across the state and in the neighboring District of Columbia, which has caused a significant increase in driver awareness and a lower issuance of citations region-wide. In FY 2013, the Village Board made the decision use SafeSpeed funds to fund all of the Village's public safety expenditures. This decision was made because SafeSpeed income and reserves are of much more restricted nature and can only be used for public safety expenditures while the general income and reserves can be used for any Village expenditure.

If the Village no longer received revenues through the *SafeSpeed* Program, the Village's general funds budget could incur up to $600,000 in additional public safety related expenses currently allocated to the Special Revenue Fund.

Budget Modifications During FY2013

The budget for the fiscal year is approved at the Village's Annual Meeting held the preceding April. As the fiscal year progresses, the budget may be modified by the Board of Managers due to unforeseen events and expenditures. Below are budget modifications approved by the Board of Managers during fiscal year 2013:

Village Hall Roof Repairs	$	5,850
Personnel Salary Increases		5,000
Village Hall Security System		12,000
	$	22,850

Although street maintenance expenditures came in at budget (the Board of Managers approves a single budget for General Fund and Special Revenue Fund revenues and expenses), the annual audited statements contained herein reflect a significant variance in the General Fund and Special Revenue Fund (*SafeSpeed*) individual budgets; over budget in the Special Revenue Fund and under budget in the General Fund. When this expenditure was originally budgeted, it was expected that the Washington Suburban Sanitation Commission (WSSC) would reimburse the General Fund at a certain level, and therefore, the equivalent expense level was also reflected in the General Fund budget. The reimbursement received from WSSC fell short of the expenditure required to complete the street maintenance. Therefore, the overage of that expenditure was transferred to the Special Revenue Fund budget, causing a variance in the individual budgets reflected in these statements, although not exceeding the budgeted total expense adopted by the Board of Managers.

Capital Assets

The Village's Total Net Position at June 30, 2013 totaled $11,202,886 of which $5,006,487 is net investments in capital assets. This represents 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. At June 30, 2013, there was no debt associated with the capital assets. Capital assets include property, buildings and improvements, furniture, infrastructure and equipment and vehicles. An asset is capitalized if it has a cost in excess of $5,000 and a useful life greater than one year. Refer to footnote 6 for a detailed schedule of capital assets and related depreciation.

The overall increase in net position in fiscal 2013 primarily reflects the Village's investment in its infrastructure and vehicles and its overall surplus which has been added to its current assets.

Major capital asset additions during the year ended June 30, 2013 include the following:

New Sidewalks	$	528,453
New Village Computer Server		11,291
Roadway Repavement		452,403
Public Works Renovation		288,342
New Boilers		26,125
New Police Computers		8,327
	$	1,314,941

Next Year

The costs of general and *SafeSpeed* operations in fiscal year 2014 are expected to be $4,442,617. The costs of Capital Projects are expected to be $1,252,000. Revenues are also budgeted at $3,866,402 and $1,505,000, respectively for a total revenue budget of $5,371,402. Revenues received through income taxes continue to serve as the Village's primary source of revenue. While the increase in income tax receipts in fiscal 2013 was welcomed, it is impossible to predict upcoming income tax revenues, with any certainty, so restraining on-going expenditures will continue to be a high priority.

The Village is pursuing several Capital Projects in fiscal 2014 including the development of the Chevy Chase Open Space property (formerly referred to as the Wohlfarth Property); the third phase of a 4-year project to replace Village sidewalks; acquisition of a replacement Public Works pick-up truck; new phone and police radio recording systems; replacement of the Village's streetlight network with light emitting diode (LED) fixtures; new crime fighting technology and equipment; and the continued maintenance and repair of the Village streets.

Accounting Methods: Full vs. Modified Accrual

In accordance with the financial reporting standards for governments, the Village reports its financial condition and the results of its operations in two formats. The full-accrual format reports, the Statement of Net Position and the Statement of Activities, are found on pages 10 and 11. The modified accrual format presents the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds on pages 12 and 13. The differences between the reports arise primarily as a result of the treatment of fixed assets, long-term debt, revenue recognition and certain expenses. The two formats are reconciled and the differences are explained in the reconciliations to the right of the statements.

The Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The Notes to Financial Statements are an integral part of the basic financial statements and can be found on pages 16 through 34.

Contacting the Village's Financial Management

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

CHEVY CHASE VILLAGE, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities
ASSETS	
Current Assets	
Cash and cash equivalents - unrestricted	$ 3,169,309
Cash and cash equivalents - restricted	597,375
Investments	2,645,905
Amounts due from other governments	284,636
Accounts receivable, net of allowances	41,467
Total Current Assets	6,738,692
Noncurrent Assets	
Net capital assets	5,006,487
Total Noncurrent Assets	5,006,487
TOTAL ASSETS	11,745,179
DEFERRED OUTFLOWS OF RESOURCES	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 11,745,179
LIABILITIES	
Current Liabilities	
Accounts payable and accrued expenses	$ 197,230
Amounts held in escrow and deposit	4,819
Total Current Liabilities	202,049
Noncurrent Liabilities	
Compensated absences	340,244
Total Noncurrent Liabilities	340,244
TOTAL LIABILITIES	542,293
TOTAL DEFERRED INFLOWS OF RESOURCES	-
NET POSITION	
Net investment in capital assets	5,006,487
Restricted	
Safe Speed Program - public safety	793,675
Unrestricted	5,402,724
TOTAL NET POSITION	11,202,886
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 11,745,179

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

CHEVY CHASE VILLAGE, MARYLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

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
Primary Government					
Governmental Activities:					
Administration	$ 692,018	$ 399,738	$ 100,524	$ -	$ (191,756)
Public safety	2,120,334	1,494,403	108,401	-	(517,530)
Public works	976,595	-	18,816	-	(957,779)
Communications	359,670	-	-	-	(359,670)
Facilities, infrastructure, and equipment	354,847	-	-	-	(354,847)
Special projects	32,372	-	-	-	(32,372)
Total Governmental Activities	4,535,836	1,894,141	227,741	-	(2,413,954)
Total Primary Government	$ 4,535,836	$ 1,894,141	$ 227,741	$ -	$ (2,413,954)

General revenues:	
Taxes	
Income taxes	2,328,010
Property taxes	1,096,439
Interest and investment earnings	27,508
Total General Revenues	3,451,957
Transfers in (out)	-
Change in Net Position	1,038,003
Net Position, beginning of year	10,164,883
Net Position, end of year	$ 11,202,886

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

CHEVY CHASE VILLAGE, MARYLAND
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents - unrestricted	$ 3,169,309	$ -	$ 3,169,309
Cash and cash equivalents - restricted	-	597,375	597,375
Investments	2,210,963	434,942	2,645,905
Due from other funds	131,011	-	131,011
Amounts due from other governments	284,636	-	284,636
Accounts receivable, net of allowances	-	41,467	41,467
TOTAL ASSETS	5,795,919	1,073,784	6,869,703
DEFERRED OUTFLOWS OF RESOURCES	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 5,795,919	$ 1,073,784	$ 6,869,703
LIABILITIES			
Accounts payable and accrued expenses	$ 89,599	$ 107,631	$ 197,230
Amounts held in escrow	4,819	-	4,819
Due to other funds	-	131,011	131,011
TOTAL LIABILITIES	94,418	238,642	333,060
DEFERRED INFLOWS OF RESOURCES	284,636	41,467	326,103
FUND BALANCES			
Restricted - Safe Speed Program - public safety	-	793,675	793,675
Unassigned	5,416,865	-	5,416,865
TOTAL FUND BALANCES	5,416,865	793,675	6,210,540
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 5,795,919	$ 1,073,784	$ 6,869,703

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2013

Total Governmental Fund Balances	$ 6,210,540
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(340,244)
Receivables pertaining to revenue that is not available in accordance with modified accrual accounting are reported as deferred inflows of resources in the funds.	326,103
Capital assets used in governmental activities are not financial resources and therefore are not reported on the funds.	5,006,487
Net Position of Governmental Activities	$ 11,202,886

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

CHEVY CHASE VILLAGE, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues			
Taxes	$ 3,562,956	$ -	$ 3,562,956
Safe speed citations	-	1,583,976	1,583,976
Intergovernmental	227,741	-	227,741
Fees, licenses, and permits	67,198	-	67,198
Rents	88,887	-	88,887
Interest income	23,417	4,091	27,508
Miscellaneous	243,653	-	243,653
Total Revenues	4,213,852	1,588,067	5,801,919
Expenditures			
Administration	496,302	78,516	574,818
Public safety	-	2,005,193	2,005,193
Public works	827,126	-	827,126
Communications	269,372	90,081	359,453
Facilities, infrastructure, and equipment	274,262	68,469	342,731
Special projects	19,091	13,281	32,372
Capital projects department	68,414	59,529	127,943
Capital outlay	484,973	818,677	1,303,650
Total Expenditures	2,439,540	3,133,746	5,573,286
Excess (deficiency) of revenues over expenditures	1,774,312	(1,545,679)	228,633
Other financing sources (uses)	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	1,774,312	(1,545,679)	228,633
Fund balance, beginning of year	3,642,553	2,339,354	5,981,907
Fund balance, end of year	$ 5,416,865	$ 793,675	$ 6,210,540

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, 2013

Net Change in Fund Balances - Total Governmental Funds	$ 228,633
Decreases in Safe Speed Program uncollected revenues do not use current financial resources and are not reported as revenue in the funds.	(89,573)
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.	1,060,120
Decreases in deferred inflows of resources relating to income taxes do not use current financial resources and are not reported as revenue in the funds.	(138,507)
Difference between accrual and modified accrual in accounting for compensated absences.	(22,670)
Change in Net Position of Governmental Activities	$ 1,038,003

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

CHEVY CHASE VILLAGE, MARYLAND
STATEMENT OF FIDICUARY NET POSITION
PENSION TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2013

ASSETS	
Cash and cash equivalents	$ -
Investments, at fair value	1,628,680
Due from other funds	-
Total assets	1,628,680
DEFERRED OUTFLOWS OF RESOURCES	-
LIABILITIES	
Accounts payable	-
Total liabilities	-
DEFFRED INFLOWS OF RESOURCES	-
NET POSITION	
Held in trust for pension benefits	1,628,680
Total net position	$ 1,628,680

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

CHEVY CHASE VILLAGE, MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2013

ADDITIONS		
Contributions		
Employer	$	206,270
Plan member		-
Total contributions		206,270
Investment Income		
Net increase in fair value of investments		121,699
Interest		-
Net investment income		121,699
Total additions		327,969
DEDUCTIONS		
Distributions		(152,062)
Administrative expenses		-
		(152,062)
Net increase		175,907
Net position held in trust for pension benefits, beginning of year		1,452,773
Net position held in trust for pension benefits, end of year	$	1,628,680

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

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

In November 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 61 – *The Financial Reporting Entity: Omnibus.* In December 2010, GASB issued statement No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* The Village has implemented these standards as of July 1, 2012.

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

Basis of Presentation – Fund Accounting

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

The Village currently has one Fiduciary Fund. The Pension Trust Fund is used to account for defined contribution plan assets held by the Village in a fiduciary capacity. This fund is accounted for and reported in a manner similar to proprietary funds since capital maintenance is critical.

Basis of Accounting

Government-Wide Financial Statements

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

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.

Governmental Funds

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

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

Fiduciary Fund – Pension Trust Fund

The Village currently has one Fiduciary Fund. The Pension Trust Fund is used to account for defined contribution plan assets held by the Village in a fiduciary capacity. This fund is accounted for and reported in a manner similar to proprietary funds since capital maintenance is critical.

Revenue Recognition

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

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

Expenditure Recognition

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

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

Cash and Cash Equivalents

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

Investments

Investments held at June 30, 2013 with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

Accounts Receivable – Net of Allowances

Receivables at June 30, 2013 consist of *SafeSpeed* camera citations totaling $369,733. The Village recognizes an allowance for doubtful accounts to ensure that speed camera receivables are not overstated due to uncollectability. At June 30, 2013, the allowance for doubtful accounts in the special revenue fund is $328,266. The resulting accounts receivable – net of allowances at June 30, 2013 is $41,467.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Inventory of Supplies

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

Capital Assets and Depreciation

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

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

Restricted Reserves

The Village generally uses restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available; however, some public safety expenditures are paid for with unrestricted funds first, setting aside some restricted special revenue resources for larger public safety projects.

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

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities.* This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Town has implemented this standard as of July 1, 2012.

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, 2013, the balance of deferred inflows of resources consisted of income taxes in the general fund of $284,636 and *SafeSpeed* camera citations in the special revenue fund of $41,467.

Local Tax Reserve Fund

At June 30, 2013, the Village was advised by the State of Maryland that $284,636 of the Local Tax Reserve Fund was allocable to the Village. The Village recorded receivable and deferred inflows of resources in the amount of $284,636 in the fund financial statements. The change in this amount has been reflected as income tax revenue in the government-wide financial statements in accordance with full accrual accounting.

Compensated Absences

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

Vested or accumulated vacation or sick leave is accrued when earned by the employee and a liability is recorded in the government-wide financial statements. At June 30, 2013, the liability to Village employees for accrued annual and sick leave was $340,244 based on the wage rates in effect during the fiscal year.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Post-Employment Benefits

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

Estimates

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

Equity Classifications

In June 2011, GASB issued Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position.* This statement provides guidance on reporting deferred inflows and out flows of resources and redefines net assets as net position. The Village has implemented this standard beginning July 1, 2012.

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Governmental Fund Balances

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

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

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

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

Budget Requirements, Accounting, and Reporting

Requirements for all funds:

The Village prepares an annual operating budget, on a modified accrual basis for all Village funds, consistent with generally accepted accounting principles. The Board of Managers may subsequently amend the budget. The budget was amended during fiscal year 2013. For day-to-day management control, expenditures may not exceed budget at the department level.

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposit Policies

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

The Village's 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.

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

At year-end, the carrying amounts of the Village's deposits were $3,766,384 ($3,169,309 unrestricted and $597,375 restricted) and the bank balances totaled $3,941,213. Of the bank balances, the entire amount was either insured by Federal Depository Insurance Corporation (FDIC), or balances exceeding FDIC limits are secured by a surety bond or collateral valued 102 percent of principal and accrued interest. Collateral is to be held by the Village, its agent, or by the pledging institution's trust department or agent in the name of the Village. At year end, the Village's bank balances were not exposed to any custodial credit risk because all deposits were fully collateralized.

Investment Policies

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

NOTE 3 – DEPOSITS AND INVESTMENTS - continued

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

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the Village's investment in a single issuer. Village policy states that, except for obligations of the United States, Village funds in any one institution shall not exceed the lesser of one million dollars or one half of the total of Village funds. Village policy also allows a maximum of $1,500,000 to be invested in MLGIP.

For investments, **custodial credit risk** is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities in the possession of an outside party. At June 30, 2013, all of the Village's investments were insured or registered, invested in US Treasury securities, invested in MLGIP or were collateralized by US securities which were held by the Village's agent in the Village's name.

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

- the Maryland Local Government Investment Pool (MLGIP)
- repurchase agreements collateralized by U.S. Treasury securities
- U.S. Government Agency and U.S. Government-sponsored instrumentalities
- secured certificates of deposit issued by Maryland banks
- 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

NOTE 3 – DEPOSITS AND INVESTMENTS – continued

Investments

At June 30, 2013, the Village had the following investments:

Types of Investments	Fair Value/ Carrying Amount	Cost	Average Credit Quality/ Ratings
MLGIP - unrestricted	$ 207,742	$ 207,742	AAAm
MLGIP - restricted	434,942	434,942	AAAm
Total MLGIP	642,684	642,684	
Certificates of Deposit issued by:			
Congressional Bank	250,000	250,000	N/A
Fairmount Bank	250,000	250,000	N/A
Frederick County Bank	250,000	250,000	N/A
Baltimore County Savings Bank	250,029	250,029	N/A
Midstate Federal Savings & Loan	250,000	250,000	N/A
Monument Bank	250,000	250,000	N/A
OBA Bank	250,000	250,000	N/A
SunTrust Bank	250,000	250,000	N/A
Total Certificates of Deposit	2,000,029	2,000,029	
Money Market	3,192	3,192	
	$ 2,645,905	$ 2,645,905	
Pension Trust Fund - mutual funds	$ 1,628,680	$ 1,628,680	N/A

Note: Ratings are provided where applicable to indicate associated Credit Risk.
N/A indicates not applicable.

NOTE 4 – RECEIVABLES

Accounts receivable are comprised of the following as of June 30, 2013:

Income taxes	$	284,636
Safe Speed Program		41,467
Total	$	326,103

NOTE 5 – PROPERTY TAX

The Board of Managers holds an annual public hearing no later than May 31, for the residents to voice their opinion on the proposed real and property tax rates and annual budget. After the hearing, the board sets the tax rate by ordinance by May 31. Montgomery County (the County) tax offices are informed of the approved rate and County tax bills have these amounts included on them. Property taxes are levied as of July 1, on property values as of the same date. The rates of levy cannot exceed the constant yield tax rate without public notice and only after public hearings as determined by the Maryland Department of Assessments and Taxation. Village residents pay all property taxes directly to the County. The County then forwards all payments made to the Village office. When taxes are overdue, a lien is placed against the property. The Village believes all property taxes to be fully collectible and makes no allowance for uncollectible property taxes. The Village's real property and personal property tax rates for the year ended June 30, 2013 was $.1005 per $100 of assessed value and $.66 per $100 of assessed value respectively.

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Not being depreciated:				
Brookville land	$ 313,891	$ -	$ -	$ 313,891
Subtotal	313,891	-	-	313,891
Depreciable capital assets:				
Street and sidewalk improvements	2,168,023	980,856	-	3,148,879
Village building and improvements	2,571,458	314,467	-	2,885,925
Furniture and fixtures	300,883	-	-	300,883
Vehicles and equipment	646,493	8,327	-	654,820
Subtotal	5,686,857	1,303,650	-	6,990,507
Total capital assets	6,000,748	1,303,650	-	7,304,398
Accumulated depreciation:				
Street and sidewalk improvements	63,796	66,461	-	130,257
Village building and improvements	1,213,630	50,575	-	1,264,205
Furniture and fixtures	296,095	1,998	-	298,093
Vehicles and equipment	480,860	124,496	-	605,356
Subtotal, accumulated depreciation	2,054,381	243,530	-	2,297,911
Net capital assets	$ 3,946,367	$ 1,060,120	$ -	$ 5,006,487

Depreciation was charged to functions as follows:

Government activities:	
General government	$ 119,034
Recreation and culture	8,771
Public works	76,272
Public safety	39,453
Total government activities depreciation expense	$ 243,530

As of June 30, 2013, there were no material construction commitments.

NOTE 7 – DEFINED CONTRIBUTION PLAN

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

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

The trustee held no securities of the Village on behalf of the 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 nondeductible voluntary contributions of up to 10% of their annual compensation to their account balance. Voluntary employee contributions are 100% vested and employer contributions vest at the following rate:

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 $206,270 for the year ended June 30, 2013.

NOTE 8 – DEFERRED COMPENSATION PLAN

The Village offers a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457 to all its employees. The plan permits participating employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property rights purchased with those amounts, and all income attributable to those amounts (until paid or made available to the employee or other beneficiary) shall be held in trust for the exclusive benefit of plan participants and their beneficiaries, and the assets can not be diverted for any other purpose and are not included in the Village's financial statements. The plan is administered by the Hartford Life Insurance Corporation. Employee contributions to the plan for the year ended June 30, 2013 were $23,400.

NOTE 9 – LONG-TERM LIABILITIES

The Village's only long-term liabilities relate to accrued sick leave and accrued vacation. The Village policy is to pay employees meeting certain eligibility requirements one hour wages for each three hours of accumulated sick leave. The Village may pay employees for compensatory time. The following summarizes the changes in long-term liabilities for the year ended June 30, 2013.

Compensated Absences	Balance July 1, 2012	Increase / (Decrease)	Balance June 30, 2013	Due within one year
Accrued sick leave	$ 110,843	$ 36,026	$ 146,869	$ -
Accrued vacation	164,031	(686)	163,345	-
Accrued compensatory time	42,700	(12,670)	30,030	-
Total	$ 317,574	$ 22,670	$ 340,244	$ -

NOTE 10 – CONCENTRATION OF REVENUES

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

NOTE 11 – RISK MANAGEMENT

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

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

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

Premiums are charged to the Village's General Fund, with no provision made for claim liability in addition to premiums, unless an assessment is made by the Trust. There have been no assessments during the year ended June 30, 2013 and the amounts of settlements have not exceeded coverage for each of the past three years. During the year ended June 30, 2013 the Village paid premiums of $16,117 to the Trust.

NOTE 11 – RISK MANAGEMENT - continued

The Village is 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 12 – DEFERRED INFLOWS OF RESOURCES

At June 30, 2013, Chevy Chase Village was advised by the State of Maryland that $284,636 of the Local Income Tax Reserve Fund was allocable to Chevy Chase Village. The Village recorded receivable and deferred inflows of resources of this amount. The change in this unearned amount has been reflected as revenue in the entity-wide statements in accordance with full accrual accounting.

In FY2008, Chevy Chase Village instituted a program to enforce compliance with the posted speed limits in the Village. The program utilizes photographic equipment to capture the license number of vehicles determined to be in violation of the posted limits. *SafeSpeed* revenues are recognized when received.

NOTE 13 – CHEVY CHASE OPEN SPACE

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

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

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

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Grants

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

NOTE 15 – FUND BALANCE REPORTING

Fund balances for the Village's governmental funds consisted of the following as of June 30, 2013:

Restricted Fund Balances

All fund balances in the special revenue fund are restricted to public safety purposes. At June 30, 2013, this amount was $793,675.

Unassigned Fund Balances

All fund balances in the general fund are unassigned. At June 30, 2013, this amount was $5,416,865.

NOTE 16 – SAFESPEED CAMERA REVENUES

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

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

As of June 30, 2013, the Village has determined that $0 is due to the State Comptroller as a result of this law.

NOTE 17 – NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued the following statements:

Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62,* issued March 2012, effective for financial statements for periods beginning after December 15, 2012.

Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25,* issued June 2012, effective for financial statements for fiscal years beginning after June 15, 2013.

Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* issued June 2012, effective for fiscal years beginning after June 15, 2014.

Statement No. 69, *Government Combinations and Disposals of Government Operations,* issued January 2013, effective for fiscal years beginning after December 15, 2013.

Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees,* issued April 2013, effective for fiscal years beginning after June 15, 2013.

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

CHEVY CHASE VILLAGE, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES AND EXPENDITURES - UNAUDITED
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Revenues				
Taxes	$ 2,922,500	$ 2,922,500	$ 3,562,956	$ 640,456
Intergovernmental	209,995	209,995	227,741	17,746
Interest income	25,000	25,000	23,417	(1,583)
Miscellaneous	512,557	512,557	399,738	(112,819)
Total Revenues	$ 3,670,052	$ 3,670,052	$ 4,213,852	$ 543,800
Expenditures				
Administration	$ 579,887	$ 523,220	$ 496,302	$ 26,918
Public safety	835,527	835,527	827,126	8,401
Communications	298,827	298,827	269,372	29,455
Capital projects department	64,762	67,262	68,414	(1,152)
Special projects	707,200	720,700	504,064	216,636
Facilities, infrastructure, and equipment acquisitions	294,135	299,985	274,262	25,723
Total Expenditures	$ 2,780,338	$ 2,745,521	$ 2,439,540	$ 305,981
Excess (deficiency) of revenues over expenditures	$ 889,714	$ 924,531	$ 1,774,312	$ 849,781

CHEVY CHASE VILLAGE, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES AND EXPENDITURES - UNAUDITED
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Special Revenue Fund			
	Original Budget	Final Budget	Actual	Variance
Revenues				
Safe speed citations	$ 1,800,000	$ 1,800,000	$ 1,583,976	$ (216,024)
Interest income	10,000	10,000	4,091	(5,909)
Total Revenues	$ 1,810,000	$ 1,810,000	$ 1,588,067	$ (221,933)
Expenditures				
Administration	$ 131,562	$ 115,729	$ 78,516	$ 37,213
Public safety	1,952,591	2,025,091	2,005,193	19,898
Public works	8,000	8,000	-	8,000
Communications	85,654	85,654	90,081	(4,427)
Capital projects department	69,578	72,078	59,529	12,549
Special projects	737,200	735,700	831,958	(96,258)
Facilities, infrastructure, and equipment acquisitions	72,220	72,220	68,469	3,751
Total Expenditures	$ 3,056,805	$ 3,114,472	$ 3,133,746	$ (19,274)
Excess (deficiency) of revenues over expenditures	$ (1,246,805)	$ (1,304,472)	$ (1,545,679)	$ (241,207)

CHEVY CHASE VILLAGE, MARYLAND
SCHEDULE OF REVENUES
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2013

	Final Budget	Actual - General Fund	Budget Favorable (Unfavorable)
REVENUES			
Taxes			
Real estate	$ 1,072,500	$ 1,096,439	$ 23,939
State income taxes	1,850,000	2,466,517	616,517
Total Taxes	2,922,500	3,562,956	640,456
From Other Governments			
State of Maryland			
Highway user revenue	16,995	18,816	1,821
State police aid	108,000	108,401	401
Montgomery County			
Duplicative services	85,000	100,524	15,524
Total From Other Governments	209,995	227,741	17,746
Miscellaneous			
Investment income	25,000	23,417	(1,583)
Building rent	86,057	88,887	2,830
Fees, licenses and permits	45,750	67,198	21,448
Other income	380,750	243,653	(137,097)
Total Miscellaneous	537,557	423,155	(114,402)
Total Revenues	$ 3,670,052	$ 4,213,852	$ 543,800

CHEVY CHASE VILLAGE, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Final Budget	Actual	Budget Favorable (Unfavorable)
Administration			
Personnel			
Salaries	$ 251,349	$ 257,008	$ (5,659)
Employer obligations	20,298	20,443	(145)
Employee benefits	57,965	50,549	7,416
Organizational development	16,600	16,053	547
Operations			
Communications	5,950	4,818	1,132
Community relations	27,000	29,200	(2,200)
General expenditures	27,660	25,868	1,792
Insurance	5,700	4,893	807
Professional services	82,833	62,666	20,167
Service contracts	11,915	9,377	2,538
Supplies	6,000	5,643	357
Vehicle operations	750	-	750
Equipment maintenance and repair	500	-	500
Computer and technical support	8,700	9,784	(1,084)
Total Administration	523,220	496,302	26,918

CHEVY CHASE VILLAGE, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND - continued
FOR THE YEAR ENDED JUNE 30, 2013

	Final Budget	Actual	Budget Favorable (Unfavorable)
Public Works			
Personnel			
Salaries	$ 378,935	$ 379,886	$ (951)
Employer obligations	44,262	52,580	(8,318)
Employee benefits	101,880	100,190	1,690
Contracts labor/staff	10,000	5,472	4,528
Organizational development	250	-	250
Operations			
Communications	3,950	3,475	475
Disposal and recycling	249,000	235,746	13,254
General expenditures	1,500	1,443	57
Insurance	4,000	2,973	1,027
Weather events	14,000	4,261	9,739
Small tools and shop supplies	5,000	1,897	3,103
Vehicles - operations	22,000	38,518	(16,518)
Equipment maintenance and repair	750	685	65
Total Public Works	835,527	827,126	8,401

CHEVY CHASE VILLAGE, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND - continued
FOR THE YEAR ENDED JUNE 30, 2013

	Final Budget	Actual	Budget Favorable (Unfavorable)
Communications			
Personnel			
Salaries	$ 203,136	$ 183,334	$ 19,802
Employer obligations	15,242	18,296	(3,054)
Employee benefits	60,484	48,373	12,111
Organizational development	225	430	(205)
Operations			
Communications	2,090	1,926	164
General expenditures	150	30	120
Service contracts	13,850	11,910	1,940
Supplies	1,500	3,292	(1,792)
Equipment purchases maintenance and repair	250	465	(215)
Computer and technical support	1,900	1,316	584
Total Communications	298,827	269,372	29,455
Special Projects			
Wohlfarth	10,200	2,010	8,190
Building modifications	280,000	288,342	(8,342)
Server upgrade	6,000	8,758	(2,758)
Security system	6,000	-	6,000
Resident survey	8,500	300	8,200
Street maintenance	350,000	170,506	179,494
Boilers	30,000	26,125	3,875
Electronic archiving	30,000	8,023	21,977
Total Special Projects	720,700	504,064	216,636
Capital Projects Department			
Personnel			
Salaries	46,092	47,658	(1,566)
Employer obligations	3,535	3,532	3
Employee benefits	13,325	14,182	(857)
Organizational development	1,150	-	1,150
Operations			
Communications	1,210	1,436	(226)
Insurance	200	179	21
Professional services	500	-	500
Supplies	550	1,227	(677)
Equipment purchases maintenance and repair	100	200	(100)
Vehicles - operations	200	-	200
Computer and technical support	400	-	400
Total Capital Projects Department	67,262	68,414	(1,152)

CHEVY CHASE VILLAGE, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND - continued
FOR THE YEAR ENDED JUNE 30, 2013

	Final Budget	Actual	Budget Favorable (Unfavorable)
Facilities, Infrastructure and Equipment Acquisitions			
Village Hall			
Systems & Structures	$ 20,850	$ 17,018	$ 3,832
Insurance	3,275	2,289	986
Service contracts	21,000	17,101	3,899
Supplies	4,000	3,296	704
Utilities	27,360	30,631	(3,271)
Equipment repair and maintenance	1,000	-	1,000
Total Village Hall	77,485	70,335	7,150
Parks, Trees and Greenspace			
Utilities	1,750	970	780
Equipment repair and maintenance	500	-	500
Supplies	250	552	(302)
Grounds and amenities	62,300	37,841	24,459
Service contracts	1,700	4,250	(2,550)
Tree programs	116,000	127,943	(11,943)
Total Parks, Trees, and Greenspace	182,500	171,556	10,944
Streets, Walks, Drains, and Lights			
Utilities	40,000	32,371	7,629
Total Streets, Walks, Drains, and Lights	40,000	32,371	7,629
Total Facilities, Infrastructure, and Equipment Acquisitions	299,985	274,262	25,723
Total Expenditures	$ 2,745,521	$ 2,439,540	$ 305,981

CHEVY CHASE VILLAGE, MARYLAND
SCHEDULE OF REVENUES
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2013

	Final Budget	Actual	Budget Favorable (Unfavorable)
REVENUES			
Safe Speed citations	$ 1,800,000	$ 1,583,976	$ (216,024)
Investment interest	10,000	4,091	(5,909)
Total Revenues	$ 1,810,000	$ 1,588,067	$ (221,933)

CHEVY CHASE VILLAGE, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Final Budget	Actual	Budget Favorable (Unfavorable)
EXPENDITURES			
Department Services			
General government	$ 115,729	$ 78,516	$ 37,213
Police	2,025,091	2,005,193	19,898
Communications	85,654	90,081	(4,427)
Public works	8,000	-	8,000
Capital projects	72,078	59,529	12,549
Total Department Services	2,306,552	2,233,319	73,233
Facilities, Fleet and Infrastructure			
Village Hall	15,000	6,115	8,885
Parks, Trees & Greenspace	57,220	62,354	(5,134)
Total Facilities, Fleet and Infrastructure	72,220	68,469	3,751
Special Projects			
Sidewalk - repairs	8,500	1,025	7,475
Sidewalk - replacement	558,000	528,453	29,547
Street maintenance	103,000	281,897	(178,897)
Street light upgrades	21,000	-	21,000
Vehicle & equipment replacement	-	296	(296)
Other	45,200	20,287	24,913
Total Special Projects	735,700	831,958	(96,258)
Total Expenditures	$ 3,114,472	$ 3,133,746	$ (19,274)