

**CHEVY CHASE VILLAGE, MARYLAND  
FINANCIAL STATEMENTS  
JUNE 30, 2014**

**CHEVY CHASE VILLAGE  
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JUNE 30, 2014**

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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, 2014, 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, 2014, 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 34 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 35 through 41, 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.

*Ambsy+ Associates, LLC*

September 23, 2014

**CHEVY CHASE VILLAGE, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

The management of Chevy Chase Village (the "Village") consists of the elected Board of Managers and the Village Manager. As management, we offer readers this narrative overview and analysis of the financial activities of the Village for the fiscal year ended June 30, 2014. 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, 2014 and June 30, 2013.

	2014	2013
<u>Assets</u>		
Cash, investments and receivables	\$ 7,914,252	\$ 6,738,692
Capital assets, net of depreciation	5,426,051	5,006,487
	13,340,303	11,745,179
Deferred Outflows of Resources	-	-
<u>Liabilities</u>		
Payables and other current obligations	157,103	202,049
Long term obligations	361,848	340,244
	518,951	542,293
Deferred Inflows of Resources	-	-
<u>Net Position</u>		
Net investment in capital assets	5,426,051	5,006,487
Restricted for Safe Speed Program approved projects	-	793,675
Unrestricted net position	7,395,301	5,402,724
	12,821,352	11,202,886
<u>Total Net Position</u>	12,821,352	11,202,886
<u>Total Liabilities, Deferred Inflows of Resources, and Net Position</u>	\$ 13,340,303	\$ 11,745,179

**CHEVY CHASE VILLAGE, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

**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, 2014 and June 30, 2013.

<b>Change in Net Position</b>		<b>(Full Accrual Basis)</b>	
		<u>Governmental Activities</u>	
		<u>2014</u>	<u>2013</u>
Program revenues			
Charges for services	1,833,596	1,894,141	
Operating grants and contributions	264,910	227,741	
	<u>2,098,506</u>	<u>2,121,882</u>	
General revenues			
Property and income taxes			
levied for general purposes	3,866,003	3,424,449	
<i>SafeSpeed</i> program investment earnings	1,215	4,091	
Unrestricted investment earnings	23,202	23,417	
	<u>3,890,420</u>	<u>3,451,957</u>	
Total revenues	<u>5,988,926</u>	<u>5,573,839</u>	
Expenses			
Police and communications	2,382,809	2,480,004	
Public works, parks, and recreation	1,120,668	1,331,442	
Administration and special projects	866,983	724,390	
Total expenses	<u>4,370,460</u>	<u>4,535,836</u>	
Loss on disposal of fixed assets	-	-	
Change in net position	1,618,466	1,038,003	
Net position, beginning of year	11,202,886	10,164,883	
Net position, end of year	12,821,352	11,202,886	

**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.

**CHEVY CHASE VILLAGE, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

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 through 41. 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	\$ 3,866,402	\$ 4,550,631	\$ 684,229
Expenditures	2,907,456	2,604,094	303,362
Excess of revenue over expenditures	<u>\$ 958,946</u>	<u>\$ 1,946,537</u>	<u>\$ 987,591</u>

**Management's Discussion**

The Village enjoys a strong financial position. The Village has substantial reserves, enough to cover 1.7 times operating expenses just from our reserves alone. In recent years the Village has benefited from income from the *SafeSpeed* Program, a photo speed 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 2015 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.

**CHEVY CHASE VILLAGE, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

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 2014 were 21% higher than budgeted and were \$202,427 or 8.2% higher than fiscal 2013's collections. Income tax revenues for fiscal 2015 are budgeted at \$2,600,000 or almost 2.6% lower than fiscal 2014's actual receipts in an effort to maintain a conservative projection for the 2015 budget.

Overall General Funds Revenues

The general fund's budget projected total revenues of \$3,866,402. The Village received \$684,229 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.

SafeSpeed Program

The Village has maintained a *SafeSpeed* Program since fiscal 2008. The citations collected in fiscal 2014, including current and delinquent citations, were \$1,345,487 which is lower than fiscal 2013 representing a 15% 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 2014, the Village Board decided to use *SafeSpeed* funds to directly fund the Village's public safety expenditures. This decision was made because the use of *SafeSpeed* revenues and reserves is restricted to public safety expenditures, while the general income and reserves can be used for any authorized governmental 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.

Overall Expenses

The Village's overall operating expenses came in 5% below budget for FY 2014. This was due to lower than budgeted legal expenses for the year and conservative spending by Village management. Our Special Projects came in under budget by \$769,609. This was due to deferring the street light upgrades and the Village-wide street maintenance to Fiscal Year 2015.

Budget Modifications During FY2014

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. Below are budget modifications approved by the Board of Managers during fiscal year 2014:

**CHEVY CHASE VILLAGE, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

Vehicle Replacement	\$	80,000
Village Hall Security System		21,000
Post Office Lease Commission		<u>11,709</u>
	\$	112,709

Capital Assets

The Village's Total Net Position at June 30, 2014 totaled \$12,821,353 of which \$5,426,051 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, 2014, 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 2014 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, 2014 include the following:

New Sidewalks	\$	399,346
New Village Security System		21,555
Street Light Upgrades		23,589
Police Cruisers		57,353
Public Works Truck		30,693
Western Grove Park		<u>49,157</u>
	\$	581,693

**CHEVY CHASE VILLAGE, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

Next Year

The costs of general and *SafeSpeed* operations in fiscal year 2015 are expected to be \$4,522,613. Based on the budget initially approved by the Board of Managers, the costs of Capital Projects are expected to be \$3,028,000. Revenues are also budgeted at \$5,444,712 and \$1,392,500, respectively for a total revenue budget of \$6,837,212. 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 2014 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. In addition, due to the strong reserves the Village currently has, the Real Estate tax rate was reduced by 15% for all Village properties.

The Village is pursuing several Capital Projects in fiscal 2015 including the continued development of the Chevy Chase Open Space property (formerly referred to as the Wohlfarth Property); the fourth phase of a 4-year project to replace Village sidewalks; an aggressive program to repave all of the Villages streets; new larger-capacity recycling totes for all Village households; an engineering hydrology study of Laurel Park; replacement of the Village's streetlight network with light emitting diode (LED) fixtures; new crime fighting technology and equipment; and major repairs and maintenance to the Village Hall.

**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 33.

**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, 2014**

	Governmental Activities
<b>ASSETS</b>	
Current Assets	
Cash and cash equivalents - unrestricted	\$ 4,088,924
Cash and cash equivalents - restricted	105,819
Investments	3,211,212
Amounts due from other governments	375,196
Accounts receivable, net of allowances	133,101
Total Current Assets	7,914,252
Noncurrent Assets	
Net capital assets	5,426,051
Total Noncurrent Assets	5,426,051
<b>TOTAL ASSETS</b>	<b>13,340,303</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 13,340,303</b>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable and accrued expenses	\$ 148,245
Amounts held in escrow and deposit	8,858
Total Current Liabilities	157,103
Noncurrent Liabilities	
Compensated absences	361,848
Total Noncurrent Liabilities	361,848
<b>TOTAL LIABILITIES</b>	<b>518,951</b>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	-
<b>NET POSITION</b>	
Net investment in capital assets	5,426,051
Unrestricted	7,395,301
<b>TOTAL NET POSITION</b>	<b>12,821,352</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 13,340,303</b>

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, 2014**

**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, 2014**

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$ 3,775,443	\$ -	\$ 3,775,443
Safe speed citations	-	1,345,487	1,345,487
Intergovernmental	264,910	-	264,910
Fees, licenses, and permits	54,044	-	54,044
Rents	92,669	-	92,669
Interest income	23,202	1,215	24,417
Miscellaneous	340,363	-	340,363
<b>Total Revenues</b>	<b>4,550,631</b>	<b>1,346,702</b>	<b>5,897,333</b>
<b>Expenditures</b>			
Administration	632,754	83,802	716,556
Public safety	554,642	1,452,670	2,007,312
Public works	825,719	352	826,071
Communications	290,428	48,548	338,976
Facilities, infrastructure, and equipment	175,964	76,894	252,858
Capital outlay	124,587	502,060	626,647
<b>Total Expenditures</b>	<b>2,604,094</b>	<b>2,164,326</b>	<b>4,768,420</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>1,946,537</b>	<b>(817,624)</b>	<b>1,128,913</b>
<b>Other financing sources (uses)</b>			
Transfers	-	-	-
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	<b>1,946,537</b>	<b>(817,624)</b>	<b>1,128,913</b>
<b>Fund balance, beginning of year</b>	<b>5,416,865</b>	<b>793,675</b>	<b>6,210,540</b>
<b>Fund balance, end of year</b>	<b>\$ 7,363,402</b>	<b>\$ (23,949)</b>	<b>\$ 7,339,453</b>

*Net Change in Fund Balances - Total Governmental Funds*      \$    1,128,913

Increase in Safe Speed Program uncollected revenues do not use current financial resources and are not reported as revenue in the funds.      4,287

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.      419,564

Changes in deferred inflows of resources relating to income taxes do not use current financial resources and are not reported as revenue in the funds.      87,306

Difference between accrual and modified accrual in accounting for compensated absences.      (21,604)

*Change in Net Position of Governmental Activities*      \$    1,618,466

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

**CHEVY CHASE VILLAGE, MARYLAND  
STATEMENT OF FIDUCIARY NET POSITION  
PENSION TRUST FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

<b>ASSETS</b>	
Cash and cash equivalents	\$ -
Investments, at fair value	1,804,587
Due from other funds	-
Total assets	1,804,587
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
	-
 <b>LIABILITIES</b>	
Accounts payable	-
Total liabilities	-
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
	-
 <b>NET POSITION</b>	
Held in trust for pension benefits	1,804,587
Total net position	\$ 1,804,587

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, 2014**

**ADDITIONS**

Contributions		
Employer	\$	206,270
Plan member		-
Total contributions		<u>206,270</u>
Investment Income		
Net increase in fair value of investments		121,699
Interest		-
Net investment income		<u>121,699</u>
Total additions		327,969
 <b>DEDUCTIONS</b>		
Distributions		(152,062)
Administrative expenses		-
		<u>(152,062)</u>
<b>Net increase</b>		175,907
<b>Net position held in trust for pension benefits, beginning of year</b>		<u>1,628,680</u>
<b>Net position held in trust for pension benefits, end of year</b>	<b>\$</b>	<b><u><u>1,804,587</u></u></b>

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

**CHEVY CHASE VILLAGE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**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 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.

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.

**CHEVY CHASE VILLAGE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

**Basis of Accounting**

**Government-Wide Financial Statements**

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

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting including the reclassification or elimination of internal activity (between 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.

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.

**CHEVY CHASE VILLAGE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

**Fund Financial Statements**

Fund financial statements report detailed information about the Village. The focus of governmental and enterprise financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

**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.

**CHEVY CHASE VILLAGE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**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, 2014 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, 2014 consist of *SafeSpeed* camera citations totaling \$394,567. The Village recognizes an allowance for doubtful accounts to ensure that speed camera receivables are not overstated due to uncollectability. At June 30, 2014, the allowance for doubtful accounts in the special revenue fund is \$352,067. The resulting accounts receivable – net of allowances at June 30, 2014 is \$42,500.

**CHEVY CHASE VILLAGE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**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.

**CHEVY CHASE VILLAGE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

**Deferred Outflows and Inflows of Resources**

A deferred outflow of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Likewise, a deferred inflow of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

As of June 30, 2014, the balance of deferred inflows of resources consisted of income taxes in the general fund of \$375,196 and *SafeSpeed* camera citations in the special revenue fund of \$42,500.

**Local Tax Reserve Fund**

At June 30, 2014, the Village was advised by the State of Maryland that \$375,196 of the Local Tax Reserve Fund was allocable to the Village. The Village recorded receivable and deferred inflows of resources in the amount of \$375,196 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, 2014, the liability to Village employees for accrued annual and sick leave was \$361,848 based on the wage rates in effect during the fiscal year.

**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.

**CHEVY CHASE VILLAGE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

**Equity Classifications**

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

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

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

**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.

**CHEVY CHASE VILLAGE, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

The Village considers restricted fund balances to be spent for governmental expenditures first when both restricted and unrestricted resources are available. The Village also considers committed fund balances to spend first when 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 2014. 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.

**CHEVY CHASE VILLAGE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 3 – DEPOSITS AND INVESTMENTS - continued**

**Deposits**

**Custodial credit risk** for deposits is the risk that in the event of a bank failure, the Village's deposits may not be returned or the Village will not be able to recover collateral securities in the possession of an outside party. The Village's policy requires deposits to be insured by FDIC, and balances exceeding FDIC limits be secured by a surety bond or collateral valued 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 \$4,194,443 (\$4,088,624 unrestricted and \$105,819 restricted) and the bank balances totaled \$4,328,511. 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.

**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.

**CHEVY CHASE VILLAGE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 3 – DEPOSITS AND INVESTMENTS – continued**

For investments, **custodial credit risk** is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities in the possession of an outside party. At June 30, 2014, 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

**CHEVY CHASE VILLAGE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 3 – DEPOSITS AND INVESTMENTS – continued**

**Investments**

At June 30, 2014, the Village had the following investments:

Types of Investments	Fair Value/ Carrying Amount	Cost	Average Credit Quality/ Ratings
MLGIP - unrestricted	\$ 1,207,894	\$ 1,207,894	AAAm
MLGIP - restricted	192	192	AAAm
 Total MLGIP	 1,208,086	 1,208,086	
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	 3,097	 3,097	
	<u>\$ 3,211,212</u>	<u>\$ 3,211,212</u>	
 Pension Trust Fund - mutual funds	 <u>\$ 1,804,587</u>	 <u>\$ 1,804,587</u>	 N/A

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

**CHEVY CHASE VILLAGE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 4 – RECEIVABLES**

Accounts receivable are comprised of the following as of June 30, 2014:

Income taxes	\$ 375,196
Property taxes	90,601
Safe Speed Program	42,500
Total	<u>\$ 508,297</u>

**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, 2014 was \$.1002 per \$100 of assessed value and \$.66 per \$100 of assessed value respectively.

**CHEVY CHASE VILLAGE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 6 – CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended June 30, 2014 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	3,148,879	423,669	-	3,572,548
Village building and improvements	2,885,925	70,713	-	2,956,638
Furniture and fixtures	300,883	-	-	300,883
Vehicles and equipment	654,820	132,265	-	787,085
Subtotal	6,990,507	626,647	-	7,617,154
Total capital assets	7,304,398	626,647	-	7,931,045
Accumulated depreciation:				
Street and sidewalk improvements	130,257	84,017	-	214,274
Village building and improvements	1,264,205	55,389	-	1,319,594
Furniture and fixtures	298,093	4,005	-	302,098
Vehicles and equipment	605,356	63,672	-	669,028
Subtotal, accumulated depreciation	2,297,911	207,083	-	2,504,994
Net capital assets	\$ 5,006,487	\$ 419,564	\$ -	\$ 5,426,051

Depreciation was charged to functions as follows:

Government activities:	
General government	\$ 143,411
Recreation and culture	8,649
Public works	20,795
Public safety	34,228
Total government activities depreciation expense	<u>\$ 207,083</u>

As of June 30, 2014, there were no material construction commitments.

**CHEVY CHASE VILLAGE, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 7 – DEFINED CONTRIBUTION PLAN**

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. The Village has implemented this standard as of July 1, 2013.

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:

<u>Vesting Service</u>	<u>Vesting Percentage</u>
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 \$181,299 for the year ended June 30, 2014.

**CHEVY CHASE VILLAGE, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**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 cannot 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, 2014 were \$22,500.

**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, 2014.

<u>Compensated Absences</u>	<u>Balance July 1, 2013</u>	<u>Increase / (Decrease)</u>	<u>Balance June 30, 2014</u>	<u>Due within one year</u>
Accrued sick leave	\$ 146,869	\$ 17,483	\$ 164,352	\$ -
Accrued vacation	163,345	1,828	165,173	-
Accrued compensatory time	30,030	2,293	32,323	-
Total	<u>\$ 340,244</u>	<u>\$ 21,604</u>	<u>\$ 361,848</u>	<u>\$ -</u>

**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.

**CHEVY CHASE VILLAGE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**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, 2014 and the amounts of settlements have not exceeded coverage for each of the past three years. During the year ended June 30, 2014 the Village paid premiums of \$19,785 to the Trust.

The Village is insured for worker's compensation through the Chesapeake Employers' Insurance Company. 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, 2014, Chevy Chase Village was advised by the State of Maryland that \$375,196 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.

**CHEVY CHASE VILLAGE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**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, 2014:

**Unassigned Fund Balances**

All fund balances in the general fund are unassigned. At June 30, 2014, this amount was \$7,363,402.

As of June 30, 2014, the balance of the special revenue fund was \$(23,949).

**CHEVY CHASE VILLAGE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**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, 2014, 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. 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. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*, issued November 2013, effective for fiscal years beginning after June 15, 2014.

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.

**NOTE 18 – FUND BALANCE DEFICIT**

At June 30, 2014, the Special Revenue Fund had a deficit in total fund balance of \$(23,949). Subsequent to June 30, 2014, management eliminated this deficit by a transfer of funds from the General Fund to the Special Revenue Fund.

**CHEVY CHASE VILLAGE, MARYLAND**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF REVENUES AND EXPENDITURES - UNAUDITED**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<b>General Fund and Special Revenue Fund</b>		<b>Actual</b>	<b>Variance</b>
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>Revenues</b>				
Taxes	\$ 3,283,100	\$ 3,283,100	\$ 3,775,443	\$ 492,343
Safe speed citations	1,500,000	1,500,000	1,345,487	(154,513)
Intergovernmental	215,892	215,892	264,910	49,018
Interest income	25,000	25,000	24,417	(583)
Miscellaneous	347,410	347,410	487,076	139,666
<b>Total Revenues</b>	<u>\$ 5,371,402</u>	<u>\$ 5,371,402</u>	<u>\$ 5,897,333</u>	<u>\$ 525,931</u>
<b>Expenditures</b>				
Administration	\$ 823,312	\$ 823,312	\$ 716,556	\$ 106,756
Public safety	2,069,643	2,069,643	2,007,312	62,331
Public works	848,764	848,764	826,071	22,693
Communications	370,353	370,353	338,976	31,377
Special projects	1,252,000	1,353,000	583,391	769,609
Facilities, infrastructure, and equipment acquisitions	330,345	342,054	296,114	45,940
<b>Total Expenditures</b>	<u>\$ 5,694,417</u>	<u>\$ 5,807,126</u>	<u>\$ 4,768,420</u>	<u>\$ 1,038,706</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>\$ (323,015)</u>	<u>\$ (435,724)</u>	<u>\$ 1,128,913</u>	<u>\$ 1,564,637</u>

Note: The Village passes one budget with the General and SafeSpeed Funds combined. The schedules on pages 35 through 41 reflect a breakout of separate budgets for the two funds that is used internally for management purposes.

**CHEVY CHASE VILLAGE, MARYLAND  
SCHEDULE OF REVENUES  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Final Budget</u>	<u>Actual - General Fund</u>	<u>Budget Favorable (Unfavorable)</u>
<b>REVENUES</b>			
<b>Taxes</b>			
Real estate	\$ 1,083,100	\$ 1,106,519	\$ 23,419
State income taxes	2,200,000	2,668,924	468,924
<b>Total Taxes</b>	<u>3,283,100</u>	<u>3,775,443</u>	<u>492,343</u>
<b>From Other Governments</b>			
State of Maryland			
Highway user revenue	17,892	54,902	37,010
State police aid	108,000	109,484	1,484
Montgomery County			
Duplicative services	90,000	100,524	10,524
<b>Total From Other Governments</b>	<u>215,892</u>	<u>264,910</u>	<u>49,018</u>
<b>Miscellaneous</b>			
Investment income	20,000	23,202	3,202
Building rent	87,060	92,669	5,609
Fees, licenses and permits	27,100	54,044	26,944
Other income	233,250	340,363	107,113
<b>Total Miscellaneous</b>	<u>367,410</u>	<u>510,278</u>	<u>142,868</u>
<b>Total Revenues</b>	<u>\$ 3,866,402</u>	<u>\$ 4,550,631</u>	<u>\$ 684,229</u>

**CHEVY CHASE VILLAGE, MARYLAND  
SCHEDULE OF EXPENDITURES  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

	Final Budget	Actual	Budget Favorable (Unfavorable)
<b>Administration</b>			
Personnel			
Salaries	\$ 359,029	\$ 322,894	\$ 36,135
Employer obligations	30,400	26,231	4,169
Employee benefits	106,390	91,801	14,589
Organizational development	24,014	20,721	3,293
Operations			
Communications	6,371	5,497	874
Community relations	35,221	30,391	4,830
General expenditures	40,757	35,168	5,589
Insurance	8,425	7,270	1,155
Professional services	90,000	66,686	23,314
Service contracts	7,175	6,191	984
Supplies	8,561	7,177	1,384
Equipment maintenance and repair	1,969	1,699	270
Computer and technical support	15,000	11,028	3,972
<b>Total Administration</b>	<u>733,312</u>	<u>632,754</u>	<u>100,558</u>
<b>Public Safety</b>			
Personnel			
Salaries	425,920	391,699	34,221
Employer obligations	37,654	34,016	3,638
Employee benefits	113,459	102,495	10,964
Organizational development	1,500	1,368	132
Operations			
Communications	2,400	2,168	232
General expenditures	10,000	9,741	259
Insurance	250	236	14
Professional services	1,500	1,250	250
Service contracts	1,000	519	481
Supplies	1,000	756	244
Vehicle operations	18,440	9,819	8,621
Equipment maintenance and repair	100	17	83
Computer and technical support	750	558	192
<b>Total Public Safety</b>	<u>613,973</u>	<u>554,642</u>	<u>59,331</u>

**CHEVY CHASE VILLAGE, MARYLAND**  
**SCHEDULE OF EXPENDITURES**  
**BUDGET AND ACTUAL - GENERAL FUND - continued**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Final Budget	Actual	Budget Favorable (Unfavorable)
<b>Public Works</b>			
Personnel			
Salaries	\$ 377,398	\$ 367,784	\$ 9,614
Employer obligations	54,552	53,134	1,418
Employee benefits	124,623	121,383	3,240
Contracts labor/staff	7,627	7,429	198
Operations			
Communications	2,460	2,396	64
Disposal and recycling	200,008	194,808	5,200
General expenditures	2,349	2,288	61
Insurance	3,747	3,650	97
Weather events	30,000	28,458	1,542
Small tools and shop supplies	1,500	1,122	378
Vehicles - operations	43,000	42,881	119
Equipment maintenance and repair	500	386	114
<b>Total Public Works</b>	<u>847,764</u>	<u>825,719</u>	<u>22,045</u>

**CHEVY CHASE VILLAGE, MARYLAND**  
**SCHEDULE OF EXPENDITURES**  
**BUDGET AND ACTUAL - GENERAL FUND - continued**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Final Budget	Actual	Budget Favorable (Unfavorable)
<b>Communications</b>			
Personnel			
Salaries	\$ 210,338	\$ 190,690	\$ 19,648
Employer obligations	19,048	17,269	1,779
Employee benefits	65,684	59,549	6,135
Organizational development	1,613	1,462	151
Operations			
Communications	3,212	2,912	300
General expenditures	50	25	25
Service contracts	15,643	14,182	1,461
Supplies	3,169	2,873	296
Equipment purchases maintenance and repair	1,096	997	99
Computer and technical support	500	469	31
<b>Total Communications</b>	<u>320,353</u>	<u>290,428</u>	<u>29,925</u>
<b>Special Projects</b>			
Wohlfarth	50,000	49,157	843
Security system	21,000	15,486	5,514
Telephone recording system	14,000	16,688	(2,688)
<b>Total Special Projects</b>	<u>85,000</u>	<u>81,331</u>	<u>3,669</u>

**CHEVY CHASE VILLAGE, MARYLAND**  
**SCHEDULE OF EXPENDITURES**  
**BUDGET AND ACTUAL - GENERAL FUND - continued**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Final Budget	Actual	Budget Favorable (Unfavorable)
<b>Facilities, Infrastructure and Equipment Acquisitions</b>			
<b>Village Hall</b>			
Systems & Structures	\$ 12,480	\$ 11,262	\$ 1,218
Insurance	3,750	3,585	165
Service contracts	27,382	24,609	2,773
Supplies	2,500	2,128	372
Utilities	42,822	38,643	4,179
Equipment repair and maintenance	500	480	20
<b>Total Village Hall</b>	<u>89,434</u>	<u>80,707</u>	<u>8,727</u>
<b>Parks, Trees and Greenspace</b>			
Communications	-	120	(120)
Utilities	1,000	937	63
Grounds and amenities	48,400	24,819	23,581
Service contracts	5,000	3,047	1,953
Tree programs	75,720	40,258	35,462
<b>Total Parks, Trees, and Greenspace</b>	<u>130,120</u>	<u>69,181</u>	<u>60,939</u>
<b>Streets, Walks, Drains, and Lights</b>			
Utilities	42,500	26,076	16,424
<b>Total Streets, Walks, Drains, and Lights</b>	<u>42,500</u>	<u>26,076</u>	<u>16,424</u>
<b>Vehicle and Equipment Replacement</b>			
Equipment purchase	16,000	15,718	282
Public safety			
Capital outlay	9,000	8,845	155
Public works			
Capital outlay	20,000	18,693	1,307
<b>Total Vehicle and Equipment Replacement</b>	<u>45,000</u>	<u>43,256</u>	<u>1,744</u>
<b>Total Facilities, Infrastructure, and Equipment Acquisitions</b>	<u>307,054</u>	<u>219,220</u>	<u>87,834</u>
<b>Total Expenditures</b>	<u>\$ 2,907,456</u>	<u>\$ 2,604,094</u>	<u>\$ 303,362</u>

**CHEVY CHASE VILLAGE, MARYLAND  
 SCHEDULE OF REVENUES  
 BUDGET AND ACTUAL - SPECIAL REVENUE FUND  
 FOR THE YEAR ENDED JUNE 30, 2014**

<b>REVENUES</b>	<u>Final Budget</u>	<u>Actual</u>	<u>Budget Favorable (Unfavorable)</u>
Safe Speed citations	\$ 1,500,000	\$ 1,345,487	\$ (154,513)
Investment interest	5,000	1,215	(3,785)
<b>Total Revenues</b>	<u>\$ 1,505,000</u>	<u>\$ 1,346,702</u>	<u>\$ (158,298)</u>

**CHEVY CHASE VILLAGE, MARYLAND  
SCHEDULE OF EXPENDITURES  
BUDGET AND ACTUAL - SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

	Final Budget	Actual	Budget Favorable (Unfavorable)
<b>EXPENDITURES</b>			
Department Services			
General government	\$ 90,000	\$ 83,802	\$ 6,198
Police	1,455,670	1,452,670	3,000
Communications	50,000	48,548	1,452
Public works	1,000	352	648
<b>Total Department Services</b>	<u>1,596,670</u>	<u>1,585,372</u>	<u>11,298</u>
Facilities, Fleet and Infrastructure			
Village Hall	10,000	9,555	445
Parks, Trees & Greenspace	70,000	67,339	2,661
<b>Total Facilities, Fleet and Infrastructure</b>	<u>80,000</u>	<u>76,894</u>	<u>3,106</u>
Special Projects			
Sidewalk - repairs	5,000	734	4,266
Sidewalk - replacement	428,000	399,346	28,654
Street maintenance	371,000	-	371,000
Street light upgrades	308,000	23,589	284,411
Vehicle & equipment replacement	84,000	60,508	23,492
Other	27,000	17,883	9,117
<b>Total Special Projects</b>	<u>1,223,000</u>	<u>502,060</u>	<u>720,940</u>
<b>Total Expenditures</b>	<u>\$ 2,899,670</u>	<u>\$ 2,164,326</u>	<u>\$ 735,344</u>